Kin and Carta plc

('Kin + Carta', the 'Group', or the 'Company')

Full Year Results

Transformation into a scaling, pure-play DX business.

Kin + Carta, the global digital transformation ("DX") consultancy, today announces preliminary results for the year ended 31 July 2021.

Financial Highlights

- Adjusted Net revenue[1] from Continuing Operations[2] of £141.4 million (2020: £125.7 million); +12.5% for the year including Cascade Data Labs; +11.3% on a like-for-like[3] basis
- Net revenue growth accelerated in H2, with Americas recovering more quickly
  - Americas net revenue grew 23% to £85 million; H2 net revenue 55% higher than H1
  - Europe net revenue grew 1% to £44 million; H2 net revenue 28% higher than H1
- Record year-ending backlog of £71 million, up 50% compared to the prior year
- Adjusted profit before tax from Continuing Operations[2] of £13.0 million (2020: £8.1 million); includes H2 adjusted profit before tax of £10.0 million on business recovery and surging return to growth
- Statutory loss before tax from Continuing Operations[2] of £4.3 million (2020: loss of £36.3 million) driven by typical pension and acquisition related charges
- Net debt reduced to £19.2 million (2020: £31.6 million), resulting in a net debt to Adjusted EBITDA ratio of 1.0x
- Divested all but two of the non-core Ventures businesses in the last 13 months
  - Pragma in August 2020 and Hive in December 2020 for £12.6 million
  - Incite was divested in September 2021 for £18 million before adjustments for debt and working capital, and is reported as discontinued operations
  - Two remaining Ventures businesses in advanced stages of divestment process
- The table below provides financial highlights including and excluding discontinued operations

	Continuing [(2)] Operations 2021	vs. 2020	Continuing + Discontinued Operations 2021	vs. 2020
Adjusted Net revenue (£'m) [1, 4]	141.4	12%	156.2	7%
Adjusted Operating Profit (£'m) [4]	15.0	34%	18.5	24%
Adjusted profit before tax (£'m) [4]	13.0	61%	16.3	40%
Adjusted basic earnings per share (p) [4]	6.1	70%	7.7	34%
Statutory (loss)/profit before tax (£'m)	(4.3)	88%	4.2	112%
Statutory basic (loss)/earnings per share (p)	(3.0)	86%	1.6	(108%)

[1] Adjusted Net revenue excludes net revenue from Incite Singapore, following the decision to close the operation in FY20. Adjusted Net revenue consists of the Group's continuing operations. See footnote 2 below.

[2] Continuing operations excludes the results of Incite Marketing Planning Limited, Incite New York LLC, The Health Hive (US) LLC, The Health Hive Group Limited and subsidiaries, and Pragma Consulting Limited. These businesses were disposed of by the Group, details of their disposal are in note 10.

[3] Like-for-like is defined as the results from continuing operations at constant currency and excluding inorganic results when comparing the current period to the prior period.

[4] Adjusted results exclude Adjusting Items to enhance understanding of the ongoing financial performance of the Group. Adjusting Items comprise redundancies; restructuring costs; impairment or amortisation charges related to goodwill; tangible and intangible assets; acquisition costs; contingent consideration required to be treated as remuneration; and costs related to the Company's Defined Benefits Pension Scheme (note 3).

Operational Highlights

- Significant client wins include UK Government Home Office, Santander, The Economist, US Foods, Hewlett-Packard and Blue Cross Blue Shield
- Volume and scale of client engagements with more than £1 million of annual net revenue increased to 30 clients in FY21, up from 19 in the prior year
- Growth in the Partnerships Channel resulting in £21 million of net revenue, up from £7 million last year
- Acquired Cascade Data Labs in December 2020 and integrated successfully to expand Western US presence and launched a new data proposition
- Launched five global service lines to serve the key needs of DX 2.0: Cloud + Platforms, Data + AI, Products + Services, Strategy + Innovation, and Managed Services
- B Corp certification achieved for Americas and Europe regions
- Kin and Carta plc on pathway to being the first listed business on the London Stock Exchange to become a certified B Corp

Current Trading and Outlook

- Organic net revenue guidance increased from c. 20% to c. 30% growth for the current year with constraints moving from demand for business to supply of talent
- Operating margin guidance reduces from 12-13% to 10-11% following disposals whilst maintaining levels of investment
- Medium term guidance unchanged: Future years' organic net revenue growth of 15%+ CAGR expected to drive incremental operating margin improvement each year to mid-teens
- H2 growth momentum continuing into current financial year with record year-ending backlog and pipeline
    - September backlog* value of £78 million, up 31% compared to the prior year
    - September pipeline^ value of £135 million, a record high, up 43% compared to the prior year
- Continued de-gearing of balance sheet through non-core disposals, turning net cash positive in current year, providing further headroom for acquisitions
- Ambition to double net revenue organically over next four years

* Backlog is the value of signed and committed contracts not yet delivered; or future net revenue secured as a client win

^ Pipeline is the value of the qualified and targeted sales funnel

J Schwan, CEO, said:

"2021 was a transformational year for Kin + Carta, with growth accelerating as we emerged as a pure-play digital transformation business with a growing US focus, the largest digital transformation market in the world.

With the disposal of our non-core ventures nearing completion, we have de-geared our balance sheet, creating significant headroom for our acquisition plans.

We made significant progress with our investment in social responsibility. This has helped us retain critical talent whilst standing out as an attractive destination for new hires in an ultra-competitive digital labour market. It is also opening up a growing number of revenue opportunities as clients recognise the benefits of working with a company delivering on its strong sense of values.

I believe Kin + Carta is better placed to outperform than ever before".

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About Kin + Carta

Kin + Carta is a London Stock Exchange-listed global digital transformation consultancy committed to working alongside clients to build a world that works better for everyone.

Kin + Carta's c1,600 strategists, engineers, and creatives around the world bring the connective power of technology, data, and experience to the world's most influential companies - helping them to accelerate their digital roadmap, rapidly innovate, modernise their systems, enable their teams, and optimise for continued growth. Headquartered in London and Chicago with offices across three continents, the border-less model of service allows for the best minds to be connected to collaborate on client challenges.

With purpose at its core, Kin + Carta is a Certified B Corporation in the United States and Europe, meeting the highest standards of verified social and environmental performance, public transparency, and accountability to balance the triple bottom line of people, planet, and profit.

For more information, please visit https://www.kinandcarta.com.

Chief Executive's Review

CEO's Review - Annual Report FY21

Transformation into a scaling, pure-play DX business

The work of focussing the Company on the DX market has been completed and our growth has accelerated.

This year has highlighted the gap between businesses with the technical agility to pivot at the pace of evolving consumer demand and those who failed to modernise ahead of the COVID-induced volatility. As a result, there is now accelerated investment in digital transformation (DX) services and a market that was growing at 18% per annum is now projected to grow at a CAGR of more than 20% over the next five years. The World Economic Forum predicts cloud-based digital transformation to be a US$100 trillion business in the next ten years.

At the same time, the nature of the DX market is changing with a clear shift from technology-led to outcome-led transformation. DX 2.0 has arrived. There is now a need for greater agility and faster speed-to-value, with a sharper focus on demonstrable return on investment. DX 2.0 demands a radical redesign of our client's businesses, and Kin + Carta is well placed to both serve these evolving needs and capitalise on increased demand within the DX market.

The seeds of our own transformative change were sown ahead of the pandemic. Today, Kin + Carta is a digitally native consultancy operating at the intersection of technology, data and experience to drive what we call 'connected outcomes' for our clients, typically in the areas of Innovation, Modernisation, Enablement and Optimisation. The ability to connect these domains and outcomes, progressively scaled on our integrated global platforms, is how we are driving value.

While the first half of FY21, particularly the first quarter, was challenging, our agility, the breadth of our offering and unwavering focus on supporting our clients and partners produced a quarter-by-quarter sequential return to growth in the rest of the year, which has continued into FY22.

This could not have been achieved without our continuing ability to attract and develop some of the world's top digital talent as a responsible business with a commitment to continued investment in learning and career development. Our Kin have risen to the challenges faced in the last 12-18 months and I would like to thank them on behalf of the whole leadership team for their special efforts during this time.

The new frontiers of growth

Significant progress has been achieved in the delivery of organic growth through our four growth levers of **Capability, Partnerships Channel, Territory** and **Sector.**

In terms of **Capability,** we have evolved our global operating model to facilitate scale with a highly relevant suite of DX Service Lines across the areas of Cloud + Platforms, Data + AI, Products + Services, Strategy + Innovation, and Managed Services**.** These Service Lines are delivered by specialist Practices within which our Kin learn and grow their crafts.

This model facilitates seamless global scale, more borderless resourcing, and easier onboarding for future acquisitions. It also creates clear career paths for our Kin while fostering frictionless innovation. Crucially, it allows us to better target prospective clients with tailored propositions and specialist leadership.

The continued maturity of our **Partnerships Channel** saw attributed new business revenue increase from £7 million to £21 million within the year. Our cloud partners Google and Microsoft were a key focus, accelerated by activating the most progressive Product Partners that sit within their ecosystems (Optimizely, commercetools, Confluent). Material gains were also made in the MACH (microservices, API-led, headless and cloud-native) sector, notably with Contentful and Contentstack, giving our clients high flexibility, improved speed-to-market, and lower total cost of ownership over the lifecycle of the technology.

The **Territories** that Kin + Carta serve continue to expand. In the Americas region, we invested in the Northwest through the Cascade Data Labs, LLC ("Cascade Data Labs") acquisition in Portland, and initiated new South American nearshore delivery capabilities in Colombia and Peru to complement our established Buenos Aires production base. Europe grew beyond our UK base to include a Northern European growth-hub in Amsterdam and a delivery centre in Athens.

Our industry **Sector** focus matured our positions in Financial Services, Consumer, B2B, Transportation and Healthcare, while developing emerging specialisms in Energy and the Public Sector. Investment in Public Sector leadership has led to wins worth £9 million and built a significant pipeline for the year ahead.

Acquisitions and disposals

It has been a busy year that included an acquisition, the continued integration of Spire from FY20 and several non-core disposals as we optimised the business mix towards pure-play DX. Further acquisitions are important drivers to Kin + Carta's growth.

The acquisition of Cascade Data Labs in Portland, Oregon, USA, and its successful integration in the first half of the year, illustrates the value potential in our acquisition pipeline. Cascade Data Labs brought exceptional relationships with a blue-chip client base, including Adidas, Hewlett-Packard and Starbucks, providing the catalyst to launch Kin + Carta Data Labs in the Americas and Europe, thus deepening our capabilities to capitalise on the highly relevant and fast growing data domain.

We will continue to pursue geographic and capability expansion in the year ahead, notably commercial hubs that expand territorial reach in the US, and nearshore delivery centres in Europe and South America.

Last year I told you that we would continue to review our Ventures businesses as we increase focus on pure-play DX. Following the recommendations of this review, we proceeded with the divestment of the non-strategic businesses Pragma and Hive within the fiscal year, and Incite post-year end. These divestments in total have generated proceeds of £27.2 million net of costs and adjustments for debt and working capital , providing balance sheet flexibility and additional acquisition capability.

Regions

Americas

The Americas region represented 60% of net revenue in FY21, with a 23% increase of £15.8 million within the period.

