KIN+CARTA

PRELIMINARY RESULTS FOR THE YEAR
1 AUGUST 2021 TO 31 JULY 2022

Full year results

12 October 2022

Kin and Carta plc

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

Full Year Results

Strong growth continues with net revenue up 48% driven primarily by organic growth

Kin + Carta, the international digital transformation ('DX') company, today announces annual results for the year 1 August 2021 to 31 July 2022

Financial Highlights

- Net revenue of £190.3 million from continuing operations[1, 2] up 48% year-on-year ("YoY") and up 37% like-for-like[3]
    - Americas net revenue grew 55% YoY (49% organic) to £132.2 million, representing 69% of total net revenue
    - Europe net revenue grew 33% YoY (27% organic) to £58.1 million, representing 31% of total net revenue
- Record year-ending backlog[4] (£96 million, up 35% YoY) and pipeline[4] (£176 million, up 74% YoY)
- Adjusted profit before tax from continuing operations[1] grew 65% to £17.1 million[5] (FY21: £10.3 million)
- Total loss before tax from continuing operations[1] of £15.9 million[5] (FY21: loss of £5.8 million) due to typical acquisition and pension-related charges as well as lease related impairments and provisions
- Adjusted EPS from continuing operations[1] increased by 82% from prior year to 8.7p[5, 6]
- Adjusted operating cash inflow from continuing operations[1] before working capital of £25.9 million[10] (FY21: inflow of £12.6 million) driven by higher EBITDA
- Balance sheet strengthened with net debt reduced to £0.5 million[9] (31 July 2021: £19.2 million), after the effect of £5.6 million of share purchases by the employee benefit trust
- Legacy pension Scheme accounting surplus increased to £38.7 million (31 July 2021: £19.3 million) following the April 2022 technical valuation
    - Pension in technical surplus of £5.4 million at the latest triennial date, 5 April 2022, with full hedge in place against interest rate and inflation risk

Operational Highlights

- Completion of three DX acquisitions adding annualised net revenue of c. £19 million: software development consultancy Melon Group in Bulgaria, North Macedonia and Kosovo, commerce consultancy Loop Integration, and responsible artificial intelligence platform Octain
- Contract sizes rising, including a record $90 million digital transformation contract with financial services client
- New client wins including six new UK Public Sector departments and notable multi-year commitments continue to underpin growth expectations
- 85% of top 20 clients buy two or more service lines, building resilience in strategic accounts
- Partnership channel grew 16% year-on-year with valuable 'managed partner' status awarded to Kin + Carta by Google, Microsoft and Amazon

- Organic development of new delivery hubs in Colombia and Greece
- Pricing power, homegrown junior talent (Kin Accelerator Programme) and the scaling of margin-efficient nearshore delivery is mitigating market salary inflation
- Employee value proposition is resonating in the talent market and keeping attrition below market rates
- Goal achieved to be the first certified B Corporation on the London Stock Exchange, and Kin + Carta named Microsoft Sustainability Changemaker Partner of the Year

Outlook & medium term guidance

While macroeconomic headwinds are evolving, Kin + Carta's focus on the business-critical digital transformation sector, underpinned by a record year-end backlog of £96 million, record pipeline of demand, and new client wins give the Board confidence in the Company's growth ambitions.

We expect FY23 organic growth in constant currency (like-for-like) of 15%-20%, with an additional 6-7%* growth from the annualisation of the prior year acquisitions. If rates remain near current levels then we expect further growth in total net revenue and adjusted operating profit.

To align with our global DX peer set and provide a market-based comparative, we will be excluding charges for share-based compensation from our adjusted results from FY23 onwards. We expect adjusted operating profit margins from continuing operations to improve from a re-based (excluding share based compensation) FY22 of 11.7%, to 13%-13.5% in FY23. This higher margin is inclusive of continued systems investments such as c. £1 million of SaaS software implementation now required to be immediately expensed under IAS38 accounting change instead of capitalised under the previous accounting treatment.

Medium term guidance is unchanged. Additional context: Last year we stated our ambition to double organic net revenue within four years, by FY25. We are well ahead of that pace, and now expect to achieve this target by FY24 and adjusted EBITDA margins in the mid-to-high teens by the end of FY25. We continue to pursue additional M&A which is additive to our organic growth expectations over this time period.

Kelly Manthey, Chief Executive Officer, said:

"Following a strong trading year the foundation of the business is well established and our sights are set on continued client success and profitable global growth. Kin + Carta's focus on the business-critical digital transformation sector and the scaling of nearshore delivery position the Company well to benefit from our client's prioritised investment in transformative technology."

	Continuing Operations 2022	vs. 2021 [1]	Continuing + Discontinued Operations 2022	vs. 2021
Net revenue (£'m) [2, 5]	190.3	48%	196.2	26%
Adjusted Operating Profit (£'m) [5]	18.9	54%	20.3	10%
Adjusted profit before tax (£'m) [5]	17.1	65%	18.5	13%
Adjusted basic earnings per share (p) [5, 6]	8.7	82%	9.4	23%
Statutory (loss)/profit before tax (£'m) [7]	(15.9)		9.8	
Statutory basic (loss)/earnings per share (p) [8]	(8.2)		5.6	
	2022	**2021**	**vs. 2021**	
Net debt (£'m) [9]	0.5	19.2	-97%	

1 Results for the year ended 31 July 2021 have been restated to reflect:

- a revised grouping of continuing and discontinued operations. Refer to note 5.
- a change in accounting policy, following adoption of the IFRS Interpretation Committee's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement. This change in accounting policy has increased the Group adjusted profit by £83,000. Refer to the change in accounting policy note for details.

2 Net revenue is defined as gross revenue excluding all direct costs and third-party expenses passed to clients.

3 Like-for-like growth in relation to net revenue is defined as the net revenue from operations at constant currency and excluding acquisitions when comparing the current period to the prior period.

4 Backlog is the value of client awards that have a signed contract, statement of work or an explicit verbal commitment to start work with no further permissions or conditions required. Pipeline is the value of the qualified and targeted sales funnel.

5 Adjusted results exclude adjusting items to enhance understanding of the ongoing financial performance of the Group. Adjusting items comprise: costs related to acquisitions, fair value gain from deemed sale on step acquisition, costs related to the Company's Defined Benefit Pension Scheme, restructuring and other charges, interest income, gain or loss on disposal of subsidiaries and the tax charge / credit related to these items. Refer to note 6.

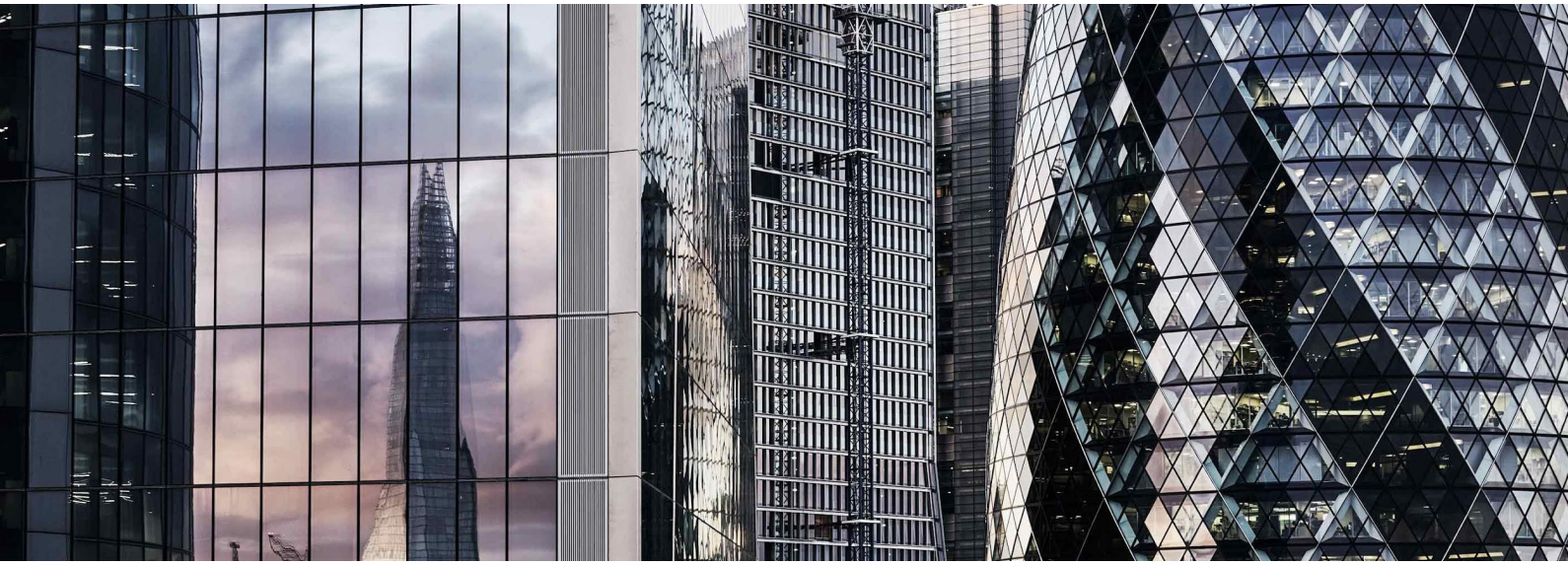
6 This measure is defined as basic earnings per share after adjusting items. Further details are provided within the Alternative Performance Measures section.

7 This is the Group result before tax (see section "Impact of adjusting items on Group results" in note 6). Also see further details in the Basis of Preparation (note 1).

8 This is calculated by dividing the total profit for the period attributable to ordinary equity holders of the Company by the weighted average number of shares in issue during the period, excluding shares held as own shares by the Group.

9 Cash and cash equivalents less bank loans payable and US government loans payable under the Paycheck Protection Program.

10 A reconciliation of the continuing adjusted operating profit to the adjusted operating cash inflow from continuing operations before working capital is provided under note 10.



For further information, please contact:

Kin and Carta plc
Kelly Manthey, Chief Executive Officer
Chris Kutsor, Chief Financial Officer and Chief Operating Officer
+44 (0)20 7928 8844

Numis Securities Limited
Nick Westlake / Tejas Padalkar
+44 (0)207 260 1345

Powerscourt
Elly Williamson / Jane Glover
+44 (0) 7713 246126

Peel Hunt LLP
Paul Gillam / John Welch
+44 (0) 20 7418 8900

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 2,000 consultants, engineers and data scientists 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 borderless model of service allows for the best minds to be connected to collaborate on client challenges.

With purpose at its core, Kin + Carta became the first company listed on the London Stock Exchange to achieve B Corp certification. It meets high 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 Officer's Review

Market growth

Kin + Carta's pure-play focus on the business-critical digital transformation sector positions us for continued growth during a period of economic volatility.

