

K3 capital  
group plc

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group plc

**ANNUAL  
REPORT  
2018**



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WE ARE DELIGHTED TO REPORT THAT K3 CAPITAL GROUP PLC HAS ACHIEVED SIGNIFICANT ORGANIC GROWTH WITH RECORD REVENUES AND PROFITS IN FY18.

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# BUSINESS HIGHLIGHTS



**CONTINUED GROWTH  
ACROSS ALL THREE  
TRADING BRANDS**



**ONGOING DELIVERY OF  
OUR 'BIGGER & BETTER'  
STRATEGY**



**CREATION OF NEW  
SUBSIDIARY**



**LEVERAGING TECHNOLOGY  
TO FUEL OUR GROWTH**

**IMPROVING KPI'S ACROSS  
ALL BUSINESS STREAMS**



**NUMBER ONE ADVISOR  
FOR UK DEAL VOLUME -  
THOMSON REUTERS 2017 &  
H1 2018**



**CONTINUED INVESTMENT IN  
OUR PEOPLE**



# FINANCIAL HIGHLIGHTS

## GROUP REVENUE

2017	£10.8M
2018	£16.5M

**+53%**

## EBITDA

2017	£4.5M
2018	£7.4M

**+64%**

## NET CASH<sup>†</sup>

2017	£3.4M
2018	£7.5M

**+121%**

## EBITDA MARGIN\*

2018  
**45%**  
2017  
**42%**

## EARNINGS PER SHARE

2018  
**14.10P**  
2017\*\*  
**6.59P**

## DIVIDEND PER SHARE

2018\*\*\*  
**11.25P**  
2017\*\*  
**7.19P**

<sup>†</sup> Cash in bank less bank loans  
<sup>\*</sup> EBITDA Margin is calculated as Operating Profit plus depreciation and amortisation, divided by revenue  
<sup>\*\*</sup> 2017 Earnings Per Share & Dividend Per Share are based on 42.2m issued Share Capital at 31 May 2017  
<sup>\*\*\*</sup> 2018 Dividend Per Share includes proposed Final Dividend

# IAN MATTIOLI MBE



IAN MATTIOLI MBE | CHAIRMAN

# CHAIRMAN'S STATEMENT

## INTRODUCTION

I am delighted to report that K3 Capital Group plc has achieved significant organic growth with record revenues and profits in FY18.

Our disruptive business model and proactive approach to targeting clients with larger value potential has seen each Group company achieve pleasing growth. It is a testament to the professionalism and dedication of the Board and management that such results have been achieved and I remain confident that further opportunities for growth remain ahead for the Group.

It is satisfying to report a year of robust growth that has seen revenues increase by 53% to £16.5m (FY17 £10.8m) and EBITDA (note 3) increase by 64%, to £7.4m (FY17 £4.5m). In addition to this, the Group is pleased to report a profit after tax of £6.0m, an increase of 114% (FY17 £2.8m).



**53% INCREASE  
IN GROUP  
REVENUE**



**64% INCREASE  
IN EBITDA**

Throughout the year, K3 has continued to invest in both its sales people and its direct marketing approach, two elements which have culminated in 15% more client mandates in FY18. Non-contingent fee income across the brands has increased by 37% to £7m in FY18 (FY17 £5.1m). This investment, combined with continuing industry recognition has raised our profile and brand awareness throughout the UK.

Our operations departments have also had a successful year with revenue from Group transaction fees increasing by 64% to £9.5m (FY17 £5.8m). These departments have grown as a direct result of investment into people, management and processes and we are delighted with the calibre and dedication of the team who remain focussed on delivering a 'best in class' service to all clients.

Once again, we find ourselves excelling in national league tables, with Thomson Reuters naming us as the most active dealmaker in the Small Cap Financial Advisory review for 2017 and H1 2018. Such accolades are testament to the dedication of the board and employees in having the drive and determination to continue improving KPIs across the Group.

## THE UK'S MOST ACTIVE DEALMAKER H1 2018

RANK	ADVISOR	2018 DEALS	CHANGE
1	<b>KBS Corporate</b>	<b>59</b>	<b>17</b>
2	<b>Rothschild &amp; Co</b>	44	9
3	<b>KPMG</b>	24	-15
4	<b>Benchmark International</b>	23	3
4	<b>RSM Corporate Finance</b>	23	-11
6	<b>Grant Thornton</b>	20	-12
7	<b>Clearwater International</b>	18	-1
8	<b>Oakline</b>	16	-2
9	<b>PricewaterhouseCoopers</b>	15	-10
10	<b>Baker Tilly International</b>	14	-22

Source: Thomson Reuters Small Cap M&A Review - H1 2018



**THOMSON REUTERS**

## FINANCIALS

As reported, revenues for the year stood at £16.5m, an increase of 53% (FY17: £10.8m), and 22% above initial market expectations.

We are pleased to report an EBITDA of £7.4m (FY17 £4.5m), an increase of 64% and 35% above initial market expectations. The Group also enjoyed an increase in Operating Profit of 97% to £7.3m (FY17 £3.7m).

Net cash at the year end stands at £7.5m, an increase of 121% from the previous year (FY17 £3.4m).

Group net assets at FY18 were £8.3m (FY17 £5.4m) with current net assets standing at £4.2m (FY17 £1.5m).



**121% INCREASE  
IN NET CASH**



**180% INCREASE  
IN NET CURRENT  
ASSETS**

Year Ended 31 May 2018		
	2018	2017
	£'000	£'000
EBITDA (before exceptional costs)	<b>7,386</b>	4,463
Depreciation and amortisation of assets	<b>(75)</b>	(56)
AIM listing fees	-	(704)
<b>Operating Profit</b>	<b>7,311</b>	3,703
Finance income (costs)	<b>4</b>	(98)
<b>Profit before taxation</b>	<b>7,315</b>	3,605

As a result of the pleasing results, the Board is delighted to recommend the final payment dividend of 8.4p per share. This results in a total dividend of 11.25p (FY17: 7.19p), a 56% increase.

The Board remains committed to a progressive dividend policy, whilst maintaining an appropriate level of dividend cover. If approved, the final dividend will be paid on 30 October 2018 to shareholders on the register at the close of business on 27 September 2018.

EBITDA MARGIN*	EARNINGS PER SHARE	DIVIDEND PER SHARE
<p>2018</p> <p><b>45%</b></p> <p>2017</p> <p><b>42%</b></p>	<p>2018</p> <p><b>14.10P</b></p> <p>2017**</p> <p><b>6.59P</b></p>	<p>2018***</p> <p><b>11.25P</b></p> <p>2017**</p> <p><b>7.19P</b></p>

\* EBITDA Margin is calculated as Operating Profit plus depreciation and amortisation, divided by revenue  
 \*\* 2017 Earnings Per Share & Dividend Per Share are based on 42.2m issued Share Capital at 31 May 2017  
 \*\*\* 2018 Dividend Per Share includes proposed Final Dividend

## RECOMMENDING A FINAL DIVIDEND OF 8.4P PER SHARE



### SUMMARY

The positive momentum in the business continues to gain pace and the improved performance across all KPIs, coupled with the robust deal pipelines that exist across all three trading brands, lead us to a very positive outlook for FY19 and beyond.

We have seen some significant uplifts in the sales and operational KPIs, and we continue to strive to both develop and train our employees in order to continue these trends.

We are continuing to work hard to deliver additional improvements to the technology and systems which were launched in FY18, which will continue to enhance and partially automate business processes. This will drive further operational efficiencies and we remain excited by the prospects that this offers the Group.

**IAN MATTIOLI MBE**

Chairman

10 September 2018



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THROUGHOUT THE YEAR, K3 HAS CONTINUED TO INVEST IN BOTH ITS SALES PEOPLE AND ITS DIRECT MARKETING APPROACH

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# JOHN RIGBY



JOHN RIGBY | CHIEF EXECUTIVE OFFICER

# CHIEF EXECUTIVE OFFICER'S REPORT

## INTRODUCTION AND HIGHLIGHTS

I am delighted to report on what has been a fantastic year at K3 Capital Group plc. Record revenue and profits have been achieved through continued implementation of our growth strategy, predicated on effective marketing, quality data and professional sales strategies, coupled with a low cost and scalable operating platform. This is driven and supported by K3's continued investment in technology, data segmentation and optimisation and improvements in its marketing and sales processes.

As an innovative and disruptive player within the fragmented business and company sales marketplace, K3 has continued to increase the number of client mandates across the Group, with a particular focus on a qualified service delivery to mandates with an enterprise value in excess of £5m. The Group's success is achieved by carefully monitoring its growth through key performance indicators, including the total volume of mandates, completed transactions and average transaction fees.

K3 Capital outperformed the general market, completing 34% more deals than any other advisor (Thomson Reuters Small Cap M&A Review H1 2018) to maintain its market leading position as the UK's most active deal maker. Amid the current uncertainty around Brexit negotiations and slow economic growth, such success gives me great delight, but also hints at an even brighter future once negotiations to leave the European Union have concluded.



The financial year ending 31 May 2018 has seen the continuing and successful implementation of our strategy to grow revenue across each of our brands. I am very pleased to report that revenue for the Group increased 53% to £16.5m (up from £10.8m in FY17) with revenue in KBS Corporate Finance up 77%, KBS Corporate up 43% and Knightsbridge up 24%.

### GROUP REVENUE



During the year we have successfully implemented a number of initiatives to help propel growth throughout the year. A number of technological advances have launched and began to positively influence activity,

continued investment in our people has led to increases in both capacity and skill sets, and further refinement of sales and marketing activity has further enhanced our ability to target larger value opportunities.

We are delighted to have retained our high standing within industry league tables having been ranked by Thomson Reuters (small cap M&A review by deal volume) as No 1 Advisor for the calendar year 2017 and No 1 Advisor in the first six months of this calendar year (Jan to June 2018).

The year hasn't been without challenges. The introduction of GDPR in May 2018 inevitably meant some minor restructuring and formalising of our procedures, but with the dedication of our internal marketing team, and the professional legal advice received from our solicitors and the Direct Marketing Association, I can report that policies, procedures and training were implemented ahead of the legislation coming into force. We do not believe that the changes implemented will have any ongoing impact on our direct marketing method which remains central to our disruptive model.



I would like to thank my fellow directors and indeed all the staff across the Group for their hard work and dedication over the last 12 months in achieving remarkable growth in both revenue, and EBITDA up 64% to £7.4m FY18 (FY17 £4.5m). Their commitment and hard work in driving through growth initiatives, has brought about even greater momentum both in the volume and quality of new client wins and transactions. The achievements within the financial year speak volumes for the character and professionalism of the entire K3 team.



I am proud to announce that during the financial year we awarded 25 members of staff with share options (the performance period for which commenced on 1 December 2017). This scheme is undoubtedly helping us to retain and attract key talent to the Group and I envisage it continuing to play an important role as we enter our second full year as a PLC.

Our marketing spend has increased in line with our strategy to target and mandate 'bigger and better', higher value clients. The costs of £1.0m (6.1% of turnover) in FY18 compares with £0.9m (8.3% of turnover) in FY17 and has driven new client wins across KBS Corporate Finance, KBS Corporate and Knightsbridge, many of which will convert into transaction fee income as we move into FY19. It is pleasing to see that the investment in marketing is having a positive effect on Return On Investment, demonstrated by decreased marketing costs as a percentage of turnover.



## SALES

The Knightsbridge brand has traded positively across the year allowing us to recruit a further Regional Sales Manager, increasing the team to seven, with further investment into Head Office sales resource. During the financial year we have repositioned the brand, launching Knightsbridge Commercial, in order to focus on the more profitable commercial market, in addition to the 'retail' market, which Knightsbridge has traditionally served.

This has been complemented by increased investment into direct marketing resulting in growth across all main KPIs, monthly appointments increased to 232 in FY18 (FY17 189); monthly fee quotes increased to £294k in FY18 (FY17 £204k) and monthly new mandates increasing by 5%.

### MONTHLY APPOINTMENTS



### MONTHLY FEE QUOTES



### TRANSACTION FEE INCOME



This has delivered a 57% increase in non-contingent fee income to £1.1m in FY18 (FY17 £0.7m). We strongly believe that our approach and dedication to the Knightsbridge Commercial brand will provide additional growth in FY19 and beyond.

### NON-CONTINGENT FEE INCOME



## OPERATIONS

Within the previous financial year we created a separate department to manage commercial instructions under a new Knightsbridge Commercial brand. We are confident that this has improved the customer journey as planned and this re-focus on commercial business have delivered positive KPIs.

The growth across all main KPIs included: monthly buyer enquires increasing to 3,017 in FY18 (FY17 2,965); monthly buyer meetings increased to 224 in FY18 (FY17 200); and monthly offers increased to 45 in FY18 (FY17 35).

### BUYER ENQUIRIES



### BUYER MEETINGS



### OFFERS



We are confident that the strong performance against KPIs and investment in the team will yield a very positive future for the division and will deliver revenue growth in FY19. Transaction Fee Income achieved in FY18 is £518k (FY17 £532k). This marginal decrease (3%) can be attributed to a particularly large transaction that occurred in FY17, when normalised to take this into account, we see a 16% increase in the volume of transactions, and a 28% increase in underlying Transaction Fee Income.



## SALES

FY18 has seen previous investment into sales staff, systems and data produce excellent results. This combined with our continued focus on targeting higher value clients through our 'bigger and better' approach has helped to yield positive growth across all our main KPIs. Monthly new business appointments increased to 285 in FY18 (FY17 239); monthly fee quotes increased to £2.1m FY18 (FY17 £1.3m) and monthly new mandates increased by 24%.



As a result non-contingent fee income has increased by 37% to £5.9m in FY18 (FY17 £4.3m)



## OPERATIONS

Our continuing mantra of targeting and winning higher value client mandates in greater volume, combined with a significant uplift in the number of buyers sourced, due to our ongoing investment into data, research and buyer targeting, has continued to deliver increases in both the volume of transactions completed (30% increase on FY17) and the average fee relating to these transactions increased by 22%. (FY18: £43.1k, up from FY17: £35.2k).

The investment in management, head count and data / systems has delivered some pleasing results across all major operational KPIs. These include monthly Non Disclosure Agreements (NDAs) received increasing to 1,006 in FY18 (FY17 673); monthly buyer meetings increasing to 115 in FY18 (FY17 86) and monthly offers increasing to 36 in FY18 (FY17: 21).



All of the above has resulted in Transaction Fee income increasing by 60% to £2.4m in FY18 (FY17 £1.5m) and we are confident that the investment will deliver further revenue growth and profitability in FY19.