This growth was supported by continued investment in headcount, reaching 900 employees at the end of FY21, an increase of 58% over the year. Accelerated nationwide recruitment in the US and expanded hiring in South America allows us to employ the best digital talent, regardless of location. We will continue investment in hiring, training and retaining digital talent to scale in-line with demand and fuel growth in FY22.

Successful organic and cross-selling growth has generated 20 clients with more than US$1 million in net revenue in the year. Significant wins include data modernisation for Gordon Food Services, product development for Uplight, and e-commerce with US Foods. Our focus is on leveraging partnership relationships to expand new accounts and new wins into long-term partnerships.

The Healthcare sector continues to represent a significant market opportunity as we win large clients like Blue Cross Blue Shield Kansas City and Healthfirst, in addition to well-funded startups and ventures like Redesign Health. Our partner strategy is resulting in notable growth opportunities from Google Cloud.

Following the successful acquisition and integration of Cascade Data Labs and increased nearshore production capacity in Colombia and Peru, the Americas region has deployed Kin + Carta's global operating model across an expanding set of territories: Central (Chicago), East (New York), West (Denver and Portland), and Latin America (Buenos Aires, Lima, Bogotá).

Further territorial expansion is planned for FY22. The southern part of the US, specifically the South East and South Central, represents a targeted market for growth and expansion, as does Canada to the North. In Latin America, our expansion strategy is focussed on accessing talent as part of our nearshore delivery expansion.

Europe

The European region represented 31% of net revenue in FY21. Although Europe grew just 1% for the full year, net revenue grew 28% in H2 compared to H1 with a sharp recovery late in the year.

In line with the evolution from Pillars to Regions, this year has seen the establishment of a European regional business from the existing UK DX businesses in order to accelerate profitable growth. Our primary footprint is in the UK, where we have over 450 people in London, Manchester, Liverpool and Edinburgh. We have a growth hub in Northern Europe (Amsterdam) and have, this year, initiated a delivery hub in South-East Europe (Athens).

Following the appointment of a strong European leadership team, the first step was to integrate the regional demand team, bringing together 40 people across lead generation, marketing, partnerships and sales to ensure we could take our full range of service offerings to all clients. As a result, we achieved notable wins with the UK Government Home Office, Santander, and Dunnhumby.

Targeted hiring has added depth to our leadership experience in high-value sectors. Financial Services remains an area of strength with depth and longevity in our client base. Expansion into Healthcare, recognising the growth potential in the sector and clear alignment to our purpose, has driven a number of key wins with well-funded healthtech companies Kooth, Cera Care and Current Health, while every time the NHS opens a new COVID testing centre, it is using software built by Kin + Carta. Investment has been made in Public Sector industry leadership to accelerate our momentum, and progress is encouraging. £9 million of Public Sector deals have been won, and a growing pipeline of opportunities gives us cause for optimism in this space.

We benefit from both a stable and diverse European client portfolio. Some 75% of our revenue comes from existing clients who average five years of tenure, and we are focused on growing these long-term established relationships, as we have with Toyota Lexus through enhanced digital customer experience. We are also able to partner with technology start-ups as they scale, like unicorns Cazoo and Current Health. Our top ten European clients represent 50% of our revenue in the region and this diversity provides a substantial foundation for growth.

Although Europe took longer to recover due to macro-economic differences than our US business, growth accelerated sharply in Q4. Public sector momentum, growing managed services capabilities, record pipeline and strengthened leadership leave the business well positioned and executing on profitable growth.

Scaling with purpose

During the year, we retained focus on our Strategic Plan, which included the following milestones and investments:

- The development and launch of Connected Commerce, a partner-integrated e-commerce accelerator for the B2B sector, combining Google Cloud, commercetools and Contentstack. It is our belief that Connected Commerce will be an area of significant growth in the year ahead.
- The initiation of an M&A-focused Expansion Platform to acquire and integrate acquisitions, including the development of an integration playbook to bring the Carta platforms efficiently and swiftly to acquired organisations.
- The launch and activation of the global IDEA strategy, championing inclusion, diversity and equity in all areas of the business.
- B Corp certification achieved for Kin + Carta Americas (excluding Spire, Cascade Data Labs and Ventures) in H1, and Kin + Carta Europe (excluding Ventures and head office) in October 2021. Kin and Carta plc group certification on track to complete in calendar year 2021.

- The launch of the Kin + Carta Employee Value Proposition ("EVP") achieving ten employer awards including *Consulting Magazine's* 'Best large companies to work for' and *Fast Company's* 'Best workplaces for innovators'.

In the year ahead, we will bring a focus to the following strategic initiatives:

- The launch and global activation of a partner-aligned **managed services** Service Line, bringing recurring revenue and a valuable bridge to further production opportunities.
- The continued application and maturity of Kin + Carta's integrated **operating model** in all regions and territories to drive our organic growth strategy while enabling borderless opportunities for our Kin.
- The measurement of **inclusivity, accessibility and sustainability** in all Service Lines, ensuring responsible client work is delivered through sustainable methods.
- The establishment of the **Kin + Carta Accelerator** as a learning and development platform for our existing Kin, and an entry point into our organisation for diverse junior talent.
- The increased digital maturity of our global **Operations Platform** to increase business insight, drive operational efficiency, and act as a critical enabler in the integration of future acquisitions.
- Further to that, we have committed increased investment and leadership to our M&A-focused **Expansion Platform** for the identification, acquisition and integration of key strategic targets.

Business for good

We exist to build a world that works better for everyone**.** This is our "Why": the promise that guides our unified determination that Kin + Carta is a force for good, coupled with recognition of our role as architects of tomorrow's inclusive technology.

We choose to be a responsible business that actively champions inclusion, accessibility and sustainability, and we have chosen to hold ourselves accountable and to provide transparency through the B Corp social responsibility framework and its independent certification process.

As well as being right for society, standing as a socially responsible business is proving to be both an important attraction and retention differentiator in a supply-restrained labour market. It is also increasingly proving an important qualification criteria for prospective clients. Our staff and our clients are looking to see their values reflected in the behaviours of our business.

Last year, I told you that we were focusing on two areas: progressing with B Corp certification across our regions, and developing a new strategic plan for our Inclusion, Diversity, Equity and Awareness ("IDEA") programme.

As we enter FY22, we are proud to have achieved full B Corp certification in our Americas and Europe regions. Further to this, Kin + Carta shareholders have voted overwhelmingly in favour of amendments to the articles of association that enable us to achieve full B Corp certification for Kin and Carta plc, taking us one step closer to being the first listed business on the London Stock Exchange to become a certified B Corp. We expect to have achieved this milestone by our FY22 half-year results.

I am especially proud of the progress we have made since launching our IDEA strategy (kinandcarta.com/idea):

- Pay equity is 95%+ across the Connective.
- Gender pay gap has decreased across the Company from 17.5% to 14.2%.
- Female representation is 40% in Latin America (8% increase), 39% in Europe (2.5% increase) and 38% in the US (22.6% increase).
- Ethnic minority representation has increased 26.9% in the US.
- LGBTQIA+ representation has increased 10% across the Company.

A responsible platform for growth

Growth takes many forms.

When our people learn and develop in diverse and inclusive environments, they grow. When strategic acquisitions bring new capabilities and experience, we grow. When the strength of our partnerships enrich client opportunities, our relationships grow. When we choose to be a responsible business, our communities grow.

This is sustainable growth today, and it is because of this, that our value grows.

We have growth aspirations to double organic FY21 net revenue and expand margins over the next four years, scaling the business globally through acquisition, partnerships, territorial expansion and new market-defining digital technology services.

J Schwan
Chief Executive Officer
26 October 2021

Financial Review

Overview

FY21 was remarkably volatile due to the effects of the pandemic. It was a very difficult start to the year with declining net revenue and profitability amidst the global economic uncertainty caused by COVID-19. Despite the challenging circumstances, the Company maintained high levels of client service and partnership. As a result, by the end of H1, there were clear signs of recovery with improving demand in our pipeline and stabilising net revenue. By the middle of H2, net revenue growth and improved margins not only returned, but accelerated through our financial year end and into the new financial year. One of the clear implications highlighted by the pandemic is the critical nature of DX to the global enterprise market that we serve. We are increasingly well positioned to capture this opportunity for significant, profitable growth.

The Company's improving performance is not only about accelerating growth, but winning and nurturing larger client engagements that contribute to more durable and predictable revenue growth. In FY21, we had 30 client engagements with annual net revenue of more than £1 million compared to 19 in the prior year. Likewise, our client tenure is increasing as we provide more comprehensive offerings and outcomes. The average client tenure in both our Americas and Europe regions exceeds five years providing revenue predictability and durability.

With the significant DX growth opportunity ahead, we continue to plan and invest for scale. This includes investments in sales capabilities, such as our partnership channels with Google, Microsoft and others. It also includes expanding our service offerings, opening up new locations and training and developing our people. Our internal investment also includes new IT systems and tools as we continue the journey of consolidating and digitising our own business operations. We are confident that the future performance of the Group will continue to benefit from these investments.

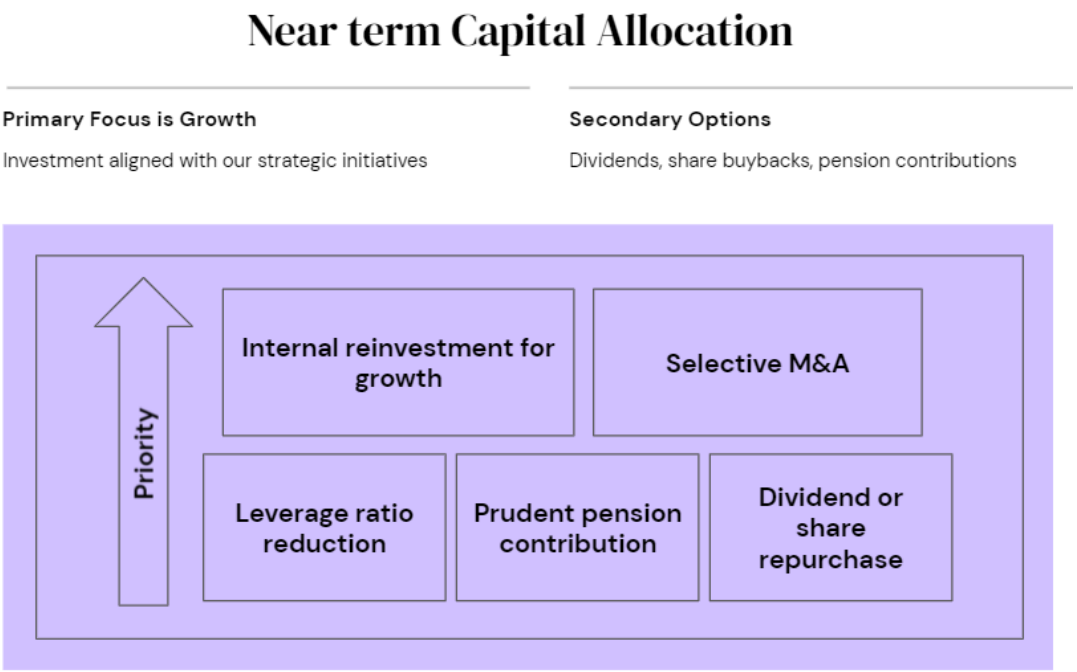
We divested non-core Ventures business(es) Pragma and Hive during the year for £12.6 million net proceeds, and Incite after the year-end for net proceeds of £14.6 million which, coupled with resilient operating cash flow, has taken the Company closer to a nil net bank debt position in September 2021. Two Ventures businesses remain and are in advanced stages of the divestment process, which will soon conclude our shift to being a pure-play DX business.

