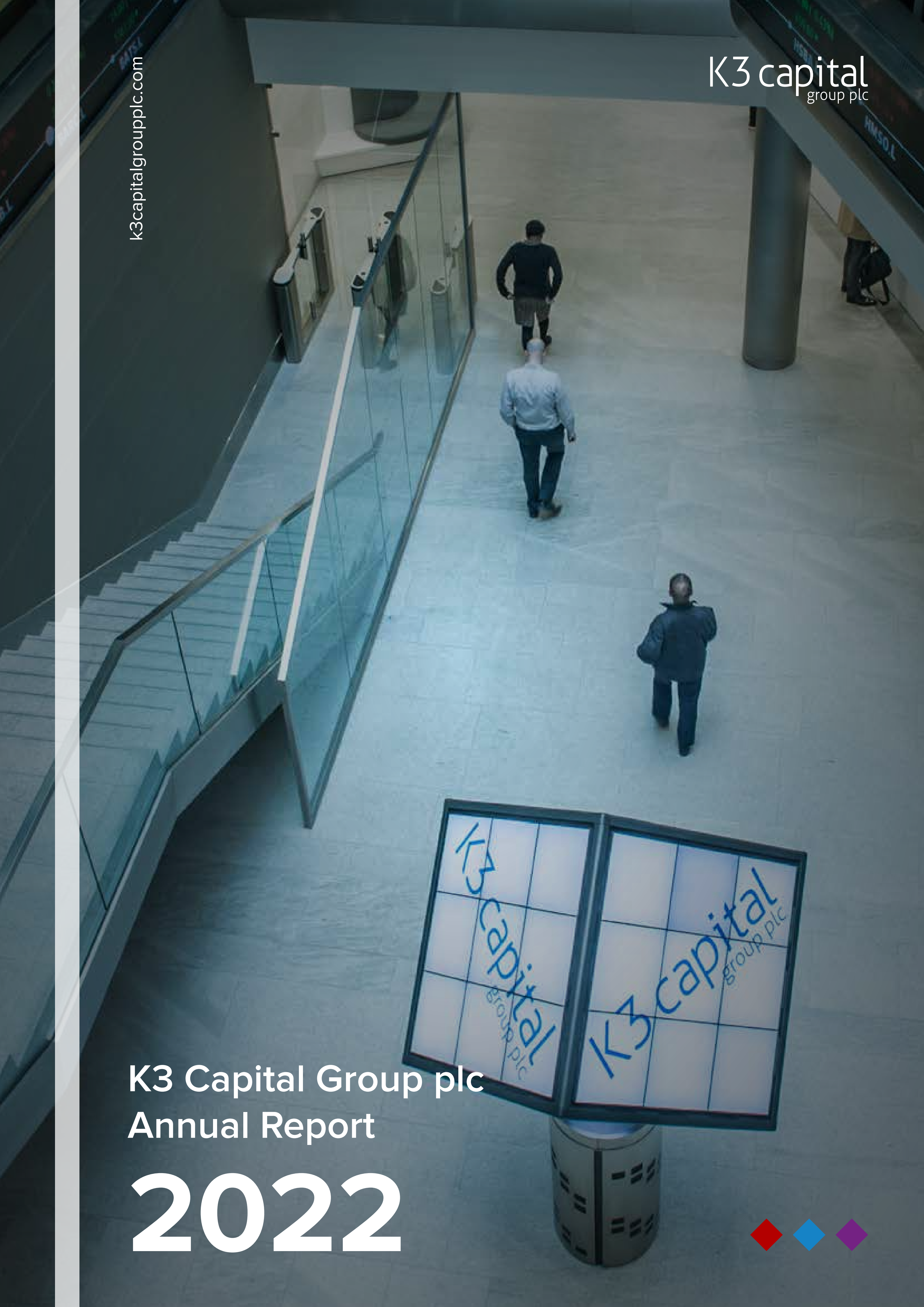


K3 capital group plc

k3capitalgroupplc.com

K3 Capital Group plc Annual Report

2022

A multi-disciplinary Group providing complementary and specialist advisory services to SMEs

Contents

Group Highlights

Strong growth across all three business divisions, which have all performed ahead of forecast, demonstrating strength and resilience of the business model

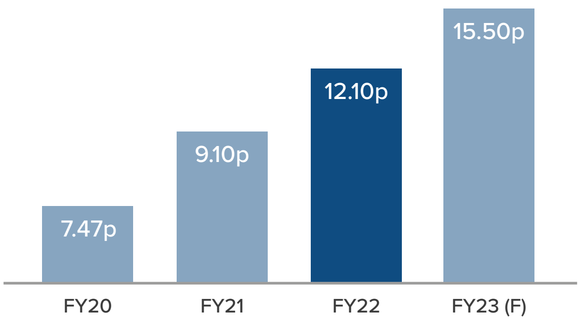
Diversified and robust offering with over 9,000 invoices, across three divisions with an average value of c.£8k

Double digit organic growth as the Group's data-driven marketing platform, referral network and cross-sell are leveraged across the divisions

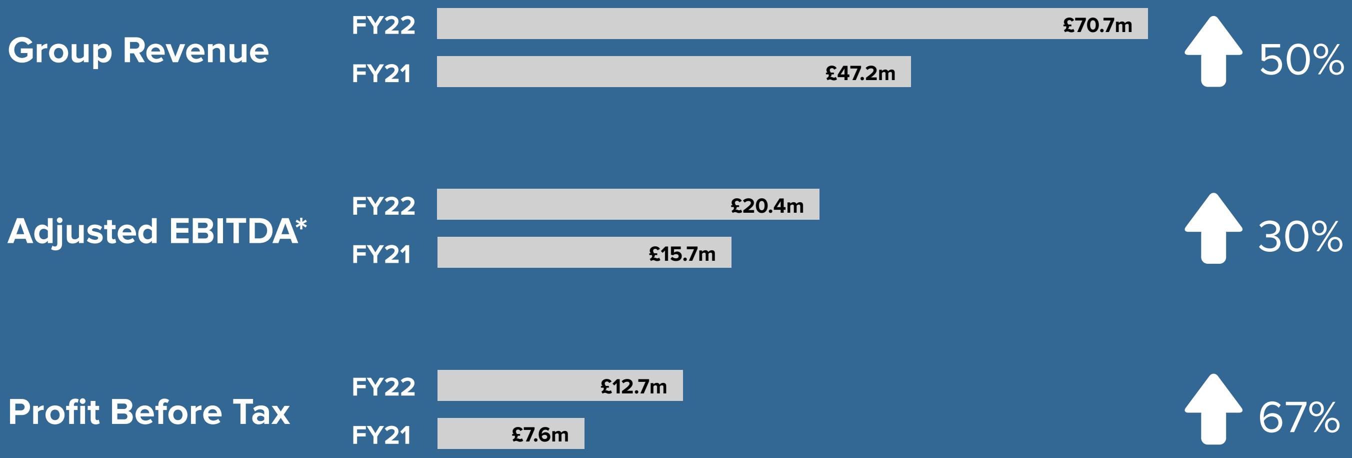
Three further acquisitions and the launch of new service lines accelerates the Group's ability to cross sell to existing customers

Continued growth in national and international presence through investment in headcount and new office openings

Progressive dividend policy continues to deliver value to shareholders



Group Financial Highlights



Revenue

£70.7m

2021: **£47.2m**

Adjusted EBITDA*

£20.4m

2021: **£15.7m**

PBT

£12.7m

2021: **£7.6m**

Cash

£13.7m

2021: **£14.3m**

Adjusted* EBITDA Margin

29%

2021: **33%**

Adjusted* Earnings per Share

20.64p

2021: **18.56p**

Dividend per Share**

12.10p

2021: **9.10p**

Organic Revenue Growth***

24%

2021: **7%**

Average Headcount

545

2021: 410

* EBITDA and Earnings per Share adjusted for share-based payments and exceptional acquisition costs as detailed in note 40 and note 13

** Including proposed final dividend of 8.10p

*** prior year reflects KBS group of companies and is adjusted to give full 12 month comparison

Our Group at a Glance

Double digit organic growth driven by differentiated client acquisition strategy

Who we are

K3 is a multi-disciplinary group, providing complementary and specialist advisory services to SMEs

What we do

We use data, technology and highly experienced teams to help entrepreneurs and owners successfully restructure and sell their businesses and help companies manage and optimise their tax arrangements

Who we help

We support thousands of small and medium-sized businesses a year operating in all sectors and geographies, with c.9,000 invoices issued in FY22

Business Sales Division

The UK's number one business and company sales specialist to UK SMEs

Corporate Finance services

Transaction services / FDD

Buy side acquisition searching

Debt advisory

KBS corporate

KBS corporate finance

knightsbridge commercial

K3 debt advisory

Knight Corporate Finance

Knight Transaction Services

MARKET MAPPING Targeted Acquisition Strategies

FY22 EBITDA **£10.8m**

50% Margin

2 Head Offices and **1** satellite office

c.175 Employees

< 5% Market Share

Our Ambition

To grow and be recognised as the leading mid-market specialist advisory business to SMEs across our chosen disciplines both in the UK and across specific offshore locations with a mid-term ambition to achieve

£50m EBITDA

Tax Division

Research and development tax credit advisory

Transactional tax advisory

Tax planning and structuring

Tax investigations

Tax advisory

randd rewarding innovation

KNIGHT R&D

K3 TA

inTAX

FY22 EBITDA **£5.9m**

51% Margin

2 Head Offices and **1** satellite office

c.60 Employees

< **2%** Market Share

Restructuring Division

UK insolvency and restructuring

International insolvency and restructuring

Forensic accounting and expert witness

Corporate Finance / Accelerated M&A

Asset tracing and recovery

Creditor services

Quantuma

Quantuma INTERNATIONAL

je consulting

FY22 EBITDA **£6.7m**

18% Margin

17 UK and **6** overseas offices

c.330 Employees

< **5%** Market Share

Proprietary technology

10+

c.10+ years of data collection

#1

UK's number one business sales advisor

c.585

Group employees

23 UK & 6 overseas offices

Investment Case

Unique, market leading approach	• K3 provides a range of specialist advisory services to SMEs across Business Sales, Restructuring and Tax advisory • Leading SME dataset and marketing platform built over 20 years drives volume approach to client acquisition and acts as a barrier to entry for new competitors • Experienced in driving process efficiencies to create sector leading margins
Sustainable and resilient model across the economic cycle	• Business Sales division - high volume of smaller SME business sales creates a robust model with upfront non-contingent retainers which cover 100% of the fixed cost base, • Tax Advisory division - focused on R&D tax credits and benefits from a high degree of contracted and recurring revenue • Restructuring and Insolvency provides counter-cyclical income streams supplemented by growing forensic accounting, corporate finance and international offerings • Volume approach saw over 9,000 invoices issued in FY22 highlighting the significant spread and depth of our businesses across the divisions
Impressive growth trajectory and cash generation	• Double digit organic revenue growth achieved across all three divisions • c.30% EBITDA margin at group level with the Business Sales and Tax divisions consistently delivering c.50% margins • Operationally cash generative, utilising cash to settle earn out payments whilst maintaining strong dividend levels. Operating cash conversion of 73%*.
Significant M&A potential	• Proven track record of integrating acquisitions, accelerating growth and driving operational synergies • Opportunity to leverage the power of our SME dataset on future acquisitions in adjacent service areas • Uniquely positioned to source future M&A ideas through the Business Sales division
Experienced and ambitious team	• Experienced and ambitions management team who have been with the business for a combined 50+ years driving the growth strategy to date • Entrepreneurial culture with founder and management equity ownership of c.32% • Senior management 'bench' strengthened recently through acquisitions and new hires

* Conversion of Adjusted EBITDA (as detailed in Note 40) to Cash generated from operations

Organic Growth Drivers

Building relationships at scale

Business Sales Division | **Tax Division** | **Restructuring Division**

Organic growth drivers

K3·GLOBE
Data driven engagement
Leading SME data set and proprietary marketing platform

Referral network
2,000+ professionals from 1,000+ member firms supported with a CPD and webinar programme
K3·HUB

K3 X-SELL
Ongoing training and incentivisation programmes

Expanding footprint
Growing our national and international presence through lateral hires, new office openings

Launching complementary service lines
New and complementary service line launches across all Divisions, benefitting from Group SME client base

Rolling out and optimising our client acquisition strategies is driving strong double digit organic growth across all our divisions

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Business Sales	Tax	Restructuring
25% organic revenue growth* FY21 - FY22	**35%** organic revenue growth* FY21 - FY22	**21%** organic revenue growth* FY21 - FY22

* adjusts prior year to give a full 12 month comparison

A particularly pleasing element of our FY22 performance has been the organic EBITDA growth delivered by each of our trading divisions

Chairman's Statement

I am very pleased to report on a year of significant progress for the Group, with results ahead of market expectations due to record performance driven by double digit organic growth, supplemented with growth from acquisitions in the year.

I would like to put on record my sincerest gratitude to my fellow Board members and all employees at K3 Capital Group plc ("K3") for their professionalism and dedication in continuing our growth journey that has seen the Group complete and integrate six acquisitions since the start of FY21 and deliver compound annual growth in revenue since 2019 of 71%. A very strong performance given the impact of world and domestic events during the period, including the ongoing impacts of COVID-19 and Brexit, in addition to the war in Ukraine.

I am pleased to report growth in both revenue and profits for FY22. Group revenues stood at £70.7m for FY22 (FY21: £47.2m), deriving a gross profit of £45.9m (FY21: £33.4m) which delivered £20.4m of Adjusted EBITDA* for the period (FY21: £15.7m). Cash was £13.7m (FY21: £14.3m). Adjusted EPS* for the year was up by 2p to 21p (FY21: 19p) having adjusted for costs relating to the acquisitions, with actual EPS being 13p for the period (FY21: 8p).

A year of organic growth

A particularly pleasing element of our FY22 performance has been the organic revenue growth** delivered by each of our trading divisions. Our Business Sales division delivered organic growth of 21%, the Tax division delivered 35% organic growth and the Restructuring division delivered 21% organic growth.

Acquisitions

During the early part of FY22, we concluded the acquisitions of Knight R&D Limited (Knight R&D) and Knight Corporate Finance Limited (Knight CF), following a successful equity placing to raise £10 million in July 2021.

Knight R&D is a specialist R&D tax advisory firm servicing UK SMEs. The team provides an uncompromised service, regardless of size with the aim to build lasting relationships with each client. Clients that Knight R&D work with range from start-ups to companies with revenues in excess of £1 billion. The team has diverse backgrounds in science, engineering and software allowing them to provide in-depth services for a range of sectors.

Knight CF is a specialist mergers and acquisitions ("M&A") advisory firm within the telecoms, technology, and software sectors. They specialise in delivering corporate finance services aimed at helping clients articulate and deliver on their business aspirations, from one-off assistance to ongoing board advisory services.

In March 2022 we announced the acquisition of Professional Insight Marketing Ltd which trades as JE Consulting. JE Consulting is a full-service marketing agency specialising in digital and creative services to SMEs operating, predominantly in the accountancy and legal markets. Established in 1998 and based in Sutton Coldfield in the West Midlands, the business provides services to over 140 clients across the UK.

Our diversification strategy now provides the Group with a blend of retainer and transactional revenues in the Business Sales division, contracted and recurring revenues in the Tax division and counter cyclical revenues in the Restructuring and Insolvency division, which combined with our strong financial position, leaves the Group well placed to continue our ambitious growth plans in FY23 and beyond.

I would like to welcome the directors and employees of each of these business to our Group, and I am excited by their future prospects under the K3 banner.

50%
Increase in Group Revenue

30%
Increase in Adjusted EBITDA

8.10p
Proposed final dividend per share

"Our diversification strategy now provides the group with a blend of retainer and transactional revenues in the Business Sales division, contracted and recurring revenues in the Tax division and counter cyclical revenues in the Restructuring and Insolvency division"

* See note 40 - alternative performance measures - for a reconciliation of profit before tax to Adjusted EBITDA and see note 13 for a calculation of adjusted EPS.

** adjusts prior year to give a full 12 month comparison

Chairman's Statement

Growth strategy

It is the Board's strategy, through both acquisition and organic growth, to continue building a diversified professional services group which can deliver success across the economic cycle. Our strategy is to bring together businesses which can benefit from the Group's unique distribution platforms, incorporating direct marketing, cross-selling opportunities and an ever-expanding professional introducers' network through our K3 Hub platform.

Our growth strategy remains broadly similar to last year, including:

- Investigating further complementary, SME focussed acquisition targets that could fall within our existing service lines or indeed form a further division.
- Continuing to execute a data and marketing driven approach to new client acquisition enabled by our proprietary Globe technology and leading SME dataset.
- Lateral hires and new office openings to grow our domestic and international footprint.
- Expanding and developing our K3 Hub network of referrers and introducers of work.
- Driving further cross selling opportunities with education, training and incentivisation across the Group companies.

Board and people

During FY22, the K3 Capital Group Board remained unchanged. Following the appointment of Carl Jackson and Charlotte Stranner in FY21, we feel the Board is currently well balanced and suitable for the next phase of our growth strategy.

The Board considers attracting and retaining talented and qualified people as a key part of its growth strategy. It is important to ensure that all staff maintain a common interest in the future success of the Group, and therefore the Board continued with the Save-as-you-Earn scheme during the period, allowing all employees of the Group to buy in to the Company's journey and enjoy its success through financial incentives.

The Board remains confident in its ability to continue to attract talented employees, as K3's stature within the UK professional services marketplace continues to grow. This is evident from the general growth of our headcount and fee earner base during the year and also the recruitment during FY22 of Ian Symes as Group Managing Director. Ian brings a wealth of experience having joined us from ManpowerGroup where he was Executive Vice President and global leader of the Right Management brand, a HR solutions business employing more than 900 staff across 35 countries and with revenues of more than $200m. Ian has held senior executive roles in Electrolux, Cisco and across different ManpowerGroup businesses. He comes with extensive international experience having led businesses across Europe, North America and globally.

We remain proactive in searching for the best available talent and I am delighted to report that we continue to grow our headcount in order to service our growing number of clients'.

Group financials

As reported, revenues for the year stood at £70.7m (FY21: £47.2m), which generated an Adjusted EBITDA* of £20.4m (FY21: £15.7m) and an operating profit of £13.0m (FY21: £7.7m).

Cash at the year end stood at £13.7m (FY21: £14.3m).

Group net assets at 31 May 2022 were £66.5m (FY21: £49.2m) with current net assets standing at £15.1m (FY21: £9.9m). As a result, the Board is recommending a final dividend payment of 8.1p per share in addition to the interim dividend paid of 4.0p per share. This results in a total dividend for the year of 12.1p (FY21: 9.1p).

The Board remains committed to the dividend policy as detailed in the Strategic report, whilst maintaining an appropriate level of dividend cover. If approved, the final dividend is expected to be paid on 28 October 2022 with a record date of 7 October 2022.

* See note 40 - alternative performance measures - for a reconciliation of profit before tax to Adjusted EBITDA and see note 13 for a calculation of adjusted EPS.

Annual General Meeting

The K3 Annual General Meeting will take place on 25 October 2022 at 10:00am at KBS House, 5 Springfield Court, Summerfield Road, Bolton, BL3 2NT. Notice will be posted on the Company's website at:

www.k3capitalgroupplc.com

Looking ahead

We are confident in the Group's outlook for FY23 and beyond, and we are delighted with the impact that the new companies and employees we have welcomed to the Group throughout the past financial year have had on the growth of K3.

Our Business Sales division continues to lead the UK rankings as the number 1 advisor by deal volume and as we enter FY23 with record levels of transactions in the legal process, we are confident in our ability to continue the journey of strong organic growth in the division.

Our Restructuring and Insolvency division has achieved double digit, organic growth against the significant headwinds of a subdued insolvency market and as those headwinds turn to tailwinds and the SME market continues to feel the pressures of the wider macro-economic turmoil and pressures we are confident that our investment in both our UK and overseas footprint will yield excellent growth and provide the Group with strong counter cyclical revenues.

Our Tax division which benefits from a high degree of contracted and therefore recurring revenue has delivered £5.9m EBITDA in FY22. With a continued approach to leverage our data and marketing platform across that division to drive further organic growth together with the wider opportunity to diversify into other specialist areas of taxation we see a strong future for the division.

The Group has seen a strong start to trading in FY23, delivering turnover of in excess of £20m and Adjusted EBITDA of c.£6.5m* in the three months to 31st August.

Overall, we anticipate that growth will continue across all divisions of the Group, both organic and through selective acquisitions and I believe the Group is in a strong position to deliver on its market expectations for FY23 and beyond. Our mid-term ambition remains to be recognised as the leading mid-market specialist advisory business to SMEs across our chosen disciplines both in the UK and across specific offshore locations with an ambition to achieve £50m EBITDA.

I Mattioli

Ian Mattioli MBE, Non-Executive Chairman

26 September 2022

* See note 40 - alternative performance measures - for a reconciliation of profit before tax to Adjusted EBITDA and see note 13 for a calculation of adjusted EPS.

CEO's Report

A multi-disciplinary Group providing complementary and specialist advisory services to SMEs

FY22 has been another year of impressive performance for K3 Capital Group plc, driven by the continued execution of the Group's strategy. The Group reported a strong period of growth across all three business divisions despite uncertain wider macro-economic conditions.

Notable highlights throughout FY22 include strong organic revenue growth, the successful integration and growth acceleration of complementary acquisitions and new service lines, including debt advisory, tax advisory, and transaction services, providing further cross-selling opportunities within the Group's SME client base.

Each of the Group's divisions are experiencing growing revenues as our data-driven marketing platform and cross-referral network are leveraged across the Group. The Business Sales division has delivered a record year driven by continued organic growth momentum enabled by the Group's data driven marketing technology platform. The Restructuring division has grown well, whilst at the same time investing in both its UK business and its overseas office footprint and is seeing increasing demand for its services and a number of high-profile job wins. The Tax division has seen both organic and inorganic growth, to deliver a triple-digit increase in revenues of which a high proportion are recurring in nature.

A year of organic and inorganic growth

The period has seen the Group comfortably outperform original market expectations and deliver significantly ahead of FY21, as the acquisitions made in the prior period created what is now a diversified group, delivering high levels of organic growth as part of K3.

The Group's cash balance closed the year on £13.7m (FY21: £14.3m), giving the desired headroom after dividends and tax payments to fund smaller bolt-on acquisitions and allowing us flexibility alongside the Group's debt facility when considering larger deals.

The growth experienced throughout FY22 has been largely driven by:-

- data driven engagement through the utilisation of our leading SME data set and proprietary marketing platform;
- our expanding referral network of over 2,000 professionals from more than 1,000 member firms supported with a Continuing Professional Development (CPD) and webinar programme;
- ongoing training and incentivisation of key employees across the Group;
- growing our national and international presence through lateral hires and new office openings; and
- new and complementary service line launches across all divisions, benefitting from the Group's SME client base.

Once again, FY22 performance highlighted the importance of the Group's volume approach driven by process, technology and systems, which has seen K3 build ever-increasing visibility and robustness of future revenues through transaction fee pipelines, contracted clients and recurring revenue, delivering more cyclically balanced revenue streams across economic cycles.

£70.7m
Group Revenue

£20.4m
Group Adjusted EBITDA*

"The period has seen the Group comfortably outperform its original market expectations and deliver significantly ahead of FY21"

* See note 40 - alternative performance measures - for a reconciliation of profit before tax to Adjusted EBITDA and see note 13 for a calculation of adjusted EPS.

FY22 has been another year of impressive performance for K3 Capital Group plc

CEO's Report

Acquisitions in FY22

The Board continues to explore complementary acquisitions and bolt-ons to create an even more robust Group that can not only withstand but thrive in the face of wider macro-economic pressures and provide market-leading services to SMEs throughout the business lifecycle.

In July 2021, the Group completed the acquisitions of Knight CF and Knight R&D following a successful fundraise. These acquisitions have provided sector specific expertise to our existing corporate finance and R&D tax offerings, as well as paving the way for the development of transaction services to the Business Sales division, following the acquisition of Knight Transaction Services. As we grow our business, sector specialism becomes increasingly important and the industry-specific knowledge that comes with these acquisitions has been highly beneficial in contributing to growth during FY22.

In March 2022, the Group completed the acquisition of a professional services marketing agency, Professional Insight Marketing Ltd which trades as JE Consulting. JE Consulting is a full-service marketing agency specialising in digital and creative services to SMEs operating in the accountancy, legal and healthcare markets. The acquisition complements the Group's growth strategy by expanding and deepening the services of the K3 Hub, a centre for accountants in practice to access specialist advice, services and CPD (Continuing Professional Development) training. The acquisition strengthens the Group's presence at a time when the professional services sector is expanding, particularly in the accountancy space and further diversifies K3's recurring revenue streams.

Post year end, the Board continues to investigate a pipeline of further complementary, SME focussed acquisition targets that could fall within our existing service lines or indeed form a new division in order to further broaden our service offerings and provide additional diversification.

We believe that the foundations are firmly in place for K3 to be recognised as the leading mid-market specialist advisory business to SMEs across our chosen disciplines both in the UK and across specific offshore locations.

"We believe that the foundations are firmly in place for K3 Capital Group plc to be recognised as the leading mid-market specialist advisory business to SMEs"

Business Sales Division

K3's Business Sales division has performed exceptionally well throughout FY22, posting record levels of revenue (£21.6m, FY21: £16.0m) and EBITDA (£10.8m, FY21: £8.3m), which have been generated through the mandating of more sellers, and the completing of more transactions than ever before, which have increased by 53% and 56% respectively over the last two financial years.

Organic revenue growth for the division sat at 25%, which was complemented by the acquisition of Knight CF in July 2021 which has continued to grow as part of K3. Following the acquisition, Knight Transaction Services has had a strong post acquisition period fuelled by Group cross-selling opportunities, contributing £0.5m to revenue and £0.3m to profit before tax.