### OPERATIONS

During FY18 our continued strategy of targeting higher value clients has resulted in us winning numerous mandates with profits typically ranging from £2m to £10m, providing us with a strong foundation heading into FY19 and beyond. During the period we increased the number of chartered accountants within the department to 9 (FY17: 5) in order to provide the resource to transact the increased volume of higher value and profile mandates.

 **INCREASE IN HIGH VALUE CLIENTS**

Our ever-improving reputation, successful case studies combined with our sector leading marketing strategy and national sales footprint has resulted in a 78% increase in fee income to £6.6m in FY18 (£3.7m in FY17).

#### TRANSACTION FEE INCOME



**+78%**

During the year the department has continued to gain traction with the following key highlights:



**SECOND SUCCESSFUL INTAKE OF STUDENTS WITHIN THE GRADUATE ACADEMY**



**INCREASED THE NUMBER OF CHARTERED ACCOUNTANTS TO 9 (FY17: 5)**



**CONTINUED INCREASE IN PROFITABILITY AND FEE VALUE OF CLIENT PORTFOLIO**

Our Graduate Academy continues to flourish and we selected a further 4 graduates to undertake a work experience year within the Corporate Finance department. This is the third intake since the department was established and I am delighted to report that we have made our first permanent hire from the initial intake of graduates, now that their studies have completed.

## LOOKING AHEAD

Our Group strategy for FY19 is in line with our previously stated strategy of organic growth across all three business streams, continuing to move 'up market' with the average value of deals across all brands. To achieve this we plan to leverage our data, technology and systems to find more sellers, more buyers and complete more transactions than any other UK adviser.

All three brands have started the year strongly and the Group as a whole is trading ahead of market expectations and has strong pipelines in place. Although the timing and certainty of transactions is not guaranteed, we are excited by the prospects of the current financial year. Whilst we have set a tough comparative year, due to strong performance in FY18 we will strive to continue delivering growth across the Group.

In line with this stated strategy, we have recently formed an FCA regulated subsidiary (KBS Capital Markets Ltd) in order to offer a 'TripleTrack' approach for our clients promoting them to Trade Buyers, Private Equity investors and the potential of an IPO / Flotation. We are excited by the upcoming launch of this new route to market, and expect it to generate quality clients and mandates into the Corporate Finance division throughout FY19.



KBS Capital Markets, through its recently acquired FCA regulation, allows the Group to broaden its service offering by undertaking transactions involving the transfer of clients' minority shares, as well as AIM listings. KBS Capital Markets provides the Group with the vehicle to undertake such transactions when required, which is deemed as low risk from a compliance perspective. We do not envisage a requirement to 'regulate' the other Group companies, which will continue to trade in the existing manner.

Our people remain at the core of our business. We continually strive to recruit high quality; experienced people and we have recently invested in expanding the head office infrastructure to accommodate additional members of staff and further future proof our operations.

We are in the process of refreshing the KBS Corporate brand with an updated website and marketing materials that reflect the advances we

have made as a Group in recent years. We hope that this will underpin and enhance our market leading position as we continue our disruptive approach to the sector.

We continue to make advances in the utilisation of technology to deliver operational efficiencies and improved communication and performance. During the last 12 months our Buyer Matching Engine (BME) has been further developed and is now in the early stages of operation, this is already starting to positively impact the number of buyers (NDAs) into the business and further development has been identified which we feel will significantly impact FY19 and beyond. Our recently launched Mandate Portal allows Private Equity and serial acquirers to easily search and access our portfolio of clients which we hope will allow us to further leverage our strong relationships with buyers as we strive to become the most prominent shop window for both the quality and quantum of acquisition opportunities.

FY18 has also seen the launch of a second valuation portal, [whatismybusinessworth.co.uk](http://whatismybusinessworth.co.uk), to complement the successes of CVS. We expect this to gain traction throughout FY19 and provide a further source of mandates and income into the Group.

**whatismybusinessworth**  
.co.uk

We are excited by the prospects of the coming financial year and look forward to delivering sustainable growth and increasing profitability across the Group.

**JOHN S RIGBY**

Chief Executive Officer

10 September 2018

# ANDREW MELBOURNE



ANDREW MELBOURNE | CHIEF FINANCIAL OFFICER



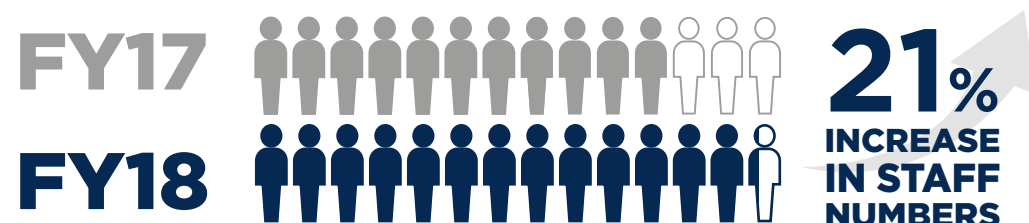
# CHIEF FINANCIAL OFFICER'S REPORT

## INCOME STATEMENT

Following K3's first full year as a listed company, I am delighted to report that Group turnover for the year amounted to £16.5m, an increase of £5.7m (53%) compared to the prior year (2017: £10.8m).

Following on from the continued investment into the transaction delivery teams within the Group, two thirds of turnover growth has come from transaction fee income. The ever-improving success at completing deals, as demonstrated by independent industry league tables, has seen transaction fee income derived from completions increasing by 64% (£3.7m increase).

The year as a whole has seen many internal records broken, and delivers headline increases from FY17 to FY18 of 37% in non-contingent fees, 64% in transaction fees, and 67% in EBITDA. The growth in staff numbers over the year has seen every department strengthened by a total increase of 23 employees from May 2017 to May 2018 (21%), delivering what the Directors believe is a solid platform for the growth plan ahead.



## NON-CONTINGENT FEE INCOME

Recognised Non-Contingent Fee Income (see note 5) grew by 37% to £7.0m, representing a £1.9m increase on the previous year (FY17: £5.1m). The continued revenue recognition policy, in line with IAS 18, sees the recognised figures take into account the contractual nature of new client mandates, and spreads income throughout the life of a contract. Behind this revenue recognition policy are newly instructed and paying clients, referred to internally as 'banked' income. This 'banked' Non-Contingent Fee income has risen to £7.2m in FY18, an increase of £1.9m from FY17 (£5.3m), showing the continued success of the sales and marketing team.

This increase has once again come from a combination of targeting and winning an increased quantity and quality of client mandates, as the Group on the whole moves upstream, underlined by the new 'Knightsbridge Commercial' offering towards the end of the year. The

year ends with the average retainer fee increasing by 21%, and average monthly instructions raising by 15% - again demonstrating the continued strategy of growing both the volume and value of instructions.

In the 2017 report, it was announced that the increase in the national sales team was expected to generate around 27% more capacity in diary time, increasing the national footprint of the Group and allowing more client appointments, therefore more non-contingent fee income. This 27% increase has delivered a 37% increase in revenue, whilst FY18 closes with the same number of regional Directors, the recruitment drive in FY19 will look to increase capacity further, and the Directors believe this will continue to demonstrate the highly scalable nature of the business.



## TRANSACTION FEE INCOME

Knightsbridge Transaction Fee Income has remained flat year on year, with £0.5m turnover delivered in FY18 (FY17: £0.5m). However FY17, as typical to most years prior, saw the completion of a large deal from the team, delivering a large transaction fee. FY18 did not see such a transaction, though when the largest transaction fee is removed from the prior year, underlying turnover is up 28% from the core business. The number of transactions in the department has increased by 16% in the year, and it is expected that the launch of Knightsbridge Commercial will see average transaction fee income rise given the value of businesses coming to market.

KBS Corporate Sales have seen a 30% increase in the volume of transactions in the year, and also a 22% increase in the average fee value - further demonstrating the continuous strategy of delivering more transactions at a higher average value. This has seen transaction fee income rise by £0.9m to £2.4m in FY18 (FY17 £1.5m), a 60% increase. The revenue growth has been delivered following a significant investment in the levels of service being offered to corporate clients. This can be demonstrated with increased staff numbers from FY17 to the date of this report, detailing a 57% increase in the number of Corporate Researchers, 43% increase in the number of Corporate Document Writers, and a 38% increase in the number of Corporate Deal Executives. The combined additional resources have led to increased volumes of Non Disclosure Agreements received from buyers, with more pro active targeting and handling of buyers, delivering more buyer meetings, offers, and completions. With continued investment planned in terms of technological advances in the contacting of buyers, the Directors

believe that this trend should continue and further scale the department upwards.

Transaction Fees in KBS Corporate Finance have increased by 78% to £6.6m in FY18 (FY17: £3.7m), as a continued result of our strategy to move upstream. The year has seen a significant increase in the expected value of clients coming to market, following the 'high profit' targeted marketing campaigns. Off the back of several high value transactions, marketing activities have been successful in attracting new mandates with potential fee levels well above current averages. The department now has nine Chartered Accountants/Corporate Financiers transacting deals (FY17: 5) demonstrating the significant resources being invested into delivering a first class service for this level of client mandate.

As a Group, the average Transaction Fee has risen by 41%, also seeing the total number of transactions rising by 18% – more transactions at a higher average value, continuing the 'bigger and better' strategy. Whilst FY18 has seen a continuation of larger Corporate Finance transactions, it is noted that when the largest fee is removed from FY18 and FY17, there is still an increase of 40% on the average Transaction Fee, underlining the Group wide growth strategy with increased averages throughout.

## MARKETING COSTS

Group marketing spend has increased by 11% in FY18 to £1.0m (FY17 £0.9m), primarily due to increases in the volume and quality of direct and digital marketing. Continued investment into 'high profit' mailings, utilising high quality, glossy marketing brochures and success stories to potential large clients, has seen great success with new Corporate Finance mandates won in the year. This increased spend has also been incurred in maintaining the pro-active approach to finding buyers, with more mailings and emailing taking place.

## OVERHEAD COSTS

Overheads have once more increased in FY18 by £2.0m to a total of £8.2m (FY17: £6.2m). Breaking these down into two components, overheads excluding wages have increased by less than 2% in the year, a testimony to the culture throughout the Group of driving value and continuously monitoring costs.

The vast majority of the increase in overheads has been derived from Group wages, increasing from £4.0m in FY17 to £6.6m in FY18, with

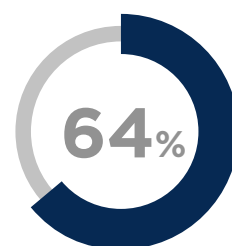
the year end headcount standing at 133, a 21% increase (FY17: 110). Reassuringly, however, despite the increase in staff numbers and general salary increases, the Group ethos of keeping employees driven to earn through performance rather than basic salary, sees the variable payroll cost (bonuses) in FY18 equate to 44% of overall payroll (FY17 48%). There have been pay increases through the Group and some senior appointments that have eroded this variable as a percentage, however the remuneration model remains unchanged therefore the overall quantum of bonus payments linked to success will continue to grow in line with turnover.

Considering the sheer volume of new starters, it is pleasing to note that average length of service has increased from 2.5 years to 2.7 years for those in employment at Year End. During the year, the Group has been re-accredited as Investors In People and has adopted several new employee benefit schemes to retain and attract high quality staff to the Group.



## EBITDA

As a result of the continued strong trading performance in the year, reported EBITDA has increased by £2.9m (64%) to £7.4m in FY18 (2017: £4.5m). EBITDA margin has also increased to 45% (2017: 41%), underlining the potential growth in profitability with continued success at retaining and transacting clients.



**INCREASE IN EBITDA  
(FY17 - FY18)**

## TAXATION

The pre-exceptional effective tax rate is 18.6% which is marginally lower than the prior year (FY17: 19.1%) reflecting the reduction in the standard rate of Corporation Tax.

## EARNINGS PER SHARE

Based on the closing 42.2m shares in circulation, the basic earnings per share (see note 14) was 14.1p for the year. This represents an increase of 114% on FY17 when using the same 42.2m shares in circulation at FY17 year end, that delivered a basic earnings per share of 6.6p.



**INCREASE IN EARNINGS PER SHARE**

## STATEMENT OF FINANCIAL POSITION

### CASH

The Group cash balances continues to grow and ends the year with £7.5m (FY17: £3.8m). The Group business model is highly cash generative as Non-Contingent Fee income is typically paid in advance of services, although is recognised in the accounts over a period of time. With wages being processed at the end of each month, and bonus payments being made after receipt of income, this leaves minimal requirement for working capital in the business. This year has seen only one exceptional cash movement in the year, being the £0.4m repayment of legacy bank borrowings to leave the Group debt free.

It is noted that, whilst a £7.5m cash balance appears high, once a provision for corporation tax, VAT and PAYE (£1.8m), and a provision for a final dividend (£3.5m) are taken into account, this leaves a free balance of £2.2m, approximately 3 months total overheads, which the Directors feel is sufficient liquidity for the Group.

By exception, other points of note with regard to the statement of financial position are:

- Significant increase in other taxation and social security due to quantum of year end bonuses for the Group processed in May payroll
- Trade receivables/payables are subject to the timing of transactions and recognised income around the reporting date (see notes 18 & 21)
- Deferred income continues to grow in line with Non-Contingent Fee income to underpin future turnover (see note 24)
- Borrowings repaid in full during the financial year

## RISKS AND UNCERTAINTIES

Management consider the following issues to be the principal risks potentially affecting the business:

Risk: [Personnel](#)

Management consider there could be a risk to the Group growth strategy should it fail to retain or attract effective personnel.

Mitigation:

Subsequent to the AIM floatation, key members of staff were granted share options as part of an LTIP as an incentive to retain talent within the Group, this was widened within the financial year under an additional scheme to bring a total of 31 employees into the schemes. The performance periods under these schemes commenced 1 June 2017 and 1 December 2017, and both run for 3 year cycles. There are currently 1,745,633 shares granted to staff under the scheme (4.14% of total shares)

In addition, K3 Capital Group has continued to search for employee wellbeing incentives and during the year has established a Death In Service policy for all members of staff. Post year end, a Healthcare Plan and Employee Discount Scheme have been introduced, effective from FY19. This, combined with regular social events, is deemed to be sufficient for improving and maintaining the attractiveness of employment within the Group, however Directors regularly review opportunities to improve.

Risk: [Regulation](#)

With exception of KBS Capital Markets Ltd, K3 Capital Group predominantly operates within a partially unregulated market place and relies on a specific exemption from FCA in order to trade without regulation. It is deemed vital by management that the core of the Group continues to trade unregulated.

