

KIN+ CARTA

Full year *results*

PRELIMINARY RESULTS FOR THE YEAR
1 AUGUST 2022 TO 31 JULY 2023



02 November 2023

Kin and Carta plc

(‘Kin + Carta’, the ‘Group’, or the ‘Company’)

Full Year Results

Kin + Carta, the international digital transformation (‘DX’) company, today announces its financial results for the year 1 August 2022 to 31 July 2023

Financial Review Table¹

	Year to 31 July 2023	Year to 31 July 2022 (restated) ²
Revenue	£195.9m	£197.1m
Net revenue	£192.0m	£190.3m
Adjusted operating profit ³	£18.5m	£22.4m
Adjusted operating margin ³	9.6%	11.8%
Adjusted profit before tax ³	£15.8m	£20.6m
Adjusted basic earnings per share ³	8.7p	10.8p
Net bank debt	(£20.0m)	(£0.5m)
Statutory operating loss	(£19.3m)	(£14.1m)
Statutory net loss before tax	(£20.7m)	(£15.6m)
Statutory basic loss per share	(10.8p)	(8.0p)

Financial Review *(all comments from continuing operations¹)*

- Net revenue of £192.0 million from continuing operations up 1% year-on-year (“YoY”) and down 11% like-for-like⁴ due to macroeconomic challenges
 - Americas net revenue grew 2% YoY (–8% like-for-like⁴) to £134.8 million, 70% of group
 - Europe net revenue declined 1% YoY (–16% like-for-like⁴) at £57.2 million, 30% of group
- Sales backlog⁵ of £97 million up 1% YoY, sales pipeline of £110 million (FY22: £174 million) down in total, but up on a like-for-like basis which excludes the prior year’s two unusually large but low probability opportunities in the UK



- Adjusted operating profit of £18.5 million (FY22: £22.4 million) reflecting previously announced market volatility and headwinds
- Statutory operating loss of £19.3 million (FY22: loss £14.1 million) driven by non-cash goodwill impairment in the UK and acquisition-related charges of £34.1 million which are recorded as adjusting items
- Adjusted EBITDA £22.8 million (FY22: £26.3 million)
- Statutory basic loss per share was 10.8p (FY22: 8.0p loss). Adjusted basic earnings per share decreased by 20% from prior year to 8.7p
- Adjusted operating cash inflow before working capital, interest and tax of £23.9 million (FY22: inflow of £26.0 million)
- Statutory operating cash outflow before working capital, interest and tax of £1.1 million (FY22: inflow of £19.2 million). Reduction driven by FY23 acquisition-related deemed remuneration payments of £16.2 million (FY22: nil) and cost associated with FY23 customer litigation of £3.6 million (FY22: £0.4 million)
- Net debt for bank covenant purposes of £21.0 million (FY22: £0.2 million); net debt to adjusted EBITDA ratio 1.04 times (FY22: 0.01 times)

Operational Review

- Net revenue from key financial services, public sector, and agriculture industry sectors grew 21% YoY
- The Group's client concentration increased year on year. This includes the Company's largest client which comprises 25% of total net revenue compared to 12% in prior year
- The market slowed significantly in Q2, presenting fewer new business opportunities as companies scrutinised their project spending. Widespread macroeconomic volatility led to extended sales cycles, cautious client spending, and intense competition
- New client wins including America's largest automotive manufacturer, Japanese multinational technology company, S&P 400 automotive group, US National Veterinary Associates and £44.2 million of UK Public Sector contracts
- Acceleration of margin efficient nearshore delivery in Latin America and South East Europe to 40% of total delivery headcount
- c.£2 million annualised reduction in selling and admin costs improves cost structure
- Data & AI proposition scaled as priority launch partner for Google's generative AI platform, and as one of the first businesses to access Microsoft's generative AI platform
- Kin + Carta awarded 2023 Google Cloud Industry Solution Services Partner of the Year Award for Retail Digital Growth, and Sustainability Changemaker 2023 Microsoft US Partner of the Year Award
- Completion of Forecast Data Services acquisition, deepening data & AI capabilities
- Successful execution of Double Materiality Assessment and further ESG improvements

1. All Consolidated Income Statement measures reflect the results from continuing operations. Discontinued operations in the year to 31 July 2022 include the results of three businesses, Incite, Edit and Relish, which were divested in the period. Refer to note 4 of the Consolidated Financial Statements for details of the discontinued operations.
2. The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model which has been applied retrospectively. Refer to note 1 of the Consolidated Financial Statements for further details.
3. Adjusted results exclude adjusting items to reflect how management assesses and monitors the ongoing financial performance of the Group. Refer to note 3 of the Consolidated Financial Statements for further details



4. The impact of retranslating FY23 results at the FY22 average exchange rates and excluding the impact of prior period acquisitions.
5. 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 unweighted value of the qualified and targeted sales funnel and excludes £80 million of large one-off UK opportunities in the prior year with very low probability.

Outlook

New business remains highly competitive in the DX market and sales cycles remain challenging. Volatility continues in enterprise business with macro, social and geopolitical disruption.

As we enter FY24, despite the volatile market, our business has stabilised. Assuming no further material headwinds that would further challenge our smaller scale and client concentration, we expect modest H1'24 growth over H2'23. Whilst visibility of H2'24 is limited, we expect continued modest sequential growth in H2'24. We therefore expect flat to low single digit total net revenue growth in FY24 compared with FY23, which included a strong Q1 2023 performance prior to the market downturn.

Kelly Manthey, Chief Executive Officer, said:

'Against particularly challenging macroeconomic conditions, we adapted quickly and decisively to a slowing business environment and client spending caution. We accelerated the move to lower-cost nearshore delivery and reduced our overall cost base in the second half, while continuing to invest in Data & AI capabilities.'

Recommended Cash Offer for Kin and Carta Plc

On 18 October 2023, it was announced that the boards of directors of Kelvin UK Bidco Limited ('Bidco'), a newly formed company owned indirectly by funds advised by Apax Partners LLP ('Apax'), and Kin + Carta had reached agreement on the terms and conditions of a recommended cash offer made by Bidco to acquire the entire issued share capital of Kin + Carta (the 'Acquisition'). Under the terms of the Acquisition, Kin + Carta shareholders will be entitled to receive 110 pence in cash for each Kin + Carta share, valuing Kin + Carta at £203 million on a fully diluted basis. This represents a premium of 41% to the closing price on 17 October 2023. The Acquisition is conditional inter alia on approval by the Company's shareholders and certain regulatory approvals. Completion of the Acquisition is currently expected to take place in the first quarter of 2024.

Whilst the Board continues to believe Kin + Carta is strategically positioned to benefit from the DX market opportunity, it also recognises there are several challenges in achieving its standalone strategy.

Within the context of the DX competitor landscape, Kin + Carta is a relatively small-scale player. In order to compete successfully in the future, the Board believes that Kin + Carta will need to expand its capabilities, resources and access to capital in a way which is challenging to achieve on a standalone basis. Additionally, as seen over the last 12 months, there continue to be significant market headwinds across the DX industry driven by hesitance among enterprise clients to commit to large programmes of work in the current macro environment, which impacts Kin + Carta's future new business growth. This in turn has resulted in significant volatility in the Company's financial performance, share price, and ability to execute on its strategy. Finally,



whilst Kin + Carta has successfully grown its client base in recent years, it remains relatively concentrated such that any 'churn' within this revenue base can have a material impact on the profitability of the Kin + Carta Group, given the size of the business today.

As a result, the Board acknowledges the benefits of Kin + Carta being a private company supported by Apax and from Apax's significant experience in supporting and growing global digital consulting businesses.

Results presentation

There will be a presentation for sell-side analysts today, 2 November, at 12:00 GMT. For details, please contact kinandcarta@powerscourt-group.com.

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About Kin + Carta

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

Kin + Carta's 1,800 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

FY23 was undoubtedly a challenging year. As the digital transformation market experienced widespread volatility, Kin + Carta used the disruption to accelerate operational change.

The market slowed significantly in the first half as clients responded to fears of a global recession and a prospective banking crisis. Sales-cycles lengthened, project ramp-up times extended and revenue slowed with the weakest areas comprising sub-enterprise scale-up clients or those companies more exposed to a drop in consumer spending. There were substantially fewer new business opportunities in the market as many companies paused spending. Fewer opportunities led to more intense price competition as our larger peers leveraged their scale and offshore operations. The net impact required a material reduction to our previous growth expectations.

Despite the volatile markets, we began the second half with a stronger order backlog and an expectation that organic growth and profitability would improve in H2. Net revenue grew sequentially in Q3 and Q4 in line with reduced expectations, whilst the bottom-line beat expectations with a combination of assertive cost controls and a strong focus on clients. Net revenue for the year came in at £192.0m and although this was only marginally ahead of the FY22 result, it represents a resilient performance in what was an unexpectedly challenging marketplace. Statutory revenue for the year was £195.9m.

Focus on enterprise client foundation

Our focus on clients was paramount. The client base strengthened, reflected in the makeup of all Top 20 clients and 90% of total revenue derived from enterprise grade businesses (organisations with excess of \$1BN net revenue). In a highly competitive new business environment we took steps to better reflect our client's ecosystems with a connected go-to-market strategy across sectors, services, and technology partners. Consistency of high-performance consulting and delivery was enhanced by the development and application of the 'Kin + Carta Way', a proprietary global delivery methodology built for our client's success that we will continue to expand in FY24.

Whilst demand from existing enterprise clients was more resilient than the churn experienced from our smaller clients, winning new business remained challenged compared to prior years and we experienced continued volatility within the enterprise client base. Many of our top enterprise clients maintained or increased investment in their digital transformation roadmaps, and we saw a 20% increase in net revenue from our Top 20 global clients this year compared to the Top 20 clients in the prior year. Our largest client grew from 12% of net revenue last year to 25% of net revenue in FY23 which has been both a testament to their confidence in us and a risk to manage going forward. By continuing to focus on delivering for our clients, we also hope to manage the potential instability caused by executive turnover at some enterprise clients.