With the DX sector forecast to continue growth at a CAGR of over 20% (2022-30), the rate of client DX spend is expected to maintain its velocity during a period of economic disruption. Gartner research indicates that '94% of CEOs want to maintain or accelerate the already intense pace of digital transformation sparked by the pandemic, and 70% of CFOs expect digital technology to get more funding, with the imperative for organisations being placing the right digital bets at the right cost.'[1]

Strengthened foundations

The foundations of our global digital transformation consultancy are now well established, enabling profitable and sustainable growth across new and established trading regions. In the first half of FY22, the divestment of the remaining non-core businesses completed our transformation to become a DX specialist. The proceeds of those divestments were invested in the acquisition of three pure-play DX businesses: software engineering consultancy, Melon Group, commerce consultancy, Loop Integration, and responsible AI platform, Octain. These acquisitions added new talent funnels and high value capabilities to satisfy the strong demand we see from our clients. Alongside Melon Group's footprint in Bulgaria, North Macedonia and Kosovo, additional talent funnels were organically built in Greece and Colombia to serve our clients' demand for blended domestic and nearshore teams at a competitive price point.

Our go-to-market service lines, shaped to solve the most challenging DX problems, have been aligned to one global operating model, delivering innovation, modernisation, enablement and optimisation outcomes to our clients efficiently and consistently.

To ensure continued access to the highest quality digital talent, Kin + Carta's Employee Value Proposition (EVP) was reimagined for hybrid working, keeping attrition below market benchmarks in all regions, and the Kin Accelerator Programme (KAP) was established for entry-level training and deployment.

Investment in the processes, platforms and systems that increase operational efficiency, notably Enterprise Resource Planning (ERP), Human Resources Information System (HRIS), and Kin + Carta's Operations Platform will drive improvements in operating margin as we scale globally, and remain an investment focus for FY23 and beyond.

I am especially proud that our commitment to responsible business continued to scale through client and partner sustainability initiatives, achieving recognition as the first B Corp on the London Stock Exchange, and winning Microsoft's 2022 "Sustainability Changemaker" Partner of the Year Award.

Continued growth

Last year we outlined a plan to leverage four dimensions of growth through services, partnerships, geography and industry sectors, and I am pleased to share that the successful execution of this plan in FY22 has underpinned 48% net revenue growth year-on-year to £190.3 million (37% like-for-like).

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[1] Source: 2022 Gartner CEO and Senior Business Executive Survey, Gartner webinar poll: CFOs 2022 Playbook for Enhancing Profitability and Driving Digital Acceleration, 2021 Gartner Candidate Panel Survey, Gartner Supply Chain's 2021 Customer Expectations Survey

In our trading regions, Americas' net revenue grew 55% year-on-year (49% organic) to £132.2 million and Europe net revenue grew 33% year-on-year (27% organic) to £58.1 million. We saw continued growth from the partner channel (38% of new business opportunities in FY22) and scaling deal values as strategic combinations of service lines, technology partners, and industry sector knowledge build resilient revenue through long-term client partnerships. FY22 saw the largest DX deal in Kin + Carta's history with a $90 million contract in the financial services sector.

A record year-ending backlog of £96 million, up 35% year-on-year, underlines continued strong demand across all service lines, technology partnerships and industry sectors, positioning us well to continue the momentum of this growth. In FY21, we announced that we expected to double organic net revenue by FY25. A year later, I am pleased to share that we are on track to deliver this milestone by FY24, a year ahead of schedule.

This year, we achieved 65% YoY growth in adjusted profit before tax from continuing operations to £17.1 million (FY21: £10.3 million), setting the scene for the next phase of Kin + Carta's scaling story.

Scaling profitably and responsibly

In FY23, we will continue investment in the foundational systems, platforms and processes that further enhance operational and cost efficiency.

We will enhance our core, focusing on the connected relationship between service line (e.g. Kin + Carta Cloud + Platforms), technology partner (e.g. Google), and industry sector (e.g. healthcare); a key driver of resilient revenue, client growth, and differentiation. At a time of disruption for our clients, we will maintain and enhance the delivery experience that enables our clients' success, and the employee experience that has proven to attract and retain the world's leading digital talent.

The importance of data transformation services will continue to rise. Kin + Carta's investments ahead of the curve are well placed to build intelligent enterprises, enabling our clients to democratise their data, realise the value of their data assets and deliver market-differentiating data-driven experiences. For example, in the last year, our data centre of excellence has worked with a global coffee retailer to help it understand its data across loyalty, supply chain, commerce and marketing. Operating across this data spectrum allows Kin + Carta to deploy the value chain, cross-selling service lines, accessing new areas of the client's business and building resilient revenue within strategic accounts.

In FY22, we expanded our nearshore presence to complement our domestic capabilities and provide more options for our clients. When we diversify the delivery mix by incorporating nearshore capabilities, experience tells us that client budgets stretch further, engagement lifecycles expand, and high-value domestic resources are freed to start new projects. Consequently, accelerating nearshore delivery remains a significant opportunity to better serve our clients while enhancing our margins.

Our FY23 M&A ambitions expand to evaluate offshore delivery; a third lever to scale high quality managed services that grow and run our clients' products and services. Our increasing value to clients will be the blend of domestic, nearshore and offshore delivery options configured to their evolving needs. In addition, we continue to target acquisitions that will provide us further geographic scale, new digital capabilities, and the potential for a transformative deal, underpinned by robust processes for deal identification and evaluation.

As architects and engineers of digital transformation, we have a central role to play in our clients' sustainability journeys. In FY23, we are making a new commitment to our clients as we help them deliver on their ESG agendas. We pledge to help our clients save 1 million metric tonnes of CO_2 by FY27 through the implementation of progressive green computing, responsible and sustainable technology practices, cloud migration services and the measurable decarbonisation of our clients' digital estates.

Championing innovation for our clients during a downturn is an accelerant to their recovery that we shall continue to deliver. In FY23, investment will continue in service line, technology partnership and industry vertical innovation as we push new technology horizons.

REGIONS

Americas

FY22 was a year of accelerated growth for our Americas region.

Strong demand drove regional net revenue growth of 55% year-on-year (49% organic) to £132.2 million, with 31 new clients added, nine with an annual run rate over $1 million. In line with our global delivery strategy, 68% of new hires in the Americas region were in the Latin America territory, bolstering nearshore delivery capability, including 77 Kin in our newest office in Bogota, Colombia.

Industry sector progress included continued scaling of agriculture, notable gains in financial services (including a record $90 million contract), and innovative work in retail and quick service restaurants. Acquisition of the remaining 50% of joint-venture Loop Integration boosted commerce capabilities, while the IP acquisition of Octain artificial intelligence (AI) accelerated our clients' paths to unlocking the value from their data.

Following a comprehensive search and selection process, Adam Hasemeyer, formerly President of Kin + Carta's West Territory, has been appointed Group Chief Executive Officer, Americas.

Europe

The integration of the two separate UK businesses (the prior Create and Connect pillars) was completed in FY22. In FY23, we now have one UK trading legal entity, one set of employee and client contracts, a single instance of our ERP platform, integrated functional teams (e.g. sales, finance and operations) and integrated delivery practices. This Integration Playbook will be used again as we integrate Melon Group into the European business.

In FY22, the region saw net revenue increase 33% year-on-year (27% organic) to £58.1 million, with 15 new clients driving 18% of net revenue. UK Public Sector grew to 6% of net revenue in FY22, forecast to double in FY23 following notable multi-year commitments and the winning of six new government departments. Financial Services continued to scale, closing FY22 with a £6 million, 12-month commitment from Santander for Kin + Carta to run and optimise retail and business banking mobile applications.

Executing on our global delivery strategy, the acquisition of Melon Group brought a 300-strong team of high quality, margin-efficient web, mobile, and data specialists working across Bulgaria, North Macedonia and Kosovo, to bolster regional capacity in line with demand, and in addition to organic expansion in Greece.

Growth execution

The foundation for growth is established, thanks in no small part to my predecessor, J Schwan, who had the vision and execution to lead the transformation of Kin + Carta into the global, B Corp certified, digitally native DX consultancy that drives our clients' success today. As we now take the business beyond transformation to scaled profitable growth, it is the strength and depth of our leadership team, the talent and diversity of our people, and the calibre of our clients that fill me with confidence and excitement for the path ahead.

Now we build. We build a higher standard of consultancy with the success of our clients and our people at its core. We build the products, services and innovation that our clients need next. We build responsibly, upholding our environmental and sustainability commitments.

It is my honour to lead Kin + Carta forward as we build a world that works better for everyone.

–

Kelly Manthey
Chief Executive Officer
12 October 2022

FINANCIAL REVIEW

Group net revenue from continuing operations of £190.3 million was up 48% on the prior year, driven by strong growth in both regions. Organic net revenue at constant currency rates was up 37%. Acquisitions in the financial year added £7.4 million of net revenue (annualised c. £18 million) and favourable currency movements contributed a further £4.2 million of the net revenue increase.

Adjusted operating margin from continuing operations was 9.9% for the period (FY21: 9.5%), inclusive of a net £0.4 million increase in expense associated with the accounting policy change on SaaS software implementation costs adopted in the period. The Company is continuing to invest in core operations systems using SaaS software, which will have an adverse impact on EBITDA in FY23 of c. £1 million when compared to the previous accounting treatment of capitalising such costs.

Adjusted profit before tax from continuing operations rose by 65% to £17.1 million (FY21: £10.3 million). The higher adjusted profit is due to strong revenue growth and careful management of our cost base, resulting in a decrease in total operating expenses as a percentage of net revenue.

Higher employee costs have been the norm around the world for the past twelve months, and the Company has taken active steps to mitigate this dynamic. We have increased prices by 5% on average to 75% of our tenured client base, and new client rates are transacted at significantly higher base prices reflecting the current market conditions. At an employee level, we have increased our junior resources and responded to employee demand for hybrid working by rolling out a comprehensive employee value proposition whilst achieving Best Place to Work recognition across all territories. In addition, we have continued to scale our margin-enhancing nearshore delivery capabilities through both organic development and the acquisition of Melon Group in Bulgaria, North Macedonia and Kosovo.

Compared to FY21, adjusted profit before tax shows a substantial increase both before and after removing the effects in the prior year of income and expenses associated with government assistance programmes and the repayment in H2 FY21 of salaries which were sacrificed in FY20, as summarised below.

	Year to 31 July 2022 £'m	Restated* Year to 31 July 2021 £'m
Continuing operations adjusted PBT as reported	**17.1**	10.3
US PPP forgiveness income	**-**	(4.5)
Project costs funded by government assistance programme	**-**	3.0
Salary sacrifice repayment	**-**	2.0
Adjusted PBT excluding items above	**17.1**	**10.8**

*Restated to classify Edit and Relish as discontinued operations. 2021 includes Edit, Relish, Incite, Hive and Pragma as discontinued operations.

The total loss before tax from continuing operations in the period was £15.9 million (FY21: loss of £5.8 million), which is stated after net adjusting cost items of £32.9 million (FY21: £16.2 million). Adjusting items in the current period include:

- £21.0 million related to acquisitions, which is comprised of: £13.2 million of consideration required to be treated as remuneration for the acquisitions of Cascade Data Labs, Spire, Melon Group, Loop Integration and Octain; £6.4 million related to the amortisation of acquired intangibles; and £1.4 million of acquisition-related costs.