Mitigation:

The new client terms distributed through the financial year make it explicitly clear that the main Group trading entities are not FCA regulated and are not able to offer advice on minority share sales. There has been an internal team established to monitor all transactions in Heads of Agreement to ensure that the 50% threshold is not breached, whilst at the same time, our legal partners have been written to asking to inform the Group if a transaction falls below this level.

An additional mitigation to this risk, comes from the newly regulated vehicle, KBS Capital Markets Limited. FCA approval was gained post year end and, as all Group contracts have the right to assign a client to Group companies, this will allow K3 to act on minority share sales and AIM listings in the future, where required. This provides greater flexibility when operating around regulated markets.

**Risk: Data Protection**

There was a large change in May 2018 in respect of data protection that could have threatened the marketing capabilities of businesses who were not prepared. The General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679) is a regulation by which the European Parliament, the Council of European Union and the European Commission intend to strengthen and unify data protection for the individuals within the European union (EU) and covers firms that hold client data.

**Mitigation:**

Following the commissioning of a taskforce to comply with GDPR, there has been a significant amount of effort provided by our legal partners and the marketing team to ensure full compliance for the May deadline. All staff have been trained, which is ongoing, new procedures have been established, and all breaches are reported at plc board meetings to ensure that the matter is taken seriously.

**Risk: Economical & Political**

Macroeconomic conditions such as government regulation, political instability or recession could cause volatility in the UK economy. The wider economic impacts of the outcome of the EU referendum may also be felt throughout the UK economy.

**Mitigation:**

The continued Group policy of sourcing both clients and buyers from all sectors and industries, across all geographic regions of the UK is expected to sufficiently spread this risk of downturn in individual markets or areas. All income is derived from a diverse portfolio of clients, across a broad range of sectors.

The economic impacts of the outcome of the EU referendum will be monitored and mitigated where possible by the Board with the appropriate action being taken in a timely manner.

**SHAREHOLDERS' DIVIDEND**

The Board is recommending a final dividend of 8.40 pence per ordinary share payable to shareholders on the register at 27 September 2018. The final dividend, together with the January interim dividend of 2.85p, gives an indicative total dividend of 11.25 pence per share for the year, representing a 56% increase on the prior year (2017: 7.19 pence).

On admission, the Board outlined an intention to pay approximately 80% of the Group's post tax profits for the year weighted 1/3 on interim results and 2/3 on final results. The 8.4p final dividend represents 79.8% of the Group's post tax profits for the year.

Going forwards, the Board expects to maintain a progressive dividend policy in line with its stated strategy.



**FINAL DIVIDEND OF 8.40p PER SHARE**

**SHARE PRICE**

The K3 Capital Group plc share price closed the financial year at 318.0 pence, an increase of 164% on the 31 May 17 closing price of 120.5 pence.

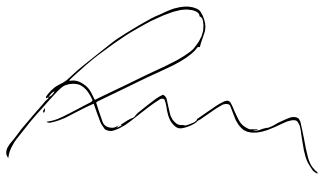


## GOING CONCERN

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

## STRATEGIC REPORT

The Strategic Report on pages 4 to 21 was approved by the Board of Directors on 10 September 2018 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Andrew Melbourne', with a large, stylized initial 'A'.

**ANDREW MELBOURNE**

Chief Financial Officer  
10 September 2018

# BOARD OF DIRECTORS



**IAN MATTIOLI MBE**  
NON-EXECUTIVE CHAIRMAN

Ian has over 30 years' experience in the financial services sector, and co-founded the Mattioli Woods Group in 1991 where he is the Chief Executive Officer and remains responsible for the vision and operational management of the Group. Ian has been awarded an MBE and also won the London Stock Exchange AIM Entrepreneur of the Year award in 2007.

Ian was appointed on the 11 April 2017 upon AIM floatation and is a member of the Audit, Remuneration and Nomination committees.



**JOHN RIGBY**  
CHIEF EXECUTIVE OFFICER

John joined the Group in 2000 following a career in commercial and corporate banking. John has over 18 years of operational, sales and commercial management experience within the sector and developed the national sales infrastructure of the Group. John became Managing Director of the Group in 2010 and has been responsible for driving growth and is integral in the development of the low cost, process driven delivery platform.



**ANDREW MELBOURNE FCMA**  
CHIEF FINANCIAL OFFICER

Andrew joined the Group in 2012 following ten years in various financial accounting roles across various industries including media, leisure and property management. Andrew possesses strong financial, strategy and commercial management skills including HR, IT and special projects. Andrew is a fellow of the Chartered Institute of Management Accountants and has an MSC in Strategic Financial Management. Andrew was voted North West Young Finance Director of the Year at the North West Finance Awards in 2016.



**TONY FORD (FCA)**  
EXECUTIVE VICE-CHAIRMAN

Tony is a chartered accountant and experienced corporate financier. He founded K3 and led its investment in KBS in 2007. He was subsequently responsible for the overall strategic direction of the Group and, previously as Chairman, he oversaw a period of strong growth and internal development. Tony possesses significant directorship experience across a broad range of industries including corporate finance, financial services, technology and business services.



**STUART LEES (FCA)**  
EXECUTIVE DIRECTOR

Stuart joined K3 as a Non-Executive Director in September 2015 to assist with the development of the strategic direction of the Group, becoming an Executive Director in July 2017. Stuart is a highly respected corporate financier and was previously Managing Director of Altium and head of corporate finance at Arthur Andersen in the UK. Stuart has a wealth of business experience and held the position of Group CEO of Latium Holdings Limited from 2004 to 2009 acquiring Ultraframe plc, Spectus Systems, Kestrel Building Products and the successful disposal of Everest Home Improvements.



**MARTIN ROBINSON (FCA)**  
NON-EXECUTIVE DIRECTOR

Martin is a highly experienced private and public company director with over 30 years' experience in financial services. He has previously served on the board of a number of the subsidiary companies of AIM-quoted Brooks Macdonald Group Plc, the integrated wealth management group. Martin is a Fellow of the Institute of Chartered Accountants in England and Wales and was previously on the AIM Advisory Committee as a founder member, overseeing the development and regulation of the market in 1995. Martin was appointed to the K3 Capital Group board on 17 July 2017 and is a member of the Audit, Remuneration and Nomination committees.

# DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Group for the year ended 31 May 2018.

The directors who served the Company during the year and to the date of this report were as follows:

I T Mattioli  
A J Ford  
J Rigby  
A R Melbourne  
S Lees  
W M Robinson (appointed 17 July 2017)

## ATTENDANCE AT MEETINGS

	Board	Audit	Remuneration
I T Mattioli	6/6	2/2	1/1
W M Robinson *	5/5	2/2	1/1
S Lees *	6/6	-	-
A J Ford	6/6	-	-
J S Rigby	6/6	-	-
A R Melbourne	6/6	-	-

\* On 17 July 2017, S Lees stepped down as a Non Executive Director to become an Executive Director, with W M Robinson being newly appointed Non Executive Director in replacement.

## TIME COMMITMENTS OF DIRECTORS

The Group embraces the benefits that are brought from a Board with a range of business backgrounds and experiences. The Board also recognises that it is imperative that Board members dedicate sufficient time to the Company

Ian Mattioli's time commitment to K3 averages 1-2 days per month.

Martin Robinson's time commitments to K3 averages 1-2 days per month

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Business risks and uncertainties are included within the Chief Financial Officer's Report on pages 19 to 21 and financial risks are set out in notes 4 and 27 to the financial statements.

## DIRECTORS' REMUNERATION

Directors' remuneration payable in year ended 31 May 2018:

£000	Salary & Fees	Benefits in Kind	Bonus payable in respect of FY18	Pension Contributions	Total FY18	Total FY17
I T Mattioli	74	-	-	-	74	10
A J Ford	160	-	360	1	521	126
J S Rigby	225	2	169	1	397	247
A R Melbourne	84	8	60	1	153	104
S Lees	41	-	60	-	101	60
W M Robinson	24	-	-	-	24	-
<b>Total</b>	<b>608</b>	<b>10</b>	<b>649</b>	<b>3</b>	<b>1,270</b>	<b>547</b>

Bonuses which are not guaranteed accrue to the executive directors and certain senior executives based on pre-determined performance targets. Bonuses disclosed as payable in respect of the year are paid in May.

## EMPLOYEES

At K3 Capital Group, we recognise that we need to attract, motivate and develop good quality people. As a Company we aim to become one of the employers of choice within the local area and to be recognised as an organisation where you can work in a challenging and rewarding environment whilst having fun, developing a career and growing with the business.

As a Company, we value the following:

- Honesty and integrity
- Energy and enthusiasm
- A strong desire to satisfy our customers
- New and innovative ideas
- Commitment and loyalty
- Common sense and intelligence
- People who strive to succeed in whatever they do
- Ambition

We aim to provide a professional, friendly and safe work environment where our colleagues can develop as individuals and as part of the



winning team, sharing the rewards of our success. The Group's policy is to recruit and promote on the basis of aptitude and ability without discrimination of any kind. Applications for employment by disabled people are always fully considered bearing in mind the qualification and abilities of the applicants. In the event of employees becoming disabled, every effort is made to ensure their continued employment.

## POLITICAL DONATIONS

There were no political donations in either FY18 or FY17.

## SHARE CAPITAL AND SHARE STRUCTURE

Details of the share capital, together with details of the movements in the share capital during the year, are shown in note 26 to the accounts.

The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. There are no other classes of share capital. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

## SHARE OPTIONS

The Directors consider that an important part of the Group's remuneration policy should include equity incentives through the grant of share options to Directors and employees. Accordingly, the Company has adopted an Option Plan. On admission, a total of 7 employees were awarded options at the admission price subject to performance criteria, totalling 2.5% of the enlarged share capital.

In January 2018, a 2nd wave of awards were granted to an additional 25 key employees of the Group consisting of 1.2% of the enlarged share capital of the Group. The performance criteria was identical to that of the first plan, with targets for Earnings Per Share and Total Shareholder Return over the 3 year period.

At May 2018, there were a total of 31 current employees (23% of May 2018 Group employees) participating in the Option Plans with a combined grant of 4.0% of the enlarged share capital of the Group.

Prior to Admission, it was the intention of Directors to open a Save

As You Earn share scheme, however a subsequent investigation of employee appetite and administration costs delivered the conclusion it was not appropriate at this time to open the scheme. This was reviewed in the current financial year, whilst costs have been reduced, appetite is still not sufficient to justify the costs. This will continue to be reviewed periodically.

It is the intention of the Directors to grant further options to current and future employees of the Group. Following Admission, the maximum number of Ordinary Shares which will be subject to options granted to Directors and employees under the Option Plan, ShareSave Plan and any other employee share plan adopted by the Company will not exceed 10 per cent. of the Company's issued share capital from time to time in any rolling 10 year period.

## HEALTH, SAFETY AND THE ENVIRONMENT

The Directors consider the health, safety and environmental protection aspects of the business to be of great importance, in addition to the prevention of any personal injury, avoidance of damage to health and the protection of the environment, which are important business and social responsibilities. Management practices within the Group are designed to ensure so far as is reasonably practicable, the health, safety and welfare at work of employees, contractors and visitors and the implementation of environmentally aware and friendly policies.

## CORPORATE GOVERNANCE

As an AIM listed company, the Directors recognise the importance of applying sound governance principles in the successful running of the Group. Although not required to do so, the Directors have sought to embrace the principles contained in the UK Corporate Governance Code (2016) where appropriate.

The Directors are mindful of the changes to the governance requirements for AIM listed companies and given the size and nature of the Company and composition of the Board intend, in so far as is practical and appropriate, to formally adopt and adhere to the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code) and will report accordingly in the next annual report and on the K3 website by the end of September 2018.

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AT K3 CAPITAL GROUP, WE RECOGNISE THAT WE NEED  
TO ATTRACT, MOTIVATE AND DEVELOP GOOD QUALITY  
PEOPLE

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## THE BOARD

The Board comprises a Non-Executive Chairman, four Executive Directors and one Non-Executive Director. Their names and biographical details are set out on pages 22 and 23. The Board considers the Non-Executive Director, WM Robinson, to be independent. The posts of Chairman and Chief Executive are held by different individuals. The Chairman is responsible for the Board and the Chief Executive for the operating performance of the Group.

The Board is scheduled to meet four times each year, with additional meetings called if required. The Board's main responsibilities are to agree Group strategy, approve annual budgets, review management performance, financial results, board appointments and dividend policy. A comprehensive board pack is distributed to all directors prior to each scheduled Board meeting. Directors are able, if necessary, to take independent professional advice, at the Group's expense, in the furtherance of their duties. The Board has delegated specific responsibilities to Audit, Remuneration, and Nomination Committees.

## REMUNERATION COMMITTEE

The Remuneration Committee is chaired by I T Mattioli, its other member is W M Robinson. The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the Non-executive Directors of the Company are set by the Board. Details of directors' remuneration are set out in the directors' report on page 24.

## AUDIT COMMITTEE

The Audit Committee is chaired by W M Robinson, its other member is I T Mattioli.

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It receives and reviews reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee meets at least twice a year and has unrestricted access to the Company's auditors.

## NOMINATIONS COMMITTEE

The Nominations Committee is chaired by I T Mattioli, its other member is W M Robinson. The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board, performance of Board members, induction of new directors, appointment of committee members and succession planning for senior management. The Nomination committee is responsible for evaluating the balance of skills, knowledge, diversity and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the Board on such matters. The Nomination Committee prepares a description of the role and capabilities required for a particular appointment. The Nomination Committee meets formally at least twice a year and otherwise as required.

## SUMMARY OF DIRECTORS INTERESTS IN THE COMPANY

A summary of directors' interests in the Company are shown in the table below. All figures relate to shares owned outright.

Director	Class of Share	Shareholding at end of Year	Shareholding at start of Year
I T Mattioli	Ordinary	637,825	398,318
A J Ford	Ordinary	7,597,895	8,442,105
J S Rigby	Ordinary	7,597,895	8,442,105
A R Melbourne	Ordinary	464,802	657,854
S Lees	Ordinary	800,000	800,000
W M Robinson	Ordinary	36,900	-

## SCHEME INTERESTS AND OUTSTANDING SHARE AWARDS

Director	Description	Options Granted during the Year	Outstanding interest at 31 May 2018	Outstanding interest at 31 May 2017
Andrew Melbourne	LTIP Option	108,511	325,531	217,020

The above Share Option scheme has a performance period which commenced on 1 June 2017.