The introduction of Knight CF to K3's Business Sales division has added sector-specialisms within the telecoms and technology areas, in line with the Group's strategy to acquire complementary and value accretive businesses to build out its existing SME-focussed service lines. Knight CF has had a strong start as part of the K3 Capital Group, contributing £1.8m to revenue and £0.9m to profit before tax.

The Business Sales division's unique data driven marketing platform has been carefully designed to drive growth rather than relying on positive macro

£21.6m

Business Sales Division Revenue

£10.8m

Business Sales Division EBITDA

trends, which has resulted in increasing volumes of sell-side clients, new buyer registrations and, ultimately, overall transaction numbers. This has created a division that is sector and buyer type agnostic, with performance very much underpinned by the volume brands (Knightsbridge and KBS Corporate), ensuring that larger corporate finance transactions are still seen as upside opportunities. This has ensured that the business continues to be driven by its contingent fee pipeline, which provides increasing visibility of the future revenues.

Market Mapping Limited and K3 Debt Advisory Limited continue to grow and build momentum and have particularly benefitted from the cross-selling opportunities offered as part of the enlarged Group.

Restructuring Division

The Group's Restructuring division has posted double digit organic growth alongside the acquisition of Professional Marketing Insight Limited (trading as JE Consulting - "JEC") into the division, as revenues rise by 45% (£37.5m, FY21: £25.9m) and has seen growth in EBITDA (£6.7m, FY21: £6.0m) despite challenging market conditions, and investment into new overseas offices.

£37.5m

Restructuring Division Revenue

During the period, investment in headcount and the division's fee earner base (FY22: 250, FY21: 225) continued in anticipation of significant increases in activity levels as demand in the UK insolvency market grows following the removal of government support as a result of the COVID-19 pandemic, and a challenging economy for SMEs.

Our Restructuring division has performed well against this difficult backdrop, resulting in growth which has been driven by:

- continued investment in lateral hires and;
- continued build out of our overseas teams and locations

£6.7m

Restructuring Division EBITDA

In continuing investment in our Restructuring division, in the year, we established a further three businesses:

- Quantuma Singapore offers cross-border, large and complex restructuring, and insolvency services;
- Quantuma Middle East provides the full suite of expert advisory services, including financial investigations and forensic accounting, asset tracing and recovery and;
- Quantuma Poland offers forensic accounting services.

* adjusts prior year to give a full 12 month comparison

CEO's Report

Tax Division

K3 Capital Group's Tax division performed well during the period, delivering triple-digit growth in revenues (£11.6m, FY21: £5.2m), 35% of which is organic*, as well as an 90% increase in EBITDA (£5.9m, FY21 £3.1m) for the period.

The division continues to benefit from a high degree of contracted and recurring revenue, with the now added upside from the sector specialisms offered by the acquisition of Knight R&D, whilst Randd continues to grow as the division's volume brand.

The continued investment and resource in the K3 distribution platform and the integration of our volume data and marketing approach has led to record levels of HMRC R&D Tax Credit submissions, and we remain excited and encouraged about the future opportunities for this service line and the potential for even further growth ahead.

The launch of K3 Tax Advisory in FY21 further broadened our service offerings in FY22 and allowed the division to develop new revenue streams which has been driven by the abundance of cross-selling opportunities that are being delivered as part of the wider Group.

£11.6m
Tax Division Revenue

£5.9m
Tax Division EBITDA

Strategy

The Board's strategy is to continue to deliver growth both organically and through further selective and accretive acquisitions. During the period, we directly employed an Acquisitions Director to identify and pursue relevant opportunities. We believe that the Group can continue to build and expand its existing divisions and core service lines through:

- continued organic growth and exploiting the distribution and cross selling opportunities that exist across the enlarged Group;
- an ongoing focus on lateral hires of quality staff and fee earners;
- further bolt-on acquisitions of complementary businesses and geographies; and/or
- the recruiting of complementary teams and service lines.

We believe there continues to be the opportunity to create a group of significant scale within the Business Sales, Restructuring and Tax arenas as demand for high quality, independent and conflict free advice grows against the macro and socio-economic challenges that UK businesses are facing.

K3's ability to promote its brands and services either directly to SMEs through its sales and marketing platform, or through the Group's K3 Hub accountancy network, means the Board sees significant opportunities ahead to continue growing the existing three divisions.

Our Acquisitions Director continues to consider acquisitions within alternative SME-focused service lines which are complementary to the Group's existing offerings and could either benefit from K3's existing distribution platforms or bring further strategic advantage to the wider Group.

"The Board's strategy is to continue to deliver growth both organically and through further selective and accretive acquisitions"

* adjusts prior year to give a full 12 month comparison

Throughout the period, the Board have considered a number of opportunities with strict criteria around the accretive effect, the strategic fit, the cultural fit, the quality of the people and management and ultimately the commercial aspects of any transaction. Our refined strategy surrounding how the Group approaches a transaction, and how any proposed deal is structured to incentivise the key stakeholders and employees of the acquired business to become part of the Group will be an important factor in our continued success with this strategy.

Current trading and future outlook

The Board is delighted with the Group's FY22 financial performance, especially when taking into account wider macro-economic conditions. We believe it has been a pivotal year in creating a Group that we now see as extremely robust throughout the economic cycle, as we continue on our journey to create a leading multi-disciplinary Group providing complementary and specialist advisory services to SMEs.

I believe that the performance seen throughout the period emphasises that the direction and strategy which the Board has implemented can deliver significant value to all stakeholders of the Group, and K3 Capital Group is now in a better position than it ever has been to deliver high quality services to SMEs across the entire business lifecycle and deliver long-term value to investors.

The record year of trading performance that has been delivered by the Group's Business Sales division, has been driven by a strong blend of organic and inorganic growth. Improving KPI performance and growing transaction fee pipelines, underpin our expectations for FY23 and beyond.

Our Tax division now offers broader service lines and greater scale following the acquisition of Knight R&D and the further establishment of K3 Tax Advisory. We are encouraged by the high degree of contracted and recurring revenue, and our growing client base driven by the launch of Randd Globe (a tailored version of KBS Globe, our proprietary sales CRM system) which indicates a continuation of growth within the division.

Our Restructuring division is encouraged that the insolvency market is showing strong signs of recovery following the withdrawal of pandemic-related Government support, the unwinding of legislative changes and the many inflationary challenges facing UK SMEs. We are confident that our investment in both our UK fee earner base and our overseas office network will deliver strong growth in FY23 and beyond.

The Board is confident that the outlook for FY23 and beyond is positive as we continue to deliver on our strategy of organic revenue growth, the successful integration and growth acceleration of complementary acquisitions, and the development of new service lines providing further cross-selling opportunities within the Group. FY23 has started strongly with turnover from all three divisions in the three month period to 31 August trading significantly ahead of the same period in the prior year, with the Group delivering total turnover in excess of £20m and Adjusted EBITDA* of c.£6.5m.

J S Rigby

John Rigby, Chief Executive Officer

26 September 2022

* See note 40 - alternative performance measures - for a reconciliation of profit before tax to Adjusted EBITDA and see note 13 for a calculation of adjusted EPS.


K3 capital
group plc
K3 capital
group plc
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group plc
K3 capital
group plc
London

Strategic Report

The Directors present their strategic report for the year ended 31 May 2022 ("FY22").

Principal activities

During the year under review, the principal activities of K3 Capital Group plc (the "Company") together with its wholly owned and partially owned subsidiaries (the "Group") consisted of the provision of professional advisory services categorised into three main service pillars as follows:

K3 Business Sales Advisory Group Limited ("Business Sales") –

- Company sales
- Corporate Finance services
- Business brokerage services
- Transaction services
- Off-market acquisitions

K3 Restructuring Advisory Group Limited ("Restructuring") –

- Restructuring advisory: formal insolvency appointments; informal restructuring advisory; personal insolvency and pension restructuring, and insolvency advice.
- Financial advisory: comprehensive analysis of business performance through business toolkit; independent reviews; stakeholder management and turnaround; and interim support.
- Creditor Services: creditor representation; and liquidations.
- Forensic accounting and expert witness: forensic investigations; intelligence; and forensic accounting.
- Pensions advisory: corporate and trustee advisory; pension scheme restructuring advisory; covenant advisory; and expert witness.

K3 Tax Advisory Group Limited ("Tax") -

- Research & Development tax credit advisory
- Tax investigations
- Tax planning
- Tax advisory focussed on corporate finance transactions

The Group considers itself to be a multi-disciplinary and complementary professional services group advising UK SMEs and with some operations overseas.

Strategic Report

Financial Review

Basis of preparation

During the period under review, the Group has continued to make a number of synergistic acquisitions to expand the services offered into the Tax and Business Sales divisions. As such, reference to Group turnover and profits are not directly comparable with prior year, however segmental splits are provided. Divisional reference to Restructuring activity for FY22 is broadly comparable with Restructuring activity in FY21, with the small addition of JEC for Q4.

Revenue

Group revenue in the period significantly increased from £47.2m to £70.7m, a rise of 50%, in part due to acquisitions as detailed throughout this report.

Business Sales revenues grew overall from £16.0m to £21.6m (35%) in the period. This division made the acquisition of Knight Corporate Finance in the period, which contributed revenue of £1.8m (with 11 months consolidated in FY22). Including post acquisition growth and comparing against a full 12 month prior period, the Business Sales division has delivered organic growth of 25% on FY21. An element of this organic growth has been derived from the new Transaction Services business, acquired in July 2021, which delivered £0.5m of revenue from a standing start.

The period under review has seen the continued proven resilience of the M&A market at the lower end of the SME service delivery in which the Group predominantly operates. The Group has seen an 19% increase in the number of client completions compared to the prior year which resulted in the retention of the title 'the UK's most active dealmaker' based on volume by globally recognised third party league tables. The latest review of the Refinitiv 'Global Mid-Market M&A Review', at the date of this report sees K3 Capital Group named as most active UK advisor in H1 of calendar 2022, completing 50% more transactions than 2nd place. This table also names K3 Capital Group as third most active in Europe and seventh in the world, underlining the investments made over many years into client service delivery through a combination of technology and experience.

In addition to completions, the Business Sales division has also seen continued growth in main operational KPIs. Excluding acquisitions, there has been organic growth in activity with the period seeing a 19% increase in the volume of non-disclosure agreements signed by potential buyers, a 25% increase in the volume of buyer meetings arranged with clients, and a 22% increase in the volume of offers received for clients businesses. These trends give the Board great comfort alongside the pipeline of client transactions carried into FY23 and confidence of the strength of this market.

The Tax division saw revenue grow from £5.2m to £11.6m (123%) in the period, largely due to the acquisition of Knight R&D in July 2021. The acquisition contributed revenue of £3.8m, with 11 months consolidated in FY22. Including post acquisition growth and comparing against a full 12 month prior period, the Tax division has delivered organic growth of 35% on FY21. An element of this organic growth has been derived from establishing K3 Tax Advisory, a new service line introduced in July 2021 and delivered £0.8m of revenue in the first 11 months of trading.

During interim reporting, it was noted there had been a small decline in the number of claims submitted to HMRC in respect of R&D tax reclaims, which management were addressing in H2. The Group are pleased to report that FY22 has resulted in an annual increase of 9% in HMRC submissions by randd on a full 12 month comparative period, and an overall divisional increase of 48% when taking into account the acquisition of Knight R&D. This is due to a combination of more efficient internal processes, and also the introduction of a direct marketing engine which has seen a significant increase in new client wins compared to the prior period.

The Restructuring division has seen revenue grow from £25.9m to £37.5m (45%), whilst the acquisition of JE Consulting in February 2022 provided £0.4m of revenue in the period, the remaining increase has been entirely organic, representing 21% organic revenue growth*. The period has seen the launch of new offices in Singapore, Dubai and Poland, with the expansion of the Cayman office into BVI. This now gives the Quantuma brand an established global presence and a strong footprint for international work wins.

The UK restructuring market has been under well documented pressure over recent years due to significant government support to SME's during and post Covid. However, there are now strong signs of the insolvency market recovering following the withdrawal of pandemic-related Government support and the unwinding of legislative changes, in addition to new challenges facing UK SME including inflation and rising energy costs. As per the official UK insolvency statistics report in FY22 Q4 (March – May 2022) there were 5,922 insolvencies which compares to

* adjusts prior year to give a full 12 month comparison

2,928 (102% increase) in the same quarter in 2021 and 3,378 in 2020, and even surpasses pre-covid levels of 4,379 in 2019 which was more representative of historical UK statistics. Whilst the return of the market may have been slower than most had expected, the group sees encouraging activity levels, with Quantuma maintaining market share in the region of 4% of the UK market, which has grown 74% from FY21 to FY22.

Cost of sales, distribution costs, and administrative costs

Following strategic acquisitions in FY21, the structure of cost base in the period under review is largely unchanged in comparison to prior year. The cost base has increased to £55.1m (FY21: £39.4m), but whilst acquisitions undertaken in the period have added £3.6m of costs in the period, the main increase comes from a full year of FY21 acquisitions and further investment into employees to support growing revenue lines.

The Group has continued to invest in people by expanding existing services and creating new service lines, which has seen headcount grow significantly once more in the period. The average number of employees across the Group rose by 33% in FY22 to 545 (FY21: 410). The period under review saw successful efforts to centralise the finance function, and has seen positive movement towards centralising HR and IT functions at Group level to ensure efficiencies are created whilst minimising risk and maximising group coherence. The Group continues to encourage maximum utilisation of staff, with a number of client projects being carried out by employees across the Group. The period under review has seen many successful client journeys where employees specialising in business sales, transaction services, tax advice, restructuring and R&D reclaims have all been involved at various touchpoints through the process, ensuring professional fees are retained within the group whilst maximising utilisation of staff and streamlining the client experience.

The largest increase in costs has been derived from payroll costs increasing by 36% from £27.6m to £37.9m. The aforementioned increase in headcount is the largest driver behind this increase along with performance related pay. Whilst the UK is currently experiencing cost of living pressures, the Group continues to employ various tried and tested remuneration structures to reward individuals with performance-based earnings, alleviating some inflationary pressures with focus on take home as opposed to basic salary.

Adjusted EBITDA

Group adjusted EBITDA in the period under review has grown significantly to £20.4m for FY22, up 30% from prior year (FY21: £15.7m). EBITDA has been adjusted for exceptional items relating to acquisitions, deemed remuneration, professional fees relating to establishing a maiden debt facility, and for charges arising from share based payments.

There has been a decline in adjusted EBITDA* margin to 29% (FY21: 33%), however this margin represents a highly diverse operation with counter cyclical and recurring revenue streams, delivering more certainty on future performance, and a more robust business model that will be further expanded over time. The Group expects sustainable margins to be c50% for Business Sales and Tax divisions, with c20% in the Restructuring division. The success of each will influence overall Group margin, as seen with FY22, the growth in Restructuring revenue has seen a decline in overall margin due to its cost base and revenue model.

Share Based Payments

Since the AIM listing, the Group has a record of rewarding employees through equity, in order to align employees with the long term and sustainable growth plan set by the Board. In previous periods, the Group has deployed Long Term Incentive Plan (LTIP) shares to employees with 50% of vesting criteria linked to Group financial performance and 50% linked to Total Shareholder Return over the life of the awards.

Following the close of the LTIP, the use of Growth Shares had been adopted by the Board as the incentive scheme of choice. All Growth Shares are held in a subsidiary company (K3 Advisory Group Limited) and may be swapped for K3 Capital Group plc shares subject to a target share price being achieved at a point in time 3-5 years from issue (typically double the share price on issue) and also subject to annual individual performance targets plus the requirement to remain employed to the end of the performance period.

During the year, a further 1,110,236 share options were issued to employees. A total of 247,546 share options lapsed in the period due to ceased employment or performance targets not being achieved. As the original LTIP schemes have now matured and are able to be exercised, the period also saw 153,897 LTIP shares exercised.

* See note 40 - alternative performance measures - for a reconciliation of profit before tax to Adjusted EBITDA and see note 13 for a calculation of adjusted EPS.

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Finally, during the period a second Save As You Earn (SAYE) scheme launched for all employees in the Group. Further to the FY21 launch with 455,006 shares across 100 employees, this second launch saw an additional 160,236 shares issued across the 94 people who participated, whilst the period saw a total of 38,542 SAYE shares (6% of SAYE issued to date) lapse due to ceasing of employment. The Directors believe the strong uptake of these SAYE schemes shows long term commitment from employees to the future of K3 Capital Group plc. It is the Board's intention to open SAYE schemes every 12 months in order to allow new entrants to the scheme to share in the future success of the Group.

As at 31 May 2022, a total of 425,666 share options had vested and 5,440,781 were still within performance periods.

Acquisitions

During the year, the Group made three acquisitions:

- Knight Corporate Finance Group on 9th July 2021 for an initial consideration of £3.5m (on a cash free, debt free basis with normal levels of working capital), and further contingent deemed remuneration up to a maximum of £2.25m (payable in a combination of cash and shares) subject to EBITDA targets over the four financial years to FY25. In addition to this, a further payment capped at £3.0m will fall due at the end of FY26 linked directly to the EBITDA of Knight Transaction Services which commenced trading post acquisition.

  For the financial year ended 31 March 2021, Knight Corporate Finance Group generated revenue of £1.71 million and normalised EBITDA* of £0.78 million, representing a c46% normalised EBITDA* margin (unaudited).

- Knight R&D on 9 July 2021 for an initial consideration of £10.9m (on a cash free debt free basis with normal levels of working capital), with further contingent deemed remuneration / contingent consideration up to a maximum of £7m (payable in a combination of cash and shares) subject to EBITDA targets over the four financial years to FY25.

  For the financial year ended 30 September 2020, Knight R&D generated revenue of £3.2 million, and normalised EBITDA* of £2.0 million representing a 63% normalised EBITDA margin (unaudited).

- Professional Insight Marketing (trading as JE Consulting) on 28 February 2022 for an initial consideration of £2.7m (on a cash free debt free basis with normal levels of working capital), with further contingent deemed remuneration up to a maximum of £2.25m (payable in a combination of cash and shares) subject to EBITDA targets over the four financial years to FY26.

  For the financial year ended 30 November 2021, Professional Insight Marketing generated revenue of £1.5 million, and normalised EBITDA* of £0.4 million representing a 27% normalised EBITDA margin (unaudited).

Exceptional Items

There were a total of £3.9m exceptional costs in FY22 (FY21 £6.0m). The majority of these costs in the period relate to deemed remuneration on Quantuma, Knight CFG and Knight R&D (total £2.2m FY22). Deemed remuneration relates to consideration on acquisitions where there is an obligation of the vendors to provide services to the Group post-acquisition for a fixed period of time, this consideration is charged to profits over the life of post-acquisition service.

Other exceptional items in the period relate to professional fees on both completed and aborted transactions and share based payment expenses.

Profit Before Tax

The Group generated a Profit Before Tax of £12.7m, a 67% increase on the prior year (FY21: £7.6m).

Taxation

The effective tax rate is 25% which is lower than the prior year (FY21: 32.1%) due to less disallowable expenses relating to acquisitions.

Earnings Per Share

Based on the weighted average of 72.7m shares in issue (FY21: 65.2m), the basic earnings per share (see note 13) was 13.11p for the year (FY21: 7.93p).

* adjusts prior year to give a full 12 month comparison

When adjusted for exceptional items (see note 13), basic adjusted earnings per share has increased in FY22 to 20.64p from 18.56p FY21.

Liquidity

The Group has been historically cash generative and continues to be in a strong financial position. At the end of the period under review, the Group had cash reserves of £13.7m (FY21: £14.3m). As all acquisitions to date have been made with normal levels of working capital, it is expected the Group will continue to be cash generative at an operational level, providing sufficient cover for future contingent payments relating to the acquisitions and also in order to maintain the Group's stated dividend policy.

During the period under review, the Group made use of the debt facility established in FY21 being a £10m revolving credit facility with a further £5m accordion approved though not committed. A total of £2.2m was drawn on this facility to complete the acquisition of Professional Insight Marketing in February 2022. The purpose of the balance of this facility is to support the Group's stated strategy of continuing to grow through acquisitions of complementary professional services businesses. The facility expires in May 2024.

Fundraising

In July 2021, the Group completed a fundraising of £10.0m (before expenses) through the issue of 2,941,934 shares at a price of £3.40 per share by means of a placing. On 9 July 2021, the cash raised was utilised for the acquisitions of Knight Corporate Finance Group and Knight R&D. The balance of funds raised were used to cover costs relating to both acquisitions.

Cash Flow

The Group's cash balances decreased from £14.3m at the end of FY21 to £13.7m at the end of FY22. Following a series of acquisitions in FY20, it was the Group's stated position to be broadly cash neutral over a three year period whilst settling cash elements of contingent acquisition payments and maintaining an attractive dividend pay out. The period under review has seen £7.4m of dividends paid out in addition to £2.6m of deemed remuneration payments and £0.9m of contingent consideration payments.

All acquisitions have been made on a cash free debt free basis, subject to normal levels of working capital. The nature of working capital as a Group has changed over the period, however the Group remains cash generative on an operational level, delivering an adjusted EBITDA* to cash generated from operations conversion rate of 73%. The reduction in this on prior years largely relates to the growth of the restructuring division owing to the build up of unbilled revenue and debtors from the returning market and an increase in activity over the life of a restructuring process.

Net Assets

At 31 May 2022, net assets were £66.5m (May 21: £49.2m). £11.4m of the increase in net assets is due to issued share capital and share premium relating to shares issued to fund acquisitions in the period, details of which can be found in note 27 of the financial statements. The period has also seen further increases in intangible assets and contingent consideration relating to acquisitions, detailed in note 14 and note 25 respectively, in addition to Right of Use assets and lease liabilities inherited through acquisitions, detailed in note 16 and note 24 respectively. As detailed in note 18, the period under review has seen a substantial increase in both trade receivables and unbilled income. Of this increase, c£2.5m of the year end position relates to Knight R&D and Knight CF which were both acquired in the period.

Dividend

In the prior period, the Board started a new dividend policy for future financial periods. This revised progressive policy is intended to allow sufficient cash and distributable reserves to build over future years in order to satisfy contingent payments linked to acquisitions, whilst also reserving cash from overperformance to fund potential future acquisitions.

As such, the Board is still committed to a progressive dividend policy over two financial years, being a 12.1p dividend per share ("DPS") in FY22 and 15.5p DPS in FY23. As per previous years, this will be paid approximately 1/3 on interim results and the balance on annual results.

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In light of the 4.0p DPS paid on interim results, the Board is recommending an 8.1p final dividend per share (FY21: 6.1p final DPS). Subject to approval by shareholders, the final dividend is expected to be paid on 28 October 2022 with a record date of 7 October 2022. If the final dividend is approved, the total dividends paid by the Company relating to FY22 will be 12.10p per eligible ordinary share, a 33% increase on prior year (2021: 9.1p).

Financial Instruments

Company policy regarding financial instruments and risk management are disclosed in note 30 of the financial statements.

Risk Management

Responsibility for the Group's risk management ultimately sits with the Board alongside a risk management framework. A side committee of the Audit Committee was established in the prior year, dedicated to risk management and to allow greater focus on risk management at Board level. The purpose of the risk side committee is to improve risk reporting to create a more robust framework befitting of the enlarged Group. In the period under review, the Group have engaged with a 3rd party risk software provider and have commenced an implementation process to better formalise risk across the Group to give greater visibility, ownership, and reporting on risk at all levels. This project is expected to be completed by the end of FY23.

The current framework sits across all Group companies. Management at divisional levels are responsible for monitoring existing risks in addition to assessing and identifying possible new risks at operational levels. At Group level, risk is a recurring topic at Board meetings where existing risks are reviewed and new risks are discussed in order to be monitored throughout the Group.

There are control and mitigation measures in place at divisional and Group level in order to manage identified risks so much as is reasonably possible.

The Board has identified the following as principal risks and uncertainties that face the Group at the date of this report:

Risk description and impact	Mitigation and control
Acquisitions	
It is the Board's stated strategy to grow both organically and also through acquisition. There is a risk that these acquisitions, joint ventures, or start up companies are unsuccessful which could have a significant impact on senior management time, Group cash reserves, and also Group financial performance. There is a further risk that the Group fails to identify appropriate additional acquisition targets, or fails to agree terms with such targets that fit within our standard offer structures.	In FY22 we have recruited an Acquisitions Director to work solely on this area. The remit of this role is to identify new targets, oversee an appropriate due diligence process with third party providers where needed, and to assist with the integration of targets post completion. The structure of all acquisitions is such that plc shares form a sizable part of the initial consideration with lock in periods over a number of years, in addition to all earn out payments being made in a combination of cash and shares, again with further lock in periods on shares as they are issued. The structure of transactions is such to tie in vendors to the long term success of the Group and discourage anyone wishing to leave in the short term. Post-acquisition, there is a strategy to align all acquired companies onto Group finance software with centralised reporting, standardised weekly KPI monitoring and regular board meetings, and to ensure there is sufficient support to the acquired company allowing full growth potential whilst having early warning signs should there be any performance issues.