Putting the Company's capital to work effectively is critical to long-term value creation. We updated the Company's capital allocation framework earlier this year as follows:

- In the near term, given the scale of the DX opportunity in front of us, our priority is growth. The Company is therefore focused on reinvesting cash for both organic and inorganic growth, aligned with our strategic initiatives.
- Given the significant opportunity to grow the business, the Board has decided not to pay dividends for the foreseeable future.
- To undertake meaningful M&A, whilst maintaining a prudent level of financial gearing.

- Excluding temporary M&A impacts, the normalised net debt/EBITDA ratio is expected to be in a range of approximately 0-2.0x, as the business continues to de-lever through growth and higher cash flows.

Our overriding priority is growth that delivers significant shareholder value through scale and return on capital, whilst remaining mindful of prudent pension support, de-levering and potential share repurchases or dividend payments.



Aligned with this growth strategy, we have a robust funnel of acquisition opportunities that includes:

- Bolt-ons that enhance existing or add new capabilities;
- Near-shore delivery centres that augment our US and Europe client base;
- North America regional expansion; and
- Larger, very selective transformative opportunities, which are fewer in number.

In addition to being accretive to earnings, our acquisition criteria include operational and cultural alignment with financial returns in excess of our cost of capital.

The Kin + Carta Expansion Platform, coupled with our relatively modest size, excellent client base, people and purpose-driven culture, B Corp status, agility and large ambition, is proving to be an attractive combination to potential acquisition candidates. We offer immediate scale to smaller companies, providing access to our Google and Microsoft partnerships, a global brand, an Operations Platform that comprises IT, legal, finance and HR support that are aligned with optimising the returns to Kin + Carta. The management teams joining are likewise motivated to maximise their earnout while also becoming part of the Kin + Carta leadership team for a new region or capability, with representation on the Company's

global leadership team. Finally, a significant portion of the initial consideration and earnouts are made in shares, strongly aligning shared outcomes. The two recent acquisitions of Spire in Denver, Colorado and Cascade Data Labs in Portland, Oregon, have both been exceeding expectations and embody many of the dynamics described.

Excluding acquisitions, our ambition is to double net revenue from FY21 over the next four years. When coupled with carefully targeted M&A, we expect to achieve meaningful scale with double digit growth, improving operational efficiencies and margins with improved cash generation.

Financial Summary

Group net revenue from continuing operations of £141.4 million, including £3.0 million from Cascade Data Labs acquired in December 2020, is up 12.5% compared to FY20 and was driven by a strong H2 recovery from the pandemic. Organic net revenue at constant currency rates grew 11.3% year-on-year.

H1 net revenue was down 10% compared to H1 FY20 due to the pandemic, whilst H2 net revenue was up 42% sequentially compared to H1 as robust client demand for our digital offerings returned. Our Americas region recovered first and more quickly than Europe, but both closed the year with robust demand and accelerating growth.

Group statutory loss before tax from continuing operations was £4.3 million compared to a loss of £36.3 million in FY20. Adjusted profit before tax from continuing operations improved to £13.0 million compared to £8.1 million in FY20 due to the recovery and return to growth.

Likewise, we improved our net debt position excluding finance leases during the year from £31.6 million to £19.2 million. This includes the favourable impact of US Government loan forgiveness of £4.5 million, and currency movements of £2.2 million. Post year-end, we divested Incite for £18.0 million (£14.6 million of net proceeds after cost and adjustments for working capital and debt items), further strengthening the balance sheet.

Key financials

£'million

	YEAR TO 31 JULY 2021	YEAR TO 31 JULY 2020
Adjusted Operating Profit Continuing Operations	15.0	11.2
Adjusted Operating Profit Discontinued Operations *	3.4	3.7
Total	18.4	14.9

£'million

	YEAR TO 31 JULY 2021	YEAR TO 31 JULY 2020
Adjusted profit before tax Continuing Operations	13.0	8.1
Adjusted profit before tax Discontinued Operations	3.3	3.5
Total	16.3	11.6

The Company accessed US Government loans in 2020 to help mitigate the impacts of COVID-19 that would otherwise have resulted in significant US employee reductions. During the first half of FY21, the Company absorbed employment and project delivery costs that enabled the Company to retain talent within the business and to maintain client goodwill. These costs have an offsetting credit from US loan forgiveness of £4.5 million in FY21.

Compared to FY20, adjusted profit before tax improved when the effects of income and expenses associated with government assistance programmes and related one-time cost savings in both periods are removed, as summarised below:

(£ million)	FY21	FY20
Adjusted PBT from continuing operations as reported	13.0	8.1
Salary sacrifice repay/(saving)	2.0	(2.1)
Income from forgiveness of US Government loans	(4.5)	-
Project costs funded from government assistance programmes	3.0	1.0
Adjusted PBT excluding items above	**13.5**	**7.0**

Continuing and Discontinued Operations - Adjusted Results

On 31 August 2020, the Group completed the sale of its retail property consultancy, Pragma, and on 16 December 2020, its healthcare communications business, Hive, was divested. Both are presented as discontinued operations in the Income Statement, and were classified as Assets held for sale at 31 July 2020.

On 28 September 2021, the Group completed the sale of its market planning and research consultancy, Incite, which is presented as a discontinued operation in the Income Statement. As at 31 July 2021, Incite was classified as an Asset held for sale in the balance sheet.

All other businesses are classified as continuing operations throughout the financial statements.

Adjusted Net Revenue (£'m)

	YEAR TO 31 JULY 2021	YEAR TO 31 JULY 2020
Continuing Operations	141.4	125.7
Discontinued Operations*	14.9	20.3
Total	156.3	146.0

Adjusted Operating Profit (£'m)

	YEAR TO 31 JULY 2021	YEAR TO 31 JULY 2020
Adjusted Operating Profit Continuing Operations	15.0	11.2
Adjusted Operating Profit Discontinued Operations *	3.4	3.7
Total	18.4	14.9

*Discontinued operations comprise the results of Incite (divested 28 September 2021), Hive (divested 16 December 2020), and Pragma (divested 31 August 2020). Refer to note 10.

Adjusted Net Revenue and Adjusted Operating Profit

Adjusted net revenue from continuing operations in 2021 was £141.4 million (2020: £125.7 million) and grew by £14.2 million on a like-for-like basis, which excludes the impact of the Cascade Data Labs acquisition in December 2020 (£3.0 million), the annualisation effect of the Spire acquisition in the prior financial year (£4.7 million), and adverse currency effects of £6.2 million. Adjusted net revenue was recorded in the prior year only, relating to Incite Singapore, following the decision to close the business.

The faster US recovery, the disposals of non-core Ventures businesses in H1 (healthcare communications agency Hive and airport specialty consultancy Pragma), as well as the acquisition of Cascade Data Labs in Q2 FY21 will continue to shift the balance of our revenue footprint further towards the US, the largest digital transformation market in the world. The Cascade Data Labs acquisition followed a similar integration plan as our previous acquisition of Denver based Spire, and together, Cascade Data Labs and Spire are known as Kin and Carta Americas West. Building on the Cascade Data Labs capabilities, many new data opportunities have already been generated from existing clients across our platform, and new clients through our global partnerships and US sales channels.

Net Revenue from our Americas region grew by 23% to £85.0 million and now makes up 60% of the Group's net revenue, whilst Europe totalled 31%, and the Ventures makes up 9% of the Group's net revenue. Net revenue from customers located in the US increased from £64.1 million to £84.9 million, partly due to the Cascade Data Labs and Spire acquisitions.

Adjusted operating profit from continuing operations was £15.0 million (2020: £11.2 million). On a like-for-like basis, excluding currency and acquisition effects, the adjusted operating profit of £13.7 million was 10% of Adjusted net revenue compared to 10% in the prior year. The adjusted operating profit as a percentage of net revenue remained constant compared to prior year due to higher investment levels in our Growth and Services Platforms as well as the disruption to our business caused by the pandemic in the first half of the year.

Central costs before Adjusting Items were £7.1 million (2020: £6.4 million). The Group has separately identified these central costs that cannot be directly attributed to the individual trading entities of the Group. Central administration costs represent 4.8% (2020: 5.0%) of Group net revenue and comprise the costs of running a public company and certain Group and shared operational functions.

Continuing Operations (£'m)

The Group's results for continuing operations are set out below:

	YEAR TO 31 JULY 2021	LIKE-FOR-LIKE (1) TO 31 JULY 2020	YEAR TO 31 JULY 2019
Revenue	160.3	145.6	140.5
Adjusted net revenue[2]	141.4	126.7	125.6
Adjusted operating profit	15.0	10.7	11.2
Statutory loss before interest and tax	(2.3)	(0.2)	(33.3)
Statutory loss before tax	(4.3)	(2.2)	(36.3)
Basic profit/(loss) per share (p)	6.1	N/A	(20.9)

1 Like-for-like is defined as the results from continuing operations at constant currency and excluding acquisitions when comparing the current period to the prior period
2 Adjusted net revenue in the prior year excludes net revenue from Incite Singapore, following the decision to close the operation in FY20

The Group's statutory loss before tax from continuing operations of £4.3 million (2020: loss of £36.3 million) includes Adjusting Items of £17.3 million (2020: £44.4 million). Adjusting Items are comprised primarily of:

- **Costs related to acquisitions made in the current and prior periods**

  As part of the acquisition of Cascade Data Labs in December 2020 and in respect of other acquisition and divestment-related activities in the period, costs of £1.0 million were incurred. Charges relating to the amortisation of acquired customer relationships and proprietary techniques amounted to £8.7 million, and costs relating to contingent consideration deemed as remuneration of £5.0 million (2020: £6.2 million) were recorded in the Consolidated Income Statement as Adjusting Items.

- **Defined Benefits Pension Scheme costs**

  The St Ives Defined Benefits Scheme (the "Scheme") charges include service costs of £0.8 million, additional prior service costs of £0.6 million related to GMP equalisation on members

who have transferred out of the Scheme and costs in relation to running the Scheme of £1.2 million. These items are recorded in corporate costs.

- **Impairment of goodwill and acquired intangibles**

  The prior year impairment charge of £18.9 million includes the Edit goodwill impairment charges of £17.6 million associated with restructuring, and impairment of trademarks of £1.3 million following a rebranding exercise.

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

Acquisitions

On 23 December 2020, the Group acquired 100% of the issued share capital of Cascade Data Labs, a data transformation business based in Portland, Oregon, USA. The total related cash outflow in the year was £6.0 million, which comprised the initial consideration of £4.4 million and a further "holdback" payment of £1.6 million. The holdback was subject to a service condition and has been accounted for as deemed remuneration and is recorded as an expense in adjusting items in the income statement. Further payments will be made in respect of incremental EBITDA achieved for the 12 months ended 30 September 2021 and 12 months ended 30 September 2022. The related deferred consideration vests between September 2022 and September 2024. The total consideration payable, including contingent consideration is capped at £22.3 million. Up to 75% of amounts payable may be settled in shares at the Company's discretion.