## AUDITORS

In accordance with Section 489 of the Companies Act 2006 a resolution will be proposed at the Annual General Meeting that BDO LLP be re-appointed auditors.

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the Company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the Company's auditor is aware of that information.

## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the strategic report and the directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year.

Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the Company and Group for that period.

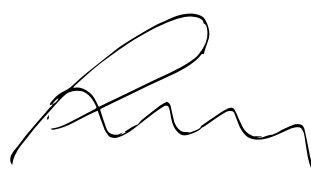
The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. In preparing these financial statements, the directors are required to:

- 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 IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the 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.

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.

By order of the Board



**A R MELBOURNE FCMA**

Company Secretary

10 September 2018

# OUR ADVISORS

## OUR ADVISORS

### **Auditors:**

BDO LLP  
3 Hardman Street  
Spinningfields  
Manchester  
M3 3AT

### **Accountants:**

Beever & Struthers  
St. George's House  
215 - 219 Chester Road  
Manchester  
M15 4JE

### **Solicitors:**

TLT LLP  
3 Hardman Square  
Manchester  
M3 3EB

### **Nominated Advisor and Broker:**

finnCap Ltd  
60 New Broad Street  
London  
EC2M 1JJ

### **Registrars:**

Computershare Investor Services PLC  
The Pavillions  
Bridgwater Road  
Bristol  
BS99 6ZZ

### **Registered Office:**

KBS House  
5 Springfield Court  
Summerfield Road  
Bolton  
BL3 2NT

### **Registered Number:**

06102618

# INDEPENDENT AUDITOR'S REPORT

## OPINION

We have audited the financial statements of K3 Capital Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated and company statement of cash flows 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 financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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) 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. This matter was 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 this matter.

Risk of fraud/misstatement in revenue	How we addressed the Key Audit Matter in the Audit
<p>Refer to the Accounting Policies (from page 42), Note 4 (page 50) and Note 5 (page 51)</p> <p>Total Group revenue is £16.5m (2017 - £10.8m). The Group's significant revenue streams are:</p> <ul style="list-style-type: none"> <li>• a non-contingent fee ("retainer fee") £7.0m (2017: £5.1m) typically paid by clients upon commencement of a contract with the Group, which is deferred and recognised as revenue over the period in which the initially specified services are provided</li> </ul>	<p>In respect of both revenue streams, we reviewed a sample of customer contracts and agreements to determine the service being delivered by the Group.</p> <p>In addition, we ensured that the accounting policy for the two separate elements of revenue has been appropriately applied, by undertaking the following audit procedures in relation to revenue:</p>

<ul style="list-style-type: none"> <li>a contingent fee (“transaction fee”) £9.5m (2017: £5.7m) payable upon the completion of a transaction</li> </ul> <p>The directors are required to estimate the period over which services linked to the retainer fee are to be provided and accordingly recognise revenue based on that estimate. This leads to the deferral of revenue at period ends, which the directors assess for reasonableness based on the stage of completion of services at that point in time.</p> <p>Revenue on the transaction fee element of the contract is only recognised when the outcome of the transaction can be reliably estimated by management, which is on completion of the transaction.</p> <p>In accordance with the auditing standards and in view of the judgements and estimates involved above, as well as management being in a position to be able to override controls, we have presumed a risk of fraud within this area.</p>	<ul style="list-style-type: none"> <li>interrogated the system to identify any manual journals made to revenue to ascertain if any were outside the normal course of business, as well as reviewing the nominal ledger revenue accounts for unusual activity and corroborated evidence to ensure appropriate;</li> <li>performed detailed testing, on a sample basis, of transaction fee revenue across the year to provide evidence for the completeness, existence and accuracy of recorded transactions;</li> <li>performed detailed cut off procedures to test transaction fee income around the year end and verified a sample of transaction fees to originating documentation to provide evidence that transactions were recorded in the correct period;</li> <li>reviewed the design and implementation of controls over the daily/weekly bank reconciliation, which ensures completeness of cash receipts received for the inception of the Group’s retainer services. We tested the operating effectiveness of controls that were identified;</li> <li>performed detailed testing over a sample of retainer arrangements, through verification to agreement and recalculation of the amounts recognised as revenue in the year and deferred at year end are appropriate, with reference to evidencing key service delivery milestones and ensuring management’s revenue recognition policy estimates are accurate;</li> <li>performed detailed cut-off testing to ensure that retainer fee arrangements are recorded in the correct period; and</li> <li>reviewed the year end deferred income balance for completeness and accuracy.</li> </ul>
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## OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a

reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Group materiality	£230,000 (2017: £175,000)
Basis for materiality	3 year average basis utilising 5% of profit before tax, after adjusting for AIM listing fees incurred in 2017, which were classified as exceptional items.
Rationale for the benchmark adopted	Pre-tax profit after adjusting for non-recurring items is determined to be a stable basis of assessing business performance and is considered to be a significant determinant of performance used by shareholders. A 3 year average approach has been utilised given the significant growth in profit before tax in this three year period and to ensure relative consistency in the level of materiality applied to audit work each year

In considering individual account balances and classes of transactions we apply a lower level of materiality (performance materiality) in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at £172,500 (2017: £120,000), representing 75% (2017: 70%) of materiality. The performance materiality threshold was selected based on the expected low level of misstatements and the relatively low number of accounts that are subject to management estimation.

Component materiality ranged from £172,500 to £92,000 (2017: £125,000 to £75,000) with a similar restriction of 75% for performance materiality (2017: 70%). Parent Company materiality was £165,000 (2017: £100,000).

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £11,500 (2017: £8,750). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

# INDEPENDENT AUDITOR'S REPORT

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level.

The Group manages its operations from one location in the UK, and has common financial systems, processes and controls covering all significant components. The audit of all significant components was performed by the same audit team.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, our Group audit scope focused on the Group's significant components: KBS Corporate Sales Limited and KBS Corporate Finance Limited, which were subject to a full scope audit. Together with the Parent Company and its Group consolidation, which was also subject to a full scope audit, these components represent the principal business units of the Group and account for 90.4% of the Group's revenue, 92.8% of the Group's profit before tax and 92.2% of the Group's net assets.

The remaining trading component of the Group was considered to be non-significant (Knightsbridge Business Sales Limited accounts for 9.6% Group turnover, 7.2% Group profit before tax and 8% Group Net Assets) and this component was principally subject to limited scope procedures, together with additional substantive testing over certain audit risk areas. The Group's newly formed subsidiary KBS Capital Markets Limited has not traded in the year and was subject to limited scope procedures only.

## 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.

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

apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

## MATTERS OF WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



## RESPONSIBILITIES OF DIRECTORS

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

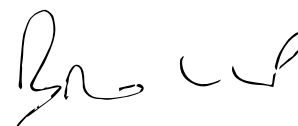
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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.



Julien Rye (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Manchester, United Kingdom  
10th September 2018

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

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2018

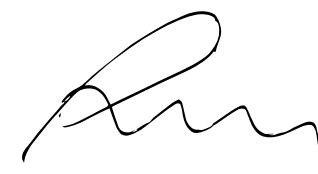
Year Ended 31 May 2018			
		2018	2017
	Note	£'000	£'000
<b>Revenue</b>	5	<b>16,485</b>	10,816
Distribution Costs		<b>(979)</b>	(913)
Administration expenses		<b>(8,195)</b>	(6,200)
<b>EBITDA (before exceptional costs)</b>		<b>7,386</b>	4,463
Depreciation of tangible assets		<b>(69)</b>	(47)
Amortisation of intangible assets		<b>(6)</b>	(9)
AIM listing fees		-	(704)
<b>Operating Profit</b>	7	<b>7,311</b>	3,703
Finance income		<b>9</b>	2
Finance costs	12	<b>(5)</b>	(100)
<b>Profit before taxation</b>		<b>7,315</b>	3,605
Taxation	13	<b>(1,362)</b>	(823)
<b>Profit and total other comprehensive income for the financial year</b>		<b>5,953</b>	2,782
<b>Attributable to the owners of the Company</b>		<b>5,953</b>	2,782
<b>Earnings per share:</b>	14		
Basic EPS		<b>£0.14</b>	£0.27
Diluted EPS		<b>£0.14</b>	£0.27

All the activities of the Group are from continuing operations

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MAY 2018

31 May 2018		2018	2017
	Note	£000	£000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	15	<b>3,992</b>	3,978
Property, plant and equipment	16	<b>102</b>	146
<b>Total non-current assets</b>		<b>4,094</b>	4,124
<b>Current assets</b>			
Trade and other receivables	18	<b>199</b>	105
Other assets	20	<b>337</b>	286
Cash and cash equivalents		<b>7,522</b>	3,801
<b>Total current assets</b>		<b>8,058</b>	4,192
<b>TOTAL ASSETS</b>		<b>12,152</b>	8,316
<b>Current liabilities</b>			
Trade and other payables	21	<b>1,589</b>	1,053
Borrowings	22	-	220
Current tax liabilities	23	<b>849</b>	313
Deferred revenue	24	<b>1,416</b>	1,137
<b>Total current liabilities</b>		<b>3,854</b>	2,723
<b>Non-current liabilities</b>			
Borrowings	22	-	211
Deferred tax liabilities	25	<b>23</b>	32
<b>Total non-current liabilities</b>		<b>23</b>	243
<b>TOTAL LIABILITIES</b>		<b>3,877</b>	2,966
<b>NET ASSETS</b>		<b>8,275</b>	5,350
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company:</b>			
Issued capital and share premium	26	<b>2,413</b>	2,413
Capital redemption reserve	28	<b>32</b>	-
Retained Earnings		<b>5,830</b>	2,937
<b>TOTAL EQUITY</b>		<b>8,275</b>	5,350

These financial statements were approved by the board of directors and authorised for issue on 5 September 2018 and are signed on behalf of the board by:



**ANDREW MELBOURNE FCMA**

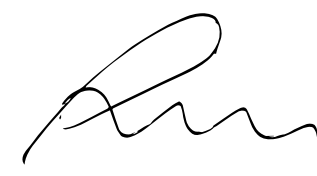
Company Secretary  
10 September 2018

## COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MAY 2018

K3 Capital Group plc (06102618) - 31 May		2018	2017
	Note	£000	£000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	15	1,100	1,100
Investments	17	5,667	5,597
<b>Total non-current assets</b>		<b>6,767</b>	<b>6,697</b>
<b>Current assets</b>			
Trade and other receivables	18	24	18
Other financial assets	19	2,231	-
Other assets	20	68	19
Cash at bank and in hand		109	25
<b>Total current assets</b>		<b>2,432</b>	<b>62</b>
<b>TOTAL ASSETS</b>		<b>9,199</b>	<b>6,759</b>
<b>Current liabilities</b>			
Trade and other payables	21	2,423	482
Borrowings	22	-	220
<b>Total current liabilities</b>		<b>2,423</b>	<b>702</b>
<b>Non-current liabilities</b>			
Borrowings	22	-	211
<b>Total non-current liabilities</b>		<b>-</b>	<b>211</b>
<b>TOTAL LIABILITIES</b>		<b>2,423</b>	<b>913</b>
<b>NET ASSETS</b>		<b>6,776</b>	<b>5,846</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company:</b>			
Issued capital and share premium	26	2,413	2,413
Share-based payments reserve	28	32	-
Retained Earnings		4,331	3,433
<b>TOTAL EQUITY</b>		<b>6,776</b>	<b>5,846</b>

An income statement is not provided for the parent company as permitted by s408 of the Companies Act 2006.  
The profit for the financial year of the parent company was £3,958,000 (2017: £2,126,000)

These financial statements were approved by the board of directors and authorised for issue on 5 September 2018, and are signed on behalf of the board by:



**ANDREW MELBOURNE FCMA**

Company Secretary

10 September 2018

Registered number 06102618

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2018

Year Ended 31 May 2018	Share capital	Share premium	Capital redemption reserve	Share based payments reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 June 2016</b>	-	10	1,500	-	222	<b>1,732</b>
Profit and total comprehensive income for the year	-	-	-	-	2,782	<b>2,782</b>
<b>Transactions with owners</b>						
Issue of ordinary share capital	22	2,078	-	-	-	<b>2,100</b>
Bonus issue of ordinary shares	400	-	-	-	(400)	-
Redemption of preference shares	-	-	1,500	-	(1,500)	-
Cancellation of subscribed capital	-	(10)	(3,000)	-	3,010	-
AIM listing fees	-	(87)	-	-	-	<b>(87)</b>
Dividends	-	-	-	-	(1,177)	<b>(1,177)</b>
<b>Balance at 31 May 2017</b>	422	1,991	-	-	2,937	<b>5,350</b>
Profit and total comprehensive income for the year	-	-	-	-	5,953	<b>5,953</b>
<b>Transactions with owners</b>						
Share based payments	-	-	-	32	-	<b>32</b>
Dividends	-	-	-	-	(3,060)	<b>(3,060)</b>
<b>As at 31 May 2018</b>	422	1,991	-	32	5,830	<b>8,275</b>

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2018

Year Ended 31 May 2018	Share capital	Share premium	Capital redemption reserve	Share-based payments reserve	Retained earnings	Total
	£000	£000	£000		£000	£000
<b>Balance at 1 June 2016</b>	-	10	1,500	-	1,374	<b>2,884</b>
Profit and total comprehensive income for the year	-	-	-	-	2,126	<b>2,126</b>
<b>Transactions with owners:</b>						
Issue of ordinary share capital	22	2,078	-	-	-	<b>2,100</b>
Bonus issue of ordinary shares	400	-	-	-	(400)	-
Redemption of preference shares	-	-	1,500	-	(1,500)	-
Cancellation of subscribed capital	-	(10)	(3,000)	-	3,010	-
AIM listing fees	-	(87)	-	-	-	<b>(87)</b>
Dividends	-	-	-	-	(1,177)	<b>(1,177)</b>
<b>Balance At 31 May 2017</b>	422	1,991	-	-	3,433	<b>5,846</b>
Profit and total comprehensive income for the year	-	-	-	-	3,958	<b>3,958</b>
<b>Transactions with owners:</b>						
Share-based payments	-	-	-	32	-	<b>32</b>
Dividends	-	-	-	-	(3,060)	<b>(3,060)</b>
<b>At 31 May 2018</b>	422	1,991	-	32	4,331	<b>6,776</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2018