Risk description and impact	Mitigation and control
Our People	
As a growing multidisciplined professional services Group, our people are fundamental to our success. The service delivered to our clients is the key to the Group's success, which can only be maintained with highly skilled, trained, and motivated employees. If the Group were to fail in recruiting or retaining the right employees, it could have a material negative impact on reputation and performance.	Since AIM listing in 2017, the Group have established a number of share-based incentive schemes in order to retain and motivate employees over a period of time. These share option plans have been highly successful over the years and have been replicated for recent acquisitions. The Board intend to continue issuing growth shares to key employees over time in order to ensure there is material capital value for individuals based on their performance and that of the Group. The launch of the Save As You Earn scheme in FY21 which we have continued in FY22 also helps encourage retention over the medium term whilst allowing employees to share in the success of the Group. Throughout the Group we believe there are highly competitive reward structures using a combination of salary, bonus, and shares where appropriate to encourage the best results from our employees. The Group now has a dedicated HR department, with new HR software which was implemented in H1 FY22 and a the Group is looking to recruit a new HR director in H1 of FY23.
Reliance on Key Management	
Historically, pre acquisitions, the Group has been managed by a small number of individuals. As acquisitions have been made, these businesses have generally also been managed by small but sufficient management teams. The risk with continued growth through acquisition and cross selling opportunities is that the original management teams of each separate business are not able to sufficiently operate across the enlarged Group.	During FY21, the Board acknowledged that there is a need for additional management support across the Group. In FY22, steps have been taken to centralise key functions (such as HR, IT, and finance) to provide dedicated resource to the entire Group and ease the burden on managers to allow them to focus on their core roles and abilities. Further to this, a number of key hires have taken place in the year. As noted above, an Acquisitions Director has been recruited to lead the onboarding of new targets, to identify further acquisition opportunities and also to assist running K3 transactions. Ian Symes joined in April 2022 as Group Managing Director. Ian joins K3 with extensive international experience having led businesses across Europe and North America. Ian will primarily be supporting the Group's CEO, John Rigby, in leading the operations of K3's expanding portfolio of businesses. The Group centralised finance function is now fully setup, and the finance function has been bolstered with recruitment of a Group Finance Director along with 3 more finance team members. The Group is also in the process of hiring a new Group HR Director with a view of centralising the HR function and bringing consistencies across the Group.

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Risk description and impact	Mitigation and control
Operational Gearing	
A mixture of both significantly increased headcount from acquisitions and the cost of living crisis has resulted in higher fixed cost of salaries in the Group, meaning that financial performance is reliant on activity levels both of employees and within the market as a whole.	The Group carries out an extensive budgeting process to estimate future staffing requirements and recruit accordingly to ensure the Group can meet expected demand, whilst having a sufficient amount of unutilised capacity to navigate peak activity levels during the year. As each business has grown, management have been encouraged to recruit ahead of the curve in order to maximise upside potential. Each recruit is monitored closely with activity levels and utilisation rates and, where appropriate, may be seconded to other functions within the Group to create value, and is equally appropriately incentivised with remuneration packages linked to performance of the Group. Retention of staff in a competitive market and the cost of living crisis has caused fixed salary costs to increase, however this is still at a level that the Group are comfortable with as where possible staff rewards are linked to performance the Group.
Compliance / Regulation	
The Group now finds itself operating across many diverse markets offering a wide range of services, some of which are regulated. There is a requirement for a robust framework of monitoring known compliance obligations whilst also keeping informed in a world of ever-changing regulations.	There have been longstanding relationships with professional advisors who assist the Group in ensuring it complies with all relevant regulatory requirements. There are regular reviews of these areas performed with our professional advisors to ensure our processes are updated where required. All acquisitions are put through a robust due diligence process in which there is a review to any relevant regulation to ensure full compliance. Further to this, the acquisition of Quantuma in FY21 has brought a dedicated compliance department into the Group and it is our intention over time to make this a centralised function able to offer support and assistance to all entities in the Group.

Risk description and impact	Mitigation and control
Economic and Political	
Macro-economic conditions such as government regulation, political instability or recession could cause volatility in the UK economy. The wider ongoing economic impacts of Brexit and the conflict in Ukraine may also be felt throughout the UK economy.	Historically this risk has been managed by diversifying within a sector. The Business Sales division has always, and continues, to source clients and buyers from all sectors and industries, across all geographic regions of the UK, which is expected to sufficiently spread the risk of downturn in individual markets or areas. All Business Sales revenue is derived from a diverse portfolio of clients, across a broad range of sectors. During the period, strategic decisions have been made to strengthen the diverse revenue streams to counteract the risk associated with economic and political uncertainty. The acquisition of Knights R&D enhances recurring revenue for the Group with contracts spanning a number of years which adds certainty to future revenue. Further to this, the acquisition of JE Consulting (Professional Insight Marketing Ltd) adds a new revenue stream to the group, which is also recurring revenue. At the time of risk assessment, we determine the Ukraine conflict not to be a principle risk. However due to the unpredictable nature of the risk, we are actively monitoring possible impacts. As at the date of this report The Group has seen minimal direct impact. The unrest has caused price increases in the UK for electricity and fuel which aren't major costs across the Group but have exacerbated wage inflation which has been considered in our "Operational gearing" risk.
Covid-19	
The Group remains exposed to future waves of Covid, which could again see measures like lockdowns, enforced office closures, travel restrictions and disruption to business operations as well as impact to customers.	Our response to the disruption felt by our people, operations and customers in the past two years gives us a tried and tested response to quickly minimise future impacts on our operations and continue high standards of business services. In many ways, the global pandemic has forced management to review established working practices and many new ways of working have emerged from the period that will be maintained into the future. Remote working has proved a success in some departments, whilst virtual meetings help increase efficiency and reduce carbon emissions. Management continues to monitor the fluid environment of the pandemic to ensure that relevant government guidance is adhered to.

Strategic Report

Going Concern

The Group has been profitable and cash generative throughout its trading history. K3 Capital Group has shown resilience and robustness over time, including during the recent global pandemic and ensuing time of economic uncertainty.

The period ends with £13.7m of cash reserves and an undrawn £7.8m revolving credit facility, with a further £5m accordion option available if required. As the Group remains cash generative, the Directors believe there are sufficient resources to continue trading in line with expectations, and maintain reserves in order to satisfy expected dividend payments, contingent payments linked to acquisitions, and also still allow the Group to act at pace as new acquisition targets are identified.

The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Equally the stated dividend policy is such to ensure sufficient reserves to meet contingent acquisition payments whilst retaining strong levels of reserves and working capital.

This confirmation is made after having reviewed assumptions about future trading performance (including several downside scenarios), valuation projections, capital expenditure, asset purchases and debt requirements contained within the Group's current five-year plan. In addition to this, the Board has prepared detailed cash flow forecasts for the period to 31 May 2024 for the wider Group. Under the worst case scenarios, the Group is still expected to remain cash positive for at least the next 12 months. The Directors also considered potential risks and uncertainties in the business, such as credit, market and liquidity risks, including the availability of bank facilities. Further stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for at least the next 12 months.

This stress testing included extreme downside scenarios with materially reduced levels of cash receipts over the period. These downside scenarios excluded any mitigating actions that the Board would be able to take to reduce costs. As the Board have demonstrated in previous years, other than employee costs, the Group generally has a low fixed cost base with the ability to significantly reduce marketing spend, general overheads, and payroll costs (due to performance linked pay). Under these scenarios, the Group would still expect to remain cash positive for at least the next 12 months from the date of this report. Furthermore the Directors have not identified any material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Based on the above, together with available market information and the Directors' knowledge and experience of the Group's client portfolio and markets, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 31 May 2022.

Share Price

The market price per share of the Company's shares at 31 May 2022 was 275.0p (31 May 2021: 373.5p) and the range of market prices during the year was between 215.0p and 392.5p.

Section 172 Statement

Overview

This section serves as our Section 172 (“s172”) statement and should be read in conjunction with the Strategic Report and the Group’s Corporate Governance Statement.

The Directors are well aware of and comply with their duty under Section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company’s employees;
- the need to foster the Company’s business relationships with suppliers, customers and others;
- the impact of the Company’s operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Group.

General Confirmation of Directors Duties

K3’s Board has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. The Financial Position and Prospects Procedures paper created at the time of the Company’s AIM admission was updated during the period under review following the in-year acquisitions. This sets out the delegation and approval process across the broader business and is reviewed on an annual basis to ensure adequacy. More information on K3’s Controls and Procedures can be found within the Corporate Governance Statement on our website.

When making decisions, each Director ensures that they act in the way they consider, in good faith, would most likely promote the Company’s success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) “The likely consequences of any decision in the long term”

The Directors understand the business and the evolving environment in which we operate, including the changes in market conditions, tax legislation, Brexit, Covid19, conflict in Ukraine, cost of living and the challenges these bring. Based on K3’s purpose to provide an outstanding advisory service, the strategy set by the Board is intended to strengthen our position as a leading professional services company by providing a quality service through expertise and close relationships while keeping social responsibility fundamentals a core element of our business approach. In FY22, to help achieve the business’ objectives, the Board has continued the dynamic approach and the gradual expansion of the business whilst retaining the core values upon which it is built.

The ever-changing market conditions have presented both challenges and opportunities throughout the year. K3 operates within almost all markets, each of which experience varied growth. With the dynamic approach of the Board and the wealth of experience it has, K3 is well placed to provide the best possible support to its clients with the objective to increase long-term value for shareholders recognising that the long-term success of the business is dependent our reputation and providing best in class service to all of our clients throughout the Group.

S172(1) (B) “The interests of the company’s employees”

The Directors recognise that K3 employees are fundamental and core to our business and the delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor in the implications of decisions on employees and the wider workforce, where relevant and feasible.

We engage and interact with our teams both on a local office level and nationally through the use of intranets and news flash emails. This was put to good use during FY22 where the Group employees worked together to beat the “Around the world in 30 days” fundraiser, raising over £50,000 for charities.

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S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with clients and wider professional networks. The Board recognises that our reputation is pivotal to our success and maintaining relationships with the above groups is essential. Actively maintaining relationships with professional networks from all groups is an effective strategy in line with the business' long-term goal of delivering consistent growth and generating a return to shareholders.

The Directors receive information updates and valuable data on a variety of topics, including KPI data, reviews, and feedback from management, clients, and investors that provide useful information on specific stakeholders.

The Group has a diverse client base across its service lines. Our client facing teams are in continuous contact with their client base and have responsibility for both understanding their expectations and managing the delivery of our service

S172(1) (D) "The impact of the company's operations on the community and the environment"

As part of K3's social responsibilities, the Company has always had a focus on recruiting locally to each office and providing opportunities to the local community. K3 aims to become one of the 'employers of choice' within each local area in which we operate and to be recognised as an organisation where you can work in a challenging and rewarding environment whilst enjoying the role, developing a career and growing with the business.

Our corporate sustainability policy as detailed on pages 54 to 56 aims to add value to the communities in which we operate.

S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"

K3 aims to retain its reputation for delivering excellent client service over a wide range of activities with industry leading market expertise. Management periodically reviews and approves clear frameworks, such as K3's Code of Conduct, specific Ethics & Compliance manuals, as well as its Modern Slavery Statements, to ensure that its high standards are maintained both within K3 and the business relationships we maintain. This, when complemented by the ways the Board is informed and monitors compliance with relevant governance standards, helps to ensure decisions are taken and K3 companies act in ways that promote high standards of business conduct.

S172(1) (F) "The need to act fairly as between members of the company"

After intensive review of all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long term, taking into consideration the impact on stakeholders. In doing so, our Directors act fairly between the Company's members but are not required to balance the Company's interests with those of other stakeholders.

Culture

The Board recognises that it has an important role in assessing and monitoring that our desired culture is embedded in the values, attitudes and behaviours we demonstrate, including in our activities and stakeholder relationships. The Board has established honesty, integrity and respect for people as K3's core values. The onboarding process, Employee Handbook, and supportive management team help everyone at K3 act in line with these values and comply with relevant laws and regulations.

We are looking to centralise HR with the recruitment of a HR director who will support the Group with cultural alignment and embedding the K3 culture across the brands. During FY22 a new HR software was put into place to help manage our people and give standardised processes.

Stakeholder engagement (including employee engagement)

The Board strongly believes that K3 will only succeed by working closely with clients, business partners, investors and other stakeholders. Working together is critical, particularly at a time when society, including businesses, governments and consumers, face issues as challenging as an economic downturn.

We believe that working together and sharing knowledge and experience with others offers us greater insight into our business. We also appreciate our long-term relationships with our investors and acknowledge the positive impact of ongoing engagement and dialogue.

Principal decisions

In the following tables we outline some of the principal decisions made by the Board over the year, explain how the Directors have engaged with, or in relation to, the different key stakeholder groups and how stakeholder interests were considered over the course of decision-making.

To remain concise, we have categorised our key stakeholders into six groups. Where appropriate, each group is considered to include both current and potential stakeholders.

- Investor Community
- Employees/Workforce/Pensioners
- Regulators/Governments/NGOs
- Communities
- Customers
- Suppliers/Strategic Partners

We define principal decisions taken by the Board as those decisions in FY22 that are of a strategic nature and that are significant to any of our key stakeholder groups. As outlined in the Strategic Report, we include decisions related to capital allocation and dividend policy.

How were stakeholders considered

We describe how regard was given to likely long-term consequences of the decision including how stakeholders were considered during the decision-making process.

What was the outcome

We describe which accommodations/ mitigations were made, if any, how Directors have considered different interests and the factors taken into account.

Investing in new business and acquisitions

What was the outcome?	Over the course of the year, the Board discussed and approved several new opportunities and projects outside of existing operations. The Board focused on diversifying into different markets to strengthen the K3 brand and utilise the contacts each company has to create synergies across the Group. The Board continues to demonstrate its dynamic and forward thinking approach in an effort to drive the business forward and create long-term growth for the business.
How were stakeholders considered?	The Board acted in the best interest of all Stakeholders, from protecting employees through to exploring synergistic opportunities and maintaining share price. In prior years, the Board acted boldly to diversify into different markets and expand the Group into an all-encompassing, nation-wide advisory firm which was well received by stakeholders and has been a stated policy since FY21. The acquisitions of Knight R&D, an industry leading R&D claims firm with an outstanding reputation created clear synergistic opportunities for K3 operating in a differing market segment to the existing Randd entity within K3. Alongside this acquisition was Knight Corporate Finance, which mirrored the rationale for R&D, with the brand being a sector specialist advisor working within the KBS Corporate market. JEC was the final acquisition of the financial year, adding a new revenue stream to the group. All businesses came with a proven track record, dynamic management team and consistent steady growth, representing clear targets for K3. Working closely with the shareholders throughout the process, their aspirations were aligned with the K3 Board's; that is to thrive within the market and to be resilient to external pressures.

Strategic Report

Shareholder Distributions

What was the outcome?	The Board confirmed the final dividend in November 2021 following the AGM, and further issued an interim dividend in February 2022 following another outstanding financial performance for the Group. A final dividend is proposed for October 2022 which will be subject to shareholder approval at the AGM.
How were stakeholders considered?	A number of metrics underpinned this decision. A forward-thinking firm, K3's priority is to create long-term growth for the Group. It is key that shareholders see a return on their investment, whilst the Company retains adequate reserves, for their confidence in the firm and to encourage further investment as the Group grows. The final dividend for FY22 is deemed by the Board as appropriate for all stakeholders and is in line with previously published dividend policy.

Strategic Report

The Strategic Report on pages 21 to 34 was approved by the Board of Directors on 26 September 2022 and signed on its behalf by:

A R Melbourne

Andrew Melbourne, CFO

26 September 2022


EXCELLENCE
KBS Corporate
Most Outstanding Company Sale & Brokerage Firm

Directors' Report

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 CEO and is 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. In 2021, Ian was sworn in as the new High Sheriff of Leicestershire.

Ian was appointed on 11 April 2017 upon AIM flotation 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 20 years of operational, sales and commercial management experience within the sector and developed the national sales infrastructure of the Group. John became Managing Director in 2010 and led the Business through its successful IPO in 2017. John has been responsible for driving growth, diversification 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 10 years in various financial accounting roles across various industries including media, leisure and property management. Andrew possesses strong financial and commercial management skills and has been integral in the growth story of the Business, playing an important part in the Group's IPO and the subsequent diversification.

Andrew is a fellow of the Chartered Institute of Management Accountants and has an MSc in Strategic Financial Management.

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.

Carl Jackson FCA
Executive Director

Carl is a Chartered Accountant and Licensed Insolvency Practitioner FABP, with over 30 years of restructuring experience.

Prior to establishing Quantuma in 2013, Carl held senior leadership roles in restructuring practice of and sat on the board of RSM Tenon.

Stuart Lees FCA
Non-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. 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.

Charlotte Stranner FCA
Non-Executive Director

Charlotte is a Chartered Accountant and spent many years as a corporate finance professional. Previously, Charlotte was a partner at formerly AIM-quoted MXC Capital listed a technology, media and telecoms investor and adviser. During her time at MXC Capital she was Interim Chief Financial officer at AIM-quoted IDE Group Holdings plc which is an investee company of MXC Capital.

Charlotte is a fellow of the ICAEW and is also on the board of AIM-quoted Elixirr International plc as Independent Non-Executive Director and is CFO AIM-quoted Dianomi plc.

Martin Robinson FCA
Senior Independent 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 2022.

The Directors who served the Company during the year were as follows:

- I T Mattioli
- W M Robinson
- C A Stranner
- S Lees
- J S Rigby
- A J Ford
- A R Melbourne
- C Jackson

Time Commitments of the 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 which is reviewed and monitored with assistance from advisors from time to time.

Ian Mattioli, Martin Robinson, Stuart Lees and Charlotte Stranner are expected to commit an average of 1-2 days per month to the Group, which the Board believes is sufficient to carry out their duties appropriately.

The Board

The Board comprises a Non-Executive Chairman, a Senior Independent Director, two Non-Executive directors and four Executive Directors. Their names and biographical details are set out on pages 36 and 37. The Board considers the Non-Executive Directors (W M Robinson, S Lees and C Stranner), 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.

Board Meetings

The Board is scheduled to meet at least four times each year, with additional meetings called if required. In the prior period, the Board adopted more frequent, informal online meetings in light of government restrictions on movement which have continued in the period under review. A combination of these meetings ensures the Board is fully informed of current trading, acquisition progress, and any other matters concerning the Board.

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.

Sitting below the plc Board are operational boards within each sub-division of the Group, where documented quarterly board meetings are held to share information and ensure full management of subsidiaries. Each of these board meetings has a comprehensive board pack circulated ahead of the meeting, with the PLC Board in the distribution list and invited to meetings as desired.

Attendance at plc Board and committee meetings during the financial year is shown in the table below:

	Board	Audit	Remuneration	Nominations
I T Mattioli	5/5	2/2	1/1	1/1
W M Robinson	5/5	2/2	1/1	1/1
C A Stranner	5/5	2/2	-	1/1
S Lees	5/5	1/2	1/1	1/1
J S Rigby	5/5	-	-	-
A J Ford	5/5	-	-	-
A R Melbourne	5/5	2/2*	-	-
C Jackson	3/5	-	-	-

* attended at invitation of Audit Committee only

Election of Directors

Each Director serves on the board until the annual general meeting following his or her election or appointment where the Director must stand for re-election. At each AGM, two serving directors will stand for re-election based on longest length of time since their previous re-election. In addition, in accordance with the QCA Code, any independent non-executive directors who have served for more than nine years will stand for re-election at each AGM.

Board Evaluation

The most recent formal evaluation of board performance was conducted in July 2020, following two sizable acquisitions which resulted in an additional executive director and a non-executive director. This process involved reviewing developments since the previous board evaluation session, enabling progress made by the Board to be accurately assessed. There have been no material developments since this review, though the board continues to monitor the effectiveness of its performance whilst working with Nominated Advisors to ensure best practice is followed.

Remuneration Committee

See remuneration committee report on page 50.

Audit Committee

See audit committee report on page 48.

Nominations Committee

The Nominations Committee is chaired by I T Mattioli, its other members are W M Robinson alongside S Lees and C A Stranner.

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 once a year and otherwise as required.

Directors' Report

Directors Remuneration

Directors remuneration is disclosed in the Remuneration Committee report on page 50.

Financial Risk Management Objectives and Policies

Business risks and uncertainties are included within the Strategic Report on pages 21 to 34 and financial risks are set out in note 30 to the financial statements.

Corporate Governance

K3 adopts the Quoted Company Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code). The Board recognise the importance of applying sound governance principles in the successful running of the Group.

The Board believes that it complies with the principles of the QCA Code within a corporate governance framework which is proportional to the size, risks and operations of the business, and is in line with the Group's values. Further details are set out in the corporate governance statement on pages 44 to 47.

Result and Dividend

The Group's results for the year are set out in the Consolidated Statement of Comprehensive Income on page 67. The Directors recommendation for dividends is set out in the Chairman's Statement on page 11.

Statement of disclosure to auditor

So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Employees

At K3 Capital Group, we recognise that we need to attract, motivate and develop good quality people, even more so during the Covid-19 pandemic where safeguarding the wellbeing of employees has become paramount. As a Company we aim to become one of the employers of choice and to be recognised as a UK wide organisation where people can work in a challenging and rewarding environment whilst developing a career and growing with the Group.

As a Group, we value many factors from individuals including:

- 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

Equal opportunities

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 qualifications and abilities of the applicants. In the event of employees becoming disabled, every effort is made to ensure their continued employment. K3 considers itself to be an equal opportunities employer.

Capital structure

Details of the share capital, together with details of the movements in the share capital during the year, are shown in note 27 to the financial statements.

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.

Political Donations

There were no political donations in either FY22 or FY21.

Share Options

It is a key part of the Group's remuneration policy to reward employees with capital value in K3 over a period of time and linked directly to both individual performance, and that of the Group.

In the prior period, it was announced the successful first issuance of a Save As You Earn scheme in which 100 employees participated, with a maximum 455,006 shares to be issued in 2023. Due to the success of this scheme, and following growth of the Group with new recruits, a second scheme was launched in the period which saw an additional 94 employees participate, with a maximum 160,236 shares to be issued in 2024.

In prior reporting periods, the Group have issued LTIP share options and Growth Shares in order to align employees of the group with the long term prosperity of strategic ambitions.

During the year, a further 1,110,236 share options were issued to employees. A total of 247,546 share options lapsed in the period due to ceased employment or performance targets not being achieved. As the original LTIP schemes have now matured and are able to be exercised, the period also saw 153,897 LTIP shares exercised.

As at 31 May 2022, a total of 425,666 share options had vested and 5,440,781 were still within performance periods.

It is the intention of the Directors to grant further options to current and future employees of the Group. The maximum number of Ordinary Shares which will be subject to options granted to Directors and employees under the Option Plan, Save As You Earn share scheme 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.

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

Future Developments

The Board intends to continue to pursue its business strategies as outlined in the strategic report on pages 21 to 34.

Post Balance Sheet Developments

A report of post balance sheet events is reported in note 35.

Directors Responsibility Statement

The Directors are responsible for preparing the strategic report and the Directors' report and the financial

Directors' Report

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 UK. 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 Alternate Investment Market (AIM), the market of that name operated by the London Stock Exchange. 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 UK;
- 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

A R Melbourne, Company Secretary

26 September 2022

Our Advisors

Auditors:

BDO LLP
3 Hardman Street
Spinningfields
Manchester
M3 3AT

Accountants and Tax Advisors:

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 Corporate Broker:

Numis Securities Limited
45 Gresham Street
London
EC2V 7BF

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

Corporate Governance Statement

Overview

The K3 Capital Group plc Board recognises its responsibility towards good and competent corporate governance.

The Board is aligned in promoting long-term shareholder value and as such has adopted the Quoted Companies' Alliance Corporate Governance Code ("QCA Code"). The Board feels that the QCA Code is appropriate to allow K3 Capital Group plc to fulfil its obligations to stakeholders.

The QCA Code states that corporate governance is fundamentally about culture. Throughout FY22, K3 Capital Group has continued to promote a healthy and proactive ethos ensuring that all stakeholders are at the forefront of decision making.

Roles & Responsibilities

Ian Mattioli, as Group Non-Executive Chairman, assumes responsibility for leading the Board and ensuring that the Group's corporate governance is appropriate and effective. The Non-Executive Chairman is also responsible for ensuring the Board agenda is effective in recognising the financial and operational matters allowing for effective delivery of the Group strategy.

The Non-Executive Chairman is not responsible for the day to day operations of K3 Capital Group plc; such responsibilities are managed by the Group CEO, John Rigby.

Executive & Non-Executive Directors

K3 Capital Group plc has a Non-Executive Chairman, a Senior Independent Director ("SID") and two independent Non-Executive Directors ("NEDs"). The SID is responsible for providing direction and scrutinising the performance of the Executive Directors. The SID also chairs the Audit committee and is a member of both the Remuneration and Nomination committees.

The four Executive Directors have the responsibility of delivering the Board strategy on a day to day basis and reporting back on their progress.

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Group's strategy is set out on page 21 to 34 of this report.

The Group's Executive Directors and senior management team have regular meetings throughout the year to focus on the Group's five year rolling strategic plan. The strategy is communicated to all staff members at corporate team briefs and separate team meetings.

Marketing Strategy	As a marketing centric company, direct marketing plays an important role in the development of each subsidiary's reputation and growth. Marketing is embedded within the culture of the Group with every Director and employee aligned to preserve and improve upon the Group's reputation within its marketplace. Regular marketing meetings are held between senior management, and it is given particular focus at Board meetings to ensure marketing activity is aligned to the Group's vision of targeting higher value clients.
Technology Strategy	To maintain costs and economies of scale, significant importance has been placed on the Group's technology base over recent years. Several new developments have streamlined working practices, encouraged greater client communication and improved the quality of data held by the Group. The Board see the development of systems and platforms as an ongoing commitment.
Employment Strategy	The wide-ranging nature of the services that the Group now offers means that it is partially reliant on forging good relationships with clients, referrers of work, professional networks, suppliers, and potential acquirers amongst other professional groups. Whilst technology has aided such relationships through greater communication, a personal relationship with K3 employees is essential. Ongoing training, development and monitoring of individuals is designed to improve both knowledge and customer service with the requirements of the client the key factor in any development plans put in place.

Principle 2: Seek to understand and meet shareholder needs and expectations

The CEO and CFO meet our shareholders on a number of occasions throughout the year and have open dialogue to receive feedback.