- a credit of £1.6 million following the deemed disposal of the 50% joint venture stake previously held in Loop Integration, as a result of the purchase of the remaining 50% of the joint venture , and corresponding to the step up to fair value of the existing holding.
- £8.3 million of restructuring costs, comprised of £6.2 million in respect of the impairment and empty property costs related to a partial closure of leased premises in Chicago, £0.4 million related to litigation of a customer dispute, and £1.7 million of severance charges in respect of restructuring across the Group.
- £5.5 million of charges to operating profit relating to the Company's legacy Defined Benefit Pension Scheme, including a £3.9 million past service charge for guaranteed minimum pensions, as well as an interest credit of £0.3 million on the Scheme surplus.

Details are provided within note 6 and the Alternative Performance Measures below.

Regional performance

Americas' net revenue grew 55% year-on-year to £132.2 million, which accounted for 69% of the total Group net revenue. Adjusted operating profit grew 56% year-on-year to £22.9 million, with operating profit margin in line with the prior year at 17.9%. Gross margins expanded by 1.2% (120 basis points) year-on-year, largely driven by new business wins that were secured at a higher margin than the regional average.

Europe's net revenue grew 33% year-on-year to £58.1 million, which accounted for 31% of FY22 total Group net revenue. Adjusted operating profit of £4.0 million was lower year-on–year as a result of lower operating margin (7.0% vs 10.0% in FY21). The lower margin is due to a higher number of contractors associated with rapid growth and the higher costs of those contractors associated with the tight labour market, particularly in the UK. Recent actions have substantially improved both the contractor to permanent employee mix and associated margins. The recent trend of improved margins is expected to continue into FY23 as we change the shape of our workforce in the UK and benefit from our distributed nearshore delivery capability through the recent acquisition of Melon Group.

The increase in corporate costs was contained to 18%, driving operating leverage and improving our Group operating profit percentage from 9.5% to 9.9%, despite the headwinds of divesting approximately £6.6 million of annualised operating profit associated with the non-core disposals.

Acquisitions

Acquisitions include Octain, which was completed in December 2021, the acquisition of the remaining 50% of our joint venture, Loop Integration, completed in February 2022, and the Melon Group, completed in May 2022. Total consideration paid in FY22 was £20.1 million, net of cash acquired, with the potential for an additional £9.2 million to be paid over the next three years contingent upon achieving revenue or EBITDA and revenue growth targets.

- Through Octain, we acquired the intellectual property of an ethical, machine learning data platform that provides custom artificial intelligence models for our clients.
- Loop Integration is a Chicago-based full-stack e-commerce consultancy that generated net revenue of US$9.3 million and US$1.8 million of adjusted operating profit for the year ended 31 December 2021.
- Melon Group provides margin-efficient nearshore software engineering in Bulgaria, North Macedonia and Kosovo with c. 300 engineers, which has been growing net revenue at 20%+ in recent years. Melon Group generated revenues of €9.0 million and operating profit of €2.2 million for the year ended 31 December 2021.

The incremental operating profit impact to Kin + Carta of Loop Integration post-acquisition was the remaining half of Loop Integration's total results, as we previously recorded 50% of Loop Integration's profits on a single line under adjusted other income using the equity accounting method.

Capital allocation
The Company remains disciplined in its approach to the allocation of capital with the overriding objective being to enhance shareholder value by delivering sustainable growth. Our capital allocation framework remains unchanged and prioritises investing in growth.

Given the scale of the DX opportunity in front of us and the significant opportunity to grow the business, the Company is focused on reinvesting capital for both organic and inorganic growth, aligned with our strategy. Consequently, our framework remains unchanged and prioritises:

- Organic investment to accelerate growth.
- Meaningful acquisitions, whilst maintaining a prudent level of financial gearing.
- A normalised net debt/EBITDA ratio in a range of 0-2.0x (excluding temporary M&A impacts).

In addition, given the scale of the opportunity, the Board has decided not to pay dividends for the foreseeable future.

The emphasis is on growth that delivers significant shareholder value through scale and return on capital, whilst remaining mindful of prudent pension support. We continuously assess our medium to long term plans, which take account of investment in the business, growth prospects, cash generation and leverage.

Balance sheet and cash flow
Net assets grew by £40.9 million over the year to £126.1 million. The increase in the legacy pension Scheme surplus to £38.7 million, net of tax, contributed £13.3 million of the increase, with net income through the primary income statement providing a further increase of £9.8 million, and other increases in equity of £17.8 million, primarily related to equity additions to fund acquisitions of £15.8 million, as well as employee incentive transactions and currency revaluation of dollar-denominated net assets, partially offset by the purchase of shares into our EBT to hedge future vesting of employee equity awards.

The cash inflow from operations before working capital of £18.4 million for FY22 is up 34% on the prior year, due to the strong growth in net revenue and related EBITDA generation. The net working capital outflow of £7.0 million reflects mostly an increase in receivables related to revenue growth. On a continuing operations basis, before the cash effect of adjusting items and working capital movements, we saw an operating cash inflow of £25.9 million, which is an increase of £13.3 million on the prior year. Cash flows related to finance charges decreased slightly with the reduction in net debt, partly offset by higher borrowing rates. Tax cash outflows were reduced by the utilisation of prior year tax losses and tax refunds in the UK.

Investing cash inflow of £21.0 million includes the proceeds from divestments of Incite, Edit and Relish businesses, which generated £34.3 million, partially offset by acquisition outflows of £11.9 million related to Octain, Loop Integration and Melon Group. Included within financing cash flows are lease payments, which were slightly lower than the prior year at £3.8 million following the divestments, and £5.6 million was used to purchase treasury shares for the Employee Benefit Trust to satisfy future vesting of employee share awards.

The resulting free cash inflow was used to pay down bank debt. As a result, we ended the year with the balance sheet significantly de-geared and a net debt position of £0.5 million compared to a net debt position of £19.2 million at 31 July 2021.

Pension

The IAS19 pension accounting surplus increased at 31 July 2022 to £38.7 million from £19.3 million at 31 July 2021 due to increases in interest rates and updated demographic assumptions. We have provisionally agreed with the trustees to reduce the portion of the asset portfolio allocated to growth assets from 40% at 31 July 2021, with the balance likely to be invested in investment grade credit assets to help meet pension cash flows or whose movement broadly matches the value of pension liabilities (UK government bonds). Around 14% of total assets was allocated to equities at 31 July 2022, with the balance of the growth portfolio invested in return seeking credit, alternatives, property and commodities. The Scheme remains approximately fully hedged against interest rate and long-term inflation rate risk, and was in a technical surplus of £5.4 million at 5 April 2022, the triennial valuation date. The difference between the accounting and technical measures of the surplus relates principally to the assumption on improvements in future member mortality, where the technical provisions incorporate an additional level of prudence, as well as differences in the discount rates used for the liability.

As there is a surplus, statutory deficit repair contributions are no longer required by the Scheme, but the Company has agreed to pay £2.5 million of voluntary contributions during the period August 2022 until April 2025, in addition to £0.4 million per annum towards trustee expenses, in order to accelerate the time to a state of "low dependency" of the Scheme upon Kin + Carta.

The very recent high volatility in UK gilts had little effect on the Scheme technical funding level due to prudent levels of liquidity and hedging. As at 30 September 2022, the Scheme could tolerate a further increase in the UK gilt curve up to approximately 3.2% before exhausting its gilt collateral. The increase in gilt yields has the effect of reducing the Scheme solvency deficit and, therefore, if the increase is sustained, reducing the cost of eventual risk transfer.

Credit facility

We extended the term of our £85 million committed revolving credit facility by one year with all four lender banks in the period and the facility is now committed until September 2026. Our liquidity position remains very strong, with a negligible level of net bank debt at 31 July 2022, limited pension-related commitments, reduced finance lease obligations, deferred consideration on acquisitions payable in cash of less than £13 million, and only modest current claims on our future operating cash flows beyond growth-related investment in working capital. Taking into account the effect of the acquisitions completed in the year, our pro forma leverage ratio (net debt to adjusted EBITDA) was 0.01X at 31 July 2022. We have substantial undrawn capacity on our credit facility and it is anticipated that this will be used in part to fund further acquisitions over the remaining term of the facility. We have the option to fund between 50% and 75% of deferred payments on previous acquisitions with new equity.

Summary

FY22 has been another year of material progress for Kin + Carta.

From an operational perspective, we completed three acquisitions, the most significant being Melon Group in Bulgaria, North Macedonia and Kosovo. This, combined with the organic development of offices in both Greece and Colombia, substantially boosts our expertise, capacity and margin enhancing options as we look to scale the business globally. We have also demonstrated the ability to hire and retain the best available talent in what is a changing workplace and we have enhanced our Employee Value Proposition as well as launching the Kin Accelerator Programme in both regions. Our B Corp status and ongoing commitment to responsible business underpin these initiatives.

Our liquidity and balance sheet position remains very strong. Taking into account the effect of the acquisitions completed in the year, our balance sheet is de-geared (pro forma net debt to adjusted EBITDA of 0.01X at 31 July 2022). We benefit from a low level of debt, limited pension-related commitments, reduced lease obligations,

deferred consideration on acquisitions payable in cash of less than £13 million at 31 July 2022, and only modest claims on our future cash flows beyond growth-related investment.

We are also tracking ahead of our previously stated ambition to double organic net revenue within four years. We now anticipate achieving this in FY24 rather than FY25. When coupled with selective acquisitions, we continue to achieve meaningful scale with double-digit growth, improved cash generation, better operational efficiencies and expanding margins. Notwithstanding the macroeconomic backdrop, the Company is in excellent shape and performing as expected.

–

Chris Kutsor

Chief Financial Officer
Chief Operations Officer

Alternative Performance Measures (APMs)

The full year results include both statutory and adjusted results. Management believes that the adjusted results reflect the underlying performance of the business, how the business is managed on a day-to-day basis and allow for a consistent and meaningful comparison.

The APMs are aligned to our strategy, 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 the following costs: contingent consideration required to be treated as remuneration; amortisation of acquired intangibles; acquisition and integration costs; interest income and costs related to the Company's Defined Benefit Pension Scheme; impairment, lease modification and empty property costs; customer litigation; redundancies and other charges; and the fair value gain from deemed sale on step acquisition. The tax effects of these adjustments are reflected in the adjusted tax charge. The adjustments are detailed below:

1. Acquisition costs consist 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 and the level of financial performance achieved post-completion. Under IFRS 3 this is treated as an expense and, therefore, part of the statutory result. Where the purchase price has been determined and there is a subsequent increase or decrease arising from the payment of deferred consideration under IFRS 3 this is required to be expensed. We do not consider either of these items to be part of the underlying trading performance.

2. Amortisation of acquired intangibles and impairments – the amortisation and impairment of assets acquired through business combinations are excluded from adjusted results. These costs are acquisition related and are not part of the underlying trading performance of the business.