In FY20, the Group acquired 100% of the issued share capital of Spire, a digital transformation consulting and software engineering services business. The final earnout for the calendar year 2020, based on the adjusted EBITDA for that period, was finally determined to be US$12.8 million. US$4.6 million of this earnout was settled in March 2021, of which US$2.3 million was settled by issuance of shares of Kin and Carta plc and the remaining US$2.3 million was settled in cash. Of the remaining US$8.2 million, US$4.1 million will be settled in Kin and Carta plc shares, which were issued to the sellers in March 2021 under a reverse vesting mechanism, with full vesting in February 2023. The remaining US$4.1 million will be settled in cash in February 2023. Both amounts are subject to service vesting conditions and are accrued over the vesting period with the expense recorded in Adjusting Items.

We expect to increase M&A velocity in FY22 with the objective of accelerating global scale through targeted new capabilities, new locations and additional near-shore resources. In order to achieve this, we are committing investments into a global Expansion Platform, which includes dedicated executive leadership, an integration management office and the appointment of external advisors in key territories to identify, acquire and integrate target acquisitions. Whilst the Expansion Platform is new, a growing

pipeline of acquisition targets has been established and is being actively pursued with a diligence and value focus.

Balance Sheet

The net assets of the Group have increased from £59.7 million to £83.2 million, primarily due to a net profit after tax of £2.7 million and an actuarial gain of £14.5 million, net of deferred tax, related to the St Ives Defined Benefits Pension Scheme. Total assets have increased from £179.3 million to £215.3 million due to the increase in the pension surplus and the increase in cash, and total liabilities have increased from £119.6 million to £132.1 million due to an increase in gross bank borrowings. Non-current assets consist largely of goodwill and intangible assets of £83.4 million (2020: £90 million).

Pension

The Group closed the Scheme to new members in 2002 and ceased future accruals within the Scheme in 2008. The Group accounts for post-retirement benefits in accordance with IAS 19 Employee Benefits. The Consolidated Balance Sheet reflects the net surplus on the Scheme at 31 July 2021 based on the market value of the assets at that date and the valuation of liabilities using a discount rate based on AA non-gilt bond yields.

On an IAS 19 basis, the surplus on the Scheme at 31 July 2021 was £19.3 million (2020: surplus of £1.1 million) before any deferred tax impact. The value of the plan assets increased to £419.8 million (2020: £396.6 million) due to the strength of investment returns and the significant degree of hedging of interest and inflation risk on scheme liabilities. Plan liabilities increased to £400.5 million (2020: £395.5 million) due primarily to the decrease in the discount rate used for valuation. Approximately 35% of the plan assets were invested in return-seeking assets at 31 July 2021 , providing a higher level of return over the longer period. This has reduced from 65% at 31 July 2020 and reflects a reduction in the level of asset risk adopted by the Scheme, following the substantial improvement in the level of technical funding in the year. Derivative instruments are in place to protect against significant falls in asset values and changes in interest and inflation rates. The level of risk to the Group of the Scheme reduced in the year and the strength of the Group's covenant over the Scheme has improved.

The FY21 charge for the Group's defined contribution schemes was £2.9 million (2020: £1.8 million).

Tax

The adjusted effective rate of underlying taxes decreased to 20% from 21% versus the prior year due to the increased contribution of US profits to the Group. Whilst US profits have a marginal tax rate of c.28% compared to the UK rate of 19%, the US average tax rate is reduced by the tax-deductible goodwill associated with prior US acquisitions. The resulting effective US federal and state rate is 21%. The US federal statutory corporation tax rate is 21% (2020: 21%). The US state level income tax rates vary from 0% to 8% (2020: 0% to 8%). The Adjusted tax charge was £2.6 million (2020: £2.2 million).

The total tax charge for continuing operations was £0.8 million (2020: £2.0 million tax credit). A number of Adjusting Items do not have an associated tax credit. Further details are provided in the Alternative Performance Measures section below.

The Group's effective tax rate on the Adjusted profit before tax was 20.0% (2020: 20.6%) compared to the standard rate of UK corporation tax of 19% (2020: 19%). Corporate income tax of £3.4 million (2020: £1.6 million) was paid in FY21.

Capital Allocation

The Company is prioritising growth, and its Capital Allocation framework reflects the focus on both organic growth investments and selective M&A targets while keeping dividends on hold for the foreseeable future.

Cash Flow

Cash generated from operations before interest and tax was £10.9 million (2020: £22.9 million). The decrease compared to the prior year was primarily due to a working capital investment in the current year compared to a significant unwinding in the prior year. The higher working capital consists of a £13.7 million increase in trade and other receivables driven by revenue growth, partially offset by a £10.4 million increase in trade and other payables compared to a working capital unwind in the prior year.

Operating cash flow before working capital was £13.8 million, compared to the prior year of £11.7 million, reflecting growth in EBITDA over that period.

Investing cash flows included £6.0 million outflows for acquisitions made in the current and prior periods (2020: £19.3 million) and £12.6 million net proceeds from divestments (2020: nil). Net financing cash inflows include £15 million of net drawings on bank facilities (2020: net repayment of £0.9 million) and dividends of nil were paid in the year (2020: £2.0 million). Lease payments reduced from £4.8 million in the prior year to £4.2 million in the current year, as we exited a number of properties.

Net Debt

Net debt decreased during the year from £31.6 million to £19.2 million, primarily due to operating cash flow generation as well as the proceeds of the Hive disposal and partially offset by the acquisition of Cascade Data Labs. The sale of Incite on 28 September 2021 resulted in a net cash inflow of £14.6 million, net of costs and adjustments for debt and working capital which, along with operating cash flows, moved the Company to a net debt position much closer to zero as of the date of this announcement.

The Company's revolving credit facility was refinanced in September 2021 and is committed until September 2025, with an option to extend the facility for an additional year. The volume of the facility remains unchanged at £85 million. At 31 July 2021, Kin + Carta had drawn £62.4 million (31 July 2020: £49.5 million) on its credit facility, leaving an unutilised commitment of £22.6 million (2020: £35.7 million). The Group had cash and cash equivalents of £45.0 million (2020: £24.4 million) at that date.

At 31 July 2021, the ratio of net debt to Adjusted EBITDA was 1.0 times (2020: 1.8 times) on a pre-IFRS 16 basis. The ratio of net debt to Adjusted EBITDA for bank covenant purposes was 0.99 times (2020: 1.47

times). Our lender banks exclude the Paycheck Protection Programme ("PPP") loans payable from the debt calculation.

In FY20, the Group received £6.7 million in unsecured loans under the PPP provided by the US Government. £4.5 million of the PPP loan was forgiven by the US Government in FY21 and is recorded in adjusted other income. The remaining loan balance of £1.9 million after currency effects, and which bears an interest rate of 1%, will be repaid by May 2022. The US PPP funds were utilised, as intended, to protect jobs and retain staff that otherwise would not have been possible due to the effects of the pandemic. These retained jobs were invested into securing ongoing and new client projects with discounted pricing, which has positively improved our client relationships, winning multiple large and long-term client contracts, improved staff morale and the FY21 underlying results.

In the year, the Group also utilised the UK Coronavirus Job Retention Scheme, receiving payroll subsidies of £0.1 million. The Company subsequently repaid the UK Government for the assistance received in the year.

Summary

Kin + Carta made significant operational and financial progress during the financial year 2021.

Operational progress: the disposal of three non-core businesses, with the last two now in the final stages of divestment, has achieved greater focus, and Kin + Carta is now an integrated, purely DX focused business. By evolving our global Operations Platform we have enhanced our ability to hire and scale. Through investment in our Expansion Platform, we drive further emphasis on finding, closing and integrating acquisitions which add to our geographic reach and capabilities. And through our investment in talent, our own IT systems and operating structures - whilst an investment in cost today - are preparing the business for scale.

Financial progress: we have grown revenue and profits through the pandemic. We have acquired in the US market which is the largest and fastest growing DX market in the world. We have de-geared the business and strengthened the balance sheet to further enable our acquisition strategy.

Progress with our investment in social responsibility: a beneficial differentiator with a powerful commercial rationale. It has allowed us to retain existing talent and to stand out as an attractive destination in the competition for talent. It is also opening up a growing number of revenue opportunities as potential clients recognise the benefits of working with a company delivering on its strong sense of values.

Outlook

FY21 saw the emergence of Kin + Carta as a fully integrated, pure-play DX business. Our growth and financial performance are set to accelerate from this year forward. Our ambition is to double organic net revenue from FY21 in four years, whilst adding additional growth and scale opportunities via acquisitions. This growth and business expansion will further drive the scale benefits of operational efficiencies, higher margins and improved cash generation.

The Company rebounded strongly through H2, and our current trading is accelerating further. As a result, we are increasing our organic net revenue guidance from c.20% to c.30% growth for the current year as demand and visibility has continued to improve.

Prior guidance of 12-13% operating margin is now expected to be 10%-11% for the current year, reflecting the effects of divestments. Subsequent to our prior guidance and the financial year end, we have divested approximately £13 million of net revenue and £3 million of EBITDA, whilst maintaining the same investment levels in the business. As net revenue continues to grow, we expect operating margins in future years to grow incrementally as well, and we expect margins in the mid-teens over the medium term.

I believe the Company is better placed to perform than ever before.

Chris Kutsor
Chief Financial Officer
26 October 2021

Alternative Performance Measures

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

The alternative performance measures ('APMs') and KPIs are aligned to our strategy and are used to measure the performance of our business and are the basis for remuneration.

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

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

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

1. Restructuring costs – these items are excluded in order to reflect the performance of the business in a consistent manner and how the performance of the business is managed on a day-to-day basis. They are not considered to be part of the core activities of the business. They have arisen as a result of initiatives to reduce the cost base and improve the efficiency and collaboration across the Group. The initiatives reflect a significant change in the organisational structure of a business area and are assessed on an individual basis and excluded from the Adjusted results.

2. Amortisation of acquired intangibles and impairments – the amortisation and impairments of assets acquired through business combinations are excluded from Adjusted results. These costs are acquisition related and are not part of the ongoing trading performance of the business. The amortisation of computer software is included within the Adjusted results as it is part of the ongoing trading performance.

3. Acquisition costs consisting of contingent consideration required to be treated as remuneration, and increases in deferred consideration – our acquisitions, where deferred consideration arises, are structured such that the consideration is contingent on continued employment within the Group. Under IFRS3 this is treated as an expense and, therefore, part of the statutory result. Where the purchase price has been determined and there is a subsequent increase or decrease arising from the payment of deferred consideration under IFRS3 this is required to be expensed. We do not consider this to be part of the underlying trading performance.

4. Administrative expenses related to St Ives Defined Benefits Pension Scheme – the Scheme was closed to new members in 2002 and ceased future accrual in 2008. There are now three

employees who are members of the Scheme and still employed by the Group. The costs of the Scheme including administration costs, past service costs related to Guaranteed Minimum Pension (GMP) and the pension finance charge/(income) are not considered to be part of the ongoing performance of the Group and they are excluded from the performance measures. As such they are treated as Adjusting Items.