Adding new enterprise client wins

Despite the tougher new business market, significant wins were achieved. These included America's largest automotive manufacturer, a Japanese multinational technology company, S&P 400 automotive group, US National Veterinary Associates in the Americas, and £44.2 million of public sector wins in Europe including the UK Department for Education, Department for Work and Pensions, Department for Levelling-Up, Housing and Communities, and the BBC.



Accelerating cost reductions

Reorganisation around key industry sectors with sales, subject matter experts and delivery closer to clients, and an acceleration and expansion of nearshore delivery and operations capabilities helped to preserve our margins and improve our cost base. Latin America headcount scaled by 44% to 390 employees bolstered by the opening of new offices in Colombia and Buenos Aires. The integration of the prior year's acquisition of the Melon Group in Bulgaria, Kosovo and North Macedonia has progressed well, and we've opened a new shared services centre in Bulgaria to further improve operational costs.

Leading with what's next: Data and AI

Last year I told you that the importance of data transformation services would continue to rise. In FY23 Data & AI has been our fastest growing service line and we continue to see increased demand for the transformational data services that increase revenue, drive efficiencies and enable AI ambitions. Kin + Carta's data & AI capabilities have deepened with the acquisition of Forecast Data Services in Europe, bringing high performance data scientists and engineers, an enterprise client base, specialist nearshore teams in Poland, and valuable relationships with the universities that fuel supply of talent.

In spite of the volatile conditions, we continued to innovate. As a priority launch partner for Google generative AI, and with early access to Microsoft's generative AI platform, our engineers guided enterprise clients through the use cases that make generative AI a viable and powerful tool for their businesses. Our role is to assess, enhance and deploy technologies that drive value for our clients, and we will continue to be at the forefront of the generative AI wave by favouring building, experimentation and optimisation over thought leadership and hype cycle.

AI is not a standalone technology. It is dependent on a complementary data ecosystem, and this is where generative AI enthusiasm will translate to material revenue in the short to medium term. Kin + Carta's data & AI proposition is a direct enabler of generative AI ambitions, starting with core data foundations and governance, then the application of enterprise analytics and insights, building custom data products that provide differentiation for our clients, and the deployment of machine learning and artificial intelligence to enterprise use cases. It is because of Kin + Carta's end-to-end capabilities across this domain, developed with the world's leading technology partners Microsoft and Google, that we are being trusted to lead the development of generative AI strategy and execution for global enterprise clients.

Strengthened technology partner relationships

Big Tech is quickly evolving to put themselves in the strongest position to capitalise on AI and the strength of Kin + Carta's relationships with technology partners continues to be a key value driver. This year Kin + Carta was named *Cloud Partner of the Year* in Retail by Google, while Microsoft awarded Kin + Carta *Partner of the Year Sustainability Changemaker* for the second consecutive year. Further progress in the MACH partner ecosystem (micro-services, API-led, cloud native and headless), and data domain specialists like Databricks ensure that our clients benefit from leadership in the most progressive platforms.

A winning and responsible culture

Kin + Carta's commitment to B-Corp principles and operating as a higher standard, more responsible consulting business continues to shape progress. MSCI and Sustainalytics ESG ratings have improved in FY23, climate disclosure TCFD (Task force for Climate-related Financial Disclosure) reporting has been delivered, and the Company has successfully completed its first double materiality assessment. Kin + Carta's vibrant IDEA (Inclusion Diversity Equity and Accessibility) programme focused on 'responsibility in the everyday' driving progress in IDEA engagement, standards and integration across the business.



The Company's employee experience, founded on a high-performance and conscientious engineers' culture, was widely recognised across our regions and offices including:

- *Consulting Magazine's* 'Best firms to work for'
- *Women's Choice Awards* 'Best companies to work for'
- *Great Places to Work Awards* 'Best workplaces for tech, wellbeing and as a large organisation'
- *Top Places to Work*, for 'leadership, purpose and values, professional development, employee wellbeing, compensation and benefits'.

The speed and effectiveness of our response to market disruption is a measure of the professionalism and agility that our leadership team have embodied this year. I am deeply proud of their innovation, empathy and resolve during an extremely complex period.

—

Kelly Manthey

Chief Executive Officer

2 November 2023



Financial Review

This report comments on the key financial aspects of the Group's 2023 results. The report includes adjusted results which exclude adjusting items to reflect how management assesses and monitors the ongoing financial performance of the Group. The definition and reconciliation of adjusted measures is set out in the adjusted performance measures section.

Group performance

Group net revenue from continuing operations of £192.0 million (2022: £190.3 million), including favourable effects from currency movements and acquisitions, was broadly in line with the prior period. Statutory revenue decreased from £197.1 million to £195.9 million. On a like-for-like basis, net revenue declined by 10.6%. The Americas region makes up 70% of net revenue and Europe 30%. Net revenue by client sector includes Transportation (10%), Industrials and Agriculture (14%), Retail & Distribution (22%) and Financial Services (36%). The Company's largest client makes up 25% of net revenue, and is part of the Financial Services sector.

Group adjusted operating margin was 9.6% for the period (2022: 11.8%) with higher gross margins offset by higher selling and IT costs. The Group's delivery staff in Latin America and Southeast Europe near-shore locations grew from 9% of delivery staff last period to over 40% this period, and is expected to continue to grow and improve the Group's profitability profile. Whilst this nearshore delivery enhances client retention and improves the Company's gross margins, it is delivered at a lower price point than onshore (domestic) delivery, and therefore impeded organic growth in each region. The lower operating margin in the period also includes the impact of unusual client disputes from two non-enterprise clients with related net revenue at much lower than average margin.

Adjusting items

The statutory total loss before tax from continuing operations in the period was £20.7 million (2022: loss of £15.6 million), which is stated after net adjusting cost items of £36.5 million (2022: net costs of £36.1 million).

Key adjusting items are as follows:

- Amortisation, deemed remuneration and other acquisition-related charges related to acquisitions: £9.3 million related to the non-cash amortisation of acquired intangibles, £9.8 million of contingent consideration required to be treated as remuneration, a credit of £0.3 million in respect of deferred consideration adjustments, and £0.7 million of acquisition and integration-related costs.
- A non-cash impairment goodwill charge of £14.6 million relating to the 'UK excluding Kin and Carta Data' cash generating unit.
- A charge, net of associated insurance proceeds, of £3.6 million related to two client disputes and associated legal costs. This includes the full and final settlement costs and related external advisor costs associated with the resolution of two client disputes which were significant in value and which are expected to be non-recurring in nature. We expect to record a credit of £3.3m in FY24 in respect of further reimbursement of costs by our insurer. The net revenue and cost impacts of the client delivery are included in adjusted results.
- A net credit of £7.8 million relating to the renegotiation of the Chicago office lease that will result in a smaller, lower cost space in the same building from January 2024 under a new lease. The prior year charge of £6.3 million comprised an impairment of the right-of-use asset and a provision for onerous costs related to a portion of the Chicago lease, both of which reflected the costs of the portion of the lease which no longer had economic value.

Further details are provided within note 3 of the Consolidated Financial Statements.



Regional performance

The Americas segment delivered £19.0 million of adjusted operating profit (2022: £23.5 million) on net revenue of £134.8 million (2022: £132.2 million). Americas' organic net revenue at constant currency declined by 8.4%, reflecting macroeconomic weakness that caused client spending caution and elongated sales cycles noted across the industry. Gross margin percentage was unchanged year-on-year. Adjusted operating margin declined from 17.8% to 14.1% due to the effect of investment in selling and marketing functions and in information technology. Statutory revenue was £158.0 million (2022: £154.0 million).

The Europe segment delivered £3.8 million of adjusted operating profit (2022: £4.4 million) on net revenue of £57.2 million (2022: £58.1 million). Like-for-like net revenue declined by 15.8%, primarily as a result of macroeconomic weakness in the UK, which accounts for 84% of Europe's net revenue. Public sector net revenue grew 220% to £11.9 million on several multi-year contract wins. While there was a modest increase in the gross margin percentage year on year, the operating margin declined from 7.6% to 6.6% due to planned investment in selling staff and information technology. Statutory revenue was £62.1 million (2022: £61.8 million).

Net finance costs

Adjusted net finance costs, which exclude the Defined Benefit Scheme pension costs, increased by 43% to £2.6 million (2022: £1.8 million), driven by increased net debt levels and higher interest rates.

Prior period restatements and reclassifications

During the period there was a change of accounting policy to account for the investment property, which is now accounted for using the fair value model instead of the cost model previously used. This change has been applied retrospectively from 1 August 2021 and resulted in a £0.3 million increase to adjusted operating profit in FY22.

A credit of £1.3 million has been adjusted in opening retained earnings at 1 August 2021 relating to the restatement of an income tax charge on loan forgiveness arising in the FY21 year.

The Group's share-based payment charge is excluded from adjusted results in a similar way to the Company's publicly listed peer group companies in digital transformation, aiding comparability. The FY22 results have been restated to reclassify the share-based payment charge to adjusting items in the Consolidated Income Statement. There is no impact on the statutory loss for either period.

Further details are set out in note 1 of the Consolidated Financial Statements.

Acquisitions

On 5 May 2023, the Group acquired 100% of the issued share capital of Kin and Carta Data Limited (formerly known as Forecast Data Services Limited), a data and artificial intelligence business based in Edinburgh, Scotland and its Polish subsidiary based in Wroclaw, Poland. The initial cash consideration, net of cash acquired, was £2.2 million, with the potential for further payments of up to £10.1 million over the next two years contingent upon achieving EBITDA growth targets. Based on current forecasts we estimate further payments totalling £4.3 million will be made. Further details are set out in note 7 of the Consolidated Financial Statements.

Balance sheet and cash flow

Net assets of £73.4 million decreased by £53.0 million versus 31 July 2022, driven by the actuarial loss, net of tax, on the Pension Scheme surplus of £21.2 million; the net loss after tax of £18.8 million which included a non-cash

impairment of £14.6 million on goodwill; non-income movements in equity related to net share repurchases and settlements of £8.0 million; transfers from equity to liabilities in respect of contingent deferred payments for acquisitions made in prior periods of £10.6 million following the Company's decision to settle in cash rather than equity; and foreign exchange losses and other movements of £1.0 million; partially offset by £6.5 million of credits to equity in respect of share-based payments, net of tax.