3. Acquisition and integration costs - costs of £1.5 million (2021: £1.0 million) were incurred as part of the acquisition and integration of Datorium (the legal entity that owns Octain, the responsible artificial intelligence platform), Loop Integration and Melon Group and in respect of other acquisition and divestment-related activities in the period.

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

5. Impairment, lease modification and empty property costs - these are costs incurred following a decision to vacate a significant portion of the Group's leasehold property in Chicago from September 2022 and to exercise a break on the whole lease in November 2026. The charges and credits include:
    a. An impairment charge on the related right of use asset
    b. Contractually unavoidable future expenses relating to the business rates and maintenance charges of the leasehold property
    c. Credit associated with the lease modification, which reduced the lease liability due to the decision to exercise the break clause

6. Customer litigation - relates to external legal advisor costs in defence of a claim brought by a former client. These costs are considered one-off in nature, and therefore have been classified as adjusting.

7. Redundancies and other charges - include staff severance across the Group's regions, following the change to a regional structure, merger of the two UK trading businesses and the costs of simplifying the Group's legal structure through the liquidation of a number of legal entities.

8. Fair value gain from deemed sale on step acquisition - The acquisition of the remaining 50% of Loop Integration, where in line with IFRS 3, this has been accounted for as a disposal, followed by a full acquisition. The notional disposal of the existing 50% gives rise to a step up to fair value of the previously held investment.

The analysis of adjusting items from continuing operations is set out below:

	Year to 31 July 2022 £'000	Restated* Year to 31 July 2021 £'000
Contingent consideration required to be treated as remuneration	**13,229**	4,956
Amortisation of acquired intangibles	**6,390**	7,527
Acquisition and integration costs	**1,421**	966
Administrative expenses related to St Ives Defined Benefits Pension Scheme	**5,492**	2,542
Impairment, lease modification and empty property costs	**6,264**	181
Customer litigation	**380**	–
Redundancies and other charges	**1,693**	–
Fair value gain from deemed sale on step acquisition	**(1,621)**	–
Total Adjusting Items added back to the total operating profit	**33,248**	16,172
Pension finance credit	**(340)**	(21)
Total Adjusting Items added back to the total profit before tax	**32,908**	16,151
Tax related to Adjusting Items	**(3,603)**	(1,738)
Total Adjusting Items added back to the total profit after tax	**29,305**	14,413

*Restated to classify Edit and Relish as discontinued operations. 2021 includes Edit, Relish, Incite, Hive and Pragma as discontinued operations.

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

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 2022 £'000	Year to 31 July 2021 £'000
Revenue	**197,123**	137,321
Project-related costs	**(6,846)**	(8,402)
Net revenue	**190,277**	128,919

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

	Year to 31 July 2022 £'000	Year to 31 July 2021 £'000
Net revenue	**190,277**	128,919
Impact of acquisitions*	**(10,057)**	-
Effect of constant currency**	**(4,202)**	-
Like-for-like net revenue	**176,018**	**128,919**
Like-for-like net revenue increase %	**37%**	

*Where there is no comparable net revenue in the prior period, this amounts to an impact from acquisition. This comprises six months' trading from Loop Integration (£5.0 million) three months' of Melon Group (£2.4 million) and removed five months' of Cascade Data Labs trading (£2.7 million).

**The impact of retranslating FY22 net revenue at the FY21 average exchange rate.

Adjusted operating profit: This measure is defined as the operating profit or loss less adjusting items.

	Year to 31 July 2022 £'000	Year to 31 July 2021 £'000
Total operating loss	**(14,355)**	(3,904)
Add back total Adjusting Items excluding pension finance charge and tax	**33,248**	16,172
Adjusted operating profit	**18,893**	12,268

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, excluding the effects of acquisition or disposal.

	Year to 31 July 2022 £'000	Year to 31 July 2021 £'000
Adjusted operating profit	**18,893**	12,268
Impact of acquisition in current period*	**(2,056)**	-
Effect of constant currency**	**(582)**	-
Like-for-like Adjusted operating profit	**16,255**	12,268
Like-for-like Adjusted operating profit increase%	**33%**	

*The prior period has been adjusted to remove the impact of the FY22 acquisitions. The acquisition impact includes six months' of Loop Integration trading and three months' of Melon Group trading. Additionally, five months' of FY22 Cascade Data Labs was removed as there was no comparable revenue in FY21.

**The impact of retranslating FY22 net revenue at the FY21 average exchange rate.

Adjusted profit before tax: This measure is defined as the Group net profit or loss before tax from continuing operations excluding adjusting items.

	Year to 31 July 2022 £'000	Year to 31 July 2021 £'000
Statutory loss from operations	**(15,852)**	(5,836)
Add back total Adjusting Items before tax	**32,908**	16,151
Adjusted profit before tax	**17,056**	10,315

Adjusted profit after tax: This measure is defined as the Group profit or loss after tax from continuing operations excluding adjusting items:

	Year to 31 July 2022 £'000	Year to 31 July 2021 £'000
Statutory loss after tax from continuing operations	**(14,198)**	(6,273)
Add back total Adjusting Items after tax	**29,305**	14,413
Adjusted profit after tax	**15,107**	8,140

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

	Year to 31 July 2022 £'000	Year to 31 July 2021 £'000
Adjusted profit after tax	**15,107**	8,140
Weighted number of shares ('000)	**173,700**	169,985
Adjusted basic earnings per share (pence)	**8.70**	4.79

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

	Year to 31 July 2022 £'000	Year to 31 July 2021 £'000
Net revenue	**190,277**	128,919
Adjusted operating profit	**18,893**	12,268
Adjusted operating margin	**9.9%**	9.5%

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 adjusted EBITDA for 2022 has been determined on the basis of continuing operations solely for the purpose of calculating the ratio of bank net debt to EBITDA for bank covenant purposes.

	Year to 31 July 2022 £'000	Year to 31 July 2021 £'000
Adjusted operating profit	**18,893**	15,028*
Add: depreciation and amortisation	**10,547**	13,192
Less: amortisation of intangibles classified as Adjusting Items	**(6,390)**	(7,527)
Adjusted EBITDA	**23,050**	**20,693**
Covenant adjustment	**(1,817)**	(1,072)
Adjusted EBITDA for covenant purposes	**21,233**	18,496

*The 2021 Adjusted operating profit excludes Hive, Pragma and Incite as discontinued operations, but has not been restated

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

	31 July 2022 £'000	31 July 2021 £'000
Loans	**13,148**	64,218
Cash and cash equivalents	**(12,609)**	(44,971)
Net debt	**539**	19,247

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 over the preceding 12 months 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 between balance sheet net (cash)/debt and the covenant measure is as follows:

	Year to 31 July 2022 £'000	Year to 31 July 2021 £'000
Net debt	**539**	19,247
Foreign exchange difference between spot rate and average rate	**(353)**	848
Deduct Paycheck Protection Program loan	**-**	(1,853)
Net debt for leverage covenant purposes	**186**	18,242

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

	Year to 31 July 2022 £'000	Year to 31 July 2021 £'000
Adjusted EBITDA for covenant purposes	**21,233**	18,496
Net debt for covenant purposes	**186**	18,242
Net debt to Adjusted EBITDA for covenant purposes	**0.01**	0.99

Consolidated Income Statement

		Year ended 31 July 2022			Restated* Year ended 31 July 2021		
	Note	**Adjusted Results £'000**	**Adjusting Items** (Note 6) £'000**	**Statutory Results £'000**	Adjusted Results £'000	Adjusting Items** (Note 6) £'000	Statutory Results £'000
Continuing operations:							
Revenue		**197,123**	**–**	**197,123**	137,321	–	137,321
Project-related costs		**(6,846)**	**–**	**(6,846)**	(8,402)	–	(8,402)
Net revenue		**190,277**	**–**	**190,277**	128,919	–	128,919
Cost of service		**(105,398)**	–	**(105,398)**	(69,269)	–	(69,269)
Gross profit		**84,879**	**–**	**84,879**	59,650	–	59,650
Selling costs		**(16,412)**	**–**	**(16,412)**	(12,674)	–	(12,674)
Administrative expenses		**(50,016)**	**(7,565)**	**(57,581)**	(39,877)	(2,723)	(42,600)
Share of results of joint arrangement		**442**	**–**	**442**	700	–	700
Other operating income	4	**–**	**1,621**	**1,621**	4,469	–	4,469
Property Impairment & related empty costs	6	**–**	**(6,264)**	**(6,264)**	–	–	–
Amortisation of acquired intangibles		**–**	**(6,390)**	**(6,390)**	–	(7,527)	(7,527)
Contingent consideration treated as remuneration		**–**	**(13,229)**	**(13,229)**	–	(4,956)	(4,956)
Acquisition & integration costs		**–**	**(1,421)**	**(1,421)**	–	(966)	(966)
Operating profit/(loss)		**18,893**	**(33,248)**	**(14,355)**	12,268	(16,172)	(3,904)
Net pension finance income		**–**	**340**	**340**	–	21	21
Other finance expense		**(1,837)**	**–**	**(1,837)**	(1,953)	–	(1,953)
Profit/(loss) before tax		**17,056**	**(32,908)**	**(15,852)**	10,315	(16,151)	(5,836)
Income tax (charge)/credit		**(1,949)**	3,603	**1,654**	(2,175)	1,738	(437)
Net profit/(loss) from continuing operations		**15,107**	**(29,305)**	**(14,198)**	8,140	(14,413)	(6,273)
Net profit from discontinued operations	5	**1,184**	**22,797**	**23,981**	4,790	4,261	9,051
Net profit for the period		**16,291**	**(6,508)**	**9,783**	12,930	(10,152)	2,778
Attributable to:							
Shareholders of the parent company		**16,291**	**(6,508)**	**9,783**	**12,930**	**(10,152)**	**2,778**
Basic earnings/(loss) per share (p)							
Continuing operations	7	**8.70**	**(16.87)**	**(8.17)**	4.79	(8.48)	(3.69)
Discontinued operations	7	**0.68**	**13.12**	**13.80**	2.82	2.51	5.33
Continuing and discontinued operations	7	**9.38**	**(3.75)**	**5.63**	7.61	(5.97)	1.64
Diluted earnings/(loss) per share (p)							
Continuing operations	7	**8.42**	**(16.87)**	**(8.17)**	4.79	(8.48)	(3.69)
Discontinued operations	7	**0.66**	**12.71**	**13.37**	2.73	2.43	5.16
Continuing and discontinued operations	7	**9.08**	**(3.75)**	**5.46**	7.52	(5.97)	1.58

*The FY21 results have been restated to reflect:

- a revised grouping of continuing and discontinued operations. Refer to note 5.
- a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement. This change in accounting policy has decreased adjusted administrative expenses by £103,000 with a related tax credit of £20,000. Refer to the Change in accounting policy note below.

**Adjusted results exclude adjusting items to enhance understanding of the ongoing financial performance of the Group Refer to note 6.