Investor roadshow meetings are undertaken at least twice a year, within different UK locations, following the interim and annual report announcements.

Management have provided several live presentations to investors over the period via the Investor Meet Company platform and are committed to continuing this in future to allow a wider range of potential investors access to the Group.

Shareholders are invited to the AGM held each year where Board members interact with our shareholders on a one to one basis and take questions as they arise.

The Executive Directors are available to meet shareholders on request and a number of ad-hoc meetings may be held during the year. They also regularly conduct phone and video conversations with shareholders when required.

Shareholder feedback is discussed at Board meetings.

Contact details:

John Rigby
Chief Executive Officer
rigby@k3capitalgroupplc.com

Andrew Melbourne
Chief Financial Officer
melbourne@k3capitalgroupplc.com

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

Employees	Regular meetings take place with employee groups to share Group strategy and seek feedback. In June 2022, K3 held an inaugural annual executive away day which brought together representatives from management of all Group companies to discuss strategy and ways to better work for Group benefit. In order to motivate and retain employees, at the date of this report the Group currently had 100 members of staff enrolled in the LTIP scheme or with Growth Shares, in addition to 182 employees partaking in either the FY21 or the FY22 offering of the Save As You Earn schemes.
Clients	Relationships with our clients are fundamental to our success, as it allows us to successfully conduct our services. The K3 team has continuous communications with clients and processes to monitor feedback, and reviews are in place and are acted upon when required.
Suppliers	Suppliers allow K3 to undertake new client mandates, and to deliver our services. We have long term relationships in place with many groups of professional advisors, and these are maintained through regular communication and review meetings with senior employees.
Our Community	The Group cares about its community and regularly undertakes fundraising events that generate high levels of employee engagement. Throughout the financial year, money raised by staff has been supplemented with donations from the Group, which has benefitted charities and organisations as detailed on page 45 of this report.
Environment	K3 is aware of its environmental responsibilities and where possible, promotes a paperless office. Systems introduced in recent years have eliminated the need for all documents to be printed and held in paper files. Confidential waste is shredded and recycled.

Corporate Governance Statement

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Group risk register is maintained by the Board and senior management team.

Risk is a fixed item on the management team agenda.

Risks and uncertainties are disclosed on pages 26 to 29 of this report.

Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chair

The Board is led by our Non-Executive Chairman, Ian Mattioli.

The Board includes a Senior Independent Non-Executive Director, Martin Robinson, who has significant experience of public and private Directorships.

The Board currently has three sub-committees: the Audit Committee, the Nominations Committee and the Remuneration Committee, which are chaired by either Ian Mattioli or Martin Robinson. Details of the number of meetings held and attendance by Directors are noted in the Directors' Report on pages 36 to 43 of this report.

Non-Executive Directors communicate directly with Executive Directors and senior management between formal Board meetings. The Board formally met 5 times in the year. In addition, the Board held strategy days to review growth opportunities and priorities across the medium to longer term, alongside adopting more frequent informal meetings conducted remotely through video conference. Directors are expected to attend all meetings of the Board, and of the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors. The time commitments of the board are detailed on page 39 of this report.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The current K3 Board has adequate sector, financial and plc experience.

Between them, the Executive Directors have many decades of experience in their relevant industries. Biographies on all Directors, giving details of their experience and roles on the Board, are shown on pages 36 and 37.

With the support of our Nominated Advisor, Auditors and other advisors, the Board's training and development needs are maintained.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Whilst the Board performance is considered to be good, historically there has not been a formal evaluation of the Board.

The Remuneration Committee evaluates Executive Director performance alongside remuneration and reward.

With regards to financial performance, the Auditors meet with the Audit Committee (comprising the Non-Executive Directors) biannually and beyond the audit report, to comment on the systems, procedures and efficacy of management.

A rigorous recruitment process is undertaken for new Directors prior to their proposal and election. In terms of re-election, their performance is reconsidered prior to them being proposed, to ensure they remain effective in their role and that they retain their independence.

Re-election is considered by the shareholders at the AGM at which shareholders have the opportunity to approve Board membership. Each Board member is elected for a period of three years on a rolling cycle. At each AGM, at least two members on the existing Board would need to be re-elected. Succession planning for the Board is an ongoing topic of discussion.

Principle 8: Promote a culture that is based on ethical values and behaviours

K3 is proud to promote a culture that puts the client at the heart of its operations. Such values are embedded within the Group's working practices from the senior management, right through to each department's recruitment strategies.

We are committed to equal opportunities in every part of our business and we promote team members on merit. We recruit, train, promote and retain skilled and motivated people regardless of gender, age, marital status, disability, sexual orientation, race and religion, or ethnic or national origin. In line with this, we also promote a culture of openness and responsibility in our business.

Our colleagues are key to our success and we want them to be successful both as individuals and in the teams they operate. We are very proud of the culture we have across the Group and the way that our team members work and collaborate together to create a unique environment that what we believe is a great place to work. We support a number of initiatives and activities that focus on the health and well-being of our colleagues, diversity and inclusion, personal development opportunities and charitable activities within the communities where we work. Other factors, such as employee attrition, are also monitored closely to identify potential trends and issues.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The K3 Board generally meets 6 times a year (minimum of 4) and the Audit, Nomination and Remuneration Committees meet at least once a year.

The controls are subject to review internally by individual teams within the Company.

A culture of challenge and continuous improvement is encouraged to ensure that controls evolve with the business.

The plc website and annual reports describe the roles and terms of reference for the Committees.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Communications with shareholders are explained in Principle 2.

In addition to the interim and full year investor roadshows, regular meetings and phone and video calls are held with analysts, retail investor groups and prospective investors.

In addition, the plc website contains information about the business activities, access to all Regulatory News Service (RNS) announcements and copies of the Annual Report.

The work of the Audit Committee is described on page 48 of this report.

The work of the Nominations Committee is described on page 39 of this report.

The work of the Remuneration Committee is described on page 50 of this report.

K3 undertake Capital Markets days when required and senior management are available to provide any additional information surrounding the marketing, data and operations functions of the Group.

Audit Committee Report

Members of the audit committee

The Audit Committee is chaired by Martin Robinson, its other members are Ian Mattioli, Stuart Lees and Charlotte Stranner who joined the committee in the period following the Board evaluation in 2020. The Chief Financial Officer, and other representatives of the Group's finance team and external auditors are permitted to attend meetings of the committee by invitation only.

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

Duties

During the year the committee discharged its responsibilities by:

- approving the external auditor's plan for the audit of the group's annual financial statements, including key audit matters, key risks, confirmation of auditor independence and terms of engagement and audit fees;
- reviewing the Group's draft annual report and accounts and the external auditor's detailed audit completion report including the consideration of key audit matters and risks;
- reviewing the Group's half year and full year results announcements;
- considered the appropriateness of disclosures in the annual financial statements regarding Alternative Performance Measures ("APMs")
- reviewing the performance of the external auditor; and
- reviewing the Group's risk management process including the Group's key risks and mitigations

Role of the external auditor

During the year the committee approved the re-appointment of BDO LLP ('BDO') as external auditors.

The committee will monitor the relationship with BDO, to ensure that auditor independence and objectivity are maintained. Any instruction for BDO to provide non-audit services to the group must be approved in advance by the committee.

Audit process

The auditor prepares an annual planning report for consideration by the committee, which details areas of audit focus and anticipated key audit risks, together with the anticipated level of materiality. This is reviewed and approved by the committee. Following the audit, the auditor presented its findings to the committee. No significant areas of concern were raised by the external auditor.

Internal controls and risk management

The systems of internal control and risk management are the ultimate responsibility of the Board, which sets and reviews appropriate policies. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. Managers are delegated the tasks of implementation and maintenance of systems in accordance with those policies and the identification, evaluation, management and reporting of risk and control issues.

Controls and processes are reviewed on a periodic basis by the Group's finance and compliance teams with any issues and recommendations reported to the audit committee.

Budgets are produced annually and key performance targets within them are set by the Board. Performance against those budgets is regularly reviewed and variances are investigated and acted upon by members of the Board and both head office and divisional managers.

The principal risks and uncertainties faced by the Group, together with mitigating activities, are disclosed in the strategic report on pages 21 to 34.

Martin Robinson

Martin Robinson, Chairman of the audit committee

26 September 2022

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Remuneration Committee Report

I am pleased to present this remuneration report, which sets out the remuneration policy and the remuneration paid to the directors for the year.

Members of the remuneration committee

The Remuneration Committee is chaired by I T Mattioli, its other members are W M Robinson and S Lees who joined the committee in the period following the Board evaluation.

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.

Policy

The remuneration policy of the group is driven by our approach to align the best interests of shareholders and management. The committee looks to set remuneration for executive directors at appropriate market levels, with reference to the roles and responsibilities of those directors. Incentive arrangements which provide appropriate reward and incentive are implemented and measured against key performance criteria designed to promote the best interests of shareholders and are reviewed annually.

Directors' remuneration

The remuneration arrangements for the executive directors consist of a basic salary together with an annual bonus. In addition, they receive private medical insurance and some have provision of a company car or cash allowance.

Performance related pay is not guaranteed or contractual and is accrued to the Executive Directors and certain senior executives based on pre-determined performance targets surrounding both Group and individual performance.

The executive bonus scheme pays a percentage of salary based on maintaining or growing the Group's adjusted EBITDA per year, generally with a maximum of 100% payable and reviewed each year. The bonus payable in the year is disclosed in the table of directors' emoluments.

Long-term incentive plans

The long-term incentive plans which are in place for some of the executive directors seek to incentivise them to enhance shareholder value through growing the Group's share price.

Non-executive directors

Non-executive directors' remuneration is determined by the Board. The Non Executive Directors have been entered into the letters of appointment with the Company, which may be terminated by either party giving six months' written notice (Ian Mattioli 12 months).

Directors' emoluments

Year ended May 2022

£	Salary	Benefits in Kind	FY22 Performance Related Pay	Pension Contributions	Total FY22
IT Mattioli	80,000	-	-	-	80,000
WM Robinson	45,000	-	-	-	45,000
CA Stranner	40,000	-	-	1,013	41,013
S Lees	40,000	-	-	1,013	41,013
JS Rigby	300,000	1,819	300,000	-	601,819
AJ Ford	188,333	5,483	200,000	1,321	395,137
AR Melbourne	179,981	6,411	100,000	-	286,392
C Jackson	280,000	-	-	1,321	281,321

Year ended May 2021

£	Salary	Benefits in Kind	Performance Related Pay in respect of Exceptional Acquisitions	FY21 Performance Related Pay	Pension Contributions	Total FY21
IT Mattioli	72,292	-	-		-	72,292
WM Robinson	40,417	267	-	-	-	40,683
CA Stranner	33,333	-	-	-	591	33,924
S Lees	36,667	-	-	-	928	37,595
JS Rigby	265,000	1,898	180,000	300,000	-	746,898
AJ Ford	176,667	4,784	120,000	200,000	1,205	502,656
AR Melbourne	114,583	9,189	75,000	125,000	-	323,772
C Jackson	233,333	-	-	-	767	234,100

Remuneration Committee Report

Directors Scheme Interests and Outstanding Share Awards

Director	Description	Options Granted during the year	Outstanding interest at 31 May 2022 & 31 May 2021
J S Rigby	Growth Shares – Series 3	-	125,000
A J Ford	Growth Shares – Series 3	-	125,000
A R Melbourne	Series 1	-	54,255
	Series 2	-	54,255
	Growth Shares – Series 3	-	100,000
C Jackson	Growth Shares – Series 1	-	95,184
	Growth Shares – Series 3	-	27,196

No options were granted during the year.

See note 31 share based payments, for information regarding the vesting periods and criteria's of the growth shares.

Directors Interest 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	743,794	743,794
W M Robinson	Ordinary	43,567	43,567
C A Stranner	Ordinary	15,200	6,200
S Lees	Ordinary	717,107	708,125
J S Rigby	Ordinary	7,617,895*	7,617,895
A J Ford	Ordinary	5,556,228*	5,531,228
A R Melbourne	Ordinary	464,802	464,802
C Jackson	Ordinary	930,445	921,355

Ian Mattioli

Ian Mattioli, Chairman of the remuneration committee

26 September 2022

* During the period, Mr Ford gifted 250,000 shares to the Ford Family Foundation and Mr Rigby gifted 250,000 shares to the Rigby Family Charitable Trust

Corporate Social Responsibility

Energy and carbon reporting

Under the Streamlined Energy and Carbon Reporting Regime, the Company is required to report its energy consumption and greenhouse gas emissions arising in the UK from:

- the annual quantity of energy consumed in the UK resulting from the purchase of electricity by the Company for its own use, including for the purposes of transport;
- the annual quantity of energy consumed from stationary or mobile activities for which the business is responsible involving the combustion of gas; and
- the annual quantity of energy consumed from activities for which the Company is responsible, involving the consumption of fuel for the purposes of transport (where the Company is responsible for purchasing the fuel).

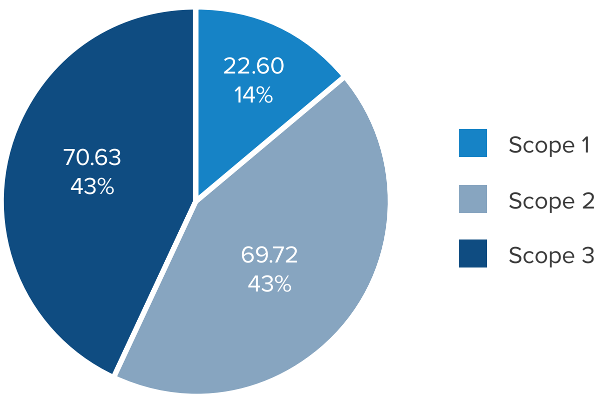
Our disclosures are set out in the table and include energy and emissions from the entire Group, regardless of whether individual companies would be required to report.

As a professional business service provider K3 Capital Group plc believe that the Group has a low environmental impact when compared to many other industries. However, we are committed to assessing our impact on the environment and making positive changes to minimise our carbon footprint where possible.

FY22 saw the formation of our Eco Team to develop and manage our plans across the Group. The focus of the team is to reduce the areas where we have the highest emissions which are travel and electricity usage.

	2022 TCO2e	2021 TCO2e	Change
Scope 1	22.60	13.61	66%
Scope 2	69.72	59.81	17%
Scope 3	70.63	21.67	226%
Total Group Emissions	**162.95**	**95.09**	**71%**
Emissions Intensities			
Average headcount	545	395	38%
TCO2e per average employee	0.30	0.24	24%

Total emissions



Basis of preparation

Leased vehicles (Scope 1) The emissions from travel caused by company owed/leased vehicle has been calculated as follows- To calculate the tCO2e figure, total miles has been multiplied by the UK Government's Conversion Factor 2022 for Executive Diesel vehicles.

(Scope 2) The purchased electricity consumed by the Group relates solely to the use electricity for the use of heating, cooling, lighting, and office equipment. To calculate the tCO2e figure we have taken the total kWh usage for the Bolton office, divided the total by the average number of employees at the site and multiplied by the number of employees are each office.

(Scope 3) The GHG emissions related to fuel combustion derive from the payment to employees of mileage expense where they use their private vehicles for Group business. We do not keep records of our employees' vehicle makes, models and fuel type. To arrive at a reasonable estimate of distribution across petrol, diesel, and other vehicles, we used the average car unknown fuel conversion. Emissions which result from train travel, flights and taxi journeys are not included in the emissions table. Management are working to expand understanding of Group carbon footprint including better record keeping relating to Transfer & Distribution of electricity & paper usage. Where data hasn't been available the water usage has been based of the Nottingham office and extrapolated for number of employees.

Total energy consumption in the UK was 767,474 kWh.

The carbon dioxide equivalent (CO2 e) emissions data has been calculated using the emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2022 .

FY22 has seen not only organic growth but also acquisitional growth, this has increased our average headcount by 38%. More people and more offices have created increases across all 3 scopes. The Eco Team will work with the new offices to embed environmental reduction behaviours.

Overall, the groups TCO2e per employee has increased by 0.06 TCo2e. The driving force behind this has been the result of the world opening again post the Covid-19 pandemic. The majority being driven by increased travel as representatives return to physical meetings rather than virtual, to build client relationships face to face. K3 continues to utilise efficiencies where possible and promote technology to reduce emissions.

To reduce the carbon footprint from scope 2, the Bolton office has switched electricity supply to 100% green energy, demonstrating the Group taking responsible steps to make positive impacts on carbon emission reduction.

K3 Capital Group are committed to analysing the synergies between cost saving and energy efficiencies. The Group will continue to manage its carbon footprint and find new solutions to reducing its greenhouse gases where practical.

Corporate Social Responsibility

Community and Charitable Work

K3 Capital Group plc supported a number of charities and causes in FY22.

The largest event during FY22 was our *Around The World in 30 Days*, held in January and February 2022 which saw over 500 K3 employees attempt to walk/cycle/run/swim 25,000 miles in 30 days to raise money for several causes.

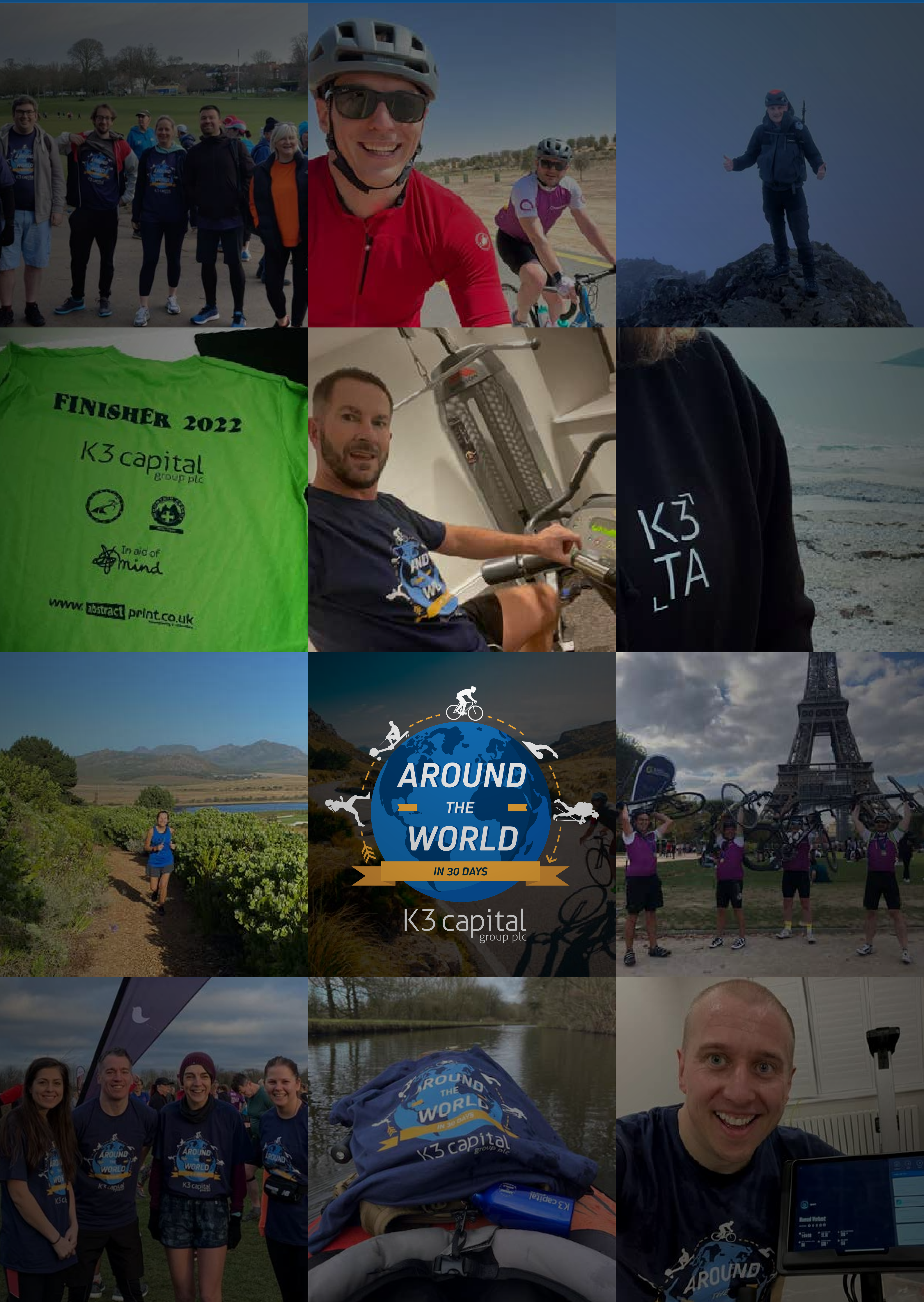
For every mile travelled, a £1 donation was made by K3 Capital Group, which was further supplemented by donations from generous sponsors, partners, and donors. A total of £52,119 was raised for our nominated charities; NSPCC, Mind, We See Hope, Bowel Cancer UK, Alder Hey, Meningitis Now, Centrepoint, Demelza, Little Lady Locks, The Cyrpus Anti-Cancer Society, NCVO's Nadine Andreas Foster Home (Cayman Islands), St Rocco's Hospice, High Five, Limbless Association, Macmillan Cancer Support and Bolton Hospice.

The Group also allocated a portion of the monies raised through the Around The World in 30 Days event in response to the humanitarian crisis in Ukraine. A steering committee has been established to determine the most suitable way to distribute these funds.

During the period, several employees also supported Cancer Research UK through a London to Paris bike ride, raising £10,000, and Macmillan Cancer Support through a number of Macmillan Coffee Mornings across the Group. The Group also sponsored the annual Edgworth 10k Reservoir Challenge, with funds raised going to a number of charities including Bolton Mountain Rescue and Paediatric Spinal Foundation.

Employees of the Group held further fundraisers in support of the NHS via an NHS Tea Party and made a number of donations to various Food Banks across the UK. K3 has carefully considered the ongoing cost of living crisis within the UK in relation to the charitable causes it supports throughout the year, as more and more people and families are forced into hardship, and this is something that the Group will continue to consider in the future.

In addition to the work done within K3 Capital Group plc, several of the Group's Board members and Directors each hold personal commitments to local community and charitable projects. Ian Mattioli (Chair), John Rigby (CEO) and Tony Ford (Executive Vice Chair) have their own family trusts to provide further charitable support. In 2021, Ian Mattioli officially accepted the position, High Sheriff of Leicestershire. The role is an independent non-political Royal appointment and with no set framework of duties Ian can choose how he best utilises his time in office. Ian commented: "This is a great opportunity to work for the good of the place I love and call 'home'. I am looking forward to getting in and amongst the local communities to see what's happening and how I can support them.


FINISHER 2022
K3 capital
group plc
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AROUND
THE
WORLD
IN 30 DAYS
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group plc

Independent Auditor's Report

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of K3 Capital Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2022 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements 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 Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- challenging the rationale for the assumptions utilised in the forecasts, using our knowledge of the business and the sector and wider commentary available from stock market analysts;
- considered the appropriateness of the Directors' forecasts by testing their mathematical accuracy, assessing historical forecasting accuracy and understanding the Directors' consideration of downside sensitivity analysis and reverse stress testing;
- obtaining the undrawn loan facility agreement and reviewing forecast covenant compliance;
- reperforming sensitivities on the Directors' base case and stressed case scenarios, considering the likelihood of these occurring and understanding and challenging the mitigating actions the Directors' would take under these scenarios; and
- assessing the going concern disclosures against the requirements of the accounting standards and assessing the consistency of the disclosures with the Directors' forecasts.

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

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

Overview

Coverage	94% (2021: 90%) of Group profit before tax 98% (2021: 97%) of Group revenue 96% (2021: 96%) of Group net assets		
Key audit matters		2022	2021
	Revenue recognition	X	X
	Business combinations	X	X
Materiality	Group financial statements as a whole £800k (2021: £674k) based on 5% (2021: 5%) of adjusted profit before tax		

An overview of the scope of our audit

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

The operations of the Group’s significant components are all based in the UK. The audit of all significant components was performed by the Group audit team.

In assessing the risk of material misstatement in the Group financial statements, and to ensure we had adequate audit coverage of significant accounts in the financial statements, our Group audit scope focused on the Group’s significant components which were subject to a full scope audits:

- KBS Corporate Sales Limited;
- KBS Corporate Finance Limited;
- Quantuma Advisory Limited;
- Randd UK Limited; and
- Knight R&D Limited

Together with the Parent Company and its Group consolidation, which was also subject to a full scope audit, and Knightsbridge Business Sales Limited and Knight Corporate Finance Limited (two non-significant components), which were subject to specified audit procedures, these components represent the principal business units of the Group

For other non-significant components, the group audit team performed analytical review procedures due to the size of these accounts and their risk profile.

Independent Auditor's Report

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter

Revenue recognition
 	
(Refer to the Accounting Policies (note 3), note 4 and note 5)
 	
The Group has a number of revenue streams as detailed at note 3, each of which contain different performance obligations with regard to appropriate revenue recognition under IFRS 15 Revenue from Contracts with Customers,. Given the complexities involved in determining when the performance obligations have been met, and the estimation involved in calculating revenue, we have assessed Revenue as a Key Audit Matter.
 	