Operating cash outflow before working capital, interest and tax was £1.1 million (2022: inflow of £19.2 million), which includes £16.2 million of deferred payments related to acquisitions completed in prior periods (2022: £nil). The related income statement charge is treated as an adjusting item. The cash outflow also includes other outflows linked to adjusting items before working capital of £8.7 million (2022: £7.8 million), principally related to the settlement of customer disputes of £3.6 million, and legacy pension-related outflows of £2.7 million. The net operating cash inflow before adjusting items, working capital, tax and interest was £23.9 million (2022: £26.0 million). After the year end, the Group's insurers confirmed that a further £3.3 million of costs related to the settlement of the final client dispute would be reimbursed. This is expected to be received in the first half of FY24 and the associated credit will be recorded as an adjusting item in the Consolidated Income Statement.

The working capital inflow of £1.6 million (2022: outflow of £7.1 million) includes an inflow of £12.2 million from movements in receivables, net of deferred income, which reflects a strong focus on billing and collection in the period, offset by an outflow of movement in payables of £10.6 million linked principally to a reduction in the liability for employee bonuses.

The investing cash outflow of £5.2 million (2022: inflow of £21.0 million) includes £2.2 million related to the acquisition of Forecast Data Services Ltd as well as capital expenditure of £2.4 million (2022: £1.3 million), and deferred consideration payments relating prior period acquisitions of £0.7 million (2022: £nil). FY22 included a cash inflow of £34.3 million of proceeds from the divestment of subsidiaries.

Financing cash flows included market purchases of the Company's shares by the Employee Benefit Trust of £8.4 million (2022: £5.6 million) to satisfy expected future vesting under employee share-based payment schemes. Lease payments were broadly in line with the prior period at £4.0 million (2022: £3.8 million). Following the renegotiation of the Chicago lease in the period, Group lease payments are forecast to reduce to c.£3.3 million in FY24, excluding further acquisitions.

Credit facility and net debt

The Group ended the period with a net bank debt position of £20.0 million measured at 31 July 2023 closing currency exchange rates. For bank covenant purposes, net debt is measured at average currency exchange rates through the period rather than closing, resulting in an adjusted debt figure of £21.0 million (2022: £0.2 million). Bank leverage remains modest with net debt at 1.04 times adjusted EBITDA for bank covenant purposes at 31 July 2023 (2022: 0.01 times). Interest cover for bank purposes was 10.5 times (2022: 18.5 times) compared to a minimum covenant of 4 times.

Our liquidity position remains solid, with modest claims on future operating cash flows beyond growth-related investments in working capital, operational capital expenditures at similar levels to prior years and the schedule of contingent and deferred consideration payments related to acquisitions in prior periods. There remains substantial undrawn capacity on the Company's credit facility of £85.0 million committed until September 2026.

As at 31 July 2023, the Company had loans of £29.8 million drawn on the facility (2022: £13.1 million). The undrawn portion of this facility at 31 July 2023 was £55.2 million (2022: £71.9 million).

Pension

The IAS 19 pension accounting surplus decreased during the period to £13.0 million from £38.7 million at 31 July 2022.

The lower surplus is due to a decrease in the value of Scheme assets of £82.7 million, driven primarily by the reduction in the value of the gilt portfolio which comprises a large proportion of Scheme assets, following the large increase in UK gilt yields in the period. This was partially offset by a decrease in the Scheme liabilities of £56.9 million, driven by increases in the AA corporate bond yield which is used to discount the Scheme liabilities.

The Scheme remains fully hedged against interest rate and inflation rate risk measured on the basis of the technical liability, which has a different discount rate profile to the accounting liability. At 31 July 2023, approximately 35% of the Scheme's assets were allocated to growth assets (reduced from 40% at 31 July 2022), of which less than half were allocated to equities. The non-growth assets are invested in liability matching and cash flow matching assets.

Excluding trustee expenses, sponsor cash contributions to the Scheme will reduce to £0.6 million in FY24 and £0.4 million in FY25. In addition, the Company is committed to make a contribution of £0.4 million per annum towards trustee expenses until FY27. The levy payable by the company to the Pension Protection Fund will reduce significantly from £0.6 million in FY23 to £0.04 million in FY24 as a result of the Scheme's improved funding status.

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Chris Kutsor

Chief Financial Officer

Chief Operations Officer



Alternative Performance Measures (APMs)

The full year results include both statutory and adjusted results. The adjusted results reflect how management assesses and monitors the ongoing financial performance of the Group and allows for a consistent and meaningful comparison from period-to-period and with our peer group. 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 “adjusting items” to reflect the manner in which performance is tracked and assessed internally by management.

Adjusting items are presented in the middle column of the Consolidated Income Statement. In the opinion of the Directors, their separate presentation aids understanding of the financial performance of the Group. Adjusting items include acquisition and disposal-related costs, amortisation of acquired intangibles, impairments, share-based payment charges, administrative expenses related to St Ives Defined Benefit Pension Scheme, client disputes and litigation and associated insurance income, and restructuring charges. For further details, refer to note 3 of the Consolidated Financial Statements.

As adjusted results include the benefits of acquisitions and restructuring programmes but exclude significant costs (such as significant acquisition costs, share-based payments, legal and major restructuring items), they should not be regarded as a complete picture of the Group’s financial performance, which is presented in its statutory results. The exclusion of adjusting items may result in adjusted earnings being materially higher or lower than statutory earnings. In particular, when significant impairments and amortisation charges, share-based payments, restructuring charges and legal costs are excluded, adjusted earnings will be higher than statutory earnings.

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

Net revenue: This measure is defined as revenue less project-related costs as shown on the Consolidated Income Statement. Project-related costs comprise primarily of certain third-party expenses directly attributable to a project.

	Year to 31 July 2023 £'000	Year to 31 July 2022 £'000
Revenue	195,870	197,123
Project-related costs	(3,858)	(6,846)
Net revenue	192,012	190,277

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

	Year to 31 July 2023 £'000	Impact of ¹ acquisitions £'000	Impact of ² exchange movements £'000	Like-for-like adjusted net revenue £'000	Year to 31 July 2022 £'000	Like-for-like adjusted net revenue decline %
Europe	57,246	(8,182)	(157)	48,907	58,050	(15.8%)
Americas	134,766	(3,921)	(9,699)	121,146	132,227	(8.4%)
Group	192,012	(12,103)	(9,856)	170,053	190,277	(10.6%)

¹ Representing (i) for Loop in Americas and Melon Group in Europe, the net revenue for the period from 1 August 2022 to the one year anniversary of the date of the respective acquisitions, both of which took place in the prior year, and (ii) for Kin and Carta Data (completed in 2023) the FY2023 post-acquisition revenue.

² The impact of retranslating 2023 net revenue at the 2022 average exchange rates.



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

	Year to 31 July 2023 £'000	Restated ¹ Year to 31 July 2022 £'000
Statutory operating loss	(19,279)	(14,086)
Add back total adjusting items	37,735	36,482
Adjusted operating profit	18,456	22,396

¹ The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model which has been applied retrospectively. Refer to note 1 of the Consolidated Financial Statements for further details.

Like-for-like adjusted operating profit at constant currency: This measure is defined as the adjusted organic operating profit from continuing operations when comparing the current period to the prior period at the constant currency rate of exchange, excluding the effects of acquisition or disposal.

	Year to 31 July 2023 £'000	Impact of ¹ acquisition £'000	Impact of ² exchange movements £'000	Like-for-like adjusted operating profit £'000	Restated ^{3,4} Year to 31 July 2022 £'000	Like-for-like adjusted operating profit change %
Europe	3,751	(2,037)	(94)	1,620	4,439	(63.5%)
Americas	19,014	(1,152)	(1,329)	16,533	23,508	(29.7%)
Corporate costs	(4,309)	–	–	(4,309)	(5,551)	22.4%
Group	18,456	(3,189)	(1,423)	13,844	22,396	(38.2%)

¹ Representing (i) for Loop in Americas and Melon Group in Europe, the results for the period from 1 August 2022 to the one year anniversary of the date of the respective acquisitions both of which took place in the prior year, and (ii) for Kin and Carta Data (completed in 2023) calculated using the FY23 post-acquisition results.

² The impact of retranslating 2023 operating profit at the 2022 average exchange rates.

³ The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model, which has been applied retrospectively. Refer to note 1 of the Consolidated Financial Statements for further details.

⁴ The prior year allocation of corporate costs to the segments have been updated to reflect a change in allocation basis in the current year.

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 2023 £'000	Restated ¹ Year to 31 July 2022 £'000
Statutory loss before tax	(20,669)	(15,583)
Add back total adjusting items before tax	36,499	36,142
Adjusted profit before tax	15,830	20,559

¹ The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model, which has been applied retrospectively. Refer to note 1 of the Consolidated Financial Statements for further details.



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 2023 £'000	Restated ¹ Year to 31 July 2022 £'000
Statutory loss after tax	(18,765)	(13,974)
Add back total adjusting items after tax	33,785	32,731
Adjusted profit after tax	15,020	18,757

¹ The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model, which has been applied retrospectively. Refer to note 1 of the Consolidated Financial Statements for further details.

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

	Year to 31 July 2023 £'000	Restated ¹ Year to 31 July 2022 £'000
Adjusted profit after tax	15,020	18,757
Weighted average number of shares ('000)	173,189	173,700
Adjusted basic earnings per share (pence)	8.67	10.80

¹ The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model, which has been applied retrospectively. Refer to note 1 of the Consolidated Financial Statements for further details.

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

	Year to 31 July 2023 £'000			Restated ¹ Year to 31 July 2022 £'000		
	Group	Europe	Americas	Group	Europe	Americas
Net revenue	192,012	57,246	134,766	190,277	58,050	132,227
Adjusted operating profit	18,456	3,751	19,014	22,396	4,439	23,508
Adjusted operating margin	9.6%	6.6%	14.1%	11.8%	7.6%	17.8%

¹ The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model, which has been applied retrospectively. Refer to note 1 of the Consolidated Financial Statements for further details.