Consolidated Statement of Comprehensive Income

	Year to 31 July 2022 £'000	Restated* Year to 31 July 2021 £'000
Profit for the period	**9,783**	2,778
Items that will not be reclassified subsequently to profit or loss:		
Actuarial profit on defined benefits pension scheme	**20,335**	17,877
Tax charge on items taken through other comprehensive income	**(6,209)**	(3,401)
	14,126	14,476
Items that may be reclassified subsequently to profit or loss:		
Transfers of losses on cash flow hedges	**13**	52
Losses on cash flow hedges	**(54)**	(13)
Foreign exchange gains/(losses)	**4,366**	(492)
Tax charge on items taken through other comprehensive income	**(1,105)**	–
	3,220	(453)
Other comprehensive income for the period	**17,346**	14,023
Total comprehensive income for the period attributable to shareholders of the Parent Company	**27,129**	16,801
Attributable to shareholders of the Parent Company	**27,129**	16,801
Total comprehensive income for the period	**27,129**	16,801

*The FY21 results have been restated following a change in accounting policy, from the adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement. This change in accounting policy has increased the 2021 net profit by £83,000.

Notes 1 to 13 form part of these financial statements.

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	Restated** (Accumulated deficit)/ Retained earnings £'000	Total Equity* £'000
Balance at 1 August 2020	**16,876**	82,316	(68)	(163)	1,797	1,908	**85,790**	(42,954)	**59,712**
Change of accounting policy (net of tax) **	**–**	–	–	–	–	–	**–**	(507)	**(507)**
Restated total equity as at 1 August 2020	**16,876**	82,316	(68)	(163)	1,797	1,908	**85,790**	(43,461)	**59,205**
Profit for the year	**–**	–	–	–	–	–	**–**	2,778	**2,778**
Other comprehensive (expense)/ income	**–**	–	–	–	–	(453)	**(453)**	14,476	**14,023**
Total comprehensive income	**–**	–	–	–	–	(453)	**(453)**	17,254	**16,801**
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**	**1,583**	**91,621**	**(26,118)**	**82,758**
Profit for the year	**–**	–	–	–	–	–	**–**	9,783	**9,783**
Other comprehensive income	**–**	–	–	–	–	3,220	**3,220**	14,126	**17,346**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**3,220**	**3,220**	**23,909**	**27,129**
Dividends paid	**–**	–	–	–	–	–	**–**	(38)	**(38)**
Shares issued to settle consideration for acquisitions	**352**	7,843	–	–	–	–	**7,843**	–	**8,195**
Shares issued to settle employee share options	**190**	303	(17)	–	(1,242)	–	**(956)**	1,098	**332**
Purchase of own shares	**–**	–	(5,593)	–	–	–	**(5,593)**	–	**(5,593)**
Settlement of share-based payment using own shares	**–**	–	353	–	–	–	**353**	–	**353**
Recognition of share-based payments	**–**	–	–	–	3,118	–	**3,118**	–	**3,118**
Recognition of share-based contingent consideration deemed as remuneration	**–**	–	–	–	7,593	–	**7,593**	–	**7,593**
Tax on share-based payments	**–**	–	–	–	(318)	–	**(318)**	–	**(318)**
Hyperinflation revaluation	**–**	–	–	–	–	176	**176**	–	**176**
Reclassification to retained earnings	**–**	(5,357)	–	–	–	–	**(5,357)**	5,357	**–**
Balance at 31 July 2022	**17,797**	**89,302**	**(5,325)**	**(163)**	**12,907**	**4,979**	**101,700**	**4,208**	**123,705**

*Additional paid capital includes share premium, merger reserve and capital redemption reverse.
**The FY21 results have been restated following a change in accounting policy, after adopting the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement. This change in accounting policy has increased the accumulated deficit at 31 July 2021 by £424,000 (At 31 July 2020: £507,000).

Notes 1 to 13 form part of these financial statements.

Consolidated Balance Sheet

	Note	31 July 2022 £'000	Restated* 31 July 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment		**10,559**	14,027
Investment property		**4,169**	4,438
Goodwill		**76,935**	68,372
Other intangible assets		**20,435**	14,548
Investment in joint arrangement		**–**	1,080
Retirement benefit surplus	8	**38,748**	19,267
Other non-current assets		**101**	28
Deferred tax assets		**7,625**	3,524
		158,572	125,284
Current assets			
Trade and other receivables		**45,393**	36,862
Derivative financial instruments		**2**	13
Income tax receivable		**–**	559
Cash and cash equivalents		**12,609**	44,971
Assets held for sale		**–**	7,099
		58,004	89,504
Total assets		**216,576**	214,788
Liabilities			
Current liabilities			
Lease liabilities		**2,806**	2,823
Loans		**–**	1,853
Trade and other payables		**32,968**	30,617
Derivative financial instruments		**454**	–
Income tax payable		**3,168**	514
Deferred income		**5,159**	6,631
Deferred consideration payable		**6,944**	–
Provisions		**477**	538
Liabilities associated with assets held for sale		**–**	7,552
		51,976	50,528
Non-current liabilities			
Lease liabilities		**10,052**	12,490
Loans		**13,148**	62,365
Deferred consideration payable		**2,155**	1,888
Provisions		**4,206**	829
Deferred tax liabilities		**11,334**	3,930
		40,895	81,502
Total liabilities		**92,871**	132,030
Net assets		**123,705**	82,758
Capital and reserves			
Share capital		**17,797**	17,255
Other reserves		**101,700**	91,621
Retained earnings / (accumulated deficit)		**4,208**	(26,118)
Total equity		**123,705**	82,758

These financial statements were approved by the Board of Directors on 12 October 2022.

*The 31 July 2021 balance sheet has been restated following a change in accounting policy on adoption of the IFRS IC's agenda decision on configuration and customisation costs in a Cloud Computing Arrangement. This change in accounting policy decreased the Group's accumulated deficit by £83,000 in 2021.
Notes 1 to 13 form part of these financial statements.

Consolidated Statement of Cash Flows

	Note	**Year ended 31 July 2022 £000**	Restated* Year ended 31 July 2021 £000
Operating activities			
Cash generated from operations	9	**12,127**	10,764
Interest paid		**(1,014)**	(1,660)
Income taxes paid		**(1,341)**	(3,382)
Net cash generated from operating activities		**9,772**	5,722
Investing activities			
Purchase of property, plant and equipment		**(1,336)**	(1,332)
Proceeds on disposal of subsidiaries	9	**34,269**	12,630
Cost of acquisitions in period	3	**(11,932)**	(4,380)
Deferred consideration for acquisitions made in prior periods		**–**	(1,656)
Net cash generated from investing activities		**21,001**	5,262
Financing activities			
Purchase of own shares		**(5,593)**	(59)
Proceeds from share issues		**332**	–
Dividends paid		**(38)**	–
Lease payments		**(3,812)**	(4,214)
(Decrease)/increase in bank loans and US Government Loans	9	**(54,190)**	15,024
Net cash (used in)/generated from financing activities		**(63,301)**	10,751
Net (decrease)/increase in cash and cash equivalents		**(32,528)**	21,735
Cash and cash equivalents at beginning of the period		**44,971**	24,408
Effect of foreign exchange rate changes		**166**	(1,172)
Cash and cash equivalents at end of the period		**12,609**	44,971

Included in the figures above are the following cash flows from discontinued operations:

	Year ended 31 July 2022 £000	Restated* Year ended 31 July 2021 £000
Net cash (used in)/generated from operating activities	**(1,862)**	7,788
Net cash generated from investing activities	**34,255**	12,548
Net cash used in financing activities	**(542)**	(1,504)
Net increase in cash from discontinued operations	**31,851**	18,832

*Results have been restated to show a revised grouping of continuing and discontinued operations. Further details are in note 5.

Notes 1 to 13 form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements

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 2022 and 2021. 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 2022 and 31 July 2021.

The financial information for the year ended 31 July 2022 has been extracted from the Group's 2022 statutory accounts which have been prepared on a going concern basis and in accordance with the UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The preliminary results have been prepared under the historical cost convention, and using the accounting policies set out in the Group's 2022 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 2022 statutory accounts will be delivered to the Registrar of Companies following the Company's 2022 Annual General Meeting. The financial information for the year ended 31 July 2022 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 2022 and 2021 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 2022 and 2021 statutory accounts.

Accounting policies

During the year the Group adopted the IFRS IC's agenda decision on configuration and customisation costs in a Cloud Computing Arrangement. This change in accounting policy has increased the accumulated deficit at 31 July 2021 by £424,000 (At 31 July 2020 £507,000). The restatement note within note 2 in the 2022 annual report details the impact of the change on the previously reported FY21 results.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

No other 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.

Going concern

On 5 September 2022 the Group agreed the extension of its committed GBP 85 million multicurrency revolving credit facility with four lender banks for a further year, to September 2026.

At 31 July 2022, the Group had drawn £13.1 million (31 July 2021: £62.4 million) on its credit facility, leaving an unutilised commitment of £71.9 million (2021: £22.6 million). Refer to note 23 for details. The Group had cash and cash equivalents of £12.6 million (2021: £45.0 million) at that date.

The proceeds from divestments of Incite, Edit and Relish businesses generated £34 million, partially offset by acquisition outflows of £11.8 million related to £0.2 million for Octain, £1.8 million for Loop Integration and £9.8 million for Melon Group, net of cash acquired. The resulting free cash inflow was used to pay down bank debt. As a result, we ended the year with a net debt position of £0.5 million compared to a net debt position of £19.2 million at 31 July 2021.

At 31 July 2022, the ratio of net debt to Adjusted EBITDA for bank covenant purposes was 0.01 times (2021: 0.99 times). The Group projects that it will continue to operate within covenant limits and has sufficient liquidity in both the base case forecast and in the severe but plausible downside scenario.

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

Viability statement

In order to assess the Group's ability to continue to trade as a going concern and to be viable over the medium term, detailed business and cash flow forecasts covering a three-year period ("viability period") from 1 August 2022 have been prepared by the Directors based on "bottom up" inputs from the individual business units.

To assess our financial viability, we have modelled a number of sensitised scenarios to assess the financial impact of the principal business risks identified in the FY22 Annual Report. In addition to an assessment of the effects on debt leverage and debt volume of individual risks, a combination of all the risk impacts occurring simultaneously was modelled (the combined scenario) to test the results of a particularly high stress scenario. We have assessed the stress before and after the impact of mitigating actions, which are under the control of the Group, and which would be taken in such a scenario.

The covenants and headroom on the facility were reforecasted based on each scenario.

Conclusion

Taking into account the base forecast for the business over the three year period ending 31 July 2025, the adverse financial impact of events linked to the principal risks identified for the Group and the mitigating actions under its control, the Group should be able to continue to operate within the bank credit facilities available to it and the covenants under which it operates if any of the events associated with identified risks came to pass, or if all of them occurred simultaneously, under the assumptions we applied.

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 2025.

Critical estimates and critical judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results might differ from these estimates.

In preparing these consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 July 2022.