We have assessed that the risk of material misstatement could rise from:
 	
• An inappropriate use of manual journals in revenue
• Improper revenue recognition before completion of performance obligations, with a focus on revenue recognised around the year end; Overstatement of revenue recognised and contract assets recognised due to the nature of the estimates and judgements involved in contract assets accrued income.
	The audit procedures included the following:
	
	• For a sample of journal entries recorded in revenue throughout the year, we assessed the validity of the transactions by testing them to source documentation;
	• For each revenue stream, we vouched a sample of revenue recognised during the year and either side of year end, to contracts with customers and to confirmation of the delivery of the obligations in the year. For the sample we also compared the revenue recognition policy with the requirements of IFRS 15;
	• For a sample of contract asset balances recognised at the year end we:
	• challenged those charged with governance on the balances recognised at year end, challenged fee earners and reviewed associated evidence such as creditors' resolutions;
	    • Tested the mechanical accuracy of the calculations and challenged the judgements and estimates made in costs to complete and future billings and agreed to supporting documentation such as creditor resolutions and approval of fees;
	    • Reviewed the historical accuracy of estimates and judgements made by management with reference to actual recovery rates, income and bills;
	• For a sample of contract liabilities, we vouched the amounts to contracts and recalculated the expected deferred income based on completion of performance timings post year end and compared to managements calculation;
	
	Key observations
	
	We found management's revenue recognition policy to be in line with the requirements of applicable accounting standards, and the recognition of revenue in the year and particularly around the year end to be appropriate. We considered management's use of estimates and judgements, as well as manual journals to revenue, to be appropriate.

Key audit matter	How the scope of our audit addressed the key audit matter
Business combinations (Refer to the Accounting Policies (note 3), and note 29) There have been 3 acquisitions during the period. The acquisition accounting, valuation of contingent consideration and the Purchase Price Allocation exercise are considered to be a key audit matter due to the level of management judgement and estimation required alongside the complex accounting treatment under IFRS 3 business combinations. The accounting for the opening balance sheet is inherently judgemental and requires management to exercise judgements including the fair value of intangible assets.	We have performed the following procedures: • Challenged management’s estimates and appropriateness of the expected contingent consideration recognised by corroboration of data inputs, review of forecast performance with a comparison to actual results to date; • Challenged management’s assessment of the fair value of assets and liabilities acquired is accurate by vouching to supporting documents, e.g. receivables and payables registers, and that the purchase price allocation has been correctly applied by agreeing the key terms of the agreement; • We have used our internal valuation experts to assist us in testing the valuation of the intangibles assets which were separately valued by considering the accuracy of the model and estimates such as the discount rate used within the valuation; and • considered the useful lives attributed to intangible assets acquired. *Key observations* Based on the procedures we performed, we consider the judgements and estimates made by management to be reasonable in respect of business combinations.

Independent Auditor's Report

Our application of materiality

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

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

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

	Group financial statements		Parent company financial statements	
	2022	2021	2022	2021
Materiality	£800k	£674k	£240k	£409k
Basis for determining materiality	5% adjusted profit before tax		61% group materiality	71% group materiality
Rationale for the benchmark applied	The group has profit making intentions and significant external investors, as such a profit based materiality is considered appropriate. We have adjusted for one-off transaction costs as these costs do not specifically relate to any underlying operating activities. The adjusted figure gives a more appropriate basis in line with a benchmark used for business decision making and used by the investor/shareholder community.		Calculated as a percentage of Group materiality given the assessment of aggregation risk.	
Performance materiality	£520k 65% of materiality	£472k 70% of materiality	£156k 65% of materiality	£286k 70% of materiality
Basis for determining performance materiality	This was lowered to incorporate the significant acquisitions in the current and prior year and the potential impact on the control environment.		This was lowered to incorporate the significant acquisitions in the current and prior year and the potential impact on the control environment.	

Component materiality

We set materiality for each component of the Group based on a percentage of between 30% and 50% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £240k to £400k. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £22k (2021:£20k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

Responsibilities of Directors

As explained more fully in the Directors’ Responsibility 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.

Independent Auditor's Report

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

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

Based on our understanding and accumulated knowledge of the Group and the sector in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. We considered the significant laws and regulations to be the applicable accounting frameworks; the UK Companies Act 2006, the AIM rules; those that relate to the payment of employees; and industry related such as compliance with data protection and occupational health legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates as well as inappropriate recognition of revenue in the incorrect period. Our audit procedures included, but were not limited to:

- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to revenue recognition, unbilled restructuring income, valuation of goodwill and intangible assets acquired in a business combination, calculation of incremental borrowing rates and lease terms in respect of IFRS 16, valuation of trade receivables in accordance with IFRS 9 expected credit loss model and treatment of business combinations;
- identifying and testing journal entries to source documentation, in particular any journal entries posted with unusual account combinations or including specific keywords to source documentation;
- performing the procedures set out in the key audit matters section above in response to the risk of fraud in revenue recognition;
- incorporating an element of unpredictability into the audit procedures, by testing a sample of immaterial employee expenses incurred in the year to supporting documentation to assess their validity;
- holding discussions with those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing minutes of Board and committee meetings for instances of non-compliance with laws and regulation and fraud;
- reviewing a sample of legal costs incurred and any known legal correspondence throughout the year for instances of non-compliance with laws and regulation;
- Obtaining an understanding and documenting of the control environment in monitoring compliance with laws and regulations; and
- Agreement of the financial statement disclosures to underlying supporting documentation.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The engagement partner has assessed and confirmed that the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:

Steven Roberts

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Steven Roberts, Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor

Manchester, UK

26 September 2022

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


K3 capital
group plc
3.00 (0.46%)
659.80
HSBA.L

Financial Statements

Consolidated statement of comprehensive income for the year ended 31 May 2022

Year ended 31 May 2022 £'000	Note	2022	2021
Revenue	5	**70,650**	47,171
Cost of sales		**(24,725)**	(13,724)
Gross profit		**45,925**	33,447
Administrative expenses		**(31,610)**	(25,498)
Expected credit loss		**(1,339)**	(211)
Other income		**18**	1
Adjusted EBITDA		**20,442**	15,710
Share-based payments		**(263)**	(145)
Depreciation of tangible and right of use assets		**(1,258)**	(680)
Amortisation of intangible assets		**(2,320)**	(1,254)
Transaction costs		**(1,420)**	(1,955)
Deemed remuneration		**(2,187)**	(3,937)
Operating profit	7	**12,994**	7,739
Share of results of joint ventures		**64**	61
Finance income		**24**	3
Finance costs	11	**(368)**	(198)
Profit before taxation		**12,714**	7,605
Taxation	12	**(3,179)**	(2,439)
Profit for the financial year		**9,535**	5,166
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**14**	(40)
Other comprehensive income/(expense) for the year		**14**	(40)
Total comprehensive income for the year		**9,549**	5,126
Attributable to:			
Owners of the Company		**9,551**	5,132
Non-controlling interests		**(2)**	(6)
		9,549	5,126
Earnings per share:	13		
Basic		**£0.13**	£0.08
Diluted		**£0.12**	£0.07
Adjusted earnings per share:	13		
Basic		**£0.21**	£0.19
Diluted		**£0.19**	£0.17

All results are from continuing operations.

Financial Statements

Consolidated statement of financial position for the year ended 31 May 2022

Year ended 31 May 2022 **£'000**	Note	**2022**	2021 Restated*
ASSETS			
Non-current assets			
Intangible assets	14	**57,208**	41,596
Property, plant and equipment	15	**1,097**	628
Right-of-use assets	16	**3,845**	2,448
Investments	17	**27**	19
Total non-current assets		**62,177**	44,691
Current assets			
Trade and other receivables	18	**24,598**	13,523
Other assets	20	**1,496**	881
Cash and cash equivalents		**13,748**	14,307
Total current assets		**39,842**	28,711
TOTAL ASSETS		**102,019**	73,402
Current liabilities			
Trade and other payables	21	**13,645**	10,938
Current tax liabilities	22	**2,330**	1,640
Deferred tax liabilities	26	**343**	-
Contract liabilities	23	**5,222**	4,083
Lease liabilities	24	**792**	512
Borrowings	34	**1**	-
Contingent consideration	25	**2,373**	1,683
Total current liabilities		**24,706**	18,856
Non-current liabilities			
Lease liabilities	24	**2,957**	1,702
Borrowings	34	**2,180**	-
Deferred tax liabilities	26	**1,208**	687
Provisions		**391**	395
Contingent consideration	25	**4,090**	2,518
Total non-current liabilities		**10,826**	5,302
TOTAL LIABILITIES		**35,532**	24,158
NET ASSETS		**66,487**	49,244
EQUITY			
Equity attributable to owners of the Company:			
Issued capital and share premium	27	**36,400**	24,963
Merger reserve		**19,785**	16,108
Share option reserve		**865**	896
Foreign exchange reserve		**(26)**	(40)
Retained earnings		**9,471**	7,323
Equity attributable to owners of the company		**66,495**	49,250
Non-controlling interests		**(8)**	(6)
TOTAL EQUITY		**66,487**	49,244

Refer to note 5

These financial statements were approved by the board of directors and authorised for issue on 26 September 2022, and are signed on behalf of the board by:

A R Melbourne

A R Melbourne FCMA,
Company Secretary

Company registration number: 06102618

Company statement of financial position for the year ended 31 May 2022

Year ended 31 May 2022 £'000	Note	2022	2021
ASSETS			
Non-current assets			
Intangible assets	14	**1,117**	1,111
Investments	17	**70,378**	50,561
Total non-current assets		**71,495**	51,672
Current assets			
Trade and other receivables	18	**-**	36
Other financial assets	19	**14,936**	16,585
Other assets	20	**345**	-
Deferred tax assets	26	**504**	767
Current Tax		**524**	-
Cash at bank and in hand		**975**	974
Total current assets		**17,284**	18,362
TOTAL ASSETS		**88,779**	70,034
Current liabilities			
Trade and other payables	21	**3,452**	15,867
Contingent consideration	25	**1,921**	1,089
Total current liabilities		**5,373**	16,956
Non-current liabilities			
Trade and other payables		9,961	-
Borrowings	34	**2,180**	-
Contingent consideration	25	**4,090**	2,423
Total non-current liabilities		**16,231**	2,423
TOTAL LIABILITIES		**21,604**	19,379
NET ASSETS		**67,175**	50,655
EQUITY			
Equity attributable to the owners of the Company:			
Issued capital and share premium	27	**36,400**	24,963
Merger reserve		**19,785**	16,108
Share option reserve		**865**	896
Retained earnings		**10,125**	8,688
TOTAL EQUITY		**67,175**	50,655

An income of 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 £8,826k (2021: £6,664k).

These financial statements were approved by the board of directors and authorised for issue on 26 September 2022, and are signed on behalf of the board by:

A R Melbourne

A R Melbourne FCMA, Company Secretary

Company registration number: 06102618

Financial Statements

Consolidated statement of changes in equity for the year ended 31 May 2022

Year ended 31 May 2022 £'000	Share capital	Share premium	Merger reserve	Share option reserve	Foreign exchange reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
Balance at 1 June 2020	422	1,991	-	118	-	6,715	**9,246**	-	**9,246**
Profit and total comprehensive income for the year	-	-	-	-	-	5,172	**5,172**	**(6)**	**5,166**
Other comprehensive expense	-	-	-	-	(40)	-	**(40)**	-	**(40)**
Total comprehensive income for the year	-	-	-	-	(40)	5,172	**5,132**	**(6)**	**5,126**
Transactions with owners:									
Issue of ordinary shares, net of transaction costs	158	22,284	-	-	-	-	**22,442**	-	**22,442**
Issue of ordinary shares as consideration for a business combination, net of transaction costs	108	-	16,108	-	-	-	**16,216**	-	**16,216**
Share based payment charge	-	-	-	145	-	-	**145**	-	**145**
Movement in deferred tax on share-based payments				733			**733**	-	**733**
Recycling of exercised shares to profit and Loss				(100)		100	-	-	-
Dividends (note 33)	-	-	-	-	-	(4,664)	**(4,664)**	-	**(4,664)**
Balance at 31 May 2021	688	24,275	16,108	896	(40)	7,323	**49,250**	**(6)**	**49,244**
Profit for the year	-	-	-	-	-	9,537	**9,537**	**(2)**	**9,535**
Other comprehensive income	-	-	-	-	14	-	**14**	-	**14**
Total comprehensive income for the year	-	-	-	-	14	9,537	**9,551**	**(2)**	**9,549**
Transactions with owners:									
Issue of ordinary shares, net of transaction costs	36	11,390	-	-	-	-	**11,426**	-	**11,426**
Issue of ordinary shares as consideration for a business combination, net of transaction costs	11	-	3,677	-	-	-	**3,688**	-	**3,688**
Share based payment charge	-	-	-	263	-	-	**263**	-	**263**
Movement in deferred tax on share-based payments	-	-	-	(286)	-	-	**(286)**		**(286)**
Recycling of exercised shares to profit and Loss	-	-	-	(8)	-	8	-	-	-
Dividends	-	-	-	-	-	(7,397)	**(7,397)**	-	**(7,397)**
At 31 May 2022	735	35,665	19,785	865	(26)	9,471	**66,495**	**(8)**	**66,487**

Company statement of changes in equity for the year ended 31 May 2022

Year ended 31 May 2022 £'000	Share capital	Share premium	Merger reserve	Share option reserve	Retained earnings	Total
Balance at 1 June 2020	422	1,991	-	118	6,588	**9,119**
Profit and total comprehensive income for the year	-	-	-	-	8,582	**8,582**
Transactions with owners:						
Issue of ordinary shares, net of transaction costs	158	22,284	-	-	-	**22,442**
Issue of ordinary shares as consideration for a business combination, net of transaction costs	108	-	16,108	-	-	**16,216**
Share based payment charge	-	-	-	145		**145**
Movement in Deferred tax on share-based payments				733		**733**
Recycling of exercised shares to profit and Loss				(100)	100	**-**
Dividends	-	-	-	-	(4,664)	**(4,664)**
Balance at 31 May 2021	688	24,275	16,108	896	8,688	**50,655**
Profit and total comprehensive income for the year	-	-	-	-	8,826	**8,826**
Transactions with owners:						
Issue of ordinary shares, net of transaction costs	36	11,390	-	-	-	**11,426**
Issue of ordinary shares as consideration for a business combination, net of transaction costs	11	-	3,677	-	-	**3,688**
Share based payment charge	-	-	-	263	-	**263**
Movement in Deferred tax on share-based payments				(286)	-	**(286)**
Recycling of exercised shares to profit and Loss				(8)	8	**-**
Dividends	-	-	-	-	(7,397)	**(7,397)**
At 31 May 2022	735	35,665	19,785	865	10,125	**67,175**

Financial Statements

Consolidated statement of cash flows for the year ended 31 May 2022

Year ended 31 May 2022 £'000	Note	2022	2021 *Restated
Cash flows from operating activities			
Profit for the financial year		**9,535**	5,166
Adjustments for:			
Depreciation of property, plant and equipment	15	**311**	140
Gain on disposal of property, plant and equipment		**(1)**	-
Depreciation of right-of-use assets	16	**947**	540
Amortisation of intangible assets	14	**2,320**	1,254
Share of profit of joint ventures		**(64)**	(61)
Finance income		**(24)**	(3)
Interest payable	11	**368**	198
Income tax expense	12	**3,179**	2,439
Expense recognised in respect of equity-settled share based payments		**263**	145
Fair value adjustments to contingent consideration		**687**	-
Deemed remuneration liabilities		**2,187**	3,937
		19,708	13,755
Movements in working capital:			
Increase in trade and other receivables		**(8,234)**	(3,873)
(Increase)/decrease in other assets		**(615)**	224
Increase in trade and other payables (excluding deemed remuneration liabilities)		**2,898**	3,070
Increase in contract liabilities		**1,139**	2,714
(Decrease)/increase in provisions		**(4)**	395
Cash generated from operations		**14,892**	16,285
Finance income received		**24**	3
Income taxes paid		**(4,052)**	(2,162)
Net cash from operating activities (before deemed remuneration payments)		**10,864**	14,126
Settlement of deemed remuneration		**(2,623)**	-
Net cash from operating activities		**8,241**	14,126
Investing activities			
Dividends received from joint ventures		**40**	40
Purchases of property, plant and equipment	15	**(722)**	(579)
Purchases of intangible assets	14	**(450)**	(104)
Acquisition of subsidiary, net of cash acquired	29	**(10,580)**	(24,328)
Payments of contingent consideration		**(649)**	-
Net cash used in investing activities		**(12,361)**	(24,971)
Financing activities			
Dividends paid to owners of the Company	33	**(7,397)**	(4,664)
Interest paid		**(43)**	(10)
Lease liability interest paid		**(164)**	(89)
Repayment of lease liabilities	24	**(783)**	(778)
Proceeds on issue of shares		**9,728**	22,443
Proceeds from loans and borrowings		**2,180**	-
Net cash from/(used in) financing activities		**3,521**	16,902
Net (decrease)/increase in cash and cash equivalents		**(599)**	6,057
Cash and cash equivalents at beginning of year		**14,307**	8,271
Effect of foreign exchange rate changes		**40**	(21)
Cash and cash equivalents at end of year		**13,748**	14,307

** Refer to note 5*


K3 cap

Notes to the Financial Statements

1. General Information

K3 Capital Group PLC is incorporated in England and Wales under the Companies Act, listed on Alternative Investment Market ("AIM"), the market of that name operated by the London Stock Exchange, 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 of K3 Capital Group PLC is of a multi-disciplinary professional services firm providing advisory services to SMEs.

2. Presentation of financial statements

The Group consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with UK-adopted international accounting standards. The consolidated financial statements have been prepared on the going concern basis and under the historical cost convention. These policies have been consistently applied to all years presented unless otherwise stated.

The separate financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework', on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 as applicable to companies reporting under FRS 101.

The financial statements of the Group consolidated financial statements and the financial statements of the Company have been presented in Pounds Sterling (£'000, GBP) as this is the currency of the primary economic environment that the Company operates in.

All non-direct costs have been disclosed as administrative expenses. In the prior period certain expenses were disclosed as distribution costs (£2,128k) which have been represented as administrative expenses for consistency.

3. Accounting Policies

Basis of Preparation

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.

Basis of consolidation

The Group financial statements consolidate the results of the company, K3 Capital Group plc, 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 include 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.

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

IFRS 17	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of liabilities as current or non-current
Amendments to IFRS 3	Reference to the conceptual framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds Before Intended Use
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Annual improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 39, IFRS 7 and IFRS 9	Interest Rate Benchmark Reform

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Going Concern

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

The Group has been profitable and highly cash generative throughout its trading history. The current year cash has stayed relatively flat due to investment in overseas operations and we would expect a return to cash generation. K3 has shown remarkable resilience and robustness over time, including during the recent global pandemic and ensuing time of economic uncertainty.

The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the chairman's statement and strategic report. The financial position of the Group, the principal risks and uncertainties, its cash flows, liquidity position and borrowing facilities are described in the strategic report.

Furthermore, note 34 to the financial statements include full details of the Group's borrowings, in addition to the Group's objectives and policies for managing its capital, its financial risk management objectives and its exposures to credit, interest rate and liquidity risk.

At the year end the Group had cash balances of £13.7m (FY21: £14.3m) together with committed borrowing facilities of £15m (FY21: £10m), of which £2.1m was drawn down at the year end (FY21: £nil), providing significant liquidity entering the new financial year.

In carrying out their duties in respect of going concern, the directors have completed a review of the Group's current financial position and cash flow forecasts for a period of two years from the year end. This review included sensitivity analysis and stress tests to determine the potential impact on the Group of reasonably possible downside scenarios. Under all modelled scenarios, the Group's liquid cash reserves were sufficient and the borrowing facilities did not need to be drawn on further than as at the balance sheet date.

Notes to the Financial Statements

As such, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Revenue Recognition

Revenue comprises revenue recognised by the Group in respect of services supplied during the year, exclusive of Value Added Tax. The Group recognises revenue from the following major sources:

- Business Sales non-contingent fees arising from customers for professional advice;
- Business Sales transaction fees arising from business sales arranged by the Group companies;
- Restructuring and Tax fees arising from customers for professional advice; and
- R&D Tax fees arising from customers for professional advice.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Business Sales – non-contingent fees

There is one performance obligation associated with Business Sales non-contingent fee income. Although there are different services provided, none of these are individually distinct. These services include the drafting of an information memorandum, as well as performing research to obtain a buyer for the client. Revenue is recognised over time because the work performed does not create an asset which has an alternate use, and the Group has an enforceable right to payment for the work of which has been performed. There is no variable consideration.

Due to revenue being recognised over time, contract liabilities are recognised when invoiced revenue is received in advance of delivery of the remaining service.

The transaction price is determined at inception of the contract. The transaction price is allocated to the performance obligation in line with the stage of completion of the non-contingent fee.

Business Sales – transaction fees

There is one performance obligation within Business Sales transaction fee income. This obligation is the completion of a Transaction as defined in K3's terms of business, being the transfer of shares or assets from a client to a 3rd party, with fees settled from the sale proceeds. No contract liabilities arise with transaction fee income, and there is no variable consideration. Further detail on revenue recognition policies is provided in the critical accounting estimates section in note 4.

R&D Tax Fees

R&D Tax fee income is recognised at the point in which it can be reliably estimated and our service is deemed to be complete. Contractual terms dictate a customer will be invoiced on receipt of a refund from HMRC, however due to the variable length from submission of claim to client refund, unbilled income is recognised at the point of claim submission to HMRC. Revenue is recognised when a claim is submitted to HMRC as we consider that as this point we have met our performance obligation to the client.

Restructuring and Tax fees

Restructuring and Tax Revenue is recognised on the basis of a contract being in place with a client, that the control of the contracted service lies with the client, and in line with contractual performance obligations at an amount reflecting that expected for the rendering of the services provided.

For the Group's formal insolvency appointments and other advisory engagements, where remuneration is typically determined based on hours worked by professional partners and staff, the Group transfers control of its services over time and recognises revenue over time if the Group provides services for which it has no alternative use or means of deriving value.

Progress on each assignment is measured using an input method based on costs incurred to date as a percentage of total anticipated costs.

In determining the amount of revenue and the related balance sheet items (such as trade receivables, unbilled income and deferred income) to recognise in the period, management is required to form a judgement on each individual contract of the total expected fees and total anticipated costs. Where appropriate, further judgement is applied on a portfolio basis to ensure consistent accounting for smaller cases.

In some instances the exact total revenue on a contract is uncertain and the total consideration for a contract can be variable based on different future outcomes. In these instances, management make an estimate of the total transaction price to the extent that it is highly probable a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved. In making this assessment management consider:

- The amount of consideration is highly susceptible to factors outside the entity's influence.
- The uncertainty about the amount of consideration is not expected to be resolved for a long time.
- The entity's experience with (or other evidence from) similar types of contracts is limited or has limited predictive value.
- The contract has a large number and a broad range of possible consideration amounts.

These estimates and judgements may change over time as the engagement completes and this will be recognised in the consolidated statement of comprehensive income in the period in which the revision becomes known. It is reasonable to expect some potential upside and downside on individual contracts, however we would not expect a material deviation over the portfolio of cases.

Invoices on formal insolvency appointments are generally raised having achieved approval from creditors to draw fees. This is typically settled on a timely basis from case funds. On advisory engagements, invoices are generally raised in line with contract terms.

Clients are provided with a Terms of Engagement letter when K3 Capital Group is appointed, which acts as both the appointment date and the terms of our contract.

The value of a contract is assessed on the basis of time charged by employees to cases in 6 minute intervals at rates set within our terms of engagement. Revenue is recognised over time where there is a right to payment for performance of contracted services completed to date and, for insolvency appointments, there is approval from creditors to draw fees.

The provisioning method is used to value Unbilled Revenue where time has been charged to cases and as yet remains unbilled. This is based upon the estimated recoverability on a case by case basis by Directors of the current unbilled value with reference to the future billing against future costs to complete the service. Where a fixed fee is agreed the hourly chargeable time value is reviewed against the final fixed fee.

Services provided to clients which at the balance sheet date have not been billed are recognised as unbilled revenue within debtors.

Where amounts are billed in advance of the service being provided these are included within deferred income within creditors.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones under c$5,000 equivalent – per IFRS 16). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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.

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. See note 40 for a reconciliation to the profit and loss account.

Adjusted EBITDA & Exceptionals

The Group presents adjusted EBITDA as an operating KPI utilised by management to monitor performance.

EBITDA is adjusted for one off costs that are considered to be exceptional, being:

- Share based payment costs
- One off costs connected to acquisitions
- Deemed remuneration

These costs are considered to be exceptional because they do not relate to the ongoing trade and performance of the business and are primarily linked to the cost of acquisitions. Without presenting adjusted EBITDA, the EBITDA presented would not be consistent as it would be subject to fluctuations that do not reflect underlying performance of the Group.

See note 40 for a reconciliation of profit before tax to Adjusted EBITDA.

Notes to the Financial Statements

Business Combinations and Goodwill

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred to former owners and equity instruments issued by the Group in exchange for control of the acquiree. Contingent consideration is initially measured at fair value at the date of the business combination. Any subsequent adjustment to this fair value (such as meeting an earnings target), where the consideration is payable in cash, is recognised in the consolidated statement of comprehensive income.

In accordance with the IFRS Interpretations Committee's interpretation of paragraph B55 of IFRS 3, the cost of the business combination excludes consideration which requires post-acquisition service obligations to be performed by the selling shareholders. These amounts are accounted for as deemed remuneration and are charged to the consolidated (and Company) statement of comprehensive income over the period of the service obligation as it is considered to be a cost of acquiring those businesses. Payments paid in advance of the service obligation being delivered are recognised as an asset within trade and other receivables. The balance is disclosed within current assets for service obligations in less than 12 months and in non-current assets for service obligations after more than 12 months. In the event that the service obligations have been delivered in advance of the payment being made, the resultant liability is recognised within trade and other payables. Deemed remuneration payments are disclosed within cash flows from operations within the cash flow statement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where the fair value of the assets and liabilities at acquisition cannot be determined reliably in the initial accounting, these values are considered to be provisional for a period of 12 months from the date of acquisition. If additional information relating to the condition of these assets and liabilities at the acquisition date is obtained within this period, then the provisional values are adjusted retrospectively. This includes the restatement of comparative information for prior periods.