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, as defined in the revolving credit facility agreement, includes an adjustment to present on a "frozen GAAP" pre-IFRS 16 basis and a pro-forma adjustment to incorporate the results of acquisitions in the preceding 12-month period that have not already been consolidated in the Group results.

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

	Year to 31 July 2023 £'000	Restated ¹ Year to 31 July 2022 £'000
Adjusted operating profit	18,456	22,396
Add: depreciation and amortisation	13,617	10,278
Less: amortisation of intangibles classified as adjusting items	(9,256)	(6,390)
Adjusted EBITDA	22,817	26,284
Covenant adjustment	(2,614)	(1,518)
Adjusted EBITDA for covenant purposes- FY23 presentation basis	20,203	24,766
2022 share-based payments charge presented within adjusted results	–	(3,234)
Adjusted EBITDA for covenant purposes as reported to the bank	20,203	21,532

¹ The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model, which has been applied retrospectively. Refer to note 1 of the Consolidated Financial Statements for further details.

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

For the measurement of the bank covenants, cash, cash equivalents and borrowings denominated in currencies other than Pounds 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.

	Year to 31 July 2023 £'000	Year to 31 July 2022 £'000
Cash and cash equivalents	9,847	12,609
Bank loans	(29,815)	(13,148)
Net debt before covenant adjustments	(19,968)	(539)
Foreign exchange difference between spot rate and average rate	(1,035)	353
Net debt for covenant purposes	(21,003)	(186)

Net debt/(cash) to adjusted EBITDA for bank covenant purposes: This measure is calculated by dividing net debt/(cash) 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 2023 £'000	Restated ¹ Year to 31 July 2022 £'000
Adjusted EBITDA for covenant purposes	20,203	21,532
Net debt for covenant purposes	(21,003)	(186)
Net debt to adjusted EBITDA for covenant purposes	1.04	0.01

¹ The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model, which has been applied retrospectively. Refer to note 1 of the Consolidated Financial Statements for further details.

Backlog: 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 less revenue recognised to date.

Adjusted operating cash inflows before movements in working capital: This measure is calculated by adding back non-cash items included within adjusted operating profit other than working capital movements.

	Year to 31 July 2023 £'000	Restated ¹ Year to 31 July 2022 £'000
Adjusted operating profit	18,456	22,396
Depreciation of property, plant and equipment	4,361	3,886
Increase in provisions related to adjusted results	1,062	32
Share of profit from joint arrangement	–	(442)
Disbursement from joint arrangement	–	147
Adjusted operating cash inflow from before working capital	23,879	26,019

¹ The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model which has been applied retrospectively. Refer to note 1 of the Consolidated Financial Statements for further details.



Consolidated Income Statement

	Note	Year to 31 July 2023			Restated ¹ Year to 31 July 2022		
		Adjusted results	Adjusting items	Statutory results	Adjusted results	Adjusting items	Statutory results
		£'000	(note 3) £'000	£'000	£'000	(note 3) £'000	£'000
Revenue	2	195,870	–	195,870	197,123	–	197,123
Project-related costs		(3,858)	–	(3,858)	(6,846)	–	(6,846)
Net revenue		192,012	–	192,012	190,277	–	190,277
Cost of service		(104,871)		(104,871)	(105,398)	–	(105,398)
Gross profit		87,141	–	87,141	84,879	–	84,879
Selling costs		(20,382)	–	(20,382)	(16,412)	–	(16,412)
Administrative expenses		(48,303)	(4,113)	(52,416)	(46,513)	(7,565)	(54,078)
Share of results of joint arrangement		–	–	–	442	–	442
Share-based payment charges		–	(3,749)	(3,749)	–	(3,234)	(3,234)
Customer disputes and litigation		–	(3,578)	(3,578)	–	–	–
Impairment of goodwill		–	(14,598)	(14,598)	–	–	–
Amortisation of acquired intangibles		–	(9,256)	(9,256)	–	(6,390)	(6,390)
Contingent consideration treated as remuneration and adjustments to consideration		–	(9,588)	(9,588)	–	(13,229)	(13,229)
Acquisition and integration costs		–	(655)	(655)	–	(1,421)	(1,421)
Property impairment and related empty credits/(charges)		–	7,802	7,802	–	(6,264)	(6,264)
Other operating income		–	–	–	–	1,621	1,621
Operating profit/(loss)		18,456	(37,735)	(19,279)	22,396	(36,482)	(14,086)
Net pension finance income		–	1,376	1,376	–	340	340
Other finance costs	5	(2,626)	(140)	(2,766)	(1,837)	–	(1,837)
Profit/(loss) before tax		15,830	(36,499)	(20,669)	20,559	(36,142)	(15,583)
Income tax (charge)/credit		(810)	2,714	1,904	(1,802)	3,411	1,609
Net profit/(loss) from continuing operations		15,020	(33,785)	(18,765)	18,757	(32,731)	(13,974)
Net profit from discontinued operations	4	–	–	–	1,406	22,575	23,981
Net profit/(loss) for the period attributable to equity holders of the Parent Company		15,020	(33,785)	(18,765)	20,163	(10,156)	10,007
Basic earnings/(loss) per share (pence)							
Continuing operations		8.67		(10.83)	10.80		(8.04)
Discontinued operations		–		–	0.81		13.80
Continuing and discontinued operations	8	8.67		(10.83)	11.61		5.76
Diluted earnings/(loss) per share (pence)							
Continuing operations		8.50		(10.83)	10.46		(7.79)
Discontinued operations		–		–	0.78		13.37
Continuing and discontinued operations	8	8.50		(10.83)	11.24		5.58

1 The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model, which has been applied retrospectively. Refer to note 1 for further details.

Consolidated Statement of Comprehensive Income

	Year to 31 July 2023 £'000	Year to 31 July 2022 £'000
Net (loss)/profit for the period	(18,765)	10,007
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit scheme surplus	(28,295)	20,335
Tax credit/(charge) on items taken through other comprehensive income	7,074	(6,209)
	(21,221)	14,126
Items that may be reclassified subsequently to profit or loss:		
Transfers of losses on cash flow hedges	54	13
Losses on cash flow hedges	(43)	(54)
Foreign exchange (losses)/gains	(1,477)	4,366
Tax credit/(charge) on items taken through other comprehensive income	129	(1,105)
	(1,337)	3,220
Other comprehensive (loss)/income for the period	(22,558)	17,346
Total comprehensive (loss)/income for the period attributable to equity holders of the Parent Company	(41,323)	27,353

Consolidated Statement of Changes in Equity

	Share capital £'000	Additional paid-in capital ¹ £'000	ESOP reserve £'000	Treasury shares £'000	Share option reserve £'000	Hedging and translation reserve £'000	Other reserves £'000	Retained earnings/ (accumulated deficit) ² £'000	Total equity £'000
Balance at 1 August 2021 (as previously reported)	17,255	86,513	(68)	(163)	3,756	1,583	91,621	(26,118)	82,758
Prior year adjustment (note 1)	–	–	–	–	–	–	–	2,532	2,532
Balance at 1 August 2021 (restated)	17,255	86,513	(68)	(163)	3,756	1,583	91,621	(23,586)	85,290
Profit for the year (restated)	–	–	–	–	–	–	–	10,007	10,007
Other comprehensive income	–	–	–	–	–	3,220	3,220	14,126	17,346
Total comprehensive income	–	–	–	–	–	3,220	3,220	24,133	27,353
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 by Employee Benefit Trust	–	–	(5,593)	–	–	–	(5,593)	–	(5,593)
Reclassification of share-settled amount from liabilities	–	–	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 (restated)	17,797	89,302	(5,325)	(163)	12,907	4,979	101,700	6,964	126,461
Loss for the year	–	–	–	–	–	–	–	(18,765)	(18,765)
Other comprehensive loss	–	–	–	–	–	(1,337)	(1,337)	(21,221)	(22,558)
Total comprehensive loss	–	–	–	–	–	(1,337)	(1,337)	(39,986)	(41,323)
Dividends paid	–	–	–	–	–	–	–	(3)	(3)
Shares issued to settle employee share options	6	45	3,872	–	(1,660)	–	2,257	(2,211)	52
Purchase of own shares by Employee Benefit Trust	–	–	(8,395)	–	–	–	(8,395)	–	(8,395)
Reclassification of share-settled amount from liabilities	–	–	362	–	–	–	362	–	362
Recognition of share-based payments in respect of employee share schemes	–	–	–	–	3,128	–	3,128	–	3,128
Recognition of share-based contingent consideration deemed as remuneration	–	–	–	–	3,878	–	3,878	–	3,878
Reclassification of contingent consideration deemed as remuneration from equity to liabilities	–	–	–	–	(10,623)	–	(10,623)	–	(10,623)
Tax on share-based payments	–	–	–	–	(545)	–	(545)	–	(545)
Hyperinflation revaluation	–	–	–	–	–	424	424	–	424
Reclassification to retained earnings ³	–	–	–	–	(3,279)	–	(3,279)	3,279	–
Balance at 31 July 2023	17,803	89,347	(9,486)	(163)	3,806	4,066	87,570	(31,957)	73,416

1 Additional paid-in capital includes share premium, merger reserve and capital redemption reserve as detailed in note 16.

2 The results for the year to 31 July 2022 have been restated to reflect the correction of the tax treatment of income from US loan forgiveness income in FY21 and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model, which has been applied retrospectively. Refer to note 1 for further details.

3 Following the full vesting in the period of shares in respect of deferred consideration for the Spire acquisition that were allotted in a prior period, related amounts have been transferred from the share option reserve to retained earnings.