2. Segment reporting

Following a change to a regionally focussed approach to management of the Group, segment information is presented on a regional basis, with a separate corporate segment for certain costs which are not allocated directly to the operating regions.

The Group reports its results through the following segments:

- Americas - this segment generates revenue from services offered to our global clients by our operating businesses which are located in the Americas.
- Europe - the segment generates revenue from services offered to global clients by our operating businesses which are located in Europe.
- Corporate - the segment includes the corporate costs which are not allocated directly to the operating regions, including the costs of the board.

The above operating segments are reported in a manner consistent with the internal reporting provided 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 Group.

Results from continuing and discontinued operations for the current period:

	Year to 31 July 2022			
	Europe £'000	Americas £'000	Corporate costs £'000	Total £'000
Continuing operations:				
Revenue	61,772	154,037	(18,686)	197,123
Net revenue	58,050	132,227	-	190,277
Operating profit/(loss) before Adjusting Items	4,045	22,878	(8,030)	18,893
Adjusting Items	(5,454)	(21,566)	(6,228)	(33,248)
Operating (loss)/profit	(1,409)	1,312	(14,258)	(14,355)
Net pension finance income				340
Other finance expense				(1,837)
Statutory loss from operations				(15,852)
Income tax credit				1,654
Statutory loss after tax from continuing operations				(14,198)
Discontinued operations:				
Statutory net profit for the period from discontinued operations				23,981
Continuing and discontinuing operations:				
Statutory net profit for the period from continuing and discontinued operations				9,783

Revenue in the corporate costs column comprises the elimination of revenue between the Americas and Europe operating segments.

2. Segment reporting (continued)

Results from continuing and discontinued operations for the prior period:

	Restated* Year to 31 July 2021			
	Europe £'000	Americas £'000	Corporate costs £'000	Total £'000
Continuing operations:				
Revenue	46,591	97,851	(7,121)	137,321
Net revenue	43,725	85,194	-	128,919
Operating profit/(loss) before Adjusting Items	4,368	14,710	(6,810)	12,268
Adjusting Items	(2,648)	(10,342)	(3,182)	(16,172)
Operating profit/(loss)	1,720	4,368	(9,992)	(3,904)
Net pension finance income				21
Other finance expense				(1,953)
Statutory loss from operations				(5,836)
Income tax charge				(437)
Statutory net loss from continuing operations				(6,273)
Discontinued operations:				
Statutory net profit for the period from discontinued operations				9,051
Continuing and discontinuing operations:				
Statutory net profit for the period from continuing and discontinued operations				2,778

*The results for the year ended 31 July 2021 have also been restated following:

- a change in accounting policy, after adopting the IFRS IC's agenda decision on configuration and customisation costs in a Cloud Computing Arrangement. This change in accounting policy has increased the statutory net profit from continuing operations by £363,000.
- and to show a revised grouping of continuing and discontinued operations. Further details are in note 5.

2. Segment reporting (continued)

Other information

	Year to 31 July 2022		
	Continuing Operations £'000	**Discontinued Operations £'000**	**Total £'000**
Capital additions	**4,796**	**14**	**4,810**
Depreciation and amortisation charges	**10,545**	**332**	**10,877**
Impairment charges	**6,207**	**–**	**6,207**

	Restated* Year to 31 July 2021		
	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Capital additions	3,388	120	3,508
Depreciation and amortisation charges	12,065	1,126	13,191
Impairment charges	456	–	456

* The results for the year ended 31 July 2021 have also been restated following:

- a change in accounting policy, after adopting the IFRS IC's agenda decision on configuration and customisation costs in a Cloud Computing Arrangement. This change in accounting policy has decreased the continuing operations amortisation charges by £103,000.
- and to show a revised grouping of continuing and discontinued operations. Further details are in note 5.

Geographical split of revenue

Operations

Net revenue by geographical area is based on the location where the provision of goods and services has taken place.

Continuing operations	**31 July 2022 £'000**	Restated* 31 July 2021 £'000
United States of America	**132,230**	93,870
United Kingdom	**55,607**	34,927
Rest of the world	**2,440**	122
Net revenue from continuing operations	**190,277**	128,919
Discontinued operations		
United States of America	**631**	5,950
United Kingdom	**5,239**	21,024
Rest of the world	**24**	408
Net revenue from discontinued operations	**5,894**	27,382
Total		
United States of America	**132,861**	99,821
United Kingdom	**60,869**	55,951
Rest of the world	**2,441**	529
Total net revenue	**196,171**	156,301

One customer contributed 11.8% (2021: 12.8%) of the group net revenue for the year.

*Results have been restated to show a revised grouping of continuing and discontinued operations. Further details are in note 5.

3. Acquisitions

Datorium

On 22 December 2021, the Group acquired 100% of the issued membership units of Datorium, LLC, a Californian company that owns Octain, a responsible AI data platform ("Octain"). Octain provides clients advanced insight, predictions and recommendations governed by socially responsible AI principles. The Group paid £0.2 million of initial consideration in December 2021, in cash, and there is deferred consideration of up to £0.7 million contingent on additional net revenue from the platform, up to 100% of which may be settled in Kin and Carta plc ordinary shares at the Group's discretion. The deferred consideration is payable after three years. The surplus of consideration over the estimated fair value considered to equate to historical net assets of £0.2 million has been allocated to goodwill. The goodwill amount is expected to be deductible for tax purposes.

Loop Integration LLC ("Loop Integration")

On 14 February 2022, the Group acquired the remaining 50% of the membership units of the Loop Integration LLC, an e-commerce consultancy, that it did not previously own. The total amount paid in the current period in respect of the acquisition was £3.2 million. That comprised the initial consideration paid in February 2022 of £1.8 million, net of cash acquired, and a further payment of £0.6 million was made in April 2022, both of which were determined by reference to the adjusted EBITDA achieved by Loop Integration for the year ended 30 December 2021.

Further amounts are payable in respect of the growth in adjusted net revenue for the 12 months ending 31 December 2022 and 12 months ending 31 December 2023 respectively. The related deferred consideration vests between March 2023 and December 2026. 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 £6.0 million.

Provisional purchase price allocation

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

	2022		
	Historical net assets £'000	**Fair value adjustments £'000**	**Fair value of net assets £'000**
Customer relationship portfolio	–	2,919	2,919
Property, plant and equipment	21	–	21
Trade and other receivables	2,539	–	2,539
Bank balances and cash	1,043	–	1,043
Trade and other payables	(968)	–	(968)
Net assets acquired	**2,635**	**2,919**	**5,554**
Total consideration*			6,868
Goodwill			**1,314**

3. Acquisitions (continued)

*The total consideration is made up of:

	Total non-contingent deemed consideration £'000
Deemed consideration following revaluation of the 50% shareholding that was held by the Group in Loop Integration	**3,334**
Consideration paid during the period	**3,180**
Estimated future consideration payable in cash and shares	**354**
	6,868

Prior to the purchase of the remaining 50% of Loop Integration on 14 February 2022, the Group's 50% shareholding in Loop Integration was equity accounted as an investment in joint arrangements, carried on the Group's balance sheet at its net asset value of £1.4 million. The purchase of the remaining 50% of the shareholding in Loop Integration was accounted for as a step acquisition under IFRS 3. Therefore, at acquisition date, the 50% shareholding the Group previously held was revalued to its fair value of £3.3 million. The step up in value of the pre-existing 50% stake in Loop Integration from £1.4 million to its fair value of £3.3 million has been recorded as a gain through the income statement as an Adjusting Item, under the Americas segment.

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 £2.9 million, equal to their fair value.

Upon acquisition, a deferred tax liability arises in relation to the customer relationship portfolio and a deferred tax asset arises in respect of the tax deductible goodwill. The deferred tax asset is recognised up to the value of the liability and netted off against the liability where appropriate.

The fair value of the total amounts paid and payable are as follows:

	Non-contingent consideration £'000	Deemed Remuneration £'000	Total consideration £'000
Cash consideration payments made in the current period	2,870	–	**2,870**
Consideration paid in shares in the current period	310	299	**609**
Estimated future consideration payable in cash and shares	354	2,621	**2,975**
Total consideration	**3,534**	**2,920**	**6,454**

3. Acquisitions (continued)

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

	2022 £'000
Cash consideration	2,870
Less cash acquired	(1,043)
Investing cash outflows	**1,827**

Revenue and profit contribution

Loop Integration contributed net revenue of £5.0 million and adjusted operating profit of £1.2 million to the Group for the period from 14 February 2022 to 31 July 2022. Loop Integration contributed adjusted operating profit of £0.4 million for the period 1 August 2021 to 13 February 2022, while it was a joint arrangement.

If the acquisition had occurred on 1 August 2021, Loop Integration would have contributed net revenue and adjusted operating profit of £8.8 million and £2.1 million respectively, for the year ended 31 July 2022 to the Group.

Melon Group

On 9 May 2022, the Group completed the acquisition of Melon AD, a software engineering business. The total cash outflow in the current period in respect of the acquisition was £9.8 million. That comprised the initial consideration paid in May 2022 of £19.4 million, net of cash acquired, of which £7.6 million was settled by the issue of 3,251,861 shares in Kin and Carta plc, with the balance of £11.4 million settled in cash, both of which were determined by reference to the adjusted EBITDA achieved by for the 12 months ended 31 December 2021.

Further amounts are payable in respect of the growth in adjusted EBITDA for the 12 months ended 31 December 2022 and the 12 months ended 31 December 2023 respectively. The related deferred consideration vests between March 2023 and December 2025. Up to 60% 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 £23.5 million.

Provisional purchase price allocation

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

	2022		
	Historical net assets £'000	Fair value adjustments £'000	Fair value of net assets £'000
Customer relationship portfolio	–	7,562	7,562
Trademarks	–	961	961
Software	25	–	25
Property, plant and equipment	1,056	–	1,056
Trade and other receivables	1,710	–	1,710
Bank balances and cash	1,539	–	1,539
Trade and other payables	(2,295)	–	(2,295)
Deferred tax liabilities	–	(819)	(819)
Net assets acquired	**2,035**	**7,704**	**9,739**
Total consideration			19,444
Goodwill			**9,705**

3. Acquisitions (continued)

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 £1.7 million, equal to their fair value.

Upon acquisition, a deferred tax liability arises in relation to the customer relationship portfolio and the trademark. The fair value of the total amounts paid and payable are as follows:

	Non-contingent consideration £'000	Deemed Remuneration £'000	Total consideration £'000
Cash consideration payments made in the current period	11,386	–	11,386
Consideration paid in shares in the current period	7,598	–	7,598
Estimated future consideration payable in cash and shares	460	5,623	6,083
Total consideration	**19,444**	**5,623**	**25,067**

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

	2022 £'000
Cash consideration	11,386
Less cash acquired	(1,539)
Investing cash outflows	**9,847**

Revenue and profit contribution

Melon Group contributed net revenue of £2.4 million and adjusted operating profit of £0.4 million to the Group for the period from acquisition to 31 July 2022.

If the acquisition had occurred on 1 August 2021, the pro forma contribution to the consolidated net revenue and adjusted operating profit for the year ended 31 July 2022 would have been £9.6 million and £2.0 million respectively.