Contingent consideration are classified as liabilities as these are settled either through cash or a variable number of shares.

Acquisition costs are recognised in the consolidated statement of comprehensive income as incurred and separately disclosed due to the nature of this expense.

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.

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.

On a business combination, as well as recording separable intangible assets already recognised in the balance sheet of the acquired entity at their fair value, identifiable intangible assets that are separable or arise from contractual or other legal rights are also included in the acquisition balance sheet at fair value.

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:

Customer contracts	3-7 years
Brand	10 years
Website and software costs	3 years

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 fitting	3 years
Equipment	3 years

Investments in subsidiaries and joint ventures

In the Company's separate financial statements, fixed asset investments, including those in subsidiary undertakings, are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses. Joint ventures are accounted for under the equity method, initially recorded at cost, and subsequently stated at cost, adjusted for attributable share of profit or loss after the date of acquisition.

Financial Instruments

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

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

Financial assets

The classification of financial assets is based both on the business model of which the asset is held and the contractual cashflow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL). The recognition, measurement and de-recognition applied by the Group is disclosed below.

Initial recognition and measurement
The Group's financial assets include cash and cash equivalents, trade 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, including trade receivables, 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.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Financial Statements

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.

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:

b. 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

c. 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.

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. IFRS 9 involves the use of an expected credit loss model when assessing for potential impairment. This takes into consideration increased credit risk, probabilities of default, and deteriorations in the macro-economic environment.

With respect to intercompany loans, at initial recognition, the parent company makes an assessment as to the initial credit risk of the amounts owed by subsidiary undertakings by taking into account available relevant information about subsidiary undertakings current and expected operating performance and cashflow position. This incorporates forward looking information such as the general economic environment, consumer confidence and inflation, changing consumer demands and the competitive environment.

The parent company has defined a default of amounts owed by subsidiary undertakings to be when there is evidence that the borrower is in significant financial difficulty such that it will have insufficient liquid assets to repay the loan when due. This is assessed based on a number of factors including key liquidity and solvency ratios. An assessment is made of significant increases in credit risk since initial recognition, using a qualitative assessment focusing on a comparison of forecast KPIs over the expected life of the amounts owed by subsidiary undertakings at initial recognition to forecast KPIs over the remaining expected life of the amounts owed by subsidiary undertakings at the reporting date (taking into account forward looking information such as the updated economic and business environment). The parent company has also considered credit impaired indicators and define this to be when amounts owed by subsidiary undertakings meets the definition of a default.

The Group recognises a loss allowance for expected credit losses on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL (expected credit losses) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

Notes to the Financial Statements

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by each asset's gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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 temporary 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 temporary differences can be deducted.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Share-based payments

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.

Notes to the Financial Statements

4. Critical Accounting Estimates and Judgements

In applying the accounting policies, the Directors may at times be required 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 consider 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. The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and Judgements

Revenue recognition

Revenue is recognised by the Group in respect of services supplied to clients of the Group in presenting each client's sales opportunity to market, sourcing potential acquirers and project managing transactions to completion.

In relation to the services provided by Business Sales, a non-contingent fee ("retainer fee") is typically paid by clients upon commencement of a contract with the Group, which is included in contract liabilities and recognised as revenue over the period in which performance obligations are met. The critical estimate on retainer fee income is that there is one performance obligation. This judgement is made on the fact that as part of a retainer, there are different services provided, none of which are individually distinct. This has been detailed within note 3.

The Directors are required to estimate the period over which the service commences, and the performance obligation is met, and accordingly recognise revenue based on that estimate. This involves estimation of the point of time in which specific services are carried out as part of the retainer. The Directors have made this estimate based upon the amount of time taken to perform these specific services. The time period that retainer fee income is recognised is regularly reviewed. This leads to the recognition of contract liabilities at period ends, which the Directors estimate based on the stage of completion of services at that point in time by reference to the performance obligations set.

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, and thus are released in line with the release of retainer fee income from contract liabilities. Commission costs deferred are accounted for within prepaid contract costs.

A contingent fee ("transaction fee") is payable upon the completion of a transaction. Judgement is applied in regards to the number of performance obligations. There is one performance obligation, the sale of shares or assets to a third party. This has been determined after management reviewed a sample of contracts in respect of transaction fee income. This review was conducted after consideration of the requirements within IFRS 15 and concluded that there is one performance obligation. 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 performance obligation has been satisfied, at completion of the transaction.

Unbilled restructuring and tax income

As detailed in note 3, in determining the amount of revenue to recognise in the period, management are required to form a judgement of the total expected fees and total anticipated costs on each material individual contract; for smaller contracts these are determined on a portfolio basis. Unbilled income arises as work progresses on restructuring and tax engagements. There is estimation uncertainty involved in the proportion of recoverable amount and judgement involved in determining the likelihood of case outcome. These estimates and judgements may change over time as the engagement completes. Management have reviewed the sensitivity of the assumptions in determining the amount of revenue to recognise in the period, and consider that the reasonably possible outcomes do not have a material impact.

Goodwill and assessment for potential impairment

The Group records all assets and liabilities acquired in business combinations, including goodwill, at fair value. Goodwill is not amortised but is subject, at a minimum, to annual tests for impairment. The initial goodwill recorded and subsequent impairment review require management to make subjective judgements concerning the value in use of cash-generating units. This requires an estimate of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate present value. Details of the assumptions made are provided in note 14.

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. CGUs are determined by the smallest group of assets that generate independent cash inflows, which is largely by individual subsidiary. 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 14). The estimated future cash flows are based on a range of reasonably possible outcomes. Management have performed sensitivity analysis on expected future cash flows, including revenue, expenditure and discount rates, and consider there to be sufficient headroom in all reasonably possible scenarios that no impairment is required.

Intangible assets in a business combination

On the acquisition of a business the identifiable intangible assets may include brands, customer relationships, customer contracts, order backlogs and websites. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the asset exists, being a key source of estimation uncertainty. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets, with a resultant impact on the goodwill or gain on acquisition recognised. Management have performed sensitivity analysis on expected future cash flows, including revenue and expenditure, and consider there to be sufficient headroom in all reasonably possible scenarios such that no impairment is required. Details in relation to current year acquisitions are in note 29.

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

Lease term is ordinarily calculated by reference to the contractual terms of the Group's leases. Management may change their estimates in respect of the term of any lease if the probability of an extension or termination option, within the lease contract, being exercised changes. As a result of any change in estimate of the lease term the Group adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss. Further details are provided in note 24.

Significant increase in credit risk

As explained in note 3, expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. The Group currently uses the simplified approach due to the nature of the financial assets.

Calculation of loss allowance

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

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

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

Notes to the Financial Statements

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 is broken down as:

Year ended 31 May 2022 £'000	2022	2021
Over time	**40,451**	30,727
At a point in time	**30,199**	16,444
Revenue by basis of recognition	**70,650**	47,171

A further breakdown of revenue by service line, type and geographic location is shown below:

Year ended 31 May 2022 £'000	2022	2021
United Kingdom	**67,727**	46,205
Cyprus	**1,083**	899
Cayman Islands	**1,176**	67
Singapore	**545**	-
Poland	**119**	-
Revenue by geographic location	**70,650**	47,171

The Group's revenue is recognised when performance obligations are satisfied, further details of which are included in the accounting policies. As a result, contract liabilities arise when performance obligations have not been met details of which are included in note 23. The contract liabilities from 31 May 2021 have been fully recognised in the reported revenue for year end 31 May 2022.

The contract balances recognised are:

Year ended 31 May 2022 £'000	2022	2021 *Restated
Contract assets		
Unbilled income	**15,480**	7,431
Contract liabilities		
Deferred income	**5,222**	4,083

The movement in contract assets in the year comprises: £1.8m increase from acquisitions in the year and £6.3m due to organic growth. The movement in contract liabilities in the year is materially organic growth.

Revenue recognised in the year that was included in deferred income at the beginning of the year was £4.1m (2021:£2.4m).

Restatement of contract assets and contract liabilities

In the prior period, contract liabilities within trade and other payables were offset with contract assets within trade and other receivables. In accordance with IFRS 15, amounts relating to contract assets and contract liabilities cannot be offset unless they relate to the same contract. The prior year statement of financial position has been represented to reflect this requirement. The impact was an increase in the amount of trade and other receivables and an increase of the amount of trade and other payables of £2.6m.

A third balance sheet has not been presented given that the subsidiary entity to which the restatement relates to was acquired during the prior financial period.

The restatement has no impact on net assets or on the income statement for the Group or Company.

6. Segment Information

The Group has 3 main reporting lines:

a. Business Sales (previously M&A) – this division constitutes the original Group companies and is involved in providing corporate finance services to customers.

b. Restructuring – this division is involved in providing funding, corporate recovery and other consultancy services to customers.

c. Tax – this division is involved in providing technical taxation advice, including R&D tax claims and support with HMRC investigations, to customers.

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 segment is assessed based on a number of financial and non-financial KPIs which inform management decisions.

The Group is not reliant on a major customer or Group of customers. All revenue is generated in the UK, except that generated by the Group's overseas subsidiaries.

Year ended 31 May 2022 **£'000**	Business Sales*	Restructuring	Tax	Total
Group's revenue per consolidated statement of comprehensive income	21,619	37,444	11,587	70,650
Depreciation	276	922	51	1,249
Amortisation	286	910	1,106	2,302
Loss on disposal of property, plant and equipment	-	(1)	-	(1)
Segment profit	**10,230**	**4,686**	**4,808**	**19,724**
Share-based payments				(263)
Share of post-tax profits of equity accounted joint ventures				64
Finance expense				(368)
Finance income				24
Acquisition costs				(1,420)
Other unallocated central costs				(5,047)
Group profit before tax				**12,714**

*The M&A division has been renamed to Business Sales in the year and all current and prior year disclosures have been amended to refer to Business Sales.

Notes to the Financial Statements

Year ended 31 May 2021 **£'000**	Business Sales	Restructuring	Tax	Total
Group's revenue per consolidated statement of comprehensive income	16,013	25,909	5,249	47,171
Depreciation	(240)	(440)	(5)	(685)
Amortisation	(70)	(709)	(474)	(1,253)
Segment profit	**8,032**	**4,866**	**2,612**	**15,510**
Share-based payments				(145)
Share of post-tax profits of equity accounted joint ventures				61
Finance expense				(198)
Finance income				3
Acquisition costs				(5,982)
Other unallocated central costs				(1,734)
Group profit before tax				**7,605**

Year ended 31 May 2022 **£'000**	Business Sales	Restructuring	Tax	Unallocated	Total
Assets	14,900	51,795	33,127	2,197	102,019
Liabilities	(6,826)	(15,708)	(10,894)	(2,104)	(35,532)
Net assets	8,074	36,087	22,233	93	66,487

Year ended 31 May 2021 Represented **£'000**	Business Sales	Restructuring	Tax	Unallocated	Total
Assets	12,293	42,792	16,231	2,086	73,402
Liabilities	(4,055)	(15,152)	(5,177)	226	(24,158)
Net assets	8,238	27,640	11,054	2,312	49,244

7. Operating Profit

Operating profit is stated after charging/(crediting):

Year ended 31 May 2022 **£'000**	**2022**	2021
Amortisation of intangibles	**2,320**	1,254
Depreciation of property, plant and equipment	**311**	140
Depreciation of right-of-use assets	**947**	540
Profit on disposal of property, plant and equipment	**(1)**	-
Auditor remuneration	**148**	90
Equity – settled share based payments expense	**263**	145
Foreign exchange gains	**(90)**	(2)

8. Auditor's Remuneration

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

Year ended 31 May 2022 **£'000**	**2022**	2021
BDO LLP		
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	**148**	90
Fees payable to the Company's Auditor and its associates for other services:		
Corporate finance services	-	159
Total Auditor's remuneration	**148**	249

Notes to the Financial Statements

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 2022	2022	2021
Management	**33**	23
Sales	**70**	76
Marketing/Administration	**442**	311
	545	410

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

Year ended 31 May 2022 £'000	2022	2021
Wages, salaries and performance related pay	**31,334**	20,915
Deemed remuneration	**2,187**	3,937
Share-based payments	**263**	145
Social security costs	**3,449**	2,247
Other pension costs	**659**	398
	37,892	27,642

The aggregate payroll costs incurred during the year by the Company were:

Year ended 31 May 2022 £'000	2022	2021
Wages, salaries and performance related pay	**1,772**	1,980
Deemed remuneration	**2,187**	3,937
Share-based payments	**263**	145
Social Security Costs	**167**	263
Other Pension Costs	**6**	3
	4,395	6,328

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

Year ended 31 May 2022	2022	2021
Management	**8**	8

10. Directors' and Key Management Remuneration

Group and Company

The Directors' aggregate remuneration in respect of qualifying services was:

Year ended 31 May 2022 £'000	2022	2021
Wages, salaries, performance related pay & benefits in kind	**1,770**	1,988
Deemed remuneration	**274**	763
Share-based payments	**18**	13
Social security costs	**153**	263
Pension contributions	**5**	3
	2,220	3,030

The Directors are considered to be key management personnel. In FY22 there were 4 Directors in defined contribution pension schemes (FY21: 4)

Group and Company

Remuneration of the highest paid Director in respect of qualifying services:

Year ended 31 May 2022 £'000	2022	2021
Wages, salaries, performance related pay & benefits in kind	**602**	234
Deemed remuneration	**-**	763
Share-based payments	**5**	19
Social security costs	**86**	31
	693	1,047

11. Finance costs

Year ended 31 May 2022 £'000	2022	2021
Interest on bank overdrafts and borrowings	**43**	10
Interest on lease liabilities	**164**	89
Unwinding of discount on contingent consideration	**161**	99
	368	198

Notes to the Financial Statements

12. Tax on Profit

Major components of tax expense

Year ended 31 May 2022 £'000	2022	2021
Current tax:		
UK current tax expense	**3,939**	2,704
Adjustments in respect of prior periods	**(132)**	2
Total current tax	**3,807**	2,706
Deferred tax:		
Origination and reversal of temporary differences (note 26)	**(591)**	(267)
Impact of change in tax rate (note 26)	**(37)**	-
Tax on profit	**3,179**	2,439

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

Year ended 31 May 2022 £'000	2022	2021
Profit on ordinary activities before taxation	**12,714**	7,605
Profit on ordinary activities by rate of tax	**2,416**	1,445
Adjustment in respect of prior periods	**(132)**	2
Effect of expenses not deductible for tax purposes	**828**	1,086
Unutilised losses carried forward	**28**	-
Excess tax deductions related to share-based payments on exercised options	**-**	(94)
Difference on overseas tax rates	**76**	-
Effect of change in rates	**(37)**	-
Tax on profit	**3,179**	2,439

Changes Affecting Future Tax Rates

Finance Bill 2021 announced increases to corporation tax from April 2023, meaning that the Group will then pay 25% corporation tax.

On 24th May 2021, the Finance Bill was substantively enacted. As a result, for balance sheets prepared to a date after 24th May 2021 the deferred tax rate used must be the future expected rate for that entity, up to 25%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

13. 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:

Year ended 31 May 2022	2022	2021
Net profit attributable to equity holders of the Company (£000)	**9,535**	5,166
Initial weighted average of ordinary shares	**72,745,085**	65,176,657
Basic earnings per share	**13.11p**	7.93p

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:

Year ended 31 May 2022	2022	2021
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**72,745,085**	65,176,657
Dilutive effect of share options	**5,113,233**	4,507,959
Dilutive weighted average number of ordinary shares	**77,858,318**	69,684,616
Diluted earnings per share	**12.25p**	7.41p

Alternative Performance Measures

Year ended 31 May 2022	2022	2021
Basic adjusted earnings per share	**20.64p**	18.56p
Diluted adjusted earnings per share	**19.28p**	17.36p

The calculation of adjusted basic and diluted headline earnings per share is based on the following data:

Year ended 31 May 2022 £'000	2022	2021
Net profit attributable to equity holders of the Company	**9,535**	5,166
Add back/(deduct):		
Transaction costs	**1,420**	1,955
Deemed remuneration	**2,187**	3,937
Unwinding of discount on contingent consideration	**162**	99
Amortisation of acquired intangibles	**2,209**	1,183
Tax effect of the above	**(501)**	(243)
Adjusted earnings	**15,012**	12,097

Notes to the Financial Statements

14. Intangible Assets

Group

Year ended 31 May 2022 £'000	Goodwill	Customer related	Marketing related	Website and software costs	Development costs	Total
Cost						
At 1 June 2020	5,812	-	-	234	-	**6,046**
Additions	-	-	-	52	52	**104**
Recognised on acquisition of a subsidiary	29,951	5,310	3,439	-	-	**38,700**
At 31 May 2021	35,763	5,310	3,439	286	52	**44,850**
Additions	148	-	-	123	179	**450**
Recognised on acquisition of a subsidiary	12,655	4,451	367	9	-	**17,482**
At 31 May 2022	**48,566**	**9,761**	**3,806**	**418**	**231**	**62,782**
Amortisation						
At 1 June 2020	1,885	-	-	115	-	**2,000**
Charge for the year	-	896	287	71	-	**1,254**
At 31 May 2021	**1,885**	**896**	**287**	**186**	**-**	**3,254**
Charge for the year	-	1,840	369	90	21	**2,320**
At 31 May 2022	**1,885**	**2,736**	**656**	**276**	**21**	**5,574**
Carrying amount						
At 31 May 2022	**46,681**	**7,025**	**3,150**	**142**	**210**	**57,208**
At 31 May 2021	33,878	4,414	3,152	100	52	**41,596**

The carrying amount of goodwill has been allocated to CGUs as follows:

Year ended 31 May 2022 £'000	2022	2021
KBS Corporate Sales	3,927	3,927
RandD UK	9,497	9,349
Quantuma Advisory	18,736	18,736
Intax	1,159	1,159
Quantuma Cayman	250	250
Aspect Plus	457	457
Knight R&D	8,098	-
Knight Corporate Finance Group	3,071	-
Professional Insight Marketing	1,486	-
	46,681	**33,878**

Company

Year ended 31 May 2022 £'000	Goodwill	Website and software costs	Total
Cost			
At 1 June 2020 and 31 May 2021	1,100	12	**1,112**
Additions	-	14	**14**
At 31 May 2021	1,100	26	**1,126**
Amortisation			
At 1 June 2020 and 31 May 2021	-	1	**1**
Charge for the year	-	8	**8**
At 31 May 2022	-	9	**9**
Carrying amount			
At 31 May 2022	1,100	17	**1,117**
At 31 May 2021	1,100	11	**1,111**

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.

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

	31 May 2022	31 May 2021
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond approved forecast period	**10%**	2%
Growth rate into perpetuity	**3%**	1%
Pre-tax discount rate	**15%**	15%

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, didn't result in an impairment. The changes applied were:

- Reducing future year EBITDA growth down from 10% to 5%
- Varying the discount rate by 3%
- Reducing Growth rate into perpetuity down to 2%

Notes to the Financial Statements

15. Tangible Assets

Group

Year ended 31 May 2022 £'000	Long leasehold property	Fixtures and fittings	Equipment	Total
Cost				
At 1 June 2020	34	137	160	**331**
Additions	5	540	34	**579**
Acquisition of subsidiary	8	125	25	**158**
Exchange differences	-	(3)	-	**(3)**
Disposals	-	-	(4)	**(4)**
At 31 May 2021	47	799	215	**1,061**
Additions	97	520	105	**722**
Acquisition of subsidiary	-	42	104	**146**
Exchange differences	-	-	2	**2**
Disposals	-	-	(9)	**(9)**
At 31 May 2022	**144**	**1,361**	**417**	**1,922**
Depreciation				
At 1 June 2020	31	121	123	**275**
Charge for the year	4	107	29	**140**
Acquisition of subsidiary	2	3	15	**20**
Disposals	-	-	(2)	**(2)**
At 31 May 2021	37	231	165	**433**
Charge for the year	13	243	55	**311**
Acquisition of subsidiary	-	8	84	**92**
Exchange differences	-	(1)	(1)	**(2)**
Disposals	-	-	(9)	**(9)**
At 31 May 2022	**50**	**481**	**294**	**825**
Carrying amount				
At 31 May 2022	**94**	**880**	**123**	**1,097**
At 31 May 2021	10	568	50	**628**

The Company has no tangible assets.

16. Right-of-use assets

Group

Year ended 31 May 2022 £'000	Buildings	Motor vehicles	Total
Cost			
At 1 June 2020	829	261	**1,090**
Additions	416	-	**416**
Acquisition of subsidiary	1,705	-	**1,705**
Exchange differences	(4)	-	**(4)**
Disposals	-	(67)	**(67)**
At 31 May 2021	**2,946**	**194**	**3,140**
Additions	1,960	187	**2,147**
Acquisition of subsidiary	171	-	**171**
Exchange differences	46	-	**46**
Disposals	(101)	-	**(101)**
At 31 May 2022	**5,022**	**381**	**5,403**
Depreciation			
At 1 June 2020	101	118	**219**
Charge for the year	463	77	**540**
Disposals	-	(67)	**(67)**
At 31 May 2021	564	128	**692**
Charge for the year	875	72	**947**
Exchange differences	8	-	**8**
Disposals	(89)	-	**(89)**
At 31 May 2022	**1,358**	**200**	**1,558**
Carrying amount			
At 31 May 2022	**3,664**	**181**	**3,845**
At 31 May 2021	2,382	66	**2,448**

The Group leases several assets including buildings and motor vehicles. The average term is 4.3 years (2021: 3.4 years).

The Group has options to purchase certain equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

The maturity analysis of lease liabilities is presented in note 24.

Amounts recognised in profit and loss

Year ended 31 May 2022 £'000	2022	2021
Depreciation expense on right-of-use assets	**947**	540
Interest expense on lease liabilities	**164**	89

The total annual cash outflow for leases amount to £783k for capital and £164k for interest.

The Company does not have any leases.

Notes to the Financial Statements

17. Investments

Group

£'000	Joint ventures
Cost	
At 1 June 2020	-
Share of net profits less dividends received	19
At 31 May 2021	**19**
Share of net profits less dividends received	24
Disposals	(16)
At 31 May 2022	**27**
Impairment	
At 1 June 2020, 31 May 2021 and 31 May 2022	-
Carrying amount	
At 31 May 2021	19
At 31 May 2022	**27**

The Group has a 40% interest in a joint venture, Market Mapping Limited, a limited company incorporated and operating in the United Kingdom. The primary activity of Market Mapping Limited is lead generation and target identification primarily for the Business Sales part of the Group. Under IFRS 11 the joint venture has been included in the consolidated financial statements using the equity method.

Summarised financial information in relation to the joint venture is presented below:

As at 31 May £'000	2022	2021
Current assets	**165**	40
Current liabilities	**99**	34
Included in the above amounts are:		
Cash and cash equivalents	**182**	39
Net assets (100%)	**66**	6
Group share of net assets (40%)	**26**	2
Period ended 31 May		
Revenues	**491**	55
Profit from continuing operations	**160**	6
Total comprehensive income (100%)	**160**	6
Group share of total comprehensive income (40%)	**64**	2
Dividends received by Group from joint venture	**40**	
Included in the above amounts are:		
Income tax expense	**43**	1

The Group also had a 50% share in R&D Tax and Grants Limited which was accounted for as a joint venture under IFRS 11. Effective on 1 June 2020 the remaining 50% was acquired by randd uk limited and the trade and assets of the company were hived up into randd uk limited.

Company

£'000	Shares in group undertakings
Cost	
At 1 June 2020	5,667
Additions	44,894
At 31 May 2021	50,561
Additions	19,817
At 31 May 2022	70,378
Impairment	
At 1 June 2020, 31 May 2021 and 31 May 2022	-
Carrying amount	
At 31 May 2021	50,561
At 31 May 2022	70,378

The Directors have assessed investments held for impairment indicators at the balance sheet date. No impairment indicators were identified.

Group Restructure

On 30 May 2022, a Group restructure occurred to align the Group structure to the reporting and strategic operations of the Group. The restructure was implemented through share for share exchange.

Additions

On 9 July 2021, the Group acquired 100% of the issued share capital in Knight Corporate Finance Group Limited and 100% of the issued share capital in Knight R&D Limited.

On 28 February 2022 the Group acquired 100% of the issued share capital of Professional Insight Marketing Limited.

Further details of acquisitions are included in note 29.