Consolidated Balance Sheet

		31 July 2023 £'000	Restated ¹ 31 July 2022 £'000
	Note		
Assets			
Non-current assets			
Property, plant and equipment		13,693	10,559
Investment property		4,790	4,790
Goodwill		61,759	76,935
Other intangible assets		13,244	20,435
Retirement benefit surplus	13	12,964	38,748
Other non-current assets		137	101
Deferred tax assets		4,678	7,625
		111,265	159,193
Current assets			
Trade and other receivables	14	31,432	45,393
Derivative financial instruments	14	31	2
Current tax assets		2,074	–
Cash and cash equivalents	14	9,847	12,609
		43,384	58,004
Total assets		154,649	217,197
Liabilities			
Current liabilities			
Lease liabilities	14	2,574	2,806
Trade and other payables	14	23,534	32,968
Derivative financial instruments	14	–	454
Current tax liabilities		624	1,867
Deferred income	14	3,479	5,159
Contingent and deferred consideration payable	10	4,955	6,944
Provisions	12	1,984	477
		37,150	50,675
Non-current liabilities			
Lease liabilities	14	8,193	10,052
Loans and borrowings	11	29,815	13,148
Contingent and deferred consideration payable	10	3,604	2,155
Provisions	12	275	4,206
Deferred tax liabilities		2,196	10,500
		44,083	40,061
Total liabilities		81,233	90,736
Net assets		73,416	126,461
Capital and reserves			
Share capital	15	17,803	17,797
Other reserves	17	87,570	101,700
(Accumulated deficit)/retained earnings		(31,957)	6,964
Total equity		73,416	126,461

1 The Consolidated Balance Sheet at 31 July 2022 has been restated in respect of the correction of the tax treatment of income from US loan forgiveness income in FY21 and the restatement of depreciation and associated tax of the investment property following a change in accounting policy to move from a cost model to a fair value model, which has been applied retrospectively. Refer to note 1 for further details.



These Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 1 November 2023. They were signed on its behalf by:

Kelly Manthey

Chief Executive Officer

Chris Kutsor

Chief Financial Officer

Chief Operating Officer



Consolidated Statement of Cash Flows

	Note	Year to 31 July 2023 £000	Restated ¹ Year to 31 July 2022 £000
Statutory loss before tax		(20,669)	(15,583)
Add back net finance costs		1,390	1,497
Operating loss from continuing operations		(19,279)	(14,086)
Operating profit from discontinued operations	4	–	25,684
Statutory operating (loss)/profit		(19,279)	11,598
Depreciation of property, plant and equipment		4,361	4,123
Amortisation of intangible assets	3	9,256	6,484
Other items before working capital movements:			
Share-based payment charge		3,749	3,118
(Decrease)/increase in retirement benefit obligations		(1,135)	1,194
Charge for contingent consideration required to be treated as remuneration	3	9,588	13,228
Contingent consideration paid for acquisitions made in prior periods		(14,537)	–
Cash outflow from derivatives in respect of contingent consideration paid for acquisitions made in prior periods		(1,651)	–
(Decrease)/increase in provisions		(2,429)	3,551
Impairment losses on goodwill	3	14,598	–
Non-cash reductions in lease liabilities		(5,421)	(4,401)
Impairment of right-of-use assets	3	1,847	6,207
Loss on disposal of property, plant and equipment		–	72
Share of profit from joint arrangement		–	(442)
Disbursement from joint arrangement		–	147
Gain on disposal of subsidiaries		–	(24,059)
Fair value gain from deemed sale on step acquisition	3	–	(1,621)
Operating cash inflows before movements in working capital		(1,053)	19,199
Decrease/(increase) in receivables		13,911	(8,054)
(Decrease)/increase in payables		(10,649)	939
(Decrease)/increase in deferred income		(1,687)	43
Cash generated from operations		522	12,127
Interest paid		(1,660)	(1,014)
Income taxes paid		(1,462)	(1,341)
Net cash flows from operating activities		(2,600)	9,772
Investing activities			
Purchase of property, plant and equipment		(2,374)	(1,336)
Acquisition of subsidiaries, net of cash acquired		(2,197)	(11,932)
Deferred consideration paid for acquisitions made in prior periods		(673)	–
Proceeds on disposal of subsidiaries		–	34,269
Net cash flows from investing activities		(5,244)	21,001
Financing activities			
Principal element of lease payments		(3,344)	(3,080)
Interest element of lease payments		(636)	(732)
Purchase of own shares by the Employee Benefit Trust		(8,395)	(5,593)
Dividends paid		(3)	(38)
Proceeds from issue of shares		52	332
Drawdown of borrowings		26,672	23,988
Repayment of borrowings		(8,809)	(78,178)
Net cash flows from financing activities		5,537	(63,301)

Net decrease in cash and cash equivalents	(2,307)	(32,528)
Cash and cash equivalents at beginning of the year	12,609	44,971
Effect of currency movements	(455)	166
Cash and cash equivalents at end of the year	9,847	12,609

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

	Year to 31 July 2023 £000	Year to 31 July 2022 £000
Net cash flows from investing activities	–	(1,862)
Net cash used in financing activities	–	34,255
Net increase in cash and cash equivalents	–	(542)
	–	31,851

1 The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model, which has been applied retrospectively. Refer to note 1 for further details.

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

Kin and Carta plc (the “Company”) is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales (Company registration number 1552113) and is listed on the London Stock Exchange. The address of the registered office is The Spitfire Building, 71 Collier Street, London N1 9BE. The Group is principally engaged in the provision of digital transformation consultancy services.

The Consolidated Financial Statements (“the financial statements”) of Kin and Carta plc and its subsidiaries (collectively, the “Group”) The financial statements are presented in pounds sterling as this is the currency of the primary economic environment in which the Group operates, generally rounded to the nearest thousand, except when otherwise indicated.

The financial information set out in this document does not constitute the statutory accounts of the Group for the years ended 31 July 2023 or 31 July 2022 but is derived from those accounts. Statutory accounts for the year ended 31 July 2022 have been delivered to the registrar of companies, and those for 2023 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

This financial information was authorised for issue by the Directors on 1 November 2023.

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following items, which are measured at fair value or grant date fair value:

- Share-based payment arrangements
- Investment property
- Business combinations
- Derivative financial instruments
- Contingent consideration payable

New accounting standards, amendments to standards, and IFRIC interpretations which became applicable during the period were either not relevant or had no impact on the Group’s net results or net assets.

Prior year restatements and reclassifications

(1) Correction of the taxation of income from loan forgiveness

In FY21, the forgiveness of £4.5 million of loans received under the Payment Protection Programme (“PPP”) provided by the US Government were recorded in adjusted other income. This was treated as taxable income in the financial statements for the year ended 31 July 2021, consistent with general US tax rules for loan forgiveness, and a current corporate income tax charge of £1.3 million was provided for at 31 July 2021 and 31 July 2022. However, specific tax legislation for the exclusion of such income was enacted into law within the FY21 year, which resulted in the tax charge being overstated by £1.3 million in that year. As a result, the retained earnings for the comparative balance sheet in these financial statements have been restated as detailed in the tables below.

1. Basis of preparation (continued)

(2) Change of accounting policy to hold investment property at the fair value model (previously cost model)

IAS 40 permits investment properties to be held at either the cost or fair value model. During the year to 31 July 2023, there was a change in accounting policy to move from a cost model to a fair value model. The change arose because management judged that the fair value model was more appropriate as it better reflects the manner of recovery of value of the asset. This change in accounting policy has been applied retrospectively from 1 August 2021, being the beginning of the earliest prior period presented, as required by IAS 8.

The previously reported carrying amount at 1 August 2021, under the cost model, was £4.4 million. The fair value at 31 July 2023, being the market value as determined by an independent property valuer during July 2023, was £4.8 million. The fair value thus obtained was also applied as at 1 August 2021 and 31 July 2022 as management's assessment was that the fair value would have not been materially different to the value at 31 July 2023 at either earlier date. The difference between the carrying amount as per the cost model previously adopted and the fair value as at 1 August 2021 is £0.35 million, which is presented in accumulated retained earnings within equity as an adjustment to opening equity at 1 August 2021, net of the related deferred tax adjustment.

At 1 August 2021, there was a deferred tax liability of £0.88 million in respect of the investment property. Following the change in accounting policy, the basis for the valuation of deferred tax changed to assume a sale scenario for determining the tax basis. In line with IAS 12, the revised accounting policy resulted in a deferred tax asset and a full valuation allowance was taken against the asset, given the low probability of recovery. The deferred tax liability at 1 August 2021 was restated to nil through accumulated retained earnings within equity.

In the prior year to 31 July 2022, £0.27 million depreciation was previously recorded in respect of the investment property. This has been restated to nil following the accounting policy change. In addition, there was a tax credit of £0.05 million recorded in the year in respect of deferred tax, which has been restated to nil, resulting in a net increase in net profit after tax for the prior period of £0.22 million.

(3) Reclassification of share-based payments from adjusting results to adjusting items

Share-based payments are transactions in which the Group issues shares to certain employees as consideration for services received, accounted for under IFRS 2 'Share-based Payment'. From FY23, management decided to exclude the Group's share-based payment charge from the adjusted results. The inclusion of share-based payments, together with associated employer taxes, where applicable, as an adjusting item is in line with publicly listed peer group companies in digital transformation, and with the manner in which financial analysts tend to assess financial performance of companies in the industry, therefore aiding the comparability of adjusted results. The FY22 have been restated to reclassify the share-based payment charge from non-adjusting items to adjusting items in the Consolidated Income Statement. There is no impact on statutory profit/(loss) for either period.