Year Ended 31 May 2018			
	Note	2018 £000	2017 £000
<b>Cash flows from operating activities</b>			
Profit for the financial year		5,953	2,782
<i>Adjustments for:</i>			
Depreciation and amortisation	7	75	56
Finance income		(9)	(2)
Finance costs	12	5	100
Income tax expense	13	1,362	823
Expense recognised in respect of equity-settled share-based payments		32	-
		<b>7,418</b>	<b>3,759</b>
<b>Movement in working capital:</b>			
Increase in trade and other receivables	18	(94)	(57)
(Increase) / decrease in other assets	20	(51)	154
Increase in trade and other payables	21	536	266
Increase in deferred revenue	24	279	312
		<b>8,088</b>	<b>4,434</b>
<b>Cash generated from operations</b>			
Finance costs paid		(5)	(25)
Finance income received		9	2
Income taxes paid		(835)	(977)
		<b>7,257</b>	<b>3,434</b>
<b>Net cash from operating activities</b>			
<b>Investing activities</b>			
Purchase of property, plant and equipment	16	(25)	(164)
Proceeds from sale of property, plant and equipment		-	3
Purchase of intangible assets	15	(20)	(34)
Purchase of intangible assets arising from business combinations	15	-	(1,100)
Amounts advanced to related parties	19	-	(600)
Settlement of amounts due from related parties	19	-	1,694
		<b>(45)</b>	<b>(201)</b>
<b>Net Cash used in investing activities</b>			
<b>Financing activities</b>			
Proceeds from issue of shares	26	-	2,100
Payments of share issue costs		-	(87)
Redemption of preference shares	23	-	(1,500)
Repayment of bank borrowings	22	(431)	(224)
Dividends paid to owners of the Company	30	(3,060)	(1,177)
Dividends paid on preference shares classed as liabilities	30	-	(75)
		<b>(3,491)</b>	<b>(963)</b>
<b>Net cash used in financing activities</b>			
<b>Net increase in cash and cash equivalents</b>		<b>3,721</b>	<b>2,270</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>3,801</b>	<b>1,531</b>
<b>Cash and equivalents at end of year</b>		<b>7,522</b>	<b>3,801</b>

## COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2018

Year Ended 31 May 2018		2018	2017
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Profit for the financial year		3,958	2,126
<b>Adjustments for:</b>			
Income from shares in Group undertakings		(5,500)	(3,050)
Finance costs		4	94
Investment income		(5)	-
Expense recognised in respect of equity-settled share based payments		32	-
		<b>(1,511)</b>	<b>(830)</b>
<b>Movement in working capital:</b>			
Increase in trade and other receivables	18	(6)	(18)
Increase in other assets	20	(49)	(19)
Increase in trade and other payables	21	269	2,063
<b>Cash (used in) / generated from operations</b>		<b>(1,297)</b>	1,196
Finance costs paid		(4)	(19)
<b>Net cash (used in) / generated from operating activities</b>		<b>(1,301)</b>	1,177
<b>Investing activities</b>			
Interest received		5	-
Dividends received from Group undertakings		5,500	-
Purchase of intangible assets arising from business combinations	15	-	(1,100)
Amounts advanced to related parties	19	-	(600)
Settlement of amounts due from related parties	19	-	1,500
Amounts advanced to Group undertakings		(1,385)	-
Net cash outflow on acquisition of subsidiaries		(70)	-
<b>Net Cash generated from/(used in) investing activities</b>		<b>4,050</b>	<b>(200)</b>
<b>Financing activities</b>			
Interest received	27	-	2,100
Payments of share issue costs		-	(87)
Redemption of preference shares	23	-	(1,500)
Repayment of bank borrowings	22	(431)	(224)
Amounts loaned from Group undertakings		826	-
Dividends paid to owners of the Company	30	(3,060)	(1,177)
Dividends paid on preference shares classed as liabilities	30	-	(75)
<b>Net cash used in financing activities</b>		<b>(2,665)</b>	<b>(963)</b>
<b>Net increase in cash and cash equivalents</b>		<b>84</b>	14
<b>Cash and cash equivalents at beginning of year</b>		<b>25</b>	11
<b>Cash and equivalents at end of year</b>		<b>109</b>	25



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## NOTES TO THE FINANCIAL STATEMENTS

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018

### 1. General Information

K3 Capital Group PLC (formerly K3 Capital Group Limited) is incorporated in England and Wales under the Companies Act, listed in the Alternative Investment Market, with the registered number 06102618. The address of the registered office is KBS House, 5 Springfield Court, Summerfield Road, Bolton, BL3 2NT.

The principal activity K3 Capital Group PLC to act as Business Sales Specialists.

### 2. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRSs") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRSs").

The financial statements have been presented in Pounds Sterling (£, GBP) as this is the currency of the primary economic environment that the Company operates in.

### 3. Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, and in preparing an opening IFRS consolidated statement of financial position and company statement of financial position at 1 June 2015 for the purposes of transition to adopted IFRSs.

#### Basis of Accounting

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, and in preparing an opening IFRS consolidated statement of financial position and company statement of financial position at 1 June 2015 for the purposes of transition to adopted IFRSs.

#### Basis of consolidation

The Group financial statements consolidate, those of the Company and its subsidiaries (together referred to as the "Group").

Subsidiary undertakings acquired are included using the acquisition method of accounting. Under this method the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows included the results and cash flows of subsidiaries from the date of acquisition and to the date of sale outside the Group in the case of disposals of subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

Where the company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

### New standards, amendments to and interpretations to published standards not yet effective

There were no new standards, interpretations or amendments effective that had a significant effect on the Group's financial statements.

As at 31 May 2018, the following Standards and Interpretations which have not been applied in this financial information were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9, Financial instruments
- IFRS 15, Revenue from contracts with customers
- IFRS 16, Leases
- Clarifications to IFRS 15 revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Annual Improvements to IFRSs (2014-2016 Cycle)

The Directors are currently considering the potential impact of adoption of these standards and interpretations in future periods on the consolidated financial statements of the Group.

In respect of the above, the Directors have undertaken a review of the requirements of IFRS 15, which will become effective for the 31 May 2019 year end. In particular an appropriate assessment has been carried out and is ongoing around specific elements within the standard guidance relating to recognition of revenue at a point in time versus over time, client payments received in advance of services being performed, and contingent pricing. The current revenue recognition policy in respect of non-contingent fees reflects the delivery of services over time, which the Directors believe meets the requirements of IFRS 15 when adopted. In particular, the services provided by the Company in return for payment of the non-contingent fee are not sold separately, and the customer only benefits from the performance of the services as a whole given how interconnected the services are. In the opinion of the Directors the services are considered to be a single performance obligation. In respect of transaction fees, on the basis the obligation is not fulfilled, and the Group has no enforceable right to payment until the date of completion of the transaction, the Directors consider the current policy will similarly not change on transition to IFRS 15, however the Directors are still considering options for transition.

Similarly, the Directors have reviewed the impact of IFRS 16 which will become effective for the 31 May 2020 year end. Were IFRS 16 effective for the current year end, a lease asset and liability of £0.8m would be recognised on the balance sheet at 31 May 2018 in respect of operating leases committed to. Annual lease costs would no longer be incurred, replaced by interest costs on the lease liability and depreciation costs on the lease asset.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

Given that the trade payables (all settled within credit terms) and trade receivables (only recognised with certainty of outcome and settled by return) and cash (all deposited within UK clearing banks) are the only material financial instruments, the Directors do not believe there will be a material impact from IFRS 9 which will become effective for the 31 May 2019 year end.

### Going Concern

The financial statements have been prepared on the basis that the Group will continue as a going concern.

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

### Revenue Recognition

Revenue comprises revenue recognised by the Group in respect of services supplied during the year, exclusive of Value Added Tax.

Revenue from a contingent fee is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable. Further detail on revenue recognition policies is provided in the critical accounting estimates section in note 4.

### Employee Benefits

- i. Short-term benefits  
Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.
- ii. Defined Contribution plans  
The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions are charged to the Statement of Comprehensive Income. The Group also contributes to the personal pension plans of the Directors at the Group's discretion.

### Operating Profit

Operating profit is stated after all expenses, including those considered to be exceptional, but before finance income or expenses. Distribution costs relate to marketing expenses. All other operational costs are classified as administrative expenses.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2018

### EBITDA

EBITDA is utilised as a key performance indication for the Group and is calculated utilising profit before tax, adjusted for finance income and costs, amortisation and depreciation on non-current assets. It is also adjusted for AIM listing fees incurred in the year ended 31 May 2018.

### Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the full period of the lease. Any lease incentives are spread on a straight line basis over the full period of the lease.

### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is measured as the excess of the aggregate of the consideration transferred and the amount recognised for the non-controlling interest over the fair value of the identifiable net assets acquired and liabilities assumed.

After initial recognition, goodwill is not amortised and is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to a cash generating unit that is expected to benefit from the combination. For each period covered in these financial statements the Group has one cash generating unit, related to Business Sales.

### Other Intangible Assets

The group classifies website costs as an intangible asset. Such intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Website and software costs	-	33% straight line
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

### Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Long leasehold property	-	Over the lease term
Fixtures and fittings	-	33% straight line
Equipment	-	33% straight line

### Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

#### *Financial assets*

##### Initial recognition and measurement

The Group's financial assets include cash and cash equivalents, trade and other receivables that arise from the business operations, as well as non-derivative other financial assets.

Cash and cash equivalents comprise deposits with banks and bank and cash balances, subject to insignificant risk of changes in value. All other financial assets are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment. Interest is recognised by applying the effective interest method, except for short term receivables when the recognition of interest would be immaterial.

#### *Financial liabilities and equity instruments*

##### Classification as debt or equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

### Financial liabilities and equity components

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS. Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- b) where the instruments will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to these shares.

Preference shares that carry a mandatory dividend that represents a market rate of interest at the issue date are presented in other financial liabilities. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **Impairment of assets**

#### *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss is recognised in profit or loss.

### *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 risk specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

### Income Tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible.

The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

### Share Capital

Ordinary shares are recorded at nominal value and proceeds received in excess of nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Costs incurred directly to the issue of shares are accounted for as a deduction from share premium, otherwise they are charged to the Statement of Comprehensive Income.

### Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

### Events After the Balance Sheet Date

Post period-end events that provide additional information about the Group's position at the balance sheet date are reflected in the financial statements. Post period-end events that are not adjusting events are disclosed in the notes when material.

### Related Parties

Parties are considered to be related if one party has the ability (directly or indirectly) to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### Exceptional Items

Exceptional items are disclosed separately in the financial statements in order to provide further understanding of the financial performance of the entity. They are material items of income or expense that have been shown separately because of their nature or amount.

### Share-based payment

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Where share options vesting is contingent on a future event a charge is recognised only if the future event is considered probable. Fair value is measured by the use of an appropriate valuation model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The volatility in the model is calculated by reference to an implied volatility of a group of listed entities that have similar characteristics and are in the same industry sector.

## 4. Critical Accounting Estimates and Sources of Estimation Uncertainty

In applying the accounting policies, the directors may at times require to make critical accounting judgements, estimates and assumptions about the carrying amount of assets and liabilities. These estimates and assumptions, when made, are based on historical experience and other factors that the directors considers are relevant.

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are reviewed are as stated below.

### Revenue recognition

Revenue is recognised by the Group in respect of services supplied to clients of the Group in presenting the clients' sales opportunity to market, sourcing potential acquirers and project managing transactions to completion. In relation to the services provided, a non-contingent fee ("retainer fee") is typically paid by clients upon commencement of a contract with the Group, which is deferred and recognised as revenue over the period in which the initially specified services are provided. The directors are required to estimate the period over which these services are to be provided and accordingly recognise revenue based on that estimate. This leads to the deferral of revenue at period ends, which the directors assess for reasonableness based on the stage of completion of services at that point in time. A contingent fee ("transaction fee") is payable upon the completion of a transaction. This fee is typically a percentage of the transaction value and therefore varies by client. Revenue on the transaction fee element of the contract is only recognised when the outcome of the transaction can be reliably measured by management, which is on completion of the transaction.

Linked to the non-contingent fee at the commencement of a contract is a commission fee payable to employees for sourcing the contract. The commission costs are incremental and recognised over the same period as the revenue. Commission costs deferred are accounted for within prepaid contract costs.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### Assessing Goodwill for potential impairment

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (see note 15).

### Share based payments

Whilst not anticipated to result in a material adjustment to assets and liabilities within the next twelve months, the fair value of the share based payments includes a number of estimates. The Group calculates the fair market value of share options as being based on the market value of a Company's share at the date of grant adjusted to reflect the fact that an employee is not entitled to receive dividends over the relevant holding period.

The total amount to be expensed over the vesting period is determined with reference to the fair value of options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options expected to vest. At each reporting date the Group revises its estimate of the number of options expected to vest.

## 5. Revenue

The Group's revenue arises from the provision of services in fulfilling the principal activities. An analysis of revenue by subsidiary company is shown below:

Revenue	2018	2017
Year Ended 31 May 2018	£000	£000
KBS Corporate Sales Limited	<b>8,319</b>	5,816
KBS Corporate Finance Limited	<b>6,589</b>	3,732
Knightsbridge Business Sales Limited	<b>1,577</b>	1,268
	<b>16,485</b>	10,816

A further breakdown of revenue by type is shown below:

Revenue	2018	2017
Year Ended 31 May 2018	£000	£000
Non-contingent fees	<b>6,965</b>	5,056
Transaction fees	<b>9,520</b>	5,760
	<b>16,485</b>	10,816

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 6. Segment Information

The Group has 3 operating segments based on the subsidiaries identified above, but one reporting segment due to the nature of services provided across the whole Group being the same, being business sales derived solely from the UK. Every client contract contains the right to assign that client to other Group companies. Clients can be transferred to another operating segment most likely to deliver a successful transaction. The Group's revenues, costs, assets, liabilities and cash flows are therefore totally attributable to this reporting segment.

Internal management reports are reviewed by the directors on a monthly basis, including revenue information by subsidiary. Such revenue information alone does not constitute sufficient information upon which to base resource allocation decisions.

Performance of the reporting segment is assessed based on a number of financial and non-financial KPI's as well as on EBITDA.

The Group is not reliant on a major customer or group of customers.

As the Group only has one reportable segment, all segmented information is provided by the consolidated income statement, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows.

### 7. Operating Profit

Operating profit or loss is stated after charging:

Year Ended 31 May 2018	2018	2017
	£000	£000
Amortisation of intangibles - website costs	6	9
Depreciation of owned assets	69	47
Auditor remuneration	30	143
Equity - settled share based payments expenses	32	-
Operating lease charge	192	124

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 8. Auditors Remuneration

The analysis of the Auditor's remuneration is as follows:

Employee Benefit Expense	2018	2017
Year Ended 31 May 2018	£000	£000
<b>BDO LLP</b>		
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual accounts	30	30
Fees payable to the Company's Auditor and their associates for other services to the Group		
- the audit of the Company's accounts to 30 November 2016 for the purposes of the AIM listing	-	15
- non-audit services: IPO reporting accountant services	-	98
<b>Total Auditors Remuneration</b>	<b>30</b>	<b>143</b>

No non-audit services were provided on a contingent fee basis.