Notes to the Financial Statements

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 2022	Country of Incorporation and Principal Place of Business	Class of share	Percentage of shares held (%)
K3 Advisory Group Limited (1)	United Kingdom	Ordinary shares	95.1
Professional Insight Marketing Limited (1)	United Kingdom	Ordinary shares	100
Acraman (716) Limited (2)	United Kingdom	Ordinary shares	100
K3 Business Sales Advisory Group Limited (formerly K3 M&A Advisory Group Limited) (2)	United Kingdom	Ordinary shares	100
K3 Restructuring Advisory Group Limited (2)	United Kingdom	Ordinary shares	100
K3 Tax Advisory Group Limited (2)	United Kingdom	Ordinary shares	100
KBS Corporate Sales Limited (3)	United Kingdom	Ordinary Shares	100
KBS Corporate Finance Limited (3)	United Kingdom	Ordinary Shares	100
Knightsbridge Business Sales Limited (3)	United Kingdom	Ordinary Shares	100
KBS Capital Markets Limited (3)	United Kingdom	Ordinary shares	100
Market Mapping Limited (3)	United Kingdom	Ordinary Shares	40
K3 Debt Advisory Limited (3)	United Kingdom	Ordinary Shares	70
Knight Corporate Finance Group Limited (3)	United Kingdom	Ordinary shares	100
Knight Corporate Finance Limited (10)	United Kingdom	Ordinary shares	100
Knight Transaction Services Limited (10)	United Kingdom	Ordinary shares	100
Quantuma Advisory Limited (4)	United Kingdom	Ordinary Shares	100
Quantuma Cyprus Holdings Limited (5)	Cyprus	Ordinary Shares	100
Quantuma Cyprus Limited (7)	Cyprus	Ordinary Shares	100
Quantuma Corporate Finance Limited (5)	United Kingdom	Ordinary Shares	100
Quantuma International Advisory Limited (5)	United Kingdom	Ordinary Shares	100
Quantuma (Cayman) Limited (8)	Cayman Islands	Ordinary Shares	100
Quantuma Poland s.p. z.o.o. (8)	Poland	Ordinary Shares	100
Quantuma (Middle East) Limited (8)	Dubai	Ordinary Shares	100
Quantuma (Singapore) Pte Ltd (8)	Singapore	Ordinary Shares	100
RandD UK Limited (6)	United Kingdom	Ordinary Shares	100
R&D Tax and Grants Limited (9)	United Kingdom	Ordinary Shares	100
InTax Limited (6)	United Kingdom	Ordinary Shares	100
Acraman (715) Limited (6)	United Kingdom	Ordinary Shares	100
K3 Tax Advisory Limited (6)	United Kingdom	Ordinary Shares	100
Knight R&D Limited (6)	United Kingdom	Ordinary Shares	100

(1) Owned by K3 Capital Group Plc. Remaining minority interest due to Growth Share holders who carry no economic rights, with shares subject to performance criteria over time before being exchanged for K3 Capital Group Plc shares or returned at par value

(2) Owned by K3 Advisory Group Limited

(3) Owned by K3 Business Sales Advisory Group Limited

(4) Owned by K3 Restructuring Advisory Group Limited

(5) Owned by Quantuma Advisory Limited

(6) Owned by K3 Tax Advisory Group Limited

(7) 75% owned by Quantuma Cyprus Holdings Limited and 25% owned by Quantuma Advisory Limited

(8) Owned by Quantuma International Advisory Limited

(9) Owned by RandD UK Limited

(10) Owned by Knight Corporate Finance Group Limited

Year ended 31 May 2021	Country of Incorporation and Principal Place of Business	Class of share	Percentage of shares held (%)
K3 Advisory Group Limited (formerly K3 Capital Group Holdings Limited) (1)	United Kingdom	Ordinary shares	95.94
K3 Quantuma Limited (1)	United Kingdom	Ordinary shares	100
Acraman (716) Limited (formerly K3 Tax Advisory Limited) (1)	United Kingdom	Ordinary shares	100
K3 Business Sales Advisory Group Limited (formerly K3 M&A Advisory Group Limited) (2)	United Kingdom	Ordinary shares	100
K3 Restructuring Advisory Group Limited (formerly K3 Quantuma Group Limited) (2)	United Kingdom	Ordinary shares	100
K3 Tax Advisory Group Limited (2)	United Kingdom	Ordinary shares	100
K3 Tax Advisory Limited (2)	United Kingdom	Ordinary Shares	100
KBS Capital Markets Limited (2)	United Kingdom	Ordinary shares	100
KBS Corporate Sales Limited (3)	United Kingdom	Ordinary Shares	100
KBS Corporate Finance Limited (3)	United Kingdom	Ordinary Shares	100
Knightsbridge Business Sales Limited (3)	United Kingdom	Ordinary Shares	100
Market Mapping Limited (3)	United Kingdom	Ordinary Shares	40
K3 Debt Advisory Limited (3)	United Kingdom	Ordinary Shares	70
Quantuma Advisory Limited (4)	United Kingdom	Ordinary Shares	100
Quantuma Cyprus Holdings Limited (5)	Cyprus	Ordinary Shares	100
Quantuma Cyprus Limited (7)	Cyprus	Ordinary Shares	100
Quantuma Corporate Finance Limited (5)	United Kingdom	Ordinary Shares	100
Capital and Finance Xchange Limited (5)	United Kingdom	Ordinary Shares	100
QIAS Advisory Limited (5)	United Kingdom	Ordinary Shares	100
Quantuma International Advisory Limited (5)	United Kingdom	Ordinary Shares	100
Quantuma (Cayman) Limited (formerly Alchemy (Cayman) Limited) (8)	Cayman Islands	Ordinary Shares	100
RandD UK Limited (6)	United Kingdom	Ordinary Shares	100
R&D Tax Grants Limited	United Kingdom	Ordinary Shares	100
InTax Limited (6)	United Kingdom	Ordinary Shares	100
Acraman (715) Limited (6)	United Kingdom	Ordinary Shares	100

(1) Owned by K3 Capital Group Plc. Remaining minority interest due to Growth Share holders who carry no economic rights, with shares subject to performance criteria over time before being exchanged for K3 Capital Group Plc shares or returned at par value

(2) Owned by K3 Advisory Group Limited

(3) Owned by K3 Business Sales Advisory Group Limited

(4) Owned by K3 Restructuring Advisory Group Limited

(5) Owned by Quantuma Advisory Limited

(6) Owned by K3 Tax Advisory Group Limited

(7) 75% owned by Quantuma Cyprus Holdings Limited and 25% owned by Quantuma Advisory Limited

(8) Owned by Quantuma International Advisory Limited

(9) Owned by RandD UK Limited

Notes to the Financial Statements

The Registered Office address of the subsidiaries is KBS House, using the address indicated below, unless otherwise indicated:

KBS House
5 Springfield Court
Summerfield Road
Bolton
BL3 2NT

For Quantuma Advisory Limited and Quantuma International Advisory Limited

High Holborn House
52-54 High Holborn
London
WC1V 6RL

For Quantuma Cyprus Holdings Limited and Quantuma Cyprus Limited

32 Stasikratous Street
4th Floor
Nicosia 1065
Cyprus

For Quantuma (Cayman) Limited

70 Harbour Drive
George Town
Grand Cayman

For Quantuma (Middle East) Limited

Index Towers – East Entrance
Office 2205, Level 22
Al Mustaqbal Street, DIFC, PO Box 191534
Dubai - United Arab Emirates

For Quantuma Poland s.p. z.o.o.

ul. Przeskok 2
00-032 Warsaw
Poland

For Quantuma (Singapore) Pte Ltd b

8 Eu Tong Sen Street
#18-81
Singapore, 059818

18. Trade and other receivables

£'000	Group 2022	Group 2021 *Restated	Company 2022	Company 2021
Trade receivables	**10,094**	5,983	-	-
Less: impairment provision	**(1,933)**	(765)	-	-
	8,161	5,218	-	-
Unbilled income	**15,480**	7,431	-	-
Other receivables	**957**	874	-	36
	24,598	13,523	-	36

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

** Refer to note 5*

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the last 12 months. This is considered to be the most reasonable estimate of historical credit losses as the nature of the business has changed in the last 12 months due to acquisitions and an increase in headcount. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Group operates. The Group will then additionally specifically provide for trade receivables where the recovery is not likely.

The lifetime expected loss provision for trade receivables is as follows:

Year ended 31 May 2022 £'000	Current and under 30 days	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	2.9%	5.2%	7.3%	66.3%	
Gross carrying amount	4,900	1,955	782	2,457	**10,094**
Loss provision	143	102	57	1,631	**1,933**

Year ended 31 May 2021 £'000	Current and under 30 days	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0.03%	0.17%	0%	46.5%	
Gross carrying amount	3,284	578	481	1,640	**5,983**
Loss provision	1	1	-	763	**765**

Notes to the Financial Statements

The movement in the impairment provision is as follows:

Year ended 31 May 2022 £'000	**2022**	2021
Balance at beginning of the year	**765**	-
Amounts arising on acquisition	**29**	935
Amounts written off during the year	**(200)**	(193)
Amounts recovered during the year	-	(188)
Impairment charge in the year	**1,339**	211
	1,933	765

19. Other financial assets

	Group		Company	
£'000	**2022**	2021	**2022**	2021
Amounts owed by Group undertakings	-	-	**14,926**	16,575
Amounts owed by related undertakings	-	-	**10**	10
	-	-	**14,936**	16,585

The amounts owed by Group undertakings are stated at the undiscounted amount as the amounts are repayable on demand. They are unsecured and no interest is charged on the balances.

There is minimal risk of a default occurring on the balances due from each counterparty included in this financial asset and that the entity's credit risk exposure in respect of this financial asset (i.e. the risk inherent in an entity's financial assets and commitments to extend credit) is minimal. The risk that each of the Group company borrowers will default on their portion of the demand loan is very low (possibly close to 0% and the loan is in Stage 1) because the Group companies concerned have sufficient cash to repay the loan immediately. The loss allowance is determined as the amount equal to 12-month expected credit losses that, in this case, is equal to nil.

20. Other assets

		Group		Company
£'000	**2022**	2021	**2022**	2021
Prepayments and other assets	**1,496**	881	**345**	-

21. Trade and other payables

		Group		Company
£'000	**2022**	2021	**2022**	2021
Current				
Trade payables	**1,850**	981	**147**	195
Amounts due to Group undertakings	-	-	-	11,362
Accruals	**5,256**	2,430	**1,071**	50
Other taxation and social security	**3,584**	3,277	**47**	322
Other payables	**768**	313	-	1
Deemed remuneration liabilities	**2,187**	3,937	**2,187**	3,937
	13,645	10,938	**3,452**	15,867
Non Current				
Amounts due to Group undertakings	-	-	**9,961**	-

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

No interest is paid or payable and the loans are not secured.

22. Current tax liabilities

		Group		Company
£'000	**2022**	2021	**2022**	2021
Corporation tax payable	**2,330**	1,640	-	-

23. Contract liabilities

		Group		Company
£'000	**2022**	2021 *Restated	**2022**	2021
Deferred income	**5,222**	4,083	-	-

The contract liabilities arise from the non-contingent contracts provided to certain customers in respect of providing business marketing and research to these clients. It is also in the case where we have invoices in advance of satisfying our performance obligation where revenue is recognised over time.

** Refer to note 5*

Notes to the Financial Statements

24. Lease liabilities

		Group		Company
£'000	**2022**	2021	**2022**	2021
Analysed as:				
Non-current	**2,957**	1,702	-	-
Current	**792**	512	-	-
	3,749	2,214	-	-

Maturity analysis

		Group		Company
£'000	**2022**	2021	**2022**	2021
Year 1	**792**	512	-	-
Year 2	**861**	486	-	-
Year 3	**681**	383	-	-
Year 4	**605**	318	-	-
Year 5	**326**	204	-	-
Onwards	**484**	311	-	-
	3,749	2,214	-	-

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

All lease obligations are denominated in Sterling other than those held by the Group's foreign subsidiaries. There were no rent concessions received during the year or prior year.

25. Contingent consideration

		Group		Company
£'000	**2022**	2021	**2022**	2021
Analysed as:				
Current	**2,373**	1,683	**1,921**	1,089
Non-current	**4,090**	2,518	**4,090**	2,423
	6,463	4,201	**6,011**	3,512

26. Deferred Tax

£'000	Group	Company
Liability at 1 June 2020	(25)	-
Recognised in profit and loss:		
Charge for the year	267	35
Recognised directly in equity:		
Share-based payments	733	733
Arising on business combination	(1,662)	-
Liability/(asset) at 31 May 2021	(687)	768
Recognised in profit and loss:		
Charge/(credit) for the year	628	-
Recognised directly in equity:		
Share-based payments	(264)	(264)
Arising on business combination	(1,228)	-
(Liability)/asset at 31 May 2022	(1,551)	504

	Group		Company	
£'000	**2022**	2021	**2022**	2021
Analysed as:				
Current	**(343)**	-	**504**	767
Non-current	**(1,208)**	(687)	**-**	-
	(1,551)	(687)	**504**	767

Notes to the Financial Statements

27. Share Capital

Allotted called up and fully paid

		2022		2021
£'000	**No.**	**£'000**	No.	£'000
Amounts presented in equity:				
At 1 June: Ordinary shares of 1p each	**68,838,309**	**688**	42,210,526	422
Placement shares	**3,406,208**	**34**	20,000	-
Issued as part of consideration for RandD UK	**-**	**-**	6,178,521	62
Placement shares	**-**	**-**	15,647,341	156
Issued as part of consideration for Quantuma Advisory	**-**	**-**	4,492,667	45
Issued as part of consideration for Intax	**-**	**-**	75,254	1
Issued as part of consideration for Knight Corporate Finance Group	**323,530**	**3**	-	-
Issued as part of consideration for Knight R&D	**597,736**	**6**	-	-
Issued as part of consideration for Professional Insight Marketing	**177,430**	**2**	-	-
Share options exercised	**153,897**	**2**	214,000	2
At 31 May: Ordinary shares of 1p each	**73,497,110**	**735**	68,838,309	688

28. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Merger reserve - This reserve records the amount above the nominal value for shares issued as part of the consideration paid when making acquisitions, less transaction costs.

Share option reserve - This reserve records the value received in relation to the issue of share options and the deferred tax effect of such options issued.

Foreign exchange reserve - This reserve records the effect of translating the trading performance of overseas subsidiaries into the Group's presentational currency.

Profit and loss account - This reserve records retained earnings and accumulated losses.

29. Business combinations

Professional Insight Marketing Limited ("JEC")

On 28 February 2022 the Group acquired 100% of the issued share capital of JEC (company number 05883501) at which point control passed to the Group. With over 20 years of experience, JEC is a full-service independent marketing consultancy, providing digital and creative services to SMEs, with expertise in the accountancy, legal and healthcare sectors.

The main rationale for the acquisition is that it will accelerate our strategy of enhancing our solutions for accountancy firms and their clients. This acquisition strengthens the Group's presence when the professional services sector is expanding, especially in the accountancy space, and increases our recurring revenue.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

£'000	Book Value	Adjustments	Fair Value
Cash and cash equivalents	606	-	606
Property, plant and equipment	8	-	8
Customer contracts	-	991	991
Brand	-	142	142
Receivables	96	-	96
Payables	(300)	-	(300)
Deferred tax liabilities	(2)	(283)	(285)
Total identifiable assets acquired, and liabilities assumed			1,258
Goodwill			1,486
Total consideration			2,744

	£'000
Satisfied by:	
Cash	2,189
Equity instruments (177,430 ordinary shares of the Company)	555
Total consideration transferred	2,744

	£'000
Net cash outflow arising on acquisition:	
Cash consideration	2,189
Less: cash and cash equivalent balances acquired	(606)
	1,583

Goodwill of £1,486,000 arises from the acquisition and is attributable to the acquired business and the expected economies of scale from combining the operations of the Group and the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

Notes to the Financial Statements

The main factors leading to the recognition of goodwill are:

- Customer relationship and contract valuation capture existing customer relationships but excludes potential future relationships. The expectation of new relationships is included in goodwill;
- Brand valuation captures the earnings power of the marketing-related intangible asset as it existed as at the acquisition date. The brand value is expected to increase in the future in line with further growth, which is captured within goodwill;
- Identified intangible assets have limited useful lives, any going concern value towards perpetuity is attributable to goodwill;
- The assembled workforce cannot be separately recognised from goodwill.

The fair value of the 177,430 ordinary shares issued as part of the consideration paid JEC (£555,000) was determined by reference to the market price of the shares on the AIM market at £3.12.

The consideration shares are subject to a 2 year lock-in, followed by a 12 month orderly market agreement.

The earn-out arrangement requires management to achieve EBITDA earnings targets over 4 years post acquisition. The base earn-out payments will be sealed by the relevant EBITDA in any of the earn-out years divided by the base EBITDA. The potential undiscounted amount of all future payments that K3 Capital Group Plc could be required to make is limited to £2,250,000. The payment of the earnout is dependent on continued employment, and therefore it has been treated as deemed remuneration under IFRS3.

The earn out is payable in cash and shares as follows:

- FY22: 60% cash, 40% shares
- FY23: 60% cash, 40% shares
- FY24: 60% cash, 40% shares
- FY25: 60% cash, 40% shares

Earn out shares are subject to a 2 year lock-in for FY22 and a 1 year lock-in for FY23.

Acquisition-related costs (included in administrative expenses) amount to £40,000.

JEC contributed £377k revenue and £100k to the Group's profit before tax for the period between the date of acquisition and the reporting date. If the acquisition of JEC had been completed on the first day of the financial year, JEC would have contributed revenues of £1.5m and profit of £400k.

Knight R&D Limited ("Knight R&D")

On 9 July 2021 the Group acquired 100% of the issued share capital of Knight R&D Limited (company number 10271074) obtaining control. Knight R&D Limited is a firm specialising in tax R&D claims and qualifies as a business as defined in IFRS 3. The principal reason for this acquisition was that Knight R&D complements capabilities with the Group's existing tax division.

£'000	Book Value	Adjustments	Fair Value
Cash and cash equivalents	2,036	-	2,036
Property, plant and equipment including RoU assets	25	-	25
Customer contracts	-	3,246	3,246
Receivables and work in progress	2,552	-	2,552
Payables	(1,183)	(347)	(1,530)
Deferred tax liabilities	(6)	(811)	(817)
Total identifiable assets acquired and liabilities assumed			5,512
Goodwill			8,098
Total consideration			13,610

	£'000
Satisfied by:	
Cash	8,895
Equity instruments (597,736 ordinary shares of the Company)	2,032
Contingent consideration	2,683
Total consideration transferred	13,610

	£'000
Net cash outflow arising on acquisition:	
Cash consideration	8,895
Less: cash and cash equivalent balances acquired	(2,036)
	6,859

Goodwill of £8,098,000 arises from the acquisition and is attributable to the acquired business and the expected economies of scale from combining the operations of the Group and the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

The main factors leading to the recognition of goodwill are:

- Our customer relationships valuation captures existing relationships but excludes potential future relationships. The expectation of new relationships is included in goodwill;
- Identified intangible assets have limited useful lives, any going concern value towards perpetuity is attributable to goodwill;
- The assembled workforce cannot be separately recognised from goodwill.

The fair value of the 597,736 ordinary shares issued as part of the consideration paid for Knight R&D Limited (£2,032,000) was determined by reference to the market price of the shares on the AIM market at £3.40.

The contingent consideration arrangement is split between contingent consideration forming part of the acquisition consideration and an amount which is dependent on continued employment which has been treated as deemed remuneration under IFRS3.

The contingent consideration arrangement requires management to achieve EBITDA earnings targets over 4 years post acquisition. The base earn-out payments will be sealed by the relevant EBITDA in any of the earn-out years divided by the base EBITDA. The potential undiscounted amount of all future payments that K3 Capital Group Plc could be required to make under the contingent consideration arrangement is limited to £7,000,000.

The fair value of the contingent consideration arrangement was estimated by applying a scenario analysis to estimate the likelihood of achieving 5 different scenarios for each of the 4 earn-out periods. A discount rate of 3% was used to calculate the present value of the probability adjusted earn-out payments.

The split between cash and shares for each earn- out year is 60% cash and 40% in shares.

Acquisition-related costs (included in administrative expenses) amount to £270,000.

Knight R&D contributed £3.8m revenue and £2.5m to the Group's profit before tax for the period between the date of acquisition and the reporting date. If the acquisition of Knight R&D had been completed on the first day of the financial year, Knight R&D would have contributed revenues of £4.4m and profit of £2.9m.

Notes to the Financial Statements

Knight Corporate Finance Group Limited

On 9 July 2021 the Group acquired 100% of the issued share capital of Knight Corporate Finance Group Limited (company number 13029720) at which point control passed to the Group.

Knight Corporate Finance Group Limited has 2 subsidiaries Knight Corporate Finance Limited ("Knight CF") – a specialist Business Sales firm focusing on the telecommunication, technology, and software sectors and Knight Transaction Services Limited ("Knight TS") - a newly formed transaction services team which launched in July 2021.

The principal reason for this acquisition was that both Knight CF and Knight TS have complementary capabilities with existing K3 divisions.

£'000	Book Value	Adjustments	Fair Value
Cash and cash equivalents	225	-	225
Property, plant and equipment including RoU assets	192	-	192
Other intangible asset	9	-	9
Customer contracts	-	214	214
Marketing Intangible		225	225
Receivables	193	-	193
Payables	(540)	-	(540)
Deferred tax liabilities	(16)	(110)	(126)
Total identifiable assets acquired and liabilities assumed			392
Goodwill			3,071
Total consideration			3,463

	£'000
Satisfied by:	
Cash	2,363
Equity instruments (323,530 ordinary shares of the Company)	1,100
Total consideration transferred	3,463

	£'000
Net cash outflow arising on acquisition:	
Cash consideration	2,363
Less: cash and cash equivalent balances acquired	(225)
	2,138

Goodwill of £3,071,000 arises from the acquisition and is attributable to the acquired business and the expected economies of scale from combining the operations of the Group and the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

The main factors leading to the recognition of goodwill are:

- Our customer relationship valuation captures existing live projects but excludes potential future relationships. The expectation of new relationships is included in goodwill;
- Our brand valuation captures the earnings power of the marketing-related intangible asset as it existed as at the acquisition date. The brand value is expected to increase in the future in line with further growth, which is captured within goodwill;
- Identified intangible assets have limited useful lives, any going concern value towards perpetuity is attributable to goodwill; and
- The assembled workforce cannot be separately recognised from goodwill.

The fair value of the 323,530 ordinary shares issued as part of the consideration paid for Knight Corporate Finance Group Limited (£1,100,000) was determined by reference to the market price of the shares on the AIM market at £3.40.

The consideration shares are subject to a 2 year lock-in, followed by a 12 month orderly market agreement.

The contingent consideration arrangement requires management to achieve EBITDA earnings targets over 4 years post acquisition. The base earn-out payments will be sealed by the relevant EBITDA in any of the earn-out years divided by the base EBITDA. Further contingent consideration is linked to the EBITDA earnings targets of Knight Transaction Services over 5 years post acquisition. The potential undiscounted amount of all future payments that K3 Capital Group Plc could be required to make under the contingent consideration arrangement is limited to £5,250,000. The payment of the earnout is dependent on continued employment, and therefore it has been treated as deemed remuneration under IFRS3.

The post-acquisition consideration arrangement requires management to achieve EBITDA earnings targets over 5 years post acquisition. For the Earn-out in relation to Earn-out Years 1 – 4, the Base Earn-out payments will be scaled by the Relevant EBITDA in any of the Earn-out Years divided by the Base EBITDA. The Earn-out Year 5 is contingent on the FY2026 performance of Knight TS.

The earn out is payable in cash and shares as follows:

- FY22: 60% cash, 40% shares
- FY23: 70% cash, 30% shares
- FY24: 80% cash, 20% shares
- FY25: 90% cash, 10% shares
- FY26: 100% cash

Acquisition-related costs (included in administrative expenses) amount to £203,000.

Knight CF contributed £1.8m revenue and £905k to the Group's profit before tax for the period between the date of acquisition and the reporting date. If the acquisition of Knight CF had been completed on the first day of the financial year, Knight CF would have contributed revenues of £2m and profit of £1m.

Knight TS contributed £543k revenue and £265k to the Group's profit before tax for the period between the date of acquisition and the reporting date. If the acquisition had been completed on the first day of the financial year there would have been no material change to the reported figures as the business was only established in July.

Notes to the Financial Statements

30. Financial Instruments

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, lease liabilities and bank facility. 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 2022		Group
£'000	**2022**	2021
Financial assets measured at amortised cost		
Unbilled income	**15,480**	7,431
Trade receivables	**8,161**	10,916
Cash and cash equivalents	**13,748**	14,307
Total financial assets	**37,389**	32,654
Financial liabilities measured at amortised cost		
Trade and other payables	**4,037**	7,661
Lease liabilities	**3,749**	2,214
Contingent consideration	**6,463**	4,201
Bank loan and overdraft	**2,181**	-
Total financial liabilities	**16,430**	14,076
Net financial instruments	**20,960**	18,578

Year ended 31 May 2022		Company
£'000	**2022**	2021
Financial assets measured at amortised cost		
Trade and other receivables	**-**	36
Amounts owed from Group undertakings	**14,933**	16,588
Cash and cash equivalents	**975**	974
Total financial assets	**15,908**	17,598
Financial liabilities measured at amortised cost		
Trade and other payables	**2,116**	4,186
Amounts owed to Group undertakings	**9,961**	11,362
Contingent consideration	**6,011**	3,512
Bank Loan	**2,180**	-
Total financial liabilities	**20,268**	19,060
Net financial instruments	**(4,360)**	(1,462)

There are no fair value adjustments to assets or liabilities through profit and loss. All trade and other payables are due to be paid within contracted terms.

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.

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 nature of the Group's receivable balances, the time taken for payment by clients and the associated credit risk are dependent on the type of engagement. The primary credit risks associated with the Group's receivables are:

- On formal insolvency appointments (which form the majority of the Group's activities), invoices are generally raised having achieved approval from creditors to draw fees. This is typically settled on a timely basis from case funds. The credit risk on these engagements is therefore considered to be extremely low.
- On the Group's transactional activities, invoices are generally raised on completion of the asset sale or acceptance of a HMRC claim and are typically settled from completion monies or re-claims.
- On other engagements, the timescale to receive payment from the date of invoice is typically longer as the Group's standard payment terms are not practically enforceable in all situations. The board does not believe that this is an indication of increased credit risk on these engagements.
- Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is managed in a timely manner.
- Unbilled revenue is recognised by the Group only when all conditions for revenue recognition have been met in line with the Group's accounting policy in note 3.

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

The ageing analysis of the Group's trade receivables is as follows:

Year ended 31 May 2022		Group
£'000	**2022**	2021
Current & up to 30 days	**4,900**	3,862
30 to 60 days	**1,955**	481
90 days and older	**3,239**	1,640
	10,094	5,983
Impairment provision	**(1,933)**	(765)
	8,161	5,218

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

Notes to the Financial Statements

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

Year ended 31 May 2022		Group
£'000	**2022**	2021
Net trade receivables	**8,161**	5,218
Cash and cash equivalents	**13,748**	14,307
	21,909	19,525

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.