Investing cash outflows related to the acquisitions

The three acquisitions (Melon Group, Loop Integration and Octain) had the following impact on investing cash outflows in the current period:

	2022 £000
Melon Group	9,847
Loop Integration	1,827
Octain	258
Investing cash outflows related to acquisitions	**11,932**

3. Acquisitions (continued)

Contractual commitments for consideration linked to acquisitions:

At 31 July 2022 the Group had the following contractual commitments in relation to acquisitions:

Acquired entity	Spire £000	Cascade Data Labs £000	Octain £000	Loop £000	Melon Group £000	Total £000
Accrued as a liability as at 31 July 2022	2,783	4,731	146	638	801	**9,099**
Recorded in equity as at 31 July 2022	2,722	6,064	-	738	513	**10,037**
	5,505	**10,795**	**146**	**1,376**	**1,314**	**19,136**
FY23 estimated charge	1,306	3,565	233	877	2,434	**8,415**
FY24 estimated charge	-	1,025	233	480	1,531	**3,269**
FY25 estimated charge	-	139	88	140	345	**712**
FY26 estimated charge	-	-	-	18	-	**18**
Total estimated future charges for deemed remuneration	**1,306**	**4,729**	**554**	**1,515**	**4,310**	**12,414**
Total estimated future payments in respect of past acquisitions	**6,811**	**15,524**	**700**	**2,891**	**5,624**	**31,550**
Expected to be settled in cash	3,494	6,127	700	722	2,249	**13,292**
Expected to be settled in shares	3,317	9,397	-	2,169	3,375	**18,258**
Total	**6,811**	**15,524**	**700**	**2,891**	**5,624**	**31,550**

All amounts shown will be determined initially in US dollars or Euros and are therefore subject to future currency fluctuation when measured in British pounds. Total amounts for each acquisition are subject to maximum caps measured in Pounds sterling. The level of deferred consideration is contingent upon future performance for all acquisitions other than Spire, so actual amounts payable may be less than the amounts shown if performance is less than expected. Completion amounts and deferred amounts in respect of those acquisitions which have already been settled in the current or prior periods are not included in the table above.

The amounts shown as 'expected to be settled in shares' correspond to the maximum proportion that may be settled in shares of Kin and Carta plc, assuming the maximum contracted consideration amount is payable. The Company may alternatively, at its sole discretion, settle any portion of the 'expected to be settled in shares' amounts in cash, other than the amounts related to the remaining Spire deferred consideration, which must be settled in shares. The shares in respect of the share amount shown for Spire were allotted in February 2021, but are subject to a reverse vesting mechanism and will be fully vested in February 2023. No shares have been allotted in respect of the other 'expected to be settled in shares' amounts.

4. Other Income

In May 2020, the Group received £6.7 million in unsecured loans under the Paycheck Protection Program ("PPP") provided by the US Government, provided as part of the US CARES Act. £0.8 million of the PPP loan was forgiven by the US Government in H1 FY21 and £3.7 million in H2 FY21. The forgiveness was recorded within adjusted other income in the prior year in the income statement in accordance with IAS20 Government Grants. There was no corresponding loan forgiveness-related income in the 12 month period ended 31 July 2022.

5. Discontinued Operations

In the restated prior period, discontinued operations comprise the results of the five businesses divested since 1 August 2020: Pragma, Hive, Incite, Edit and Relish.

Current Period Divestments
Discontinued operations in the current period include the results of three businesses which were divested in the period:

Incite - on 28 September 2021, the Group completed the sale of Incite, a strategic marketing and planning consultancy for a consideration of £15.1 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 receivable on 31 July 2022, which is not contingent on business performance. The net gain on divestment of Incite is £15.2 million and this has been recorded in adjusting items.

Relish - on 4 November 2021, the Group completed the sale of Relish, a product sampling agency specialising in the beauty and fast-moving consumer goods sectors, for a consideration of £5.6 million before costs and customary adjustments for cash, debt and working capital. The net gain recorded in adjusting items relating to the sale is £3.5 million.

Edit - on 12 November 2021, the Group completed the sale of Edit, a marketing services company, for a consideration of £12.5 million before costs and customary adjustments for cash, debt and working capital. The net gain recorded in adjusting items relating to the sale is £5.4 million.

Prior Period Divestments
In addition to the results of the three businesses noted above which were divested in the current period, prior period discontinued operations include the results of Pragma, a commercial retail space consulting business and Hive, a healthcare communications consultancy, both of which were divested in the prior period.

Pragma - 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 within adjusting items.

Hive - 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 prior year. The gain on disposal of Hive of £5.4 million is recorded within adjusting items.

5. Discontinued Operations (continued)

The results of the discontinued operations were as follows:

	2022 £'000	Restated* 2021 £'000
Revenue	**10,116**	43,038
Net revenue	**5,894**	27,382
Gross Profit	**3,545**	15,807
Selling costs	**(693)**	(2,989)
Administrative expenses	**(1,398)**	(6,523)
Operating profit before Adjusting Items	**1,454**	6,295
Interest charges	**(32)**	(210)
Profit before tax before Adjusting Items	**1,422**	6,085
Income tax charge	**(238)**	(1,295)
Profit after tax before Adjusting Items	**1,184**	4,790
Adjusting Items from discontinued operations		
Gain on divestment of discontinued operations	**24,059**	5,171
Amortisation of acquired intangibles	**(94)**	(1,124)
Release of provision	**265**	-
Adjusting Items before tax	**24,230**	4,047
Tax (charge)/credit on Adjusting Items	**(1,433)**	214
Adjusting Items after tax	**22,797**	4,261
Profit from discontinued operations		
Profit after tax before Adjusting Items	**1,184**	4,790
Adjusting Items	**22,797**	4,261
Total profit after tax	**23,981**	9,051

*Prior year has been restated to classify Incite, Relish and Edit as discontinued operations.

6. Adjusting items

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

Expense/(income)	2022	Restated* 2021
Continuing operations	**£'000**	**£'000**
Costs related to acquisitions		
Amortisation of acquired intangibles	**6,390**	7,527
Contingent consideration required to be treated as remuneration	**13,229**	4,956
Acquisition and integration costs	**1,421**	966
	21,040	13,449
Fair value gain from deemed sale on step acquisition		
Step up in value on notional disposal	**(1,621)**	–
	(1,621)	–
St Ives Defined Benefit Pension Scheme costs		
Scheme administrative costs	**787**	773
Past service cost (GMP equalisation uplift)	**3,884**	604
Other related costs	**821**	1,165
	5,492	2,542
Restructuring and other charges		
Impairment of property, plant and equipment	**6,207**	154
Costs associated with empty properties	**4,462**	27
Credit associated with lease modification	**(4,405)**	–
Redundancies and other charges	**1,693**	–
Customer litigation	**380**	–
	8,337	181
Adjusting Items before interest and tax	**33,248**	16,172
Net pension finance income in respect of defined benefit pension scheme	**(340)**	(21)
Adjusting Items before tax	**32,908**	16,151
Income tax credit	**(3,603)**	(1,738)
Continuing operations Adjusting Items after tax	**29,305**	14,413
Discontinued operations Adjusting Items net profit after tax	**(22,797)**	(4,261)
Continuing and discontinued Adjusting Items after tax	**6,508**	10,152

*Restated to classify Edit and Relish as discontinued operations. 2021 includes Edit, Relish, Incite, Hive and Pragma as discontinued operations.

Costs related to acquisitions

Acquisition and integration costs of £1.4 million (FY21: £1.0 million) were incurred as part of acquisitions that were completed during the current year, which includes the Melon Group and the full step acquisition of the Loop Integration joint venture, Loop Integration LLC (note 3). Charges relating to the amortisation of acquired customer relationships and proprietary techniques amounted to £6.4 million (FY21: 7.5 million). During the period, charges relating to contingent consideration deemed as remuneration of £13.2 million (FY21: £5.0 million) were recorded in the Consolidated Income Statement as adjusting items.

6. Adjusting items (continued)

Fair value gain from deemed sale on step acquisition

On 14 February 2022 the Group acquired the remaining 50% interest in Loop Integration. Refer to note 3, Acquisitions. Loop Integration was carried on the Group's balance sheet as an investment in joint arrangements, equity accounted at 50% of its net asset value, giving a carrying value £1.4 million. The acquisition has been accounted for as a disposal followed by a full acquisition in line with IFRS 3. The notional disposal of the existing 50% gives rise to a step up to fair value of the investment resulting in a gain of £1.6m which has been recorded through the consolidated income statement as an Adjusting Item. This fair value gain is acquisition-related and material, therefore, has been included as an Adjusting Item in the Americas segment.

Defined Benefit Pension Scheme costs

The Scheme charges include service costs of £4.7 million (FY21: £1.4 million), which is mainly the GMP equalisation charge of £3.9 million, as well as costs in relation to running the Scheme of £0.8 million (FY21: £1.2 million). These items are recorded in the corporate segment.

Restructuring items and other charges

A decision has been made to vacate a significant portion of the Group's leasehold property in Chicago from September 2022 and to exercise a break on the whole lease in November 2026. This resulted in a £6.2 million impairment of the related right of use asset and a £4.4 million reduction in the lease liability due to this being a lease modification. Empty property costs of £4.5 million were incurred as these are contractually unavoidable future expenses relating to the business rates and maintenance charges of a leasehold property in Chicago.

Redundancies and other charges include £1.7m (2021: £nil) related to staff severance costs associated with the initial phase of a restructure of the business in the current year following the switch to a fully regionally based organisation, and the costs of simplifying the Group's legal structure leading to the liquidation of a number of legal entities. The restructuring has continued into Q1 of FY23 and further restructuring charges including those linked to the transition of certain roles to nearshore centres will be incurred in H1 FY23. They are recorded in the Americas, Europe and Corporate segments.

Customer litigation of £0.4 million (2021: £nil) was incurred in relation to external legal adviser costs in defence of a claim brought by a former client for breach of contract. The Group is contesting the claim and the legal advice taken indicates that the Group has a reasonable chance of success. Therefore no provision has been made for further losses related to the claim. Given the material and non-recurring nature of these costs, they have been classified as adjusting. They are recorded in the Americas segment.

Tax

In the current period, the tax credit of £3.6 million (FY21: tax charge £1.7 million) relates to the items noted above.