In 2017, fees payable to the Auditor for other services are in respect of work required for the Group to complete its IPO. BDO were selected to undertake this work after consideration of the impact this may have on their independence, which it was concluded would not be impinged by undertaking the work. Fees of this type are ad hoc in nature and occur in respect of major events. Any such further occurrence will require Audit Committee approval.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 9. Employee Benefit Expense

The average number of persons employed by the Group during the year, including the directors, amounted to:

Year Ended 31 May 2018	2018	2017
	No.	No.
Management	<b>9</b>	8
Sales	<b>57</b>	41
Marketing / Administration	<b>55</b>	46
	<b>121</b>	95

The aggregate payroll costs incurred during the year by the Group, relating to the above, were:

Year Ended 31 May 2018	2018	2017
	£000	£000
Wages and salaries	<b>5,907</b>	3,321
Share-based payments	<b>32</b>	-
Social security costs	<b>670</b>	291
Other pension costs	<b>24</b>	14
	<b>6,633</b>	3,626

The aggregate payroll costs incurred during the year by the Company relating to the above, were:

Year Ended 31 May 2018	2018	2017
	£000	£000
Wages and salaries	<b>386</b>	80
Bonuses	<b>649</b>	165
Share-based payments	<b>32</b>	-
Social security costs	<b>113</b>	33
Other pension costs	<b>2</b>	-
	<b>1,182</b>	278

The average number of persons employed by the Company during the year, including Directors amounted to:

Year Ended 31 May 2018	2018	2017
	No.	No.
Management	<b>6</b>	1

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 10. Directors' and Key Management Remuneration

#### Group

The directors aggregate remuneration in respect of qualifying services was:

Year Ended 31 May 2018	2018	2017
Group	£000	£000
Fees	-	73
Wages and salaries	618	247
Bonuses	649	216
Share-based payments	32	-
Social security costs	167	60
Pension contributions	3	1
	<b>1,469</b>	597

Remuneration of highest paid director in respect of qualifying services:

Year Ended 31 May 2018	2018	2017
Group	£000	£000
Wages and salaries	160	124
Bonuses	360	121
Social security costs	71	33
Pension Contributions	1	-
	<b>592</b>	278

#### Company

The directors aggregate remuneration in respect of qualifying services was:

Year Ended 31 May 2018	2018	2017
	£000	£000
Wages and salaries	386	80
Bonuses	649	165
Share-based payments	32	-
Social security costs	113	33
Other pension costs	2	-
	<b>1,182</b>	278

The directors are considered to be key management personnel.  
In FY18 there were 6 Directors in defined contribution pension schemes (FY17: 5)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

Remuneration of highest paid director in respect of qualifying services:

Year Ended 31 May 2018	2018	2017
	£000	£000
Wages and salaries	160	31
Benefits in kind		-
Bonuses	360	80
Social security costs	71	15
Pension contributions	1	-
	<b>592</b>	126

### 11. Exceptional Items

Year Ended 31 May 2018	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
AIM listing fees	-	704	-	704

Exceptional items incurred in 2017 were in relation to costs of converting the Company from a Limited Company to a PLC and the subsequent admission of the Company to trading on AIM during the year. Total costs incurred were £791,000, with £87,000 charged to share premium as being directly related to newly issued shares listed.

### 12. Finance costs

Year Ended 31 May 2018	2018	2017
	£000	£000
Interest on bank loans	5	25
Dividends paid on shares classed as liabilities	-	75
	<b>5</b>	100



# FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 13. Tax on Profit

Major components of tax expense

Year Ended 31 May 201	2018	2017
	£000	£000
<b>Current tax:</b>		
UK current tax expense	1,379	795
Adjustments in respect of prior periods	(8)	-
<b>Total current tax</b>	<b>1,371</b>	<b>795</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences (note 25)	(8)	28
Impact of change in tax rate	(1)	-
<b>Tax on profit</b>	<b>1,362</b>	<b>823</b>

### Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.83%)

Reconciliation of tax expense	2018	2017
Year Ended 31 May 2018	£000	£000
Profit on ordinary activities before taxation	7,315	3,605
Profit on ordinary activities by rate of tax	1,390	715
Adjustment in respect of prior periods	(8)	-
Effect of expenses not deductible for tax purposes	11	123
Effect of capital allowances and depreciation	(2)	1
Utilisation of tax losses	-	2
Effect of research and development relief	(29)	(18)
<b>Tax on profit</b>	<b>1,362</b>	<b>823</b>

### Changes Affecting Future Tax Rates

In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 19 per cent, with effect from 1 April 2017, and to 18 per cent, with effect from 1 April 2020. This rate was subsequently revised downwards to 17 per cent, with effect from 1 April 2020 in the 2016 Budget. These changes were substantially enacted on 26 October 2015 and 6 September 2016 respectively.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 14. Earnings per Share

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would have been issued on the conversion of all dilutive potential ordinary shares into ordinary shares at the start of the year, or, if later, the date of issue.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2018	2017
	£000	£000
Net profit attributable to equity holders of the Company	<b>5,953</b>	2,782
Initial weighted average of ordinary shares	<b>42,210,526</b>	10,305,651
Basic earnings per share	<b>14.10p</b>	26.99p

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of shares used in the calculation of basic earnings per share as follows:-

	2018	2017
	£000	£000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<b>42,210,526</b>	10,305,651
Dilutive effect of share options	<b>595,501</b>	-
Dilutive weighted average number of ordinary shares	<b>42,806,027</b>	10,305,651
Diluted earnings per share	<b>13.91p</b>	26.99p

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 15. Intangible Assets

#### Group

Year Ended 31 May 2018	Goodwill £000	Website and software Costs £000	Total £000
<b>Cost</b>			
At 1 June 2016	4,712	76	4,788
Additions	-	34	34
Acquisitions through business combinations	1,100	-	1,100
Disposals	-	(20)	(20)
At 31 May 2017	5,812	90	5,902
Additions	-	20	20
<b>At 31 May 2018</b>	<b>5,812</b>	<b>110</b>	<b>5,922</b>
<b>Amortisation</b>			
At 1 June 2016	1,885	50	<b>1,935</b>
Charge for the year	-	9	<b>9</b>
Amortisation on disposals	-	(20)	<b>(20)</b>
At 31 May 2017	1,885	39	<b>1,924</b>
Charge for the year	-	6	<b>6</b>
<b>At 31 May 2018</b>	<b>1,885</b>	<b>45</b>	<b>1,930</b>
<b>Carrying amount</b>			
<b>At 31 May 2018</b>	<b>3,927</b>	<b>65</b>	<b>3,992</b>
At 31 May 2017	3,927	51	<b>3,978</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### Intangible Assets

#### Company

	Goodwill £000
<b>Cost</b>	
At 1 June 2016	-
Acquisitions through business combinations	<b>1,100</b>
<b>At 31 May 2017 and May 2018</b>	<b>1,100</b>
<b>Amortisation</b>	
<b>At 1 June 2016, 31 May 2017 and 31 May 2018</b>	-
<b>Carrying amount</b>	
<b>At 31 May 2018</b>	<b>1,100</b>
At 31 May 2017	<b>1,100</b>

£2,827,000 of the Group's net book value of goodwill relates to the cash generating unit that arose from the business combination that took place when the Group acquired KBS Corporate Sales Limited in the year ended 31 May 2008 and £1,100,000 relates to the business combination when the Company acquired the trade and assets of Triskell LLP in the year ended 31 May 2017 (see note 35).

As explained in the accounting policies, the Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the goodwill are determined by value-in-use calculations. The key assumptions for the value-in-use calculation are those regarding discount rates and growth rates as well as expected changes to costs and the forecast level of demand from clients wishing to engage in the group's services. For the purposes of the impairment review, the goodwill acquired in the prior year has been subsumed by the cash generating unit (the Group as a whole) that is already reviewed by the directors in assessing future cash flows and monitoring the existing goodwill carrying value.

The key assumptions for the value-in-use calculation are shown below:

	31 May 2018	31 May 2017
Period on which management approved forecasts are based	<b>5 years</b>	5 years
Growth rate applied beyond approved forecast period	<b>2%</b>	2%
Pre-tax discount rate	<b>15%</b>	15%

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

Management has estimated the discount rate taking account of the way the market would assess specific risks inherent within the Group's estimated future cash-flows.

The growth rates used in the value in use calculation reflect the long term economic growth rates in the UK. No impairment was identified and furthermore, a reasonably possible change in the assumptions applied would not result in any impairment.

### 16. Tangible Assets

#### Group

	Long Lease- hold property	Fixtures and fittings	Equipment	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 June 2016	12	76	220	<b>308</b>
Additions	-	98	66	<b>164</b>
Disposals	-	(76)	(188)	<b>(264)</b>
At 31 May 2017	12	98	98	<b>208</b>
Additions	22	-	3	<b>25</b>
<b>At 31 May 2018</b>	<b>34</b>	<b>98</b>	<b>101</b>	<b>233</b>
<b>Depreciation</b>				
At 1 June 2016	-	75	202	<b>277</b>
Charge for the year	3	21	23	<b>47</b>
Disposals	-	(76)	(186)	<b>(262)</b>
At 31 May 2017	3	20	39	<b>62</b>
Charge for the year	8	33	28	<b>69</b>
<b>At 31 May 2018</b>	<b>11</b>	<b>53</b>	<b>67</b>	<b>131</b>
<b>Carrying amount</b>				
<b>At 31 May 2018</b>	<b>23</b>	<b>45</b>	<b>34</b>	<b>102</b>
At 31 May 2017	9	78	59	<b>146</b>

The Company has no tangible assets

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 17. Investments

The Group has no investments.

#### Company

	Shares in group undertakings
	£000
<b>Cost</b>	
<b>At 1 Jun 2016, 31 May 2017</b>	<b>5,597</b>
<b>Additions</b>	<b>70</b>
<b>At 31 May 2018</b>	<b>5,667</b>
<b>Impairment</b>	
<b>At 1 Jun 2016, 31 May 2017 and 31 May 2018</b>	<b>-</b>
<b>Carrying amount</b>	
<b>At 1 Jun 2017</b>	<b>5,597</b>
<b>At 1 Jun 2018</b>	<b>5,667</b>

#### Subsidiaries, associates and other investments

Details of the investments in which the parent Company has an interest in are as follows:

Year Ended 31 May 2018	Class of Share	Percentage of shares held
<b>Subsidiary undertakings</b>		
KBS Corporate Sales Limited	Ordinary shares	100
KBS Corporate Finance Limited	Ordinary shares	100
Knightsbridge Business Sales Limited	Ordinary shares	100
KBS Capital Markets Limited	Ordinary shares	100

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

The Registered Office address of the subsidiaries is:

KBS House  
5 Springfield Court  
Summerfield Road  
Bolton  
England  
BL3 2NT

During the year the Company established a new subsidiary, KBS Capital Markets Limited, by subscribing for 100% of the equity for £70,000. This is an FCA regulated entity established with a view to broadening the Group service offering by allowing the provision of advice on AIM listings and minority share sales.

### 18. Trade and Other Receivables

Year Ended 31 May 2018	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade receivables	<b>199</b>	105	-	-
Allowance for doubtful debts	-	-	-	-
	<b>199</b>	105	-	-
Other receivables	-	-	<b>24</b>	18
	<b>199</b>	105	<b>24</b>	18

The carrying amount of trade and other receivables approximates to their fair value.

### 19. Other Financial Assets

Year Ended 31 May 2018	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Amounts owed by Group undertakings	-	-	<b>2,231</b>	-
	-	-	<b>2,231</b>	-

The amounts owed by group undertakings are stated at the undiscounted amount as the amounts were repayable on demand. No interest is charged on the balances.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 20. Other Assets

Year Ended 31 May 2018	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Prepayments, prepaid contract costs and accrued income	<b>337</b>	286	<b>68</b>	19

There are no other assets which are past due but not impaired in either year.

### 21. Trade and Other Payables

Year Ended 31 May 2018	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade payables	<b>291</b>	173	<b>111</b>	21
Amounts due to Group undertakings	-	-	<b>1,986</b>	314
Accruals	<b>365</b>	267	<b>71</b>	25
Other taxation and social security	<b>926</b>	608	<b>255</b>	122
Other payables	<b>7</b>	5	-	-
	<b>1,589</b>	1,053	<b>2,423</b>	482

The carrying amount of trade and other payables approximates to their fair value due to their short term nature.

The amounts due to group undertakings are stated at the undiscounted amount as they are repayable on demand. No interest is paid/payable and the balances are not secured.

### 22. Borrowings

Year Ended 31 May 2018	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Bank loans	-	431	-	431
Current	-	220	-	220
Non-current	-	211	-	211
	-	431	-	431



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

The bank loans were repayable in monthly instalments and are secured by fixed and floating charge over the assets of the companies within the group. They were fully repaid in September 2017. Interest was charged at a combination of 3% above LIBOR and 3% above Base Rate.

Non-cash movements in relation to the borrowings were immaterial prior to repayment in full.

### 23. Current Tax Liabilities

Year Ended 31 May 2018	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Corporation tax payable	<b>849</b>	313	-	-

### 24. Deferred Revenue

Year Ended 31 May 2018	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Arising from client contracts	<b>1,416</b>	1,137	-	-

The deferred revenue arises from the non-contingent contracts provided to certain customers in respect of providing business marketing and research to these clients. Revenue is recognised and deferred in accordance with services provided within contract terms.

### 25. Deferred Tax Liability

Year Ended 31 May 2017	Group	Company
	£000	£000
Liability at 1 June 2016	<b>(4)</b>	-
Charge for the year	<b>(28)</b>	-
Liability at 31 May 2017	<b>(32)</b>	-
Credit for the year	<b>9</b>	-
Liability at 31 May 2018	<b>(23)</b>	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 26. Share Capital

Allotted, called up and fully paid

Year Ended 31 May 2018	2018		2017	
Group	No.	£000	No.	£000
<b>Amounts presented in equity</b>				
Ordinary shares	<b>42,210,526</b>	<b>422</b>	42,210,526	422
	<b>42,210,526</b>	<b>422</b>	42,210,526	422

Share capital movements: Year ended 31 May 2017

On 23 February 2017, Anthony Ford repaid his directors loan of £1.5 million and the Group redeemed all the Preferred A Ordinary shares and the B Preference shares at par. In relation to the redemption of these shares, a transfer to capital redemption reserve from retained earnings occurred as required by Companies Act 2006.