Interest rate risk

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 minimal foreign currency risk currently as its operations and transactions are predominantly denominated in Sterling. The overseas entities within the Group operate in their local currencies (Euros, US Dollars, Polish Zloty and Singapore Dollar) and there is no intra-group trade or funding requirement. If there was a financing need within the Group it would likely be provided using the Group's bankers spot rate.

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 presented below:

Year ended 31 May 2022 £'000	**Less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Trade and other payables	**4,037**	**-**	**-**	**4,037**
Contingent consideration	**2,373**	**4,090**	**-**	**6,463**
Bank Loan and overdraft	**-**	**2,181**	**-**	**2,181**
	6,410	**6,271**	**-**	**12,681**

Year ended 31 May 2021 £'000	**Less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Trade and other payables	**7,661**	**-**	**-**	**7,661**
Contingent consideration	**1,683**	**2,518**	**-**	**4,201**
	9,344	**2,518**	**-**	**11,862**

The following table details the Group's remaining contractual maturity for its lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The contractual maturity is based on the earliest date on which the Group may be required to pay.

Year ended 31 May 2022		Group
£'000	**2022**	2021
Less than 1 month	**152**	46
1 – 3 months	**128**	92
3 months to 1 year	**752**	464
1 – 2 years	**980**	486
2 – 5 years	**1,781**	905
5+ years	**540**	471
Total	**4,333**	2,464
Carrying amount	**3,749**	2,216
Weighted average effective interest rate %	**5%**	5%

Notes to the Financial Statements

31. 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; and
- improvement in return to shareholders.

Details of growth share plan of the Company

"Growth Share Awards" are awards granted in the form of an immediate beneficial interest to be held by participants in a discrete and bespoke class of ordinary shares, namely the Growth Shares in K3 Advisory Group Limited. After a minimum period of three or five years, depending on the series in issue, the Growth Shares may be exchanged for new Ordinary Shares or cash (at the Company's discretion), subject to the rules of the plan, continued employment, and meeting certain share price hurdles, which the Remuneration Committee considers to be challenging. If the share price for the 5 day period following the announcement of the Company's financial results for the financial year, indicated below, is below the target, all of the Growth Shares will be bought back by the Company for nominal value. If the share price following the announcement of the Company's financial results for the financial year, indicated below, is above the target, the Growth Shares will vest in full, when each vested Growth Share may be exchanged for an ordinary share in the Company or cash (at the Company's discretion).

Growth share option series		Target share price	Relevant financial year end results
(1)	Granted on 31 July 2020	£3.00	31 May 2023
(2)	Granted on 31 July 2020	£3.50	31 May 2025
(3)	Granted on 16 November 2020	£3.50	31 May 2025
(4)	Granted on 6 January 2021	£5.00	31 May 2025
(5)	Granted on 5 July 2021	£7.00	31 May 2026
(6)	Granted on 11 November 2021	£7.00	31 May 2026
(7)	Granted on 9 December 2021	£7.00	31 May 2026
(8)	Granted on 30 December 2021	£7.00	31 May 2026
(9)	Granted on 28 February 2022	£7.00	31 May 2026

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 £
Series 1 - granted on 11 April 2017	1,193,611	11/04/2017	11/04/2027	0.95	0.11
Series 2 - granted on 17 January 2018	552,022	17/01/2018	17/01/2028	1.81	0.28
Series 3 - granted on 29 June 2020	666,664	29/06/2020	29/06/2030	1.50	0.29
Growth shares series 1 - granted 31 July 2020	2,116,654	31/07/2020	31/07/2023	0.04	0.15
Growth shares series 2 - granted 31 July 2020	604,768	31/07/2020	31/07/2025	-	0.13
SAYE scheme 1	455,006	30/10/2020	01/06/2024	1.50	0.22
Growth shares series 3 - granted 16 November 2020	500,000	16/11/2020	16/11/2025	0.02	0.27
Growth shares series 4 – granted 6 January 2021	295,000	06/01/2021	06/01/2026	0.04	0.47
Growth Shares – granted 5 July 2021	650,000	05/07/2021	05/07/2026	0.09	0.706
SAYE Scheme 2 – granted 1 December 2021	160,236	01/12/2021	01/06/2025	3.315	0.585
Growth Shares – granted 11 November 2021	100,000	11/11/2021	05/07/2026	0.09	0.706
Growth Shares – granted 9 December 2021	40,000	09/12/2021	05/07/2026	0.09	0.706
Growth Shares – granted 30 December 2021	60,000	30/12/2021	05/07/2026	0.09	0.706
Growth Shares – granted 28 February 2022	100,000	28/02/2022	05/07/2026	0.09	0.706

All options vest over a 3 - 5 year performance period. The performance period start date for series 1 was 1 June 2017, for series 2 1 December 2017 and for series 3 1 June 2020. The earliest expected date for exercise would be after publication of the Group's annual results for the year ended 31 May 2020, in respect of series 1, publication of the Group's interim results for the period ended 30 November 2020, in respect of series 2 and publication of the Group's annual results for the year ended 31 May 2023 in respect of series 3.

The SAYE scheme 1 options vest on 1 December 2023 and there are no specific performance criteria to achieve other than continued employment.

The SAYE scheme 2 options vest on 1 December 2024 and there are no specific performance criteria to achieve other than continued employment.

The growth shares vest on the expiry dates indicated above. The performance criteria attached to each series of growth shares is for the Group to achieve a share price target which is detailed above.

The share – based payment expense recognised in respect of employee services received during the year ended 31 May 2022 was £263k (2021: £145k).

Notes to the Financial Statements

Movements in share options in the year

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

	2022		2021	
	Number of options £	Weighted average exercise price £	Number of options £	Weighted average exercise price £
Balance at beginning of year	**5,157,654**	**0.47**	1,617,123	1.23
Granted during the year	**1,110,236**	**0.56**	4,638,091	0.39
Forfeited during the year	**(247,546)**	**0.70**	(883,560)	1.16
Exercised during the year	**(153,897)**	**1.02**	(214,000)	1.56
	5,866,447	**0.46**	5,157,654	0.47

Series 1 and series 2 shares options vested during FY21, the remaining options continue to vest.

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 £0.46 (2021: £0.47) and a weighted average remaining contractual life of 1,192 days (2021: 1,518)

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

Year ended 31 May 2022 £'000	2022	2021
Rent	**146**	146

Company

K3 Capital Group Plc is the parent entity of the Group. The Group has taken advantage of the exemption available under FRS 101 not to disclose transactions with undertakings who are not a member of the Group.

33. Dividends

Dividends paid on equity shares

Year ended 31 May 2022 £'000	2022	2021
Ordinary shares	**7,397**	4,664
Total	**7,397**	4,664

Total dividends paid in the year includes an interim dividend of 4p per share (£2,931k).

Dividend per share (unadjusted)

Year ended 31 May 2022	2022	2021
Ordinary shares	**10.06p**	6.77p

Dividend per share is total dividends paid in the year divided by weighted average shares for the period.

Dividend per share (adjusted)

Year ended 31 May 2022	2022	2021
Ordinary shares	**10.17p**	7.16p

Adjusted dividend per share is total dividends paid in the year divided by number of shares at the year end.

Notes to the Financial Statements

34. Borrowings and contingent liability

Year ended 31 May 2022 £'000	2022	2021
Bank loans and overdrafts	**2,181**	-
Amount due for settlement within one year	**1**	-
Amount due for settlement after one year	**2,180**	-
Total	**2,181**	-

On 21 May 2021 the Group entered a debt facility of £15 million with HSBC UK Bank Plc. Consequently, K3 Capital Group Plc and related subsidiaries have provided a debenture in favour of HSBC UK Bank Plc. The debenture comprises a fixed and floating charge over all assets including a negative pledge by way of security. The facility is available until 21 May 2024 and interest on the facility is arranged at floating rates.

The facility is drawn down by £2.18m as at the balance sheet date of 31 May 2022 for the purpose of funding the acquisition of JEC.

The Group had undrawn committed borrowing facilities as follows:

Year ended 31 May 2022 £'000	2022	2021
Expiring in one year or less	**-**	-
Expiring in 2-5 years	**12,820**	-
Total	**12,820**	-

35. Borrowings and net debt

£'000	As of 1 June 2021	New Loan	New leases	Payments	Interest Charge	Interest Paid	Non - Current to Current Movements	Other cash movements	FX Movement	As at 31 May 2022
Bank Loans - Non Current	-	(2,181)	-	-	(43)	43	-	-	-	(2,181)
Lease liabilities - Non Current	(1,702)	-	(1,629)	-	-	-	401	-	3	(2,927)
Lease liabilities - Current	(512)	-	(689)	783	(164)	164	(401)	-	(3)	(822)
Total arising from movement in financing activities	**(2,214)**	**(2,181)**	**(2,318)**	**783**	**(207)**	**207**	**-**	**-**	**-**	**(5,930)**
Cash and short term deposits	14,307	-	-	-	-	-	-	(559)	-	13,748
Net cash/(debt)	**12,093**	**(2,181)**	**(2,318)**	**783**	**(207)**	**207**	**-**	**(559)**	**-**	**7,818**

£'000	As of 1 June 2020	New Lease	Payments	Interest Charge	Interest Paid	Non - Current to Current Movements	Other cash movements	FX Movement	As at 31 May 2021
Lease liabilities - Non Current	(671)	(1,181)	-	-	-	150	-	-	(1,702)
Lease liabilities - Current	(200)	(940)	778	(89)	89	(150)	-	-	(512)
Total arising from movement in financing activities	**(871)**	**(2,121)**	**778**	**(89)**	**89**	**-**	**-**	**-**	**(2,214)**
Cash and short term deposits	8,271	-	-	-	-	-	6,057	(21)	14,307
Net cash/(debt)	**7,400**	**(2,121)**	**778**	**(89)**	**89**	**-**	**6,057**	**(21)**	**12,093**

36. 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/period ended 31 May 2022 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.

K3 Advisory Group Limited	12767083
K3 Business Sales Advisory Group Limited	13305987
K3 Restructuring Advisory Group Limited	12904186
K3 Tax Advisory Group Limited	13381540
KBS Capital Markets Limited	11164985
KBS Corporate Sales Limited	04141555
KBS Corporate Finance Limited	08924449
Knightsbridge Business Sales Limited	08924297
K3 Tax Advisory Limited	13381540
K3 Debt Advisory Limited	13326242
Quantuma Advisory Limited	12743937
Capital and Finance Xchange Limited	10753297
Quantuma International Advisory Limited	13098107
RandD UK Limited	06648783
InTax Limited	11271031
Professional Insight Marketing Limited	05883501
Knight R&D Limited	10271074
Knight Corporate Finance Group Limited	13029720
Knight Corporate Finance Limited	06773338
Knight Transaction Services Limited	11163764

Notes to the Financial Statements

38. Events after the reporting date

There are no reporting events after the balance sheet date.

39. Controlling Party

There is no one controlling party of the Group, given the shares are traded on the AIM market. Details of significant shareholders are provided, in accordance with market requirements, on the investor section of the website.

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

40. Alternative Performance Measures

As noted in note 3, The Group presents adjusted EBITDA as an operating KPI utilised by management to monitor performance.

The table below provides a reconciliation of profit before tax to Adjusted EBITDA.

Year ended 31 May 2022 **£'000**	**2022**	2021
Profit before taxation	**12,714**	7,605
Add back:		
Finance income	**(24)**	(3)
Finance costs	**368**	198
Share of results of joint ventures	**(64)**	(61)
Amortisation of intangible assets	**2,320**	1,254
Depreciation of tangible and right of use assets	**1,258**	680
EBITDA	**16,572**	9,673
Add back:		
Deemed remuneration costs	**2,187**	3,937
Transaction costs	**1,420**	1,955
Share based payment costs	**263**	145
Total exceptional costs	**3,870**	6,037
Adjusted EBITDA	**20,442**	15,710

Deemed remuneration costs, are earnout payments relating to historic acquisitions where individuals are required to stay employed during the earnout period. They are part of the price being paid for acquisitions but are required to be expensed under IFRS 3.

Transaction costs includes all costs relating to making acquisitions such as legal and advisory costs and also includes any reassessment of contingent consideration.

Note that the majority of the groups share based payment costs are related to shares issues as part of the acquisitions and therefore it is considered appropriate to exclude this from Adjusted EBITDA.


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LSE.L ▲ 3253.00
K3 capital group plc
K3 capital group plc

Notice of Annual General Meeting

Notice of Annual General Meeting

Notice is hereby given that the sixth Annual General Meeting of K3 Capital Group plc (Company) will be held at KBS House, 5 Springfield Court, Summerfield Road, Bolton BL3 2NT on Tuesday 25 October at 10.00am.

You will be asked to consider and vote on the Resolutions below. Resolutions 1 to 9 will be proposed as Ordinary Resolutions and Resolutions 10 and 11 will be proposed as Special Resolutions.

Ordinary Business

Resolution 1 – To receive the Company's annual accounts for the year ended 31 May 2022 together with the directors' report and auditor's report on those accounts.

Resolution 2 – To declare a final dividend in the sum of 8.1 pence per Ordinary Share for the year ended 31 May 2022.

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

Resolution 4 – To re-appoint Charlotte Stranner as a non-executive director of the Company.

Resolution 5 – To re-appoint Carl Jackson as an executive director of the Company.

Resolution 6 – To receive the Report on Directors' Remuneration as set out in the Company's annual report and accounts for the year ended 31 May 2022.

Resolution 7 – 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 8 – To authorise the directors to determine the auditor's remuneration.

Resolution 9 – That:

9.1 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) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £490,023.09 (such amount to be reduced by the aggregate nominal amount of equity securities allotted pursuant to paragraph 9.1(b) of this resolution) in connection with a rights issue as follows:

(i) to holders of ordinary shares in the capital of the Company (Ordinary Shares) in proportion (as nearly as practicable) to the respective numbers of Ordinary Shares held by them; 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

(b) otherwise than pursuant to paragraph 9.1(a) of this resolution, up to an aggregate nominal amount of £245,011.55,

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;

9.2 this authority shall expire on the earlier of the date 15 months from the passing of this Resolution 9 or the conclusion of the next annual general meeting of the Company after the passing of this Resolution 9 (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

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

Special Business

Resolution 10

10.1 That subject to the passing of Resolution 9 above and pursuant to section 570 of the Act, the Board be authorised and are generally empowered to allot equity securities (as defined in section 560(1) of the Act) 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:

(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 9.1(a)(ii), by way of a rights issue only):

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

(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

(b) the allotment of equity securities or sale of treasury shares pursuant to the authority granted by Resolution 9.1(a) (otherwise than pursuant to Clause 10.1(a) of this Resolution) up to an aggregate nominal amount of £73,503.46.

The authority granted by this Resolution 10 shall expire on the earlier of the date 15 months from the passing of this Resolution 10 or the conclusion of the next annual general meeting of the Company after the passing of this Resolution 10 (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.

The authority granted by this Resolution 10 revokes and replaces all unexercised powers previously granted to the directors to allot equity securities or sell treasury shares under section 570 of the Act as if section 561 of the Act 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.

Resolution 11

11.1 That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares of 1 pence each in the capital of the Company and to cancel or hold in treasury such shares provided that:

(a) the maximum aggregate number of ordinary shares authorised to be purchased is 3,675,173 (representing 5 per cent of the Company's issued share capital as at the opening of business on 22 September 2022);

(b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is its nominal value of £0.01 each;

(c) the maximum price which may be paid for an ordinary share is the higher of:

(i) an amount equal to 105 per cent of the average of the middle market quotations for the ordinary shares as derived from the AIM Appendix of the Daily Official List of London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made; and

Notice of Annual General Meeting

(ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out;

(d) unless otherwise revoked, varied or renewed, the authority hereby conferred shall apply until the end of next year's annual general meeting or, if earlier, until the close of business on the date fifteen months from the date of the passing of this Resolution;

(e) the Company may enter into a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of the ordinary shares pursuant to any such contract or contracts.

By Order of the Board

A R Melbourne

Andrew Melbourne, Company Secretary

26 September 2022

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 form enclosed with this notice. The notes on the proxy form give instructions on the appointment of a proxy.

2. CREST proxy voting

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by our Registrars, Computershare Investor Services (ID 3RA50) by 10.00am on 23 October 2022 (excluding non-working days). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instruction to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

3. Return date for proxies

To be effective a proxy form must be deposited with the Registrar to the Company not less than 48 hours before the time fixed for the meeting i.e. by 10.00am on 23 October 2022.

We strongly encourage shareholders to vote by proxy where possible. Should the UK Government change current guidance and attendance at the Annual General Meeting be restricted as a result, it is important that shareholders have the opportunity to see their voting intentions recognised.

4. 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.

5. Record date for voting

Only members whose names appear on the register of members of the Company at the close of business on 21 October 2022 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 data shall be disregarded in determining the rights of any person to attend or vote at the meeting or any adjourned meeting.

6. 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.

7. 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.

8. 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

9. 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.

10. 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/*.

11. 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.

12. 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.

13. Total voting rights

As at 22 September 2022 (being the last practicable date prior to the printing of this Notice) the Company's issued share capital consisted of 73,503,464 ordinary shares, carrying one vote each. No shares were held in treasury by the Company. Therefore the total voting rights available in the Company as at 22 September 2022 are 73,503,464.

14. Explanatory notes

The Explanatory Notes to the resolutions included in this Notice of Annual General Meeting are for the information of shareholders only and do not form part of the resolutions to be proposed to the meeting.

Explanatory Notes to the notice of meeting

Notice of the sixth annual general meeting of K3 Capital Group plc (Company) to be held at KBS House, 5 Springfield Court, Summerfield Road, Bolton BL3 2NT on Tuesday 25 October 2022 at 10.00am is set out at pages 128 to 135. 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 directors will be voting in favour of them and unanimously recommends that all shareholders do so as well.

Resolutions 1 to 9 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 8.1 pence per share for the year ended 31 May 2022. Subject to approval being given, the final dividend is expected to be paid on 28 October 2022 with a record date of 7 October 2022.

Resolutions 3, 4 and 5 – appointment or reappointment of directors

Martin Robinson will be retiring automatically from the office of director at the meeting; this is because in his case, he is required to submit himself for retirement in accordance with the articles by virtue of the fact he has not been elected or re-elected at either of the two preceding annual general meetings.

Each of Charlotte Stranner and Carl Jackson will be retiring automatically from the office of directors at the meeting: this is because in their case they are volunteering to do so in order to ensure that at least a third of the directors are re-elected at this annual general meeting.

All being eligible, they are seeking re-appointment by the Company's shareholders.

Brief biographical details of all individuals who are seeking re-appointment and their brief biographical details are set out on the Company's website at *https://www.k3capitalgroupplc.com/about/directors-senior-management* and on pages 36 to 37 of the 2022 Annual Report and Accounts.

Resolution 6 – 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 2022. Since Resolution 6 is an advisory resolution only, it does not affect the remuneration paid to any director.

Resolution 7 – 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 8 – auditor's remuneration

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

Resolution 9 - renewal of authority to allot shares

This resolution effectively seeks renewal of the directors' existing authority to allot shares and grant rights.

The directors of a company may only allot shares if they have been authorised to do so by shareholders in a general meeting. Resolution 9 renews a similar authority given at last year's annual general meeting and seeks authorisation from shareholders to allot shares as follows:

(a) the first part of Resolution 9 authorises the Directors to allot Ordinary Shares up to an aggregate nominal amount of £490,023.09 (representing two thirds of the issued share capital of the Company as at 22 September 2022, being the latest practicable date prior to publication of this document) in connection with a rights issue. The amount of this authority will reduce by the nominal value of the Ordinary Shares allotted pursuant to the authority granted by the second part of Resolution 9; and

(b) the second part of Resolution 9 authorises the Directors to allot Ordinary Shares up to an aggregate nominal amount of £245,011.55 (which represents approximately one third of the issued share capital of the Company as at 22 September 2022, being the latest practicable date prior to publication of this document). Therefore the maximum nominal amount of shares and rights that may be allotted or granted under this resolution is £735,034.64.

These limits are in line with the guidelines issued by The Investment Association.

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 and to satisfy consideration obligations in respect of corporate acquisitions and other similar commitments. 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.

Notice of Annual General Meeting

Resolutions 10 and 11 are special resolutions; this means each of these resolutions to be passed, at least three-quarters of the votes cast must be cast in favour.

Resolution 10 - 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 £73,503.46, representing approximately 10% of the Company's issued share capital as at 22 September 2022. Whilst such authority is in excess of the 5% of existing issued ordinary share capital which is commonly accepted and recommended for larger listed companies, it will provide additional flexibility which the Directors believe is in the best interests of the Company in its present circumstances. A lower amount would, in the opinion of the Directors, be too restrictive for the Company's potential needs and render any such issue of limited value on the grounds of the relatively small net proceeds realised and the costs associated with it. 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).

Resolution 11 – purchase of own shares

This resolution is to approve the authority of the Company to purchase its own ordinary shares in the market. The authority limits the number of ordinary shares that could be purchased to a maximum of 3,675,173 ordinary shares (equivalent to 5% of the Company's issued ordinary shares capital as at the opening of business on 22 September 2022; being the last practicable date prior to the publication of this document) and sets a minimum and maximum price.

The authority would, unless previously renewed, revoked or varied by shareholders, remain in force up to the conclusion of next year's annual general meeting (or, if earlier, the date 15 months from the passing of the resolution).

The Directors believe it is in the best interests of the Company to buy ordinary shares if they become available at an attractive price. The Board will only exercise such authority if it considers that the effect of such purchase would be to increase earnings and/or net assets per ordinary share and that such exercise would be in the best interests of shareholders generally.

Any ordinary shares the Company buys under this authority may either be cancelled or held in treasury.

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 the Company at KBS House 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 6ZY. 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: BL3 2NT

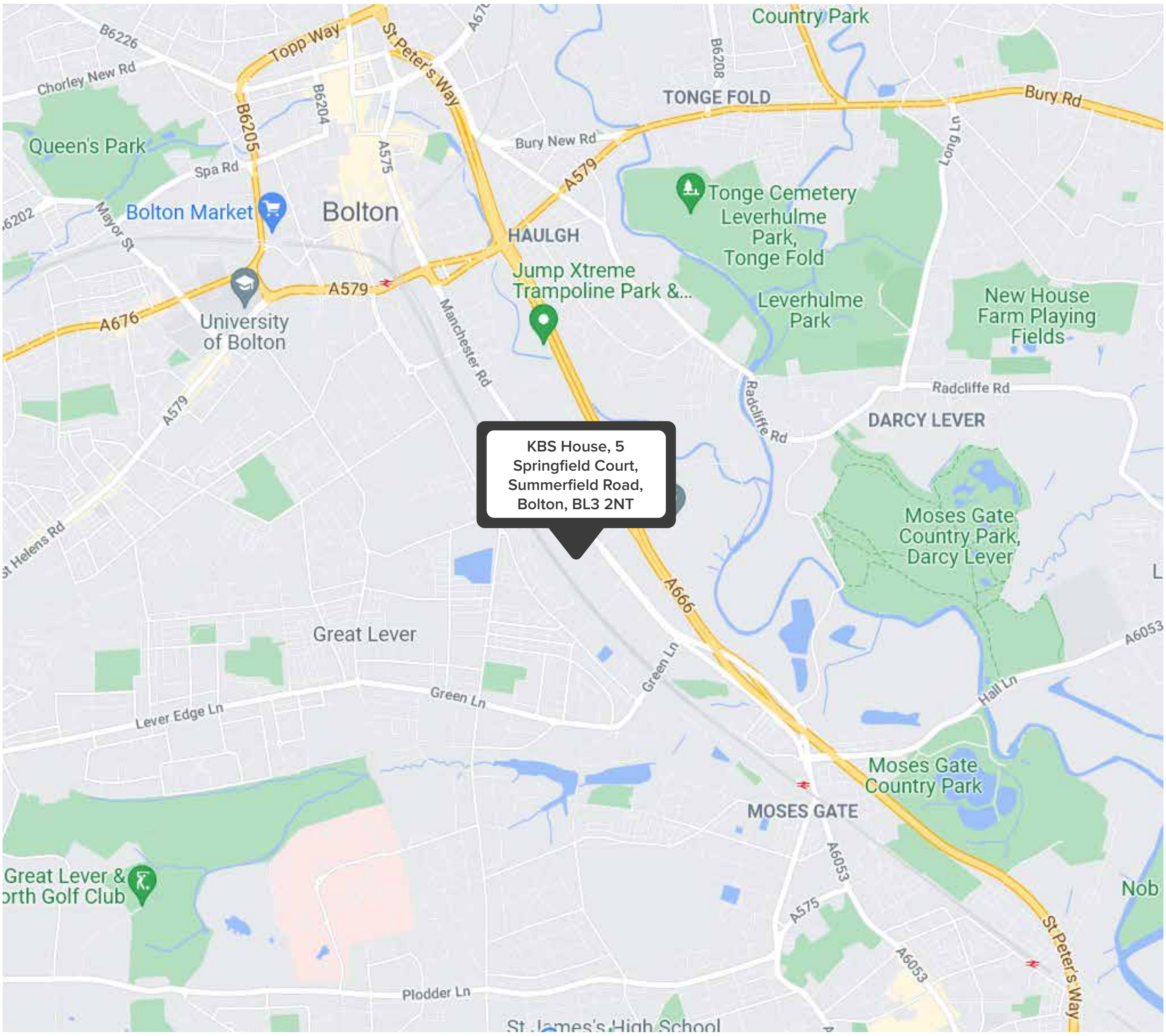
There is a car park outside the building.

By train

The office is located approximately 20 minutes' walk from Bolton Railway Station. A taxi or bus from the adjacent Bus Interchange is recommended.

By bus

There are numerous buses which stop on Manchester Road close to Summerfield Road. Please visit *www.tfgm.com* for further details.



K3 capital
group plc

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