7. Tax

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

Continuing operations:

	2022 £'000	Restated* 2021 £'000
Total current tax (charge) / credit:		
Current period	(2,447)	(2,209)
Adjustments in respect of prior periods	984	(50)
Total current tax charge	**(1,463)**	(2,259)
Deferred tax on origination and reversal of temporary differences:		
Deferred tax credit	3,123	2,107
Adjustments in respect of prior periods	(6)	(285)
Total deferred tax credit	**3,117**	1,822
Total income tax credit/(charge)	**1,654**	(437)

	2022 £'000	Restated* 2021 £'000
Tax charge on adjusted profit before tax	(1,949)	(2,175)
Tax credit on adjusting items	3,603	1,738
Total income tax credit/ (charge)	**1,654**	(437)

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

Continuing operations:

	2022 £'000	Restated* 2021 £'000
Loss before tax from continuing operations	**(15,852)**	(5,836)
Tax calculated at a rate of 20.7% (2021: 20.6%)	**3,278**	1,200
Expenses not deductible for tax purposes	**(3,579)**	(2,121)
Effect of tax deductible goodwill	**758**	707
Credit on research and development activities	**96**	208
Re-assessment of tax losses	**320**	19
Adjustments in respect of prior periods	**781**	(450)
Total income tax credit/ (charge)	**1,654**	(437)

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

	2022 £000	Restated* 2021 £'000
Current tax on foreign exchange movements	(1,105)	–
Deferred tax on origination and reversal of temporary differences	(6,209)	(3,401)
Total income tax charge	**(7,314)**	(3,401)

*Prior year has been restated to include Incite, Edit and Relish as discontinued operations, and include the effect of adopting the IFRS IC's agenda decision on configuration and customisation costs in a Cloud Computing Arrangement. Refer to note the accounting policies note.

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

	2022	Restated* 2021
	£000	£'000
Deferred tax on origination and reversal of temporary differences	**(318)**	1,220

*Prior year has been restated to include Incite, Edit and Relish as discontinued operations, and to include the effect of adopting the IFRS IC's agenda decision on configuration and customisation costs in a Cloud Computing Arrangement.

8. Earnings per share

The calculation of the basic and diluted earnings per share are based on the following:

	2022	**2021**
	Number of shares	**Number of shares**
	'000	**'000**
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**173,700**	169,985
Effect of dilutive potential ordinary shares:		
Share options	**5,628**	5,419
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**179,328**	175,404

On 14 February 2022, the Group allotted 267,429 shares in Kin and Carta plc to the former shareholders of Loop Integration and on 16 May 2022, 3,251,861 shares were allotted to the former shareholders of Melon Group, in both cases to settle a portion of the consideration payable in respect of their acquisition by the Group (refer to note 3).

A further 1,895,743 shares were issued to settle employee share option exercises in the year. All the allotted shares have been included in the calculation of the weighted average number of shares for the year ended 31 July 2022.

8. Earnings per share (continued)

	2022 Earnings/ (loss) £'000	2022 Earnings/ (loss) per share pence	Restated 2021 Earnings/ (loss) £'000	Restated 2021 Earnings/ (loss) per share pence
Continuing Operations:				
Earnings/(loss) and basic earnings/(loss) per share				
Adjusted earnings and adjusted basic earnings per shares	**15,107**	**8.70**	8,140	4.79
Adjusting Items	**(29,305)**	**(16.87)**	(14,413)	(8.48)
Loss and basic loss per share	**(14,198)**	**(8.17)**	(6,273)	(3.69)

Loss and diluted loss per share

As there is a statutory loss after tax, 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	**1,184**	**0.68**	4,790	2.82
Adjusting Items	**22,797**	**13.12**	4,261	2.51
Earnings and basic earnings per share	**23,981**	**13.80**	9,051	5.33
Earnings/(loss) and diluted (loss)/earnings per share				
Adjusted earnings and adjusted diluted earnings per share	**1,184**	**0.66**	4,790	2.73
Adjusting Items	**22,797**	**12.71**	4,261	2.43
Earnings and diluted earnings per share	**23,981**	**13.37**	9,051	5.16

Continuing and discontinued operations				
Earnings/(loss) and basic earnings/(loss) per share				
Adjusted earnings and adjusted basic earnings per share	**16,291**	**9.38**	12,930	7.61
Adjusting Items	**(6,508)**	**(3.75)**	(10,152)	(5.97)
Earnings and basic earnings per share	**9,783**	**5.63**	2,778	1.64
Earnings/(loss) and diluted earnings/(loss) per share				
Adjusted earnings and adjusted diluted earnings per share	**16,291**	**9.08**	12,930	7.37
Adjusting Items	**(6,508)**	**(3.75)**	(10,152)	(5.79)
Earnings and diluted earnings per share	**9,783**	**5.46**	2,778	1.58

*Prior year figures have been restated to include the effect of adopting the IFRS IC's agenda decision on configuration and customisation costs in a Cloud Computing Arrangement, and the to show a revised grouping of continuing and discontinued operations. Refer to note 5.

Adjusted earnings is calculated by adding back adjusting items (note 6), as adjusted for tax, to the profit or loss for the period.

9. Retirement benefits

As at 31 July 2022 the Group reported a net IAS19 surplus in respect of the Defined Benefit Pension Scheme (the 'Scheme') of £38.7 million compared to a surplus of £19.3 million reported as at 31 July 2021. The increase in the surplus is due to the increase in the discount rate used to value the liability as well as the effect of updated demographic assumptions following the latest triennial technical valuation, in April 2022.

10. Notes to the consolidated cash flow statement

Reconciliation of cash generated from operations

	2022 £'000	Restated* 2021 £'000
Operating (loss) / profit from continuing operations	**(14,355)**	2,818
Operating profit from discontinued operations	**25,684**	3,433
Operating profit	**11,329**	6,251
Adjustments for:		
Depreciation of property, plant and equipment	**4,392**	4,322
Amortisation of intangible assets	**6,484**	8,870
Impairment loss	**6,207**	456
Loss on disposal of property, plant & equipment	**72**	–
Share of profit from joint arrangement	**(442)**	(700)
Disbursement from joint arrangement	**147**	440
Share-based payment charge	**3,118**	1,944
Forgiveness of US Government loans	**–**	(4,541)
Gain on disposal of subsidiaries	**(24,059)**	(5,171)
Fair value gain from deemed sale on step acquisition	**(1,621)**	–
Non-cash reductions in lease liabilities	**(4,401)**	(306)
Increase/(decrease) in retirement benefit obligations	**1,194**	(287)
Net increase in contingent consideration required to be treated as remuneration	**13,228**	3,342
Increase/(decrease) in provisions	**3,551**	(877)
Operating cash inflows before movements in working capital	**19,199**	13,743
Increase in receivables	**(8,054)**	(13,736)
Increase in payables	**939**	10,379
Increase in deferred income	**43**	378
Cash generated from operations	**12,127**	10,764

*Prior year figures have been restated to include the effect of adopting the IFRS IC's agenda decision on configuration and customisation costs in a Cloud Computing Arrangement, and the to show a revised grouping of continuing and discontinued operations. Refer to note 5.

10. Notes to the consolidated cash flow statement (continued)

The table below reconciles the continuing operations adjusted operating profit to the adjusted operating cash inflow from continuing operations before working capital

Continuing operations	2022	Restated* 2021
	£000	£000
Adjusted operating profit	**18,893**	12,268
Depreciation of property, plant and equipment	**4,155**	3,213
Share of profit from joint arrangement (note 19)	**(442)**	(700)
Disbursement from joint arrangement	**147**	440
Share-based payment charge	**3,118**	1,944
Forgiveness of US government loans	–	(4,541)
Adjusted operating cash inflow from continuing operations before working capital	**25,871**	12,624

*Prior year figures have been restated to include the effect of adopting the IFRS IC's agenda decision on configuration and customisation costs in a Cloud Computing Arrangement, and the to show a revised grouping of continuing and discontinued operations. Refer to note 5.

Analysis of financing liabilities

	1 August 2021 £'000	Draw down £'000	Repayment £'000	Foreign exchange losses £'000	**31 July 2022 £'000**
Current liabilities					
US Government loans	1,853	–	(2,052)	199	**–**
Non-current liabilities					
Bank loans – Revolving credit facility	62,365	23,988	(76,125)	2,920	**13,148**
Total financing liabilities	**64,218**	**23,988**	**(78,177)**	**3,119**	**13,148**

Cash and cash equivalents (which are presented as a single class of assets on the face of the consolidated balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. The effective interest rates on cash and cash equivalents are based on current market rates.

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.

The Group considers the Directors of Kin and Carta plc to be the key management personnel whose remuneration is disclosed in the Remuneration Report, under the Corporate Governance section, in the FY22 annual report.

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

Loop Integration LLC

The Group previously held a 50% interest in Loop Integration LLC ("Loop Integration"), incorporated in Delaware, USA. On 14 February 2022 the Group purchased the remaining 50% interest. Refer to note 3.

Prior to the purchase of the remaining 50% interest, the Group received distributions of £0.2 million (2021: £0.4 million) from Loop Integration. Further details of the amounts the group earned from Loop Integration prior to the purchase are disclosed in note 3.

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 Nil (2021: USD 114,570) to Simoleon LLC for office space. There were no outstanding amounts due to Simoleon LLC at 31 July 2022.

12. Post-balance sheet events

On 5 September 2022, the Group agreed the extension of its committed GBP 85 million multicurrency revolving credit facility with four lender banks for a further year. The facility is now committed until September 2026.

Post-year end, the Employee Benefit Trust purchased 1,957,652 ordinary shares in Kin and Carta plc to settle the future vesting of employee share awards which are expected to vest in the next 24 months.

13. Responsibilities

The 2022 Annual Report and Accounts, which will be issued in November 2022, 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 11 October 2022, 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 2021 Annual Report and Accounts with the exception of:
    - Maria Gordian who was appointed Non-Executive Director on 1 November 2021.
    - Helen Stevenson who resigned as Non-Executive Director on 14 December 2021.
    - John Schwan who resigned as Chief Executive Officer on 31 July 2022.
    - Kelly Manthey who was appointed Chief Executive Officer on 1 August 2022.

The foregoing contains forward looking statements made by the Directors in good faith based on information available to them up to 12 October 2022. Such statements need to be read with caution due to inherent uncertainties, including economic and business risk factors underlying such statements.

Cautionary statement regarding forward-looking statements

This Announcement may contain "forward-looking statements" with respect to certain of the Company's plans and its current goals and expectations relating to its future financial condition, performance, strategic initiatives,

objectives and results. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "seek", "may", "could", "outlook" or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they are based on numerous assumptions regarding the Company's present and future business strategies, relate to future events and depend on circumstances which are or may be beyond the control of the Company which could cause actual results or trends to differ materially from those made in or suggested by the forward-looking statements in this Announcement, including, but not limited to, domestic and global economic business conditions; market-related risks such as fluctuations in interest rates; the policies and actions of governmental and regulatory authorities; the effect of competition, inflation and deflation; the effect of legislative, fiscal, tax and regulatory developments in the jurisdictions in which the Company and its respective affiliates operate; the effect of volatility in the equity, capital and credit markets on profitability and ability to access capital and credit; a decline in credit ratings of the Company; the effect of operational and integration risks; an unexpected decline in sales for the Company; inability to realise anticipated synergies; any limitations of internal financial reporting controls; and the loss of key personnel. Any forward-looking statements made in this Announcement by or on behalf of the Company speak only as of the date they are made. Save as required by the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules, the Listing Rules or by law, the Company undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may occur due to any change in its expectations or to reflect events or circumstances after the date of this Announcement.