On 8 March 2017 a bonus issue was carried out: 57 C shares of £0.0001 each, 14 D shares of £0.0001 each, 7 E shares of £0.0002 each, 4 F shares of £0.0003 each and 3 G shares of £0.0005 each were allotted.

On 8 March 2017 all ordinary shares were consolidated and subdivided such that the nominal values were all equalised at £0.01.

On 8 March 2017 a further bonus issue was carried out: 9,459,539 A shares of £0.01 each, 9,459,539 B shares of £0.01 each, 13,513,631 C shares of £0.01 each, 3,378,417 D shares of £0.01 each, 1,688,762 E shares of £0.01 each, 1,012,989 F shares of £0.01 each, 674,961 G shares of £0.01 each and 799,100 H shares of £0.01 each were allotted.

On 8 March 2017 the Company purchased a fractional entitlement to a single F share of £0.01 each from Anthony Ford (which resulted from the bonus issue and consolidation described above) and it was cancelled.

By a resolution dated 8 March 2017 (taking effect on 9 March 2017) the Company reduced its capital using the statutory solvency statement procedure by cancelling the capital redemption reserve of £3,000,025 and the share premium account of £9,999 and crediting an amount equal to the sum so cancelled to a distributable reserve.

Immediately prior to Admission on AIM, by a resolution dated 5 April 2017 (conditional upon Admission occurring but deemed to take effect immediately before Admission) all of the issued shares in the capital of the Company were re-designated as ordinary shares ranking *pari passu*.

Following the Company's admission to trading on AIM on 11 April 2017 a further 2,210,526 shares were issued at a price of 95p per share.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 27. Financial Instruments

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. The Group's accounting policies and method adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in note 3 to the financial statements. The Group does not use financial instruments for speculative purposes.

The fair values and the carrying values of financial assets and liabilities are the same. The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Year Ended 31 May 2018	Group	
	2018	2017
	£000	£000
<b>Financial assets measured at amortised cost</b>		
Trade receivables	199	105
Cash and cash equivalents	7,522	3,801
<b>Total financial assets</b>	<b>7,721</b>	<b>3,906</b>
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables	663	445
Borrowings	-	431
Other financial liabilities	-	-
<b>Total financial liabilities</b>	<b>663</b>	<b>876</b>
<b>Total financial instruments</b>	<b>7,058</b>	<b>3,030</b>

There are no fair value adjustments to assets or liabilities through profit and loss.

### Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while attempting to maximise the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of issued capital and retained earnings.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### Credit risk

Credit risk is the risk that a counter-party will cause a financial loss to the Group by failing to discharge its obligations to the Group. The Group manages its exposure to this risk by applying limits to the amount of credit exposure to any one counterparty and employs strict minimum credit worthiness criteria as to the choice of counterparty. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount. The Group considers credit risk to be low due as trade receivables are insignificant and amounts are settled from business sales proceeds brokered by the Group via the legal process of completion agreements.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The allowance comprises a provision against individually significant exposures.

### Ageing analysis

Year Ended 31 May 2018	Group	
	2018 £000	2017 £000
Current	<b>193</b>	104
Up to 30 days	<b>6</b>	-
30 to 60 days	-	-
60 days and older	-	1
	<b>199</b>	105
Bad debt provision	-	-
	<b>199</b>	105

These receivables are not secured by any collateral or credit enhancement. Normal credit terms are 30 days.

The maximum exposure to credit risk at each balance sheet date was:

Year Ended 31 May 2018	Group	
	2018 £000	2017 £000
Net trade receivables	<b>199</b>	105
Cash and cash equivalents	<b>7,522</b>	3,801
	<b>7,721</b>	3,906

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

For banks and financial institutions, only independently rated parties with minimum rating “A” are accepted.

### Fair values

The directors have assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The principal interest rate risks of the Group arise in respect of borrowings. As the interest expense on variable rate financial instruments is immaterial, the Group does not actively manage the exposure to this risk.

### Interest rate risk

The Group’s policy is to fund its operations through the use of retained earnings and equity. The Group’s exposure to changes in interest rates relates primarily to cash at bank. Cash is held either on current or short-term deposits at a floating rate of interest determined by the relevant bank’s prevailing base rate.

### Interest rate sensitivity

There would be no material impact resulting from a reasonably possible change in interest rates.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- commodity price risk
- interest rate risk; and
- foreign currency risk.

Financial instruments affected by market risk include deposits, trade receivables, trade payables and accrued liabilities.

### Foreign currency exchange risks

The Group has no foreign currency risk currently as its operations and transactions are all denominated in Sterling.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### Liquidity risks

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The maturity profile of the Group's trade and other payables, and other financial liabilities are, at each period end, due within one year. The maturity profile of borrowings at the reporting dates, based on contractual undiscounted payments, are summarised below:

Year Ended 31 May 2018	Group	
	2018 £000	2017 £000
Due within 1 year	-	220
Due in 1-2 years	-	211
Due in 2-5 years	-	-

## 28. Share-based payments

### *Employee share option plan of the Company*

#### Details of the employee share option plan of the Company

The Company has a share option scheme for executives and senior employees of the Company and its subsidiaries. In accordance with the terms of the plan executives and senior employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with the performance-based formula approved by the remuneration committee. The formula rewards executives and senior employees to the extent of the Group's and the individual's achievement judged against both qualitative and quantitative criteria from the following financial measures:

- improvement in adjusted earnings per share
- improvement in return to shareholders

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

The following share-based payment arrangements were in existence during the current and prior years:

	Option series	Number	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
(1)	Granted on 11 April 2017	1,193,611	11/04/17	11/04/27	0.95	0.11
(2)	Granted on 17 January 2018	552,022	17/01/18	17/01/28	1.81	0.31

All options vest over a 3 year performance period. The performance period start date for series 1 was 1 June 2017, and for series 2 1 December 2017. The earliest expected date for exercise would be after publication of the Group's annual results for the year ending 31 May 2020, in respect of series 1 and publication of the group interim results for the period ended 30 November 2020, in respect of series 2.

The share-based payment expense recognised in respect of employee services received during the year ended 31 May 2018 was £32,000 (2017: £Nil).

### Fair value of share options granted in the year

The weighted average fair value of the share options granted during the financial period is £0.31 (2017: £0.11). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effect of non-transferability, exercise restrictions (including probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility of companies floated on AIM that are comparable to K3 Capital Group Plc. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price is two times the exercise price.

Inputs into the model

	Option Series	
	Series 1	Series 2
Grant date share price	0.95	1.85
Exercise price	0.95	1.81
Expected volatility	30.00%	30.00%
Option life	10 years	10 years
Dividend yield	8.60%	5.30%
Risk-free interest rate	0.39%	0.87%

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### Movements in share options in the year

The following reconciles the share options outstanding at the beginning and end of the year.

	2018		2017	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Balance at beginning of year	<b>1,193,611</b>	0.95	-	-
Granted during the year	<b>552,022</b>	1.81	1,193,611	0.95
Forfeited during the year	<b>(10,000)</b>	1.81	-	-
	<b>1,735,633</b>	1.22	1,193,611	0.95

All outstanding options are currently vesting, such that no options were exercisable at 31 May 2018.

Note that whilst 1,193,611 of options were granted during the year ended 31 May 2017, the vesting period only commenced on 1 June 2017.

### Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of £1.22 (2017: £0.95) and a weighted average remaining contractual life of 3,325 days (2017: 3,602).

## 29. Related Party Transactions

### Group

Key management personnel compensation has been disclosed in note 10. In addition to the related party information disclosed elsewhere in the financial information, the following were significant related party transactions during the current and prior year and at terms and rates agreed between the parties:

During the years dividends were paid to individuals who were directors at the time and their close family members as follows:

Year Ended 31 May 2018	2018	2017
	£000	£000
Dividends paid on preference shares classified as liabilities	-	75



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

The dividend above represented the 10 per cent coupon on the Preferred A Ordinary shares. B Preference share dividends were waived by the shareholder. Subsequent to redemption no dividends have been payable.

Each of Anthony Ford, John Rigby, Andrew Melbourne, Ian Mattioli, Stuart Lees, Simon Daniels and Matthew Clancy (the “Locked-in Shareholders”) entered into lock-in undertakings with the Company and finnCap on 5 April 2017, as summarised in the Admission Document dated 6 April 2017 (the “Lock-in Agreements”).

On 27 September 2017 (i) finnCap, (ii) certain of the Locked-in Shareholders and (iii) the independent Directors on behalf of the Company agreed that in order to satisfy strong institutional demand certain of the locked-in parties would be allowed to sell shares held by them. This was documented by way of an addendum to the original Lock-in Agreements in the cases of John Rigby, Andrew Melbourne, Simon Daniels and Matthew Clancy, where their respective lock-in periods were also extended.

The Board notes that the Lock-in Agreements are each capable of being modified, waived or cancelled in the event each of the parties to the respective Lock-in Agreement are in agreement it is in the best interests of maintaining an orderly market, subject to the approval of the Company’s broker at that time and that, as in the case of the variation in September 2017, any such decision on the part of the Company would be reserved to the independent Directors. The other limited circumstances where the Lock-in Agreements are capable of being modified, waived or cancelled are:

- a) the acceptance of a general offer for the whole of the ordinary share capital of the Company (other than any ordinary share capital held by the offeror or any person acting in concert with the offeror); or
- b) the execution of an irrevocable commitment to accept a general offer for the whole of the ordinary share capital of the Company (other than any ordinary share capital held by the offeror or any person acting in concert with the offeror); or
- c) a disposal made pursuant to an intervening court order; or
- d) a disposal of Ordinary Shares following the Director’s death to his executors or administrators or (whether by testamentary disposition or on intestacy) to the beneficiaries of his estate; or
- e) (subject to certain restrictions) a transfer of Ordinary Shares to a member of his family (as defined in Section 253 of the Companies Act 2006) or to the trustees of any trust the sole beneficiaries of which are himself and/or members of his family; or
- f) (subject to certain restrictions) a transfer of Ordinary Shares made solely as a result of a change in the identity of the trustees of any such trust as is referred to in sub-paragraph (e) above to the new or continuing trustees thereof; or
- g) a disposal made pursuant to any scheme of reconstruction under section 110 of the Insolvency Act 1986 in relation to the Company; or
- h) a disposal made pursuant to a compromise or arrangement under Part 26 of the Companies Act 2006 between the Company and its members which is agreed to by the members and sanctioned by the court; or
- i) an acceptance of an offer by the Company to purchase its own shares which is made on identical terms to all holders of Ordinary Shares and otherwise complies with all applicable legal and regulatory requirements.

On 8 March 2017 the Company acquired the trade and assets of Triskell LLP. During FY17 the Group was charged £425,000 of consultancy costs from Triskell LLP (of which Anthony Ford was a designated member).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

During the year the Group was charged £Nil (2017: £48,000) in consultancy fees from Signia Corporate Finance (a business owned by Stuart Lees).

During the year the Group was charged rent from K3 Estates LLP (of which Anthony Ford and John Rigby are designated members).

	2018	2017
	£000	£000
Rent	<b>95</b>	24

During the year the Group was charged the £Nil (2017: £432,000) in consultancy fees from KBS CF LLP (of which the Directors, except Stuart Lees, Martin Robinson and Ian Mattioli, are designated members).

### Company

K3 Capital Group Plc is the parent entity of the group. The group has taken advantage of the exemption available under IAS 24 not to disclose transactions with wholly owned subsidiary undertakings.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 30. Dividends

	2018	2017
Year Ended 31 May 2018	£000	£000
<b>Dividends paid on equity shares</b>		
Ordinary A shares	-	284
Ordinary B shares	-	284
Ordinary C shares	-	406
Ordinary D shares	-	102
Ordinary E shares	-	51
Ordinary F shares	-	30
Ordinary G shares	-	20
Ordinary H shares	-	-
Ordinary V shares	-	-
Ordinary shares	<b>3,060</b>	-
<b>Total</b>	<b>3,060</b>	1,177
<b>Dividend per share (unadjusted)</b>		
	<b>2018</b>	2017
Ordinary A shares	-	113.72p
Ordinary B shares	-	113.72p
Ordinary C shares	-	113.72p
Ordinary D shares	-	113.72p
Ordinary E shares	-	113.72p
Ordinary F shares	-	113.72p
Ordinary G shares	-	113.72p
Ordinary H shares	-	-
Ordinary V shares	-	-
Ordinary shares	<b>7.25p</b>	-
<b>Dividend per share (adjusted)</b>		
	<b>2017</b>	2016
Ordinary A shares	-	3.00p
Ordinary B shares	-	3.00p
Ordinary C shares	-	3.00p
Ordinary D shares	-	3.00p
Ordinary E shares	-	3.00p
Ordinary F shares	-	3.00p
Ordinary G shares	-	3.00p
Ordinary H shares	-	-
Ordinary V shares	-	-
Ordinary shares	<b>7.25p</b>	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

The adjusted dividends per share are adjusted for the impact of the bonus issues and share consolidations and subdivisions described in note 26.

### Dividends paid on shares classed as liabilities

Year Ended 31 May 2018	2018	2017
	£000	£000
Preferred A Ordinary shares	-	75
B Preference shares	-	-
<b>Total</b>	<b>-</b>	<b>75</b>

### Dividend per share

Year Ended 31 May 2018	2018	2017
	£000	£000
Preferred A Ordinary shares	-	10p
B Preference shares	-	-

On 23 February 2017 the Preferred A Ordinary shares and the B Preference shares were redeemed at par.

## 31. Commitments

The total future minimum lease payments under non-cancellable operating leases are as follows:

Year Ended 31 May 2018	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Not later than 1 year	<b>220</b>	100	-	-
Later than 1 year and not later than 5 years	<b>411</b>	79	-	-
	<b>631</b>	179	-	-

## 32. Contingencies

The Group companies, including K3 Capital Group Plc, entered into a debenture dated 22 May 2014 for securing all monies due by K3 Capital Group Plc in respect of the bank loan facilities. This represents a fixed and floating charge over the Group's assets. The balance outstanding at 31 May 2018 was £NIL (2017: £431,376). All security provided by the Group was satisfied on 12 January 2018.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 33. Audit exemption statement

Under section 479A of the Companies Act 2006 the Group's subsidiaries, listed below, are claiming exemption from audit. The parent undertaking, K3 Capital Group plc, registered number 06102618, guarantees all outstanding liabilities to which each subsidiary company is subject at the end of the financial year (being the year ended 31 May 2018 for each company listed below). The guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.