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

ADJUSTING ITEMS DESCRIPTION	YEAR TO 31 JULY 2021	YEAR TO 31 JULY 2020
	£'000	£'000
(Profit)/ loss on disposal of property, plant and equipment	**-**	46
Amortisation of acquired intangibles	**8,651**	10,563
Expenses related to restructuring items	**181**	6,555
Impairment of goodwill and other assets	**-**	18,850
Contingent consideration required to be treated as remuneration	**4,956**	6,186
Acquisition costs	**966**	669
Administrative expenses related to St Ives Defined Benefits Pension Scheme	**2,542**	1,675
Total Adjusting Items added back to the statutory operating profit	**17,296**	44,544
Net pension finance income	**(21)**	(161)
Total Adjusting Items added back to the statutory profit before tax	**17,275**	44,383
Tax related to Adjusting Items	**(1,738)**	(4,168)
Total Adjusting Items added back to the statutory profit after tax	**15,537**	40,215

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

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

	YEAR TO 31 JULY 2021	YEAR TO 31 JULY 2020
	£'000	£'000
Adjusted revenue	**160,342**	140,361
Project-related costs	**(18,923)**	(14,632)
Adjusted net revenue	**141,419**	125,729

Like-for-like Adjusted net revenue at constant currency: *The measure is defined as the Adjusted net organic revenue from continuing operations when comparing the current period to the prior period at constant currency rate of exchange.*

	YEAR TO 31 JULY 2021 £'000	YEAR TO 31 JULY 2020 £'000	% CHANGE
Adjusted net revenue	**141,419**	125,729	12.5%
Impact of acquisition in current period*	**(7,655)**	-	
Effect of constant currency**	**6,209**	-	
Like-for-like Adjusted net revenue	**139,973**	**125,729**	
Like-for-like Adjusted net revenue growth %	**11.3%**	-	

*Made up of the removal of Cascade Data Labs' net revenue incorporated in the FY21 consolidated net revenue (from January 2021 to July 2021) and the first four months in FY21 of Spire's net revenue. The "Adjusted net revenue after project related costs" line for FY20 includes only eight months of Spire's net revenue.

**The difference between the FY21 net revenue at the average FY20 exchange rate versus the average FY21 rate. The difference between the two amounts based on the different average closing rates was recalculated into GBP using the average closing FY21 rate.

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

	YEAR TO 31 JULY 2021 £'000	YEAR TO 31 JULY 2020 £'000
Statutory continuing operating loss	**(2,268)**	(33,331)
Add back total continuing Adjusting Items excluding pension finance charge and tax	**17,296**	44,544
Adjusted operating profit	**15,028**	11,213

Like-for-like Adjusted operating profit at constant currency: The measure is defined as the Adjusted organic operating profit from continuing operations when comparing the current period to the prior period at constant currency rate of exchange.

	YEAR TO 31 JULY 2021 £'000	YEAR TO 31 JULY 2020 £'000
Adjusted continuing operating profit	**15,028**	11,213
Impact of acquisition in current period*	**(2,194)**	-
Effect of constant currency**	**963**	(141)
Like-for-like Adjusted operating profit	**13,797**	11,072
Like-for-like Adjusted operating profit %	**9.9%**	8.8%

* Removes Cascade Data Labs' operating profit which has been included in FY21 (from January 2021 to July 2021) and the removal of the first four months in FY21 of Spire's operating profit. The Adjusted operating profit line for FY20 includes only eight months of Spire's operating profit, as the entity was acquired at the end of November 2019.

**This effect of currency is the difference between the FY21 operating profit at the average FY20 exchange rate versus the average FY21 rate. The difference between the two amounts, based on the different average closing rates was recalculated into GBP using the average closing FY21 rate.

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

	YEAR TO 31 JULY 2021 £'000	YEAR TO 31 JULY 2020 £'000
Statutory continuing loss before tax	**(4,277)**	(36,302)
Add back total Adjusting Items excluding tax	**17,275**	44,383
Adjusted profit before tax	**12,998**	8,081

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

	YEAR TO 31 JULY 2021 £'000	YEAR TO 31 JULY 2020 £'000
Statutory continuing loss after tax	**(5,097)**	(34,298)
Add back total continuing Adjusting Items after tax	**15,537**	40,215
Adjusted continuing profit after tax	**10,440**	5,917

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

	YEAR TO 31 JULY 2021 £'000	YEAR TO 31 JULY 2020 £'000
Adjusted continuing profit after tax	**10,440**	5,917
Weighted number of shares ('000)	**169,985**	163,871
Adjusted basic earnings per share from continuing operations (pence)	**6.14**	3.61

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

	YEAR TO 31 JULY 2021 £'000	YEAR TO 31 JULY 2020 £'000
Adjusted net revenue	**141,419**	125,729
Adjusted operating profit	**15,028**	11,213
Adjusted operating margin	**10.6%**	8.9%

Adjusted EBITDA: This measure is calculated using the preceding 12 months results and is defined as the Adjusted operating profit or loss before depreciation, amortisation, finance expense and taxation. The covenant adjustment includes an adjustment to present on a 'frozen GAAP' pre-IFRS 16 basis, the EBITDA related to the pre-acquisition period from 1 August 2020 to 23 December 2020 for Cascade Data Labs, and EBITDA from discontinued operations not yet devised at the balance sheet date.

The Adjusted EBITDA for 2021 has been determined on the basis of continuing and non-divested discontinued operations solely for the purpose of calculating the ratio of net debt to EBITDA.

	YEAR TO 31 JULY 2021 £'000	YEAR TO 31 JULY 2020 £'000
Adjusted operating profit	**15,028**	11,213
Add: Depreciation and amortisation	**13,191**	15,921
Less: Amortisation of intangibles classified as Adjusting Items	**(8,651)**	(10,563)
Covenant adjustment	**(1,072)**	428
Adjusted EBITDA for covenant purposes	**18,496**	16,999

Net debt: This measure is calculated as the total of loans and other borrowings excluding finance leases, less cash and cash equivalents.

	2021 £'000	2020 £'000
Loans	**64,218**	56,007
Cash and cash equivalents	**(44,971)**	(24,408)
Net Debt	**19,247**	31,599

For the measurement of the bank covenants, cash, cash equivalents and borrowings denominated in currencies other than GBP Sterling are translated at an average rate rather than at the period end spot rate used in the Consolidated Balance Sheet. Borrowings drawn under the US Paycheck Protection Program are excluded from the calculation. The reconciliation is as follows:

	2021 £'000	2020 £'000
Net Debt	**19,247**	31,599
Foreign exchange difference between spot rate and average rate	**848**	487.00
Deduct Paycheck Protection Program loan	**(1,853)**	(6,721)
Net Debt for covenant purposes	**18,242**	25,365

***Net debt to Adjusted EBITDA for bank covenant purposes*:** This measure is calculated by dividing Net Debt for covenant purposes by Adjusted EBITDA. The Adjusted EBITDA is based on the total of continuing and those discontinued operations that were not devised at the balance sheet date.

	YEAR TO 31 JULY 2021	YEAR TO 31 JULY 2020
	£'000	£'000
Adjusted EBITDA for bank covenant purposes	**18,496**	16,999
Net Debt for covenant purposes	**18,242**	25,365
Net debt to Adjusted EBITDA for covenant purposes	**0.99**	1.49

Consolidated Income Statement

		Year ended 31 July 2021			Year ended 31 July 2020		
	Note	**Adjusted Results £'000**	**Adjusting Items (note 3) £'000**	**Statutory Results £'000**	Adjusted Results £'000	Adjusting Items (note 3) £'000	Statutory Results £'000
Continuing operations:							
Revenue	2	**160,342**	**–**	**160,342**	140,361	130	140,491
Project-related costs		**(18,923)**	**–**	**(18,923)**	(14,632)	(218)	(14,850)
Net revenue		**141,419**	**–**	**141,419**	125,729	(88)	125,641
Cost of service		**(76,273)**		**(76,273)**	(65,335)	–	(65,335)
Gross profit		**65,146**	**–**	**65,146**	60,394	(88)	60,306
Selling costs		**(13,770)**	**–**	**(13,770)**	(13,595)	–	(13,595)
Administrative expenses		**(41,517)**	**(2,723)**	**(44,240)**	(36,336)	(8,142)	(44,478)
Share of profits of joint arrangement		**700**	**–**	**700**	721	–	721
Other operating income/(expenses)		**4,469**	**–**	**4,469**	29	(46)	(17)
Amortisation of acquired intangibles		**–**	**(8,651)**	**(8,651)**	–	(10,563)	(10,563)
Impairment of goodwill and acquired intangibles		**–**	**–**	**–**	–	(18,850)	(18,850)
Contingent consideration treated as remuneration		**–**	**(4,956)**	**(4,956)**	–	(6,186)	(6,186)
Acquisition costs		**–**	**(966)**	**(966)**	–	(669)	(669)
Operating profit/(loss)		**15,028**	**(17,296)**	**(2,268)**	11,213	(44,544)	(33,331)
Net pension finance income	3	**–**	**21**	**21**	–	161	161
Other finance expense		**(2,030)**	**–**	**(2,030)**	(3,132)	–	(3,132)
Profit/(loss) before tax	2	**12,998**	**(17,275)**	**(4,277)**	8,081	(44,383)	(36,302)
Income tax (charge)/credit	4	**(2,558)**	**1,738**	**(820)**	(2,164)	4,168	2,004
Net profit/(loss) from continuing operations		**10,440**	**(15,537)**	**(5,097)**	5,917	(40,215)	(34,298)
Net profit from discontinued operations	10	**2,622**	**5,171**	**7,793**	3,474	(1,427)	2,047
Net profit/(loss) for the year		**13,062**	**(10,366)**	**2,696**	9,391	(41,642)	(32,251)
Attributable to:							
Shareholders of the parent company		**13,062**	**(10,366)**	**2,696**	9,391	(41,642)	(32,251)
Basic earnings/(loss) per share (p)							
Continuing operations	7	**6.14**	**(9.14)**	**(3.00)**	3.61	(24.54)	(20.93)
Discontinued operations	7	**1.54**	**3.04**	**4.58**	2.12	(0.87)	1.25
Continuing and discontinued operations	7	**7.68**	**(6.10)**	**1.58**	5.73	(25.41)	(19.68)
Diluted earnings/(loss) per share (p)							
Continuing operations	7	**5.95**	**(9.14)**	**(3.00)**	3.56	(24.54)	(20.93)
Discontinued operations	7	**1.49**	**2.95**	**4.44**	2.09	(0.87)	1.23
Continuing and discontinued operations	7	**7.45**	**(6.10)**	**1.54**	5.65	(25.41)	(19.68)

The FY2020 results have been re-presented to reflect the results of the Incite as discontinued operations (See Discontinued Operations note 10).