1. Basis of preparation (continued)

These three items are reflected in the tables below:

Restatements and reclassifications as at and for the prior year ended 31 July 2022

	31 July 2022 (statutory- as previously reported) £'000	Tax on loan forgiveness restatement £'000	Share-based payments reclassification £'000	Investment property accounting policy change £'000	31 July 2022 (statutory- restated) £'000
Consolidated Balance Sheet (extract)					
Investment property	4,169	–	–	621	4,790
Current tax liabilities	(3,168)	1,301	–	–	(1,867)
Deferred tax liabilities	(11,334)	–	–	834	(10,500)
Net assets	123,705	1,301	–	1,455	126,461
Retained earnings	4,208	1,301	–	1,455	6,964
Total equity	123,705	1,301	–	1,455	126,461
Consolidated Income Statement (extract)					
Administrative expenses	(57,581)	–	3,234	269	(54,078)
Share-based payments	–	–	(3,234)	–	(3,234)
Loss before tax from continuing operations	(15,852)	–	–	269	(15,583)
Income tax (charge)/credit	1,654	–	–	(45)	1,609
Net (loss)/profit from continuing operations	(14,198)	–	–	224	(13,974)

Basic and diluted earnings per share for the year ending 31 July 2022 have been updated to reflect the share-based payments reclassification and the restatement of depreciation following the accounting policy change to hold investment property at the fair value model:

	Adjusted earnings		Statutory earnings	
	Year to 31 July 2022 (as previously reported)	Year to 31 July 2022 (restated)	Year to 31 July 2022 (as previously reported)	Year to 31 July 2022 (restated)
Continuing and discontinued operations				
<i>Net profit for the period (£'000)</i>	16,291	20,163	9,783	10,007
Earnings per share (pence)				
Basic earnings per share	9.38	11.61	5.63	5.76
Diluted earnings per share	9.08	11.24	5.46	5.58



1. Basis of preparation (continued)

Restatements as at 1 August 2021

	1 August 2021 (statutory- as previously reported) £'000	Tax on loan forgiveness restatement £'000	Investment property accounting policy change £'000	1 August 2021 (statutory- restated) £'000
Consolidated Balance Sheet (extract)				
Investment property	4,438	–	352	4,790
Current tax assets/(liabilities)	(514)	1,301	–	787
Deferred tax liabilities	(3,930)	–	879	(3,051)
Net assets	82,758	1,301	1,231	85,290
Accumulated deficit	(26,118)	1,301	1,231	(23,586)
Total equity	82,758	1,301	1,231	85,290

New and amended standards and interpretations

The following amendments became effective for annual accounting periods beginning on, or after, 1 January 2022, hence are applicable to Kin and Carta plc for the financial year to 31 July 2023:

- Amendments to IAS 37: Onerous Contracts- Cost of Fulfilling a Contract
- Amendments to References to the Conceptual Framework in IFRS 3 'Business Combinations'
- Amendments to IAS 16: Property, Plant and Equipment- Proceeds before Intended Use
- Annual Improvements to IFRS Standards 2018-2020

These amendments have a limited impact on the Consolidated Financial Statements of the Group.

Standards issued but not yet effective

At the date of the approval of these financial statements, the following standards, which have not been applied in these financial statements were in issue, but not yet effective:

- Amended IFRS 17: Insurance contracts
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 1: Disclosure of Accounting Policies, Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendment to IFRS 16: Lease Liability in a Sale and Leaseback

These new standards are not expected to have a material impact on the Consolidated Financial Statements. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

1. Basis of preparation (continued)

Going concern

As at 31 July 2023, the Group had drawn £29.8 million, (31 July 2022: £13.1 million) on its credit facilities, leaving an unutilised amount of £55.2 million (31 July 2022: £71.9 million). At 31 July 2023, the ratio of net debt/(cash) to adjusted EBITDA for bank covenant purposes was 1.04 times (31 July 2022: 0.01 times), well within the covenant limit of 2.5 times.

The Group has prepared a forecast of financial projections for the three-year period to 31 July 2026. The forecast underpins the going concern assessment, which had been made for the period through to 1 November 2024, a period of 12 months from the date of approval of the Consolidated Financial Statements.

The base case reflects the assumptions made by the Group with respect to organic growth, increased client diversification and operating profit margin improvement. For the going concern assessment, management ran a series of downside scenarios on the latest forecast profit and cash flow projections to assess bank covenant headroom against funding facilities. This process involved a number of sensitised scenarios to assess the financial impact of the Group's principal business risks, which align with those disclosed within this Annual Report and Accounts.

These scenarios and analysis included assumptions around the Group's products and markets, expenditure commitments, expected cash flows and borrowing facilities, taking into account reasonable possible changes in trading performance, and after making appropriate enquiries. In performing this assessment, consideration was given to the current macroeconomic environment. The inflationary and rising interest rate environment has seen the Group's clients spending more cautiously in FY23, resulting in lower than forecast revenue growth. Revenue growth is forecast to improve modestly in FY24 as the impact of new contract wins comes through and macroeconomic pressures are forecast to reduce. Scenarios modelled included sales volume reductions, decreases in gross margin and significant customer loss. None of the stress scenarios modelled show a breach of bank covenants in respect of available funding facilities or any liquidity shortfall.

This process allowed the Board to conclude that the Group will continue to operate on a going concern basis for a period of at least 12 months from when the Consolidated Financial Statements are authorised for issue. Accordingly, the Consolidated Financial Statements are prepared on a going concern basis.

Recommended acquisition of Kin and Carta plc by Apax Partners LLP ("Apax")

On 18 October 2023, the Board of Kin and Carta plc recommended an offer for the Group to be acquired by Apax. The Board have considered the statements in Apax's announcement made pursuant to rule 2.7 of the Takeover Code in respect of the proposed acquisition, and discussions with Apax senior management regarding Apax's intention to ensure continuity of the Group's existing business. Although the Group's current bank credit facility includes a provision which allows the lender banks to withdraw the facility under certain circumstances after a change of control. The Board believes that Apax would ensure that appropriate bank facilities would continue to be made available to the group after completion of the deal. Considering this, the Board has concluded that the completion of this acquisition would not impact the appropriateness of the going concern basis of preparation for these Consolidated Financial Statements.

The financial statements do not include any adjustments which would be required should it be inappropriate to apply the going concern basis of accounting.



1. Basis of preparation (continued)

Climate change

In preparing the Consolidated Financial Statements, management has considered the impact of climate change. There has been no material impact identified on the financial reporting judgements and estimates. While there is currently no medium-term impact expected from climate change, management is aware of the variable risks arising from climate change and will regularly assess these risks against judgement and estimates made in preparation of the Group's financial statements.

2. Segment reporting

During the year, the Group was managed on a regional basis. Corporate costs, comprising certain costs that are not allocated to the operating regions, are disclosed separately.

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- this segment generates revenue from services offered to our global clients by our operating businesses, which are located in Europe

Corporate costs are those that 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 Makers ("CODMs"). The CODM has been determined to be the Chief Executive Officer and the Chief Financial and Chief Operating Officer, who are primarily responsible for the assessment of the performance of the Group. The full segmental balance sheet is not disclosed as this information is not reported to the CODM.

Results from continuing operations for the current year ended 31 July 2023

	2023			
	Europe	Americas	Corporate costs	Total
	£'000	£'000	£'000	£'000
Revenue	62,086	157,995	(24,211)	195,870
Net revenue	57,246	134,766	–	192,012
Statutory operating (loss)/profit	(22,699)	10,097	(6,677)	(19,279)
Adjusting items	26,450	8,918	2,367	37,735
Adjusted operating profit/(loss)	3,751	19,015	(4,310)	18,456

2. Segment reporting (continued)

Results from continuing operations for the prior year ended 31 July 2022

	2022			Restated ¹
	Europe £'000	Americas £'000	Corporate costs £'000	total £'000
Revenue	61,772	154,037	(18,686)	197,123
Net revenue	58,050	132,227	–	190,277
Statutory operating loss/(profit)	(1,688)	660	(13,058)	(14,086)
Adjusting items	6,127	22,848	7,507	36,482
Adjusted operating profit/(loss)	4,439	23,508	(5,551)	22,396

1 The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model, which has been applied retrospectively. Refer to note 1 for further details.

The Group's non-current assets (excluding deferred tax assets and the retirement benefit surplus) are located as follows:

	2023 £'000	2022 £'000
Europe	49,616	66,684
Americas	39,129	41,235
Corporate costs	4,878	4,901
	93,623	112,820

The non-current assets recorded under corporate costs comprise, principally, the Group's investment property.

Geographical split of revenue from continuing operations

Revenue and net revenue by geographical area is based on the location where the provision of goods and services has been provided.

Continuing operations	2023 £'000		2022 £'000	
	Revenue	Net revenue	Revenue	Net revenue
United States of America	140,079	139,329	139,556	132,230
United Kingdom	45,676	42,730	52,226	55,607
Rest of the world	10,115	9,953	5,341	2,440
	195,870	192,012	197,123	190,277

Significant customer

For the year ended 31 July 2023, one customer, based in the Americas Financial Services sector, accounted for £48.0 million (2022: £22.2 million) or 24.5% (2022: 11.3%) of total Group revenue and £47.9 million (2022: £21.9 million) or 24.9% (2022: 11.5%) of total Group net revenue. No other single customer contributed more than 10% to Group revenue or net revenue in the current or prior period.



3. Adjusting items

Adjusted items are presented in the middle column of the Consolidated Income Statement. In the opinion of the Directors, their separate presentation aids understanding of the financial performance of the Group. These are detailed below:

Expense/(income)	2023	Restated ¹
Continuing operations	£'000	£'000
Costs related to acquisitions		
Amortisation of acquired intangibles	9,256	6,390
Contingent consideration required to be treated as remuneration	9,849	13,229
Deferred consideration adjustments	(261)	–
Acquisition and integration costs	655	1,421
	19,499	21,040
Impairment		
Impairment of goodwill	14,598	–
Fair value gain from deemed sale on step acquisition		
Step up in value on notional disposal	–	(1,621)
Share-based payments charges		
Share-based payments charges related to employee share schemes	3,749	3,234
St Ives Defined Benefit Pension Scheme costs		
Scheme administrative costs	715	787
Other related costs	804	821
Past service cost (GMP equalisation uplift)	–	3,884
	1,519	5,492
Client disputes and litigation		
Cost of client disputes and litigation	5,033	380
Related insurance proceeds	(1,455)	–
	3,578	380
Restructuring and other items		
Redundancies and other charges	3,806	1,693
Impairment of right-of-use asset	1,847	6,207
(Credit)/charges associated with empty properties	(4,228)	4,462
Credit associated with lease modification and early termination	(5,421)	(4,405)
Other credits	(1,212)	–
	(5,208)	7,957
Adjusting items before interest and tax	37,735	36,482
Net pension finance income in respect of defined benefit pension scheme	(1,376)	(340)
Interest charges related to non-pension adjusting items	140	–
Adjusting items before tax	36,499	36,142
Income tax credit	(2,714)	(3,411)

1 The results for the year to 31 July 2022 have been restated to reflect the reclassification of the share-based payments charge from adjusted results to adjusting items. Refer to note 1 for further details.