KBS Corporate Sales Limited	04141555
KBS Corporate Finance Limited	08924449
Knightsbridge Business Sales Limited	08924297

### 34. Controlling party

In the opinion of the directors, the Group has no overall controlling party.

### 35. Business combinations and goodwill

No business combinations have taken place in the year aside from £70,000 invested to establish a new subsidiary undertaking KBS Capital Markets Limited.

Acquisition of trade and assets Triskell LLP.

On 8 March 2017 the Company acquired the trade and assets of Triskell LLP. The fair value of consideration was initially set up as a loan at £1.1m, settled subsequently via cash in full prior to the 31 May 2017 year end.

The fair value of amounts recognised at the acquisition date in relation to Triskell LLP are as follows:

Year Ended 31 May 2018	Book Value	Adjustments	Fair Value
	£000	£000	£000
Tangible assets acquired	23	(23)	-
Trade receivables acquired	41	(41)	-
	<b>64</b>	<b>(64)</b>	<b>-</b>

The fair value of total assets acquired was £nil, resulting in goodwill being recognised equivalent to the fair value of consideration. The goodwill recognised includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the acquired workforce and the future growth opportunities that it provides the Group's operations. The goodwill recognised is not deductible for tax purposes.

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NOTICE IS HEREBY GIVEN THAT THE SECOND  
ANNUAL GENERAL MEETING OF K3 CAPITAL GROUP  
PLC WILL BE HELD AT TLT SOLICITORS LLP

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# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the second Annual General Meeting of K3 Capital Group plc (Company) will be held at TLT LLP's Manchester office, 3 Hardman Square, Manchester M3 3EB on Friday 26 October at 11.00am.

You will be asked to consider and vote on the Resolutions below. Resolutions 1 to 8 will be proposed as Ordinary Resolutions and Resolution 9 will be proposed as a Special Resolution.

## ORDINARY BUSINESS

Resolution 1 – To receive the Company's annual accounts for the year ended 31 May 2018 together with the directors' report and auditor's report on those accounts.

Resolution 2 – To declare a final dividend in the sum of 8.4 pence per Ordinary Share for the year ended 31 May 2018.

Resolution 3 – To re-appoint Ian Mattioli as a non-executive director of the Company.

Resolution 4 – To re-appoint Stuart Lees as a director of the Company.

Resolution 5 – To receive the Report on Directors' Remuneration as set out in the Company's annual report and accounts for the year ended 31 May 2018.

Resolution 6 – To re-appoint BDO LLP as the Company's auditor to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting at which accounts are laid before the Company.

Resolution 7 – To authorise the directors to determine the auditor's remuneration.

Resolution 8 – That:

8.1 in accordance with section 551 of the Companies Act 2006 (Act) the directors be generally and unconditionally authorised to allot shares in the Company, and to grant rights to subscribe for or to convert any security into shares in the Company:

(a) up to an aggregate nominal amount of £140,701.75 (such amount to be reduced by the nominal amount allotted or granted under paragraph (b) below in excess of such sum); and

(b) comprising equity securities (as defined in Section 560 of the Act) up to an aggregate nominal amount of £281,403.50 (including within such limit any shares allotted or rights granted under paragraph (a) above) in connection with an offer by way of a rights issue as follows:

(i) to holders of ordinary shares of 1 pence each in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider it necessary;

and so that the directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, shares represented by depositary receipts, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter;

8.2 this authority shall expire on the earlier of the date 15 months from the passing of this Resolution or the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution (whichever is the earlier) save that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares or rights to subscribe for or to convert any security into shares in the Company to be allotted after the authority ends and the Board may allot shares or rights to subscribe for or to convert any security into shares in the Company under any such offer or agreement as if the authority had not expired; and

8.3 all previous authorities granted under Section 551 of the Act be revoked.

## SPECIAL BUSINESS

Resolution 9

9.1 That subject to the passing of Resolution 8 above, the Board be authorised to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by that Resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, provided that such authority shall be limited to:

9.1(a) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but, in the case of the authority granted under Resolution 8.1(b)(ii), by way of a rights issue only):

9.1(a)(i) to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

9.1(a)(ii) 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 may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and/or

9.1(b) the allotment of equity securities or sale of treasury shares (otherwise than pursuant to Clause 9.1(a) of this Resolution) to any person up to an aggregate nominal amount of £21,105.26.

The authority granted by this Resolution shall expire on the earlier of the date 15 months from the passing of this Resolution or the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution (whichever is the earlier) save that such authority shall extend to the making before such expiry of an offer or arrangement that would, or might, require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of that offer or arrangement as if the authority

# NOTICE OF ANNUAL GENERAL MEETING

conferred hereby had not expired.

9.2 That subject to the passing of Resolution 8, the directors be authorised in addition to any authority granted under Clause 9.1 of this Resolution to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority conferred by Resolution 8 and/or to sell ordinary shares held by the Company as treasury shares as if section 561 of the CA 2006 did not apply to any such allotment or sale, provided that such authority shall be:

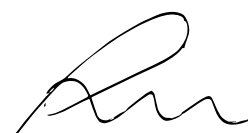
(a) limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £21,105.26; and

(b) used only for the purpose of financing (or refinancing, if the authority is to be used within 6 months after the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

The authority granted by this Resolution shall expire on the earlier of the date 15 months from the passing of this Resolution or the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution (whichever is the earlier) save that such authority shall extend to the making before such expiry of an offer or arrangement that would, or might, require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of that offer or arrangement as if the authority conferred hereby had not expired.

9.3 The Resolutions in Clause 9.1 and Clause 9.2 revoke and replace all unexercised powers previously granted to the directors to allot equity securities or sell treasury shares as if section 561 of the CA 2006 did not apply but without prejudice to any allotment of equity securities or sale of treasury shares already made or agreed to be made pursuant to such authorities.

By Order of the Board



**ANDREW MELBOURNE FCMA**

Company Secretary  
10 September 2018

Registered Office: K3 Capital Group plc,  
KBS House,  
5 Springfield Court,  
Summerfield Road,  
Bolton BL3 2NT  
(Registered in England, Number: 06102618)

## NOTES

### 1 Appointment of proxies

A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and (on a poll) vote instead of him. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a member of the Company. A proxy form may be used to make such an appointment. Please find a proxy notice enclosed with this notice. The notes on the proxy form give instructions on the appointment of a proxy.

### 2 Return date for proxies

To be effective a proxy card must be deposited with the Registrar to the Company not less than 48 hours before the time fixed for the meeting i.e. by 11.00am on 24 October 2018.

### 3 Documents available for inspection

Copies of service contracts of the directors of the Company may be inspected at the registered office of the Company at all times during normal business hours and at the place of the Annual General Meeting for a period of 15 minutes immediately prior to the Annual General Meeting until its conclusion.

### 4 Record date for voting

Only members whose names appear on the register of members of the Company at the close of business on 24 October 2018 at 5.30pm or, if the AGM is adjourned, at close of business on the day two days prior to the adjourned meeting (excluding any part of the day that is not a working day) shall be entitled to attend the Annual General Meeting either in person or by proxy and the number of ordinary shares and/or preference shares then registered in their respective names shall determine the number of votes such persons are entitled to cast at the Annual General Meeting. Changes to the register after the close of business on the relevant date shall be disregarded in determining the rights of any person to attend or vote at the meeting or any adjourned meeting.

### 5 Voting by corporate representatives

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

### 6 Information Rights

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

### 7 Shareholders rights & proxies

The statement of the rights of shareholders in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.



# NOTICE OF ANNUAL GENERAL MEETING

## 8 Shareholder's right to ask questions

A member attending the meeting has the right, as if section 319A of the Companies Act applied to the Company, to ask questions in relation to the business of the meeting. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

## 9 Copy of Notice available on website

A copy of this Annual General Meeting Notice, and other information required by section 311A of the Companies Act 2006, can be found at <https://www.k3capitalgroupplc.com/investors/documents-and-circulars>.

## 10 Shareholders' power to require website publication of audit concerns

Shareholders should note that the Company will treat section 527 of the Companies Act 2006 as applying to it, and consequently that it is possible that, pursuant to requests made by shareholders, the Company may be required to publish on a website a statement setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting. The Company may not require the shareholders requesting such website publication to pay its expenses. Where the Company is required to place a statement on a website, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required to publish on a website as if section 527 of the Companies Act 2006 applied to the Company.

## 11 Electronic address restrictions

Any electronic address provided either in this Notice or any related documents (including the Chairman's letter and proxy form) may not be used to communicate with the Company for any purposes other than those expressly stated.



## EXPLANATORY NOTES TO THE NOTICE OF MEETING

Notice of the second annual general meeting of K3 Capital Group plc (Company) to be held at TLT LLP's Manchester office, 3 Hardman Square, Manchester M3 3EB on Friday 26 October 2018 at 11.00am is set out at pages 79 to 83. The directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole; accordingly the Company's board of the directors will be voting in favour of them and unanimously recommends that all shareholders do so as well.

Resolutions 1 to 8 are ordinary resolutions; this means that for each of those resolutions to be passed, more than half of the votes cast must be cast in favour.

### Resolution 1 - annual accounts and report

The directors have to lay copies of the Company's annual accounts, the strategic report, directors' report and the auditor's report on those accounts and reports before you at a general meeting; this is a legal requirement.

### Resolution 2 - final dividend

The directors are recommending a final dividend of 8.4 pence per share for the year ended 31 May 2018. Subject to approval being given, the final dividend is expected to be paid on 30 October 2018 to shareholders on the register at the close of business on 27 September 2018 (ex div date).

### Resolutions 3 and 4 - appointment or reappointment of directors

Each of Ian Mattioli and Stuart Lees will be retiring automatically from the office of director at the meeting; this is because in the case of each of those directors, they are required to submit themselves for retirement in accordance with the articles. Both being eligible, they are seeking re-appointment by the Company's shareholders.

Both of these individuals are seeking re-appointment and their brief biographical details are on page 22 to 23.

### Resolution 5 - report on Directors' Remuneration

The shareholders will be asked to cast an advisory vote on the Report on Directors' Remuneration as set out in the Company's annual report and accounts for the year ended 31 May 2018. Since Resolution 5 is an advisory resolution only, it does not affect the remuneration paid to any director.

### Resolution 6 - re-appointment of auditors

An auditor is required to be appointed for each financial year of the Company. BDO LLP, the Company's current auditor, has agreed to serve for the current financial year and its re-appointment is therefore being proposed.

### Resolution 7 - auditor's remuneration

In accordance with normal practice, the directors are asking for your authority to determine the auditor's remuneration.

### Resolution 8 - renewal of authority to allot shares

This resolution effectively seeks renewal of the directors' existing authority to allot shares and grant rights. Paragraph (a) of this resolution would give the directors the authority to allot shares or grant rights to subscribe for, or to convert any securities into, shares up to an aggregate nominal amount equal to £140,701.75 - this amount represents approximately one-third of the Company's issued share capital as at 10 September 2018 (but would be reduced by the nominal amount of any shares allotted or rights granted under paragraph (b) of this resolution in excess of £140,701.75).

In line with guidance issued by the Investment Association, paragraph (b) of this resolution would give the directors authority to allot shares or grant rights to subscribe for, or to convert any securities into, shares in connection with a rights issue in favour of shareholders up to an aggregate nominal amount equal to £281,403.50, as reduced by the nominal amount of any shares allotted or rights granted under paragraph (a) of this resolution - this amount (before any reduction) represents approximately two-thirds of the Company's issued share capital as at 10 September 2018. Therefore the maximum nominal amount of shares and rights that may be allotted or granted under this resolution is £281,403.50.

The authorities sought under paragraphs (a) and (b) of this resolution will expire at the end of next year's annual general meeting or on the date 15 months from the date of passing of the resolution, if earlier. The directors have no present intention of exercising either of the authorities sought under this resolution other than in respect of any one or more of the Company's share schemes. However, it is considered prudent to maintain the flexibility that this authority provides. As at the date of the notice, no shares are held by the Company in treasury.

Resolution 9 is a special resolution; this means that for that resolution to be passed, at least three-quarters of the votes cast must be cast in favour.

#### Resolution 9 - dis-application of pre-emption rights

This resolution effectively seeks renewal of the directors' existing power to allot shares (or sell any shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings. This authority would be limited to allotments or sales of up to an aggregate nominal amount of £21,105.26:

- a) in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the directors otherwise consider necessary; and
- b) in connection with financing or refinancing of a specific transaction.

This aggregate nominal amount represents approximately 5% of the Company's issued share capital as at 10 September 2018. The power sought under this resolution will expire at the end of next year's annual general meeting (or, if earlier, the date 15 months from the passing of the resolution).

#### ATTENDING THE MEETING, WHAT TO BRING

Please bring your attendance card with you. It will confirm your right to attend, speak and vote and will speed up your admission to the meeting. Please be advised that if you own shares through a nominee account, you will be required to provide the Company with a letter from the nominee confirming your shareholding. If you are unable to obtain this letter we cannot guarantee that you will be able to vote at the AGM.

#### ACCESSIBILITY

The office of TLT LLP is easily accessible by wheelchair users and has lift access inside.

#### SHAREHOLDER ENQUIRIES

The address and contact details for the Company's registrar, Computershare Investor Services plc are The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Tel: 0370 707 1431 (Lines are open 8.30am to 5.30pm Monday to Friday, excluding public holidays in England and Wales).

#### HOW TO GET THERE

##### BY CAR



Postcode for Sat Nav: M3 3EB

The best car park is Manchester Spinningfields  
Post Code: M3 3BE.

From the car park, walk up Garside Street and Bagel Nash will be to the left.

3 Hardman Square is the building facing Bagel Nash.

##### BY TRAIN

The office is located approximately 15 minutes' walk from Manchester Piccadilly Railway Station. A taxi is recommended.

##### BY BUS

There are numerous buses which stop in or around Manchester Spinningfields. Please visit [www.tfgm.com](http://www.tfgm.com) for further details.

##### BY TRAM

There are numerous tram services which stop in central Manchester, with a walk to the office from the stop. Please visit [www.metrolink.co.uk](http://www.metrolink.co.uk) for further details.

K3 capital  
group plc

KBS HOUSE  
5 SPRINGFIELD COURT  
SUMMERFIELD ROAD  
BOLTON  
BL3 2NT

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