Consolidated Statement of Other Comprehensive Income

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
Profit/(loss) for the year	**2,696**	(32,251)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial profit/(loss) on defined benefit pension scheme	**17,877**	(7,358)
Tax (credit)/charge on items taken through other comprehensive income	**(3,401)**	1,342
	14,476	(6,016)
Items that may be reclassified subsequently to profit or loss:		
Transfers of losses on cash flow hedges	**52**	201
Losses on cash flow hedges	**(13)**	(52)
Foreign exchange losses	**(493)**	(669)
	(454)	(520)
Other comprehensive income/(expense) for the year	**14,022**	(6,536)
Total comprehensive income/(expense) for the year attributable to shareholders of the parent company	**16,718**	(38,787)

Consolidated Statement of Changes in Equity

	Share capital £'000	Additional paid-in capital* £'000	ESOP reserve £'000	Treasury shares £'000	Share option reserve £'000	Hedging, translation and revaluation reserve £'000	Other reserves £'000	Accumulated deficit £'000	Total £'000
Balance at 1 August 2019	**15,343**	**70,665**	**(21)**	**(163)**	**804**	**2,285**	**73,570**	**(2,694)**	**86,219**
Loss for the year	–	–	–	–	–	–	–	(32,251)	**(32,251)**
Other comprehensive expense	–	–	–	–	–	(520)	(520)	(6,016)	**(6,536)**
Total comprehensive expense	**–**	**–**	**–**	**–**	**–**	**(520)**	**(520)**	**(38,267)**	**(38,787)**
Share placement	1,533	11,651	–	–	–	–	11,651	–	**13,184**
Dividends	–	–	–	–	–	–	–	(1,993)	**(1,993)**
Recognition of share-based contingent consideration deemed as remuneration	–	–	–	–	647	–	647	–	**647**
Hyperinflation revaluation	–	–	–	–	–	143	143	–	**143**
Purchase of own shares	–	–	(47)	–	–	–	(47)	–	**(47)**
Recognition of share-based payments	–	–	–	–	271	–	271	–	**271**
Tax on share-based payments	–	–	–	–	75	–	75	–	**75**
Balance at 31 July 2020	**16,876**	**82,316**	**(68)**	**(163)**	**1,797**	**1,908**	**85,790**	**(42,954)**	**59,712**
Profit for the year	–	–	–	–	–	–	–	2,696	**2,696**
Other comprehensive (expense)/ income	–	–	–	–	–	(454)	(454)	14,476	**14,022**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(454)**	**(454)**	**17,172**	**16,718**
Shares issued to settle consideration for acquisitions	360	4,197	–	–	(2,919)	–	1,278	–	**1,638**
Shares issued to settle employee share options	19	–	–	–	(129)	–	(129)	110	**–**
Recognition of share-based contingent consideration deemed as remuneration	–	–	–	–	1,881	–	1,881	–	**1,881**
Hyperinflation revaluation	–	–	–	–	–	128	128	–	**128**
Purchase of own shares	–	–	(59)	–	–	–	(59)	–	**(59)**
Settlement of share-based payment using own shares	–	–	59	–	(38)	–	21	(21)	**–**
Recognition of share-based payments	–	–	–	–	1,944	–	1,944	–	**1,944**
Tax on share-based payments	–	–	–	–	1,220		1,220	–	**1,220**
Balance at 31 July 2021	**17,255**	**86,513**	**(68)**	**(163)**	**3,756**	**1,582**	**91,620**	**(25,693)**	**83,182**

* Additional paid-in capital includes share premium, merger reserve and capital redemption reserve.

Consolidated Balance Sheet

	Note	**31 July 2021 £'000**	31 July 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment		**14,027**	17,714
Investment property		**4,438**	4,707
Goodwill		**68,372**	68,010
Other intangible assets		**15,072**	21,948
Investment in joint arrangement		**1,080**	880
Retirement benefit surplus	8	**19,267**	1,081
Other non-current assets		**28**	–
Deferred tax assets		**3,524**	2,477
		125,808	116,817
Current assets			
Trade and other receivables		**36,862**	28,165
Derivative financial instruments		**13**	48
Income tax receivable		**559**	–
Cash and cash equivalents		**44,971**	24,408
Assets held for sale	10	**7,099**	9,843
		89,504	62,464
Total assets		**215,312**	179,281
Liabilities			
Current liabilities			
Lease liabilities		**2,823**	3,492
Loans		**1,853**	–
Trade and other payables		**30,617**	24,510
Derivative financial instruments		**–**	40
Income tax payable		**514**	110
Deferred consideration payable	5	**–**	3,277
Deferred income		**6,631**	7,565
Provisions		**538**	1,141
Liabilities associated with assets held for sale	10	**7,552**	2,652
		50,528	42,787
Non-current liabilities			
Lease liabilities		**12,490**	16,287
Loans		**62,365**	56,007
Deferred consideration	5	**1,888**	624
Provisions		**829**	1,368
Deferred tax liabilities		**4,030**	2,496
		81,602	76,782
Total liabilities		**132,130**	119,569
Net assets		**83,182**	59,712
Capital and reserves			
Share capital		**17,255**	16,876
Other reserves		**91,620**	85,790
Accumulated deficit		**(25,693)**	(42,954)
Total equity		**83,182**	59,712

These financial statements were approved by the Board of Directors on 26 October 2021

Consolidated Cash Flow Statement

	Note	**Year ended 31 July 2021 £000**	Year ended 31 July 2020 £000
Operating activities			
Cash generated from operations	9	**10,847**	22,850
Interest paid		**(1,660)**	(1,600)
Income taxes paid		**(3,382)**	(1,598)
Net cash generated from operating activities		**5,805**	19,652
Investing activities			
Purchase of property, plant and equipment		**(1,332)**	(858)
Purchase of other intangibles		**(82)**	(213)
Proceeds on disposal of subsidiaries	10	**12,630**	–
Cost of acquisition in period	5	**(4,381)**	(17,310)
Deferred consideration for acquisitions made in prior periods		**(1,656)**	(2,000)
Net cash generated from investing activities		**5,179**	(20,381)
Financing activities			
Purchase of own shares to satisfy employee share options		**(59)**	(47)
Proceeds of share placement, net of costs		**–**	13,184
Dividends paid		**–**	(1,993)
Lease payments		**(4,214)**	(4,843)
Net increase/(decrease) in bank loans	9	**14,976**	(856)
Net cash generated from financing activities		**10,703**	5,445
Net increase in cash and cash equivalents		**21,687**	4,716
Cash and cash equivalents at beginning of the period		**24,408**	22,017
Effect of foreign exchange rate changes		**(1,124)**	(2,325)
Cash and cash equivalents at end of the period		**44,971**	24,408

1. Basis of preparation

The preliminary results have been prepared on the basis of the accounting policies as set out in the Group's Annual Report and Accounts 2021 and 2020. The financial information set out in the preliminary results does not comprise statutory accounts for the purpose of section 434 of the Companies Act 2006 in respect of the years ended 31 July 2021 and 31 July 2020.

The financial information for the year ended 31 July 2021 has been extracted from the Group's 2021 statutory accounts which have been prepared on a going concern basis and in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union ('IFRS') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preliminary results have been prepared under the historical cost convention, and using the accounting policies set out in the Group's 2021 statutory accounts. The accounting policies adopted are consistent with those of the previous financial year, and there have been no changes in accounting standards during the year that have had a material effect on the Group.

The 2021 statutory accounts will be delivered to the Registrar of Companies following the Company's 2021 Annual General Meeting. The financial information for the year ended 31 July 2020 has been extracted from the Group's statutory accounts which have been delivered to the Registrar of Companies. The Auditor's reports on the Group's 2021 and 2020 statutory accounts were unqualified and did not contain statements under sections 498(2) or 498(3) of the Companies Act 2006 in respect of the 2021 and 2020 statutory accounts.

Going concern and viability

Going concern

In order to assess the Group's ability to continue to trade as a going concern and to be viable over the medium term, a detailed FY22 budget and business and cash flow forecasts covering a three year period from 31 July 2021 have been prepared based on 'bottom up' inputs from the individual business units. The resulting projected debt levels, debt leverage and interest cover ratios have been compared to limits prevailing under current borrowing facilities in order to ensure that the Group has sufficient liquidity to continue to trade over this time horizon.

A significant portion of the Group's funding is provided by a revolving credit facility agreement of £85 million which was renewed in September 2021 and which expires in September 2025. Throughout FY21, there was significant headroom on the lender banks' leverage and interest cover covenants.

In May 2020, the group drew US government-backed loans of $8.8 million under the US Paycheck Protection Program provided as part of the CARES Act. At 31 July 2021, $6.6 million had been forgiven by the US government and $2.2 million remains outstanding and is repayable in May 2022.

Therefore the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a minimum of twelve months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Viability statement

In addition to the detailed central business forecast, a number of stress scenarios have also been modelled to assess the group's ability to cope with such scenarios without breaching covenant ratios or debt volume limits. The stress scenarios modelled include a sustained reduction in net revenue compared to the base case of up to 20% and a 10% lengthening of the average time to be paid by clients. The Group continues to operate within lender limits in the central forecast case and in these stress scenarios even when combined, over the three year period ending 31 July 2024. .

Overall the Directors consider the Group well-placed to manage its business risks successfully, having taken into account the current economic outlook, the possible consequences of principal risks facing the business in severe but plausible scenarios, and the effectiveness of any mitigating actions on the Group's profitability and liquidity.

On the basis of these and other matters considered and reviewed by the Board during the year, the Directors have reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 July 2024.

Accounting policies

No new accounting standards, amendments to standards, and IFRIC interpretations which became applicable during the period which had a significant impact on the Group's net results or net assets.

2. Segment reporting

The Group is a technology, data and experience consultancy that believes in using business as a force for good. We are at the forefront of a new class of digitally native firms built to deliver Digital Transformation 2.0, and we choose to do so as a socially responsible business that champions inclusion, diversity, equality and sustainability.

The Group is focused on delivering connected outcomes for clients through innovation, modernisation, enablement and optimisation, including:

- helping the C-suite better understand market shifts, and how products and services need to evolve
- utilising emerging technologies to create new products and platforms
- amplifying digital investments and experiences through modern marketing technology and data platforms

These outcomes are made possible by the Group's c.1,600 engineers, strategists and designers, all together, The Connective.

The Group reports results through one segment, The Connective, with corporate costs shown as a separate segment based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Executive Officer and Chief Financial Officer who are primarily responsible for the assessment of the performance of the businesses which currently operate under The Connective.

The Group reports results through one segment, The Connective, with corporate costs shown as a separate segment based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Executive Officer and Chief Financial Officer who are primarily responsible for the assessment of the performance of the businesses which currently operate under The Connective.

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

Results from continuing and discontinued operations for the current period were as follows:

2. Segment reporting (continued)

Results from continuing and discontinued operations for the year are below. The Connective represents the Group adjusted results.

	Year ended 31 July 2021		
	The Connective £'000	Corporate costs £'000	Total £'000
Revenue	160,342	-	160,342
Net revenue	141,419	-	141,419
Adjusting items	-	-	-
Adjusted net revenue	141,419	-	141,419
Operating profit/(loss) before Adjusting Items	22,136	(7,108)	15,028
Adjusting Items	(14,576)	(2,720)	(17,296)
Statutory profit/(loss) from operations	7,560	(9,828)	(2,268)
Net pension finance income			21
Other finance expense			(2,030)
Statutory loss before tax			(4,277)
Income tax charge			(820)
Statutory net loss from continuing operations			(5,097)
Statutory net profit from discontinued operations			7,793
Statutory net profit from continuing and discontinued operations			2,696

Results from continuing and discontinued operations for the prior year were as follows:

	Year ended 31 July 2020		
	The Connective £'000	Corporate costs £'000	Total £'000
Revenue	140,491	-	140,491
Net revenue	125,728	-	125,728
Adjusting items	(88)	-	(88)
Adjusted net revenue	125,640	-	125,640
Operating profit/(loss) before Adjusting Items	17,632	(6,419)	11,213
Adjusting Items	(42,292)	(2,252)	(44,544)
Statutory loss from operations	(24,660)	(8,671)	(33,331)
Net pension finance income			161
Other finance expense			(3,132)
Statutory loss before tax			(36,302)
Income tax credit			2,004
Statutory net loss from continuing operations			(34,298)
Statutory net profit from discontinued operations			2,047
Statutory net loss from continuing and discontinued operations			(32,251)

Other information

	Year ended 31 July 2021		
	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Capital additions	3,476	32	3,508
Depreciation and amortisation charges	12,513	678	13,191
Impairment charges	456	–	456

	Year ended 31 July 2020		
	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Capital additions	2,365	60	2,425
Depreciation and amortisation charges	14,916	1,876	16,792
Impairment charges	21,325	1,465	22,790

Geographical segments

Operations

Net revenue by geographical area is based on the location where the goods and services have been provided.