3. Adjusting items (continued)

As adjusted results include the benefits of acquisitions and restructuring programmes, but exclude significant costs (such as significant acquisition costs, legal, and major restructuring items), they should not be regarded as a complete picture of the Group's financial performance, which is presented in its statutory results. The exclusion of adjusting items may result in adjusted earnings being materially higher or lower than statutory earnings. In particular, when significant impairments, restructuring charges and legal costs are excluded, adjusted earnings will be higher than statutory earnings.

On the face of the Consolidated Income Statement, administrative expenses relating to adjusting items comprise the St Ives Defined Benefit Pension Scheme costs of £1.5 million, redundancies and other charges of £3.8 million, and other credits of £1.2 million. Contingent consideration treated as remuneration and consideration adjustments comprises contingent consideration required to be treated as remuneration (£9.8 million), offset by a credit of £0.3 million in respect of an adjustment to deferred consideration for a prior period acquisition. All other items in the adjusting items table above are separately identified on the face of the Consolidated Income Statement.

Costs related to acquisitions

Charges relating to the amortisation of acquired customer relationships, proprietary techniques and trademarks amounted to £9.3 million (2022: £6.4 million).

During the year, charges relating to contingent consideration required to be treated as remuneration of £9.8 million (2022: £13.2 million) were recorded in the Consolidated Income Statement as adjusting items. These charges arose in respect of the prior year acquisitions of Cascade Data Labs £4.3 million (2022: £9.0 million), Spire £1.0 million (2022: £1.9 million), Melon Group £3.1 million (2022: £0.9 million), Loop £0.6 million (2022: £1.2 million) and Octain £0.2 million (2022: £0.2 million); and £0.6 million in relation to the current year acquisition of Forecast Data Services Limited (rebranded Kin and Carta Data).

During the year, deferred consideration adjustments credits relating to prior period acquisitions totalled £0.3 million.

Acquisition and integration costs of £0.7 million (2022: £1.4 million) were incurred during the year. These relate to advisor costs incurred in respect of acquisitions and potential acquisition targets, and one-off costs associated with the integration of acquisitions onto Kin and Carta operating platforms. In the prior year, £1.4 million was incurred in respect of similar activities.

Impairment of goodwill

During the year, an impairment charge of £14.6 million against the carrying value of goodwill relating to the "UK excluding Kin and Carta Data" cash generating unit was recorded. The impairment arose due to a reduction in actual and projected UK revenue arising from external market factors and client caution. This, coupled with a higher cost of capital, reduced the value-in-use of the UK cash generating unit below its carrying value at 31 July 2023. The impairment was recorded in the Consolidated Income Statement as an adjusting item within the Europe segment. There were no impairment charges associated with goodwill in the prior year.

Fair value gain from deemed sale on step acquisition

In the prior year, the Group acquired the 50% interest in Loop it did not previously own. The acquisition was accounted for as a disposal followed by a full acquisition in line with IFRS 3 'Business Combinations'. The notional disposal of the existing

50% gave rise to a step up to fair value of the investment, resulting in a gain of £1.6 million, which was recorded through the Consolidated Income Statement as an adjusting item within the Americas segment.

3. Adjusting items (continued)

Share-based payment charges

Charges of £3.7 million (2022: £3.2 million) were recorded in the year in respect of actual and potential future settlements to staff under the Group's share-based employee incentive schemes, including related employer taxes, where applicable. The classification of share-based payments as an adjusting item is in line with global, publicly listed peer group companies in digital transformation, where equity-based remuneration typically represents a significant portion of remuneration, therefore aiding comparability of adjusted profitability. Of these costs, £1.8 million (2022: £1.3 million) were recorded within the Americas segment, £0.7 million (2022: £0.5 million) within the Europe segment and £1.2 million (2022: £1.4 million) within corporate costs.

St Ives Defined Benefit Pension Scheme costs

The Scheme charges include service costs of £0.7 million (2022: £0.8 million) and costs in relation to levies payable and other costs of the sponsor's obligations towards the Scheme of £0.8 million (2022: £0.8 million). In the prior year, £3.9 million of past service costs were incurred related to Guaranteed Minimum Pension equalisation (refer to note 27 for further details). The costs of the Scheme are not considered to be part of the ongoing performance of the Group. As such, they are treated as adjusting items. The costs are classified in the Consolidated Income Statement as administrative expenses and are recorded within corporate costs.

Client disputes and litigation

Client disputes and litigation net expense of £3.6 million (2022: £0.4 million) includes the direct costs of settlement and related external advisor costs associated with the resolution of certain client disputes which were significant in value and expected to be non-recurring in nature. These related to legal disputes with two legacy, non-Enterprise clients, one arising during the year and one in the prior year.

Full and final settlement amounts of £4.0 million were cash-settled in respect of these disputes in the second half of FY23. During the year, £1.0 million (2022: £0.4 million) was incurred for external legal advisor costs in defending the separate legal disputes.

Insurance proceeds of £1.5 million, relating to one of the claims, were received under the Group insurance policies during the year, comprising partial recovery of the costs incurred. There were no other material client disputes at the reporting date. The net costs are recorded within the Americas segment. After the year end, the Group's insurer confirmed that £3.3 million of further reimbursement will be paid in respect of the second claim. As the reimbursement was not virtually certain at the balance sheet date no insurance income in respect of this claim were recorded in FY23. The income will be recorded as an adjusting item in the Consolidated Income Statement in FY24 within the Americas segment. No further costs or insurance recoveries are expected in respect of these claims.

Restructuring and other items

During the year, restructuring expenses of £3.8 million (2022: £1.7 million) were incurred. These relate primarily to the reorganisation of the Group, which commenced in 2022, following the switch to a fully regionally based organisation, and the expenses of simplifying the Group's legal structure leading to the liquidation of a number of legal entities. Charges also include those linked to the set-up costs and the transition of certain roles to nearshore centres. These costs are classified in the Consolidated Income Statement as administrative expenses and are recorded within the Americas segment (£2.1 million), Europe segment (£1.0 million) and corporate costs (£0.7 million).



3. Adjusting items (continued)

During the prior year, a decision was made to vacate a significant portion of the Group's leasehold property in Chicago from September 2022 and to exercise an early break on the whole lease in November 2026. Following this decision, a net cost of £6.3 million was recorded in adjusting items in the prior year. The net charge was comprised of an impairment charge of the related right-of-use asset of £6.2 million; empty property costs of £4.5 million consisting of the early termination payment and the contractually unavoidable future expenses relating to the property tax and maintenance charges; and a credit of £4.4 million in relation to the reduction of the lease liability as a result of the decision to exercise the early break clause. The items were recorded as adjusting items within the America segment because of their material size and non-recurring nature.

During the current year, the Group renegotiated the lease of premises in Chicago, with the agreement signed in February 2023. This will result in swapping the current premises for a space of less than half the size in the same building from January 2024 under a new lease, with the term on the lease on the smaller premises extending to December 2033. This resulted in a net credit of £7.8 million recorded during the year, consisting of: a release of the provision for empty property costs of £4.2 million in respect of the early termination payment of the previous lease, which was waived and a portion of the provision for contractually unavoidable future expenses that is no longer required; a £5.4 million write-down of the lease liability to reflect the reduction in the lease term and associated payment; and an impairment to the right-of-use asset of £1.8 million to reflect the reduction in the useful value of the remaining asset under the old lease to December 2023, after applying the 45% impairment applied in the prior year.

During the year, other credits of £1.2 million were recorded in respect of accrual releases associated with warranties provided to buyers of businesses that were disposed of in prior periods. Following the expiration of related warranty survival periods, the amounts previously provided are no longer considered necessary.

Finance (income)/expense

Net pension finance income of £1.4 million (2022: £0.3 million) is recorded in respect of the surplus in the St Ives Defined Benefit Pension Scheme. This is recorded in corporate costs.

During 2022, a provision for empty property costs was recognised following the decision to partially vacate the leasehold property in Chicago, USA from September 2022, and a portion of the lease was identified as onerous in nature due to under-occupancy. During the current year, notional interest costs of £0.1 million related to the unwind of the discounting of the onerous cost provision and the interest charge on the onerous portion of the lease liability are recorded as adjusting items within the Americas segment.

Taxation on adjusting items

In the current year, the tax credit of £2.7 million (2022: £3.4 million credit) relates to several of the items noted above. There is no tax charge or credit associated with other items, most significantly the goodwill impairment charge in the current year and the portion of the deemed remuneration charge that relates to UK acquisitions in the current year (£0.6 million). There are potential deferred tax credits associated with the deemed remuneration charges for some of the US acquisitions, but the related deferred tax assets are reduced by valuation allowances where this is judged to be appropriate.

4. Discontinued Operations

There have been no divestments in the current year. Discontinued operations in the prior year include the results of three businesses, Incite, Edit and Relish, which were divested in the year ended 31 July 2022.

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

	Restated ¹ Year to 31 July 2022		Statutory results £'000
	Adjusted results £'000	Adjusting items £'000	
Revenue	10,116	–	10,116
Project-related costs	(4,222)	–	(4,222)
Net revenue	5,894	–	5,894
Costs of service	(2,349)	–	(2,349)
Gross profit	3,545	–	3,545
Selling costs	(693)	–	(693)
Administrative expenses	(1,188)	–	(1,188)
Gain on divestment of discontinued operations	–	24,059	24,059
Amortisation of acquired intangibles	–	(94)	(94)
Share-based payments related to employee share schemes	–	(210)	(210)
Release of provision	–	265	265
Operating profit	1,664	24,020	25,684
Other finance costs	(32)	–	(32)
Profit before tax	1,632	24,020	25,652
Income tax charge	(226)	(1,445)	(1,671)
Net profit for the period	1,406	22,575	23,981

¹ The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items, as detailed in note 1.