Continuing operations	**Year ended 31 July 2021 £'000**	Year ended 31 July 2020 £'000
United States of America	**85,065**	78,642
United Kingdom	**56,265**	46,724
Rest of the world	**89**	275
Net revenue from continuing operations	**141,419**	125,641
Discontinued		
United States of America	**3,925**	5,195
United Kingdom	**10,958**	15,143
Net revenue from discontinued operations	**14,883**	20,338
Total		
United States of America	**88,990**	83,837
United Kingdom	**67,223**	61,867
Rest of the world	**89**	275
Total net revenue	**156,302**	145,979

The analysis in the table above is based on the location of where our companies are registered. The analysis below is based on where our clients are registered.

Client location

The Group derives 60% (2020: 63%) of the total continuing revenue from customers located in the US, 40% (2020: 37%) from customers located in the UK and less than 1% (2020: <1%) from customers located in the rest of the world.

3. Adjusting Items

Adjusting Items disclosed on the face of the Consolidated Income Statement are as follows:

Expense/(income) Continuing operations	**2021** **£'000**	**2020** **£'000**
Restructuring items and other charges		
Redundancies and other charges	–	3,456
Losses related to closure of subsidiary	–	318
Costs associated with empty properties	**27**	1,262
Impairment of property plant and equipment	**154**	2,475
Reduction in lease liabilities	**–**	(758)
Gain on sale of investment in minority interest	**–**	(198)
	181	6,555
St Ives Defined Benefit Pension Scheme costs		
Scheme administrative costs	**773**	624
Past service cost (GMP equalisation uplift)	**604**	–
Other related costs	**1,165**	1,051
	2,542	1,675
Costs related to acquisitions		**-**
Amortisation of acquired intangibles	**8,651**	10,563
Contingent consideration required to be treated as remuneration	**4,956**	6,186
Acquisition costs	**966**	669
Impairment of goodwill and acquired intangible assets	**–**	18,850
	14,573	36,268
Adjusting Items	**17,296**	44,498
Loss on disposal of property, plant and equipment	**–**	46
Adjusting Items before interest and tax	**17,296**	44,544
Net pension finance income in respect of defined benefit pension scheme	**(21)**	(161)
Adjusting Items before tax	**17,275**	44,383
Income tax credit	**(1,738)**	(4,168)
Continuing operations adjusting Items after tax	**15,537**	40,215
Discontinued operations adjusting items net (profit)/loss after tax	**(5,171)**	1,427
Continuing and discontinued adjusting items after tax	**10,366**	**41,642**

Restructuring items and other charges

Restructuring costs incurred during the year were £0.2 million (2020: £6.6m). The change was mainly due to no further redundancy costs or significant impairments during the year as the previous restructuring programmes are complete.

Costs associated with empty properties are contractually unavoidable expenses relating to business rates and maintenance charges of leasehold property, or property owned by the Group from which there is no ongoing business operation. These costs have reduced significantly as there were no properties vacated during 2021. The costs do not relate to the ongoing trade of the Group and are therefore are recorded as Adjusting Items.

Impairment of property , plant and equipment

Impairment costs of £0.2 million relate to computer equipment and a property lease termination in the UK both under a restructuring program that commenced in the prior financial year and is now complete. There were no provisions outstanding in relation to the leases that were terminated or assets impaired.

St Ives Defined Benefit Pension Scheme costs

The Scheme charges include Scheme administrative service costs of £0.8 million, £0.6 million of further past service costs related to GMP equalisation on members who have transferred out of the Scheme following further clarification on the Lloyds case, and Company costs in relation to running the scheme of £1.2 million. These items are recorded in corporate costs.

Costs related to acquisitions made in the current and prior periods

Costs of £1.0 million were incurred as part of the acquisition of Cascade Data Labs in December 2020 and in respect of other acquisition and divestment-related activities in the period. Charges relating to the amortisation of acquired customer relationships, proprietary techniques and software amounted to £8.7 million in the year. During the year, charges relating to contingent consideration deemed as remuneration of £5.0 million (2020: £6.2 million) were recorded in the Consolidated Income Statement as Adjusting Items. The charges in the year arose in respect of the acquisition of SpireMedia, Inc. (d.b.a. Kin and Carta Denver) (£2.1 million) and Cascade Data Labs (£2.9 million). These are recorded in the Connective Segment.

Tax

In the current period, the tax credit of £1.7 million (2020: £4.2 million) relates to the items noted above. No tax credit is recorded in respect of the deemed remuneration charges in respect of Spire Digital and Cascade or acquisition costs. In 2020 there was no tax credit associated with the impairment of Edit goodwill.

Discontinued operations

Discontinued operations Adjusting items of £5.2 million in the current year represents the gain on the disposal of Hive, net of the loss on disposal of Pragma. In the prior year, the figure represents amortisation of intangibles in respect of Hive and Pragma and impairments in respect of Pragma intangible assets.

4. Income tax (charge)/credit

Continuing operations:	2021 £'000	Restated* 2020 £'000
Total current tax charge:		
Current period	**(2,359)**	(693)
Adjustments in respect of prior periods	**(348)**	348
Total current tax charge	**(2,707)**	(345)
Deferred tax on origination and reversal of temporary differences:		
Deferred tax credit	**1,969**	2,512
Adjustments in respect of prior periods	**(82)**	(163)
Total deferred tax credit	**1,887**	2,349
Total income tax (charge)/credit	**(820)**	2,004

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

	2021 £'000	Restated* 2020 £'000
Tax charge on adjusted profit before tax	**(2,558)**	(2,164)
Tax credit on adjusting items	**1,738**	4,168
Total income tax (charge)/credit	**(820)**	2,004

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

	2021 £'000	Restated* 2020 £'000
Loss before tax from continuing operations	**(4,277)**	(36,302)
Tax calculated at a rate of 27.5% (2020: 20.6%)	**797**	6,816
Expenses not deductible for tax purposes	**(2,121)**	(5,643)
Effect of tax deductible goodwill	**707**	759
Effect of change in United Kingdom corporate tax rate	**–**	(349)
Credit on research and development activities	**208**	236
Re-assessment of tax losses	**19**	–
Adjustments in respect of prior periods	**(430)**	185
Total income tax (charge)/credit	**(820)**	2,004

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

	2021	2020
	£000	£000
United Kingdom corporation tax charge	**–**	425
Deferred tax on origination and reversal of temporary differences	**(3,401)**	917
Total income tax charge	**(3,401)**	1,342

The income tax charge in the current year and the credit in the prior year relate to the actuarial gains and losses respectively on the St Ives Defined Benefits Pension Scheme.

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

	2021	2020
	£000	£000
Deferred tax on origination and reversal of temporary differences	**1,220**	**75**

Income tax charges in the current and prior year relate to the difference between the intrinsic value of employee share options at the balance sheet date and their fair market value at the date of grant.

5. Acquisitions

Cascade Data Labs, LLC

On 23 December 2020, the Group acquired 100% of the issued share capital of Cascade Data Labs, LLC ("Cascade Data Labs"), a data transformation business based in Portland, Oregon, USA. The total cash outflow in the current period in respect of the acquisition was £6.5 million. That comprised the initial consideration paid in December 2020 of £4.9 million, net of cash acquired, and a further payment of £1.6 million was made in June 2021, both of which were determined by reference to the EBITDA achieved by Cascade Data Labs for the financial year ended 30 September 2020.

Further amounts are payable in respect of the growth in adjusted EBITDA for the 12 months ended 30 September 2021 and the 12 months ended 30 September 2022 respectively. The related deferred consideration vests between September 2022 and September 2024. Up to 75% of the deferred consideration payable may be settled in shares of Kin and Carta plc at the Company's discretion. The total consideration payable, including contingent consideration payable which is deemed as remuneration, is capped at £22.3 million.

Purchase price allocation

The amounts recognised for each class of assets and liabilities at the acquisition date were as follows:

	Historical net assets £'000	Fair value adjustments £'000	Fair value of net assets £'000
Customer relationship portfolio	–	2,322	2,322
Trade and other receivables	467	–	467
Bank balances and cash	742	–	742
Trade and other payables	(690)	–	(690)
Foreign exchange	100	–	100
Net assets acquired	**619**	**2,322**	**2,941**
Goodwill			2,182
Total consideration			**5,123**

The goodwill that arose on the combinations can be attributed to the value of future growth from new customers and the assembled workforce. The gross contractual amount for trade receivables due is £0.5 million, equal to their fair value. The fair value of the total amounts payable are as follows:

	Non-contingent consideration £'000	Deemed Remuneration £'000	Total consideration £'000
Cash consideration payments made in the current period	4,381	1,575	5,956
Estimated future consideration payable in cash and shares	–	4,666	4,666
Total consideration	**4,381**	**6,241**	**10,622**

Deferred amounts that have been recognised to date have not been discounted since the effect of discounting is not considered to be material. Estimated future amounts payable to former shareholders in respect of the acquisition have been or will be accounted for as follows:

	Deemed remuneration: Cash £'000	Deemed remuneration: Equity £'000	Total Deemed remuneration £'000
Total accounted for at 31 July 2021	**320**	**960**	**1,280**
Not yet accrued	846	2,540	3,386
Total deemed remuneration paid and payable	**1,166**	**3,500**	**4,666**

The estimated remuneration of £3.4 million not yet accrued at 31 July 2021 will be charged to the income statement over the 38 months from 1 August 2021 as this is the service period which consideration is contingent.

The acquisition had the following impact on investing cash outflows in the current period:

	£'000
Cash consideration	5,123
Less cash acquired	(742)
Investing cash outflows	**4,381**

In addition, the Group incurred acquisition expenses of £1.0 million in relation to this acquisition and other acquisition and divestment-related activities, which were recognised in adjusting administrative expenses.

Spire

In March 2021, $4.6 million (£3.3 million) of the deferred consideration payable in respect of Spire, a business acquired in the prior year, was settled by the payment to the former shareholders of $2.3 million in cash and the issue of 1,296,763 ordinary shares in Kin and Carta plc.

Further amounts of $8.2 million (£5.9 million) in respect of the remaining deferred consideration, which has now been finally determined, are to be settled in February 2023. On 25 March 2021, the Group issued a further 2,311,944 shares in Kin and Carta plc which have been allocated to the former shareholders under a reverse vesting mechanism and will finally vest in February 2023, settling $4.1 million (£2.95 million) of the remaining deferred consideration. The issue of shares has been recorded in equity against the Employee Share Options Plan ("ESOP") Reserve. The remaining balance of $4.1 million of deferred consideration will be settled in cash in February 2023. Both amounts are subject to service vesting conditions and are accounted for as a deemed remuneration expense as an Adjusting Items and accrued over the relevant vesting period.

The total deferred consideration for the Group is as follows:

	Deemed remuneration: Cash £'000
Accounted for at 31 July 2021 for Cascade	**320**
Accounted for at 31 July 2021 for Spire Digital	**1,568**
Total	**1,888**

6. Dividends

No final dividend is proposed. The Board will revisit its dividend policy in FY22 as part of its capital allocation strategy. The total dividend for the year is nil per share (2020: nil per share).

7. Earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share are based on the following:

Number of shares

	2021 Number of shares	2020 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**171,273**	163,871
Effect of dilutive potential ordinary shares:		
Share options	**5,419**	2,313
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**176,692**	166,184

On 25 March 2021, the Group allotted 3,608,707 shares in Kin and Carta plc to the former shareholders of Spire to settle a portion of the deferred consideration payable (refer to note 5). 2,311,944 of these shares are under a reverse vesting mechanism and will vest in February 2023, subject to service conditions. The remaining 1,296,763 shares were fully vested at the date of allotment. All the allotted shares have been included in the calculation of the weighted average number of shares for the year ended 31 July 2021. A further 176,956 shares were issued to settle employee share option exercises.

In the prior period, 15,333,582 shares were issued at a price of 89 pence per share through a share placing exercise leading to cash proceeds, net of costs of issuance, of £13.1 million. The proceeds of the share placing were used to fund the acquisition of Spire.

	2021		Restated* 2020	
	Earnings/ (loss) £'000	**Earnings/ (loss) per share pence**	Earnings/ (loss) £'000	Earnings/ (loss) per share pence
Continuing Operations:				
Earnings/(loss) and basic earnings/(loss) per share				
Adjusted earnings and adjusted basic earnings per shares	**10,440**	**6.14**	5,917	3.61
Adjusting items	**(15,537)**	**(9.14)**	(40,215)	(24.54)
Loss and basic loss per share	**(5,097)**	**(3.00)**	(34,298)	(20.93)

Loss and diluted loss per share

As there is a loss after tax arising for the statutory results for the year, the effect of the dilutive potential ordinary shares has been disregarded for the related diluted loss per share calculations, since its incorporation into the calculations would be anti-dilutive.

Discontinued Operations:				
Earnings/(loss) and basic earnings/(loss) per share				
Adjusted earnings and adjusted basic earnings per share	**2,622**	**1.54**	3,474	2.12
Adjusting items	**5,171**	**3.04**	(1,427)	(0.87)
Earnings and basic earnings per share	**7,793**	**4.58**	2,047	1.25
Earnings/(loss) and diluted (loss)/earnings per share				
Adjusted earnings and adjusted diluted earnings per share	**2,622**	**1.49**	3,474	2.09
Adjusting items	**5,171**	**2.95**	(1,427)	(0.86)
Earnings and diluted earnings per share	**7,793**	**4.44**	2,047	1.23
Continuing and discontinued operations				
Earnings/(Loss) and basic earnings/(loss) per share				
Adjusted earnings and adjusted basic earnings per share	**13,062**	**7.68**	9,391	5.73
Adjusting items	**(10,366)**	**(6.10)**	(41,642)	(25.41)
Earnings/(loss) and basic/(loss) earnings per share	**2,696**	**1.58**	(32,251)	(19.68)
Earnings/(Loss) and diluted earnings/(loss) per share				
Adjusted earnings and adjusted diluted earnings per share	**13,062**	**7.45**	9,391	5.65
Adjusting items	**(10,366)**	**(5.91)**	(41,642)	(25.06)
Earnings and diluted earnings per share	**2,696**	**1.54**	(32,251)	(19.68)

Adjusted earnings/(loss) is calculated by adding back Adjusting Items, as Adjusted for tax, to the profit/(loss) for the year.

8. Retirement benefits

As at 31 July 2021, the Group reported a net IAS 19 surplus in respect of the St Ives Defined Benefits Pension Scheme of £19.3 million compared to a surplus of £1.1 million as at 31 July 2020. The value of the plan assets increased to £419.8 million (2020: £396.6 million) due to the strength of investment returns. Plan liabilities increased to £400.5 million (2020: £395.5 million) due primarily to a decrease in the discount rate used to determine the present value of the liability.

The Scheme's triennial technical valuation determines the cash deficit repair contributions payable by the Group -the last formal valuation showed a technical deficit of £28.4 million at April 2019. The technical valuation prepared on a "roll forward" basis as of June 2021, using the same funding assumptions, showed that the technical deficit had reduced to £2.0 million and was 99.5% funded at that date. The Group paid deficit repair contributions of £1.0 million in 2021 (2020: £1.7 million), and will pay fixed contributions of £2 million in FY22, as well as further payments contingent on free cash flow generation in FY 2022, adjusted for certain pension items, in excess of the £2 million, and a final contingent payment of £1.0 million in respect of FY 2021 pension adjusted free cash-flow. Contributions payable in 2023 and beyond will be determined at the end of FY22.

9. Notes to the consolidated cash flow statement

Reconciliation of cash generated from operations

	2021 £'000	Restated 2020 £'000
Operating loss from continuing operations	**(2,268)**	(33,331)
Operating profit from discontinued operations	**8,604**	2,287
Operating profit /(loss)	**6,336**	(31,044)
Adjustments for:		
Depreciation of property, plant and equipment	**4,322**	5,995
Amortisation of intangible assets	**8,869**	10,789
Impairment loss	**456**	22,790
Loss on disposal of property, plant and equipment	**–**	92
Share of profit from joint arrangement	**(700)**	(721)
Disbursement from joint arrangement	**440**	303
Share-based payment charge	**1,944**	272
Forgiveness of US government loans	**(4,541)**	–
Gain on disposal of subsidiaries	**(5,171)**	-
Non-cash reductions in lease liabilities	**(306)**	(758)
Decrease in retirement benefit obligations	**(286)**	(1,614)
Net increase in contingent consideration required to be treated as remuneration	**3,342**	6,186
Decrease in provisions	**(877)**	(628)
Operating cash inflows before movements in working capital	**13,828**	11,662
(Increase)/decrease in receivables	**(13,736)**	11,003
Increase / (decrease) in payables	**10,377**	(2,189)
Increase in deferred income	**378**	2,374
Cash generated from operations	**10,847**	22,850

Analysis of financing liabilities

	1 August 2020 £'000	Draw down £'000	Repayment £'000	US Government loan forgiveness	Foreign exchange gains £'000	**31 July 2021 £'000**
Current liabilities						
US Government Loans	6,721	–	(24)	(4,541)	(303)	**1,853**
Non-current liabilities						
Bank loans – Revolving credit facility	49,286	30,000	(15,000)	–	(1,921)	**62,365**
Total financing liabilities	**56,007**	**30,000**	**(15,024)**	**(4,541)**	**(2,224)**	**64,218**

Cash and cash equivalents (which are presented as a single class of assets on the face of the consolidated balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. £4.5 million of the US government loans received under the Paycheck

Protection Program were forgiven in the period. The remaining loan balance will be repaid in May 2022. The effective interest rates on cash and cash equivalents are based on current market rates.

10. Discontinued operations and post-balance sheet events

Discontinued operations comprise the results of three businesses which were divested in or after the end of the year:

- Pragma, a commercial retail space consulting business;
- Hive, a healthcare communications consultancy; and
- Incite, a strategic marketing and planning consultancy

On 31 August 2020, Pragma was divested for a consideration of £0.25 million, before adjustments for cash, debt and working capital items, received in cash at completion. The loss on disposal of Pragma of £0.2 million is recorded with Adjusting Items.

On 16 December 2020, Hive was divested for a consideration of £13.8 million before adjustments for cash, debt and working capital items received in cash at completion. After adjustments for cash, debt and working capital, net proceeds from Hive of £12.35 million were received in the year. The gain on disposal of Hive of £5.4 million is recorded with Adjusting Items. Both businesses were classified as assets held for sale as at 31 July 2021.

On 28 September 2021, the Group completed the sale of Incite for a consideration of £18.3 million before adjustments for cash, debt and working capital items. After adjustments for cash, debt and working capital, and costs, net cash proceeds arose on the sale of Incite of £14.6 million at completion, with a further £1.0 million due on 31 July 2022, which is not contingent on business performance. The net gain on divestment of Incite, which will be recorded in Adjusting Items in FY22 was approximately £15 million.

The results of the discontinued operations for the year were as follows:

	2021 £'000	Restated* 2020 £'000
Revenue	**20,017**	27,525
Net revenue	**14,883**	20,338
Gross profit	**8,927**	10,518
Selling costs	**(1,893)**	(2,505)
Administrative expenses	**(3,601)**	(4,299)
Adjusted operating profit	**3,433**	3,714
Finance expenses	**(133)**	(173)
Adjusted profit before tax	**3,300**	3,541
Adjusting items	**5,171**	(1,427)
Profit before tax	**8,471**	2,114
Income tax charge	**(678)**	(67)
Profit for the year	**7,793**	2,047

Adjusting items are detailed in note 3.

The major classes of assets and liabilities comprising the operations classified as held for sale at 31 July 2021, which relate solely to the Incite business, are as follows:

	31 July 2021 £'000
Asset held for sale	
Property, plant and equipment	1,926
Goodwill	601
Other intangible assets	**–**
Deferred tax assets	**60**
Trade and other receivables	**4,512**
	7,099

	31 July 2021 £'000
Liabilities held for sale	
Lease liabilities	**2,212**
Trade and other payables	**4,102**
Income tax payable	**88**
Deferred income	**1,021**
Provisions	**129**
	7,552

11. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. No material related party transactions have been entered into during the period, which might reasonably affect the decisions made by the users of these financial statements.

No executive officers of the Company or their associates had transactions with the Group during the period.

Related party transactions and balances are as follows:

Loop Integration LLC

The Group holds a 50% interest in Loop Integration LLC ("Loop"), incorporated in Delaware, USA. Loop is an e-commerce consultancy specialising in Hybris software integration. The Group earned revenue of £0.5 million (2020: £nil) from Loop and incurred £4.2 million charges (2020: £0.6 million) for services received.

On 31 July 2021 the Group owed Loop Integration LLC £1.2 million (2020: £0.4 million), Loop Integration LLC owed the Group £0.1 million (2020: £0.1 million) for services rendered and £nil (2020: £nil) in respect of a loan.

During the year, the Group received distributions of £0.4 million from Loop (2020: £0.2 million) and loan repayments of £nil (2020: £0.2 million).

Simoleon LLC

SpireMedia, Inc (d.b.a. Kin and Carta Denver) a 100% subsidiary was acquired by the Group in November 2019. Simoleon LLC ("Simoleon") used to provide office space to Kin and Carta Denver in a lease that ended in December 2020. Simoleon LLC is partly controlled by Adam Hasemeyer and Michael Gellman with another third party, and they also controlled Kin and Carta Denver before it was acquired by the Group. Mr Hasemeyer and Mr Gellman became employees of the Group following the acquisition of Spire. During the year, Kin and Carta Denver paid USD 114,570 (2020: USD 174,488) to Simoleon LLC for office space. There were no outstanding amounts due to Simoleon LLC at 31 July 2021.

12. Post-balance sheet events

On 28 September 2021, the Group completed the sale of Incite. Further details are in note 10.

13. Responsibilities

The 2021 Annual Report and Accounts, which will be issued in November 2021, contains a responsibility statement in compliance with DTR 4.1.12 of the Listing Rules. The responsibility statement sets out that, as at the date of approval of the Annual Report and Accounts on 26 October 2021, the Directors confirm to the best of their knowledge:

- the Group and Company financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company, respectively; and
- The performance review contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that they face.

At the date of this statement, the Directors are those listed in the Group's 2020 Annual Report and Accounts.

The foregoing contains forward looking statements made by the Directors in good faith based on information available to them up to 26 October 2021. Such statements need to be read with caution due to inherent uncertainties, including economic and business risk factors underlying such statements.