5. Other finance costs

	2023 £'000	2022 £'000
Interest on bank overdrafts and loans	1,764	415
Amortisation of bank arrangement fee relating to the bank revolving facility	315	690
Interest on lease liabilities	636	732
Notional interest on provisions	51	–
	2,766	1,837

Included in finance costs, within interest on lease liabilities and interest unwind on provisions, are £0.1 million relating to adjusting items. Refer to note 3 for further details.



6. Income tax credit/(charge)

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

Continuing operations:	2023 £'000	Restated ¹ 2022 £'000
Total current tax credit/(charge):		
Current period credit/(charge)	280	(2,492)
Adjustments in respect of prior periods	1,311	984
Total current tax credit/(charge)	1,591	(1,508)
Deferred tax on origination and reversal of temporary differences:		
Current period credit	482	3,123
Adjustments in respect of prior periods	(169)	(6)
Total deferred tax credit	313	3,117
Total income tax credit	1,904	1,609

1 The 2022 tax credit has been restated in respect of a change in accounting policy for investment property to move from a cost model to a fair value model, which has been applied retrospectively. Following the change, the basis for the valuation of deferred tax changed to assume a sales scenario. Refer to note 1 for further details.

UK corporation tax has been calculated at 21% (2022: 19%) the blended rate in the period given the increase in statutory rate to 25%, from 19%, as at 1 April 2023. Deferred tax balances at 31 July 2023 in the UK are valued using a rate of at 25%, the statutory rate prevailing at the balance sheet date.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. For the US subsidiaries, the tax charge has been calculated using a rate of 28.17% (2022: 28.51%), which includes the federal rate of 21% and the US state and local level income tax rates, which vary from 0% to 9.5% (2022: 0% to 8%). For Colombia and Argentina the statutory rates of 35% and 25%, respectively have been used. For Bulgaria, North Macedonia and Kosovo, the statutory rate of 10% has been used.

The tax credit for continuing operations can be reconciled to the loss before tax shown in the Consolidated Income Statement as follows:

	2023 £'000	Restated ¹ 2022 £'000
Loss before tax from continuing operations	(20,669)	(15,583)
UK corporation tax calculated at a rate of 21% (2022: 19%)	4,340	2,961
Tax charged at rates other than 21% (2022: 19%)	(797)	316
Effect of change in United Kingdom corporate tax rate	877	–
Expenses not deductible for tax purposes	(3,910)	(3,623)
Effect of tax deductible goodwill	1,141	758
Credit on research and development activities	67	96
Movements on deferred tax asset valuation allowances	(840)	320
Adjustments in respect of prior periods	1,026	781

Total income tax credit	1,904	1,609
Effective tax rate	9.2%	10.3%

6. Income tax credit/(charge)(continued)

1 The 2022 tax credit has been restated in respect of a change in accounting policy for investment property to move from a cost model to a fair value model, which has been applied retrospectively. Following the change, the basis for the valuation of deferred tax changed to assume a sales scenario. Refer to note 1 for further details.

The Group's effective tax rate was 9.2% (2022: 10.3%). This is driven by the blend of statutory tax rates and taxable profit/losses in the jurisdictions in which the Group operates, adjusted for the non-taxable nature of some of the accounting charges, most significantly the impairment of goodwill taken in the UK, the effect of tax-deductible goodwill in the US, the revaluation of deferred tax assets in the US based on judgements of recoverability, and in the UK based on changes in statutory tax rates.

7. Acquisitions

Current year acquisition of Kin and Carta Data Limited (formerly known as Forecast Data Services Limited)

On 5 May 2023, the Group acquired 100% of the issued share capital of Kin and Carta Data Limited (formerly known as Forecast Data Services Limited), a data and artificial intelligence business based in Edinburgh, Scotland and, through its Polish subsidiary, in Wroclaw, Poland. The initial cash consideration, net of cash acquired, was £2.2 million.

Further amounts may be payable in respect of the growth in adjusted EBITDA from the acquisition date to 30 September 2024, subject to service conditions. Any further amounts payable are based on two measurement periods: the 12 months to 30 September 2023, which will be settled in cash in the event that a payment is due, and the 12 months to 30 September 2024, up to 75% of which may be settled in shares of Kin and Carta plc at the Company's discretion, with the balance settled in cash. The total further consideration payable after 31 July 2023, all of which is accounted for as deemed remuneration because of employment service conditions, is capped at £10.1 million. The Group currently estimates that the further consideration payable after the balance sheet date will amount to £4.3 million.

The fair value of intangible assets acquired represent the fair value of customer relationships and of a trademark. Goodwill arising on acquisition can be attributed to the value of future growth from new customers and the assembled workforce. The goodwill is not expected to be deductible for tax purposes. Acquisition costs of £0.3 million were expensed to the income statement in the period as an adjusting item.

In the period to 31 July 2023, the acquisition contributed £1.2 million to revenue and a loss before tax of £1.0 million. The loss includes charges for deemed remuneration of £0.6 million, and amortisation of acquired intangibles of £0.5 million (including amortisation of £0.4 million relating to the trademark which was fully amortised in the year), which are recorded as adjusting items in the period. Had the acquisition taken place on 1 August 2022, total Group revenue would have been £198.9 million and statutory loss before tax for the period would have been £20.0 million.

7. Acquisitions (continued)

Purchase price allocation

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

	Carrying amount £'000	Fair value adjustments £'000	Fair value £'000
Assets			
Customer relationships	–	1,678	1,678
Trademark	–	354	354
Property, plant and equipment	212	–	212
Trade and other receivables ¹	1,353	–	1,353
Cash and cash equivalents	107	–	107
	1,672	2,032	3,704
Liabilities			
Lease liabilities	(169)	–	(169)
Loans and borrowings	(414)	–	(414)
Trade and other payables	(899)	–	(899)
Provisions	–	(41)	(41)
Other liabilities	(34)	34	–
Current tax liabilities	(3)	–	(3)
Deferred tax liabilities	–	(507)	(507)
	(1,519)	(514)	(2,033)
Total identifiable net assets	153	1,518	1,671
<i>Goodwill</i>			633
Initial cash consideration			2,304

Satisfied by:

Initial consideration before debt and working capital adjustments 3,000

Less:

Debt and working capital adjustments (696)

Total consideration 2,304

Acquisition of subsidiary, per the Cash Flow Statement:

Initial cash consideration (net of debt and working capital adjustments) 2,304

Less cash acquired (107)

2,197

1. The gross contractual amounts for trade receivables due of £1.4 million is equal to their fair value.



7. Acquisitions (continued)

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

	Non-contingent consideration £'000	Charge for estimated deemed remuneration recorded in the current year £'000	Estimated charge for deemed remuneration to be recorded in future years £'000	Estimated total consideration paid and payable £'000
Consideration	3,000	600	3,688	7,288
Debt and working capital adjustments	(696)	—	—	(696)
Total	2,304	600	3,688	6,592

Acquisitions in the prior year ending 31 July 2022

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").

On 14 February 2022, the Group acquired the remaining 50% of the membership units of Loop Integration LLC ("Loop"), an e-commerce consultancy that it did not previously own.

On 9 May 2022, the Group completed the acquisition of Melon AD ("Melon Group"), a software engineering business.

The total initial consideration paid in the prior year, the fair value of net assets acquired and goodwill are detailed below:

	Total initial consideration £'000	Fair value of net assets acquired £'000	Goodwill £'000
Octain	200	—	200
Loop	6,868	5,554	1,314
Melon	19,444	9,739	9,705

8. Earnings/(loss) per share

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

When the Group makes a profit, diluted earnings per share equals the profit attributable to equity holders of the Parent adjusted for the dilutive impact divided by the weighted average diluted number of shares. When the Group makes a loss, diluted earnings per share equals the loss attributable to the equity holders of the Parent divided by the weighted basic average number of shares. This ensures that earnings per share on losses is shown in full and not diluted by unexercised share awards.

Basic and diluted earnings/(loss) per share are calculated as follows:

Basic	Adjusted earnings		Statutory (loss)/earnings	
		Restated ¹		Restated ¹
	2023	2022	2023	2022
Continuing and discontinued operations				
Earnings/(loss) (£'000)	15,020	20,163	(18,765)	10,007
	Thousands	Thousands	Thousands	Thousands
Issued ordinary shares at 1 August	177,961	172,546	177,961	172,546
Less shares held in treasury	(91)	(91)	(91)	(91)
Less shares held in the Employee Benefit Trust ("EBT")	(2,490)	(41)	(2,490)	(41)
Issued shares net of EBT and treasury at 1 August	175,380	172,414	175,380	172,414
Effect of shares purchased by the EBT in the period	(3,315)	(1,627)	(3,315)	(1,627)
Effect of share allotted out of the EBT in the period	1,095	887	1,095	887
Effect of shares issued in the period	50	2,026	50	2,026
Weighted average number of ordinary shares ²	173,210	173,700	173,210	173,700
Basic earnings/(loss) per share	8.67	11.61	(10.83)	5.76
Diluted	Adjusted earnings		Statutory (loss)/earnings	
		Restated ¹		Restated ¹
	2023	2022	2023	2022
Continuing and discontinued operations				
Earnings/(loss) (£'000)	15,020	20,163	(18,765)	10,007
	Thousands	Thousands	Thousands	Thousands
Weighted average number of ordinary shares (basic) ²	173,210	173,700	173,210	173,700
Dilutive effect of share options outstanding	3,496	5,628	3,496	5,628
Weighted average number of ordinary shares (diluted) ²	176,706	179,328	176,706	179,328
Diluted earnings/(loss) per share	8.50	11.24	(10.83)	5.58

1 The results for the year to 31 July 2022 have been restated to reflect the reclassification of share-based payments from adjusted results to adjusting items and the restatement of depreciation on investment property. The latter arose from an accounting policy change to measure investment property using a fair value model, which has been applied retrospectively. Refer to note 1 for further details.

2 The weighted average number of shares is stated net of those shares held in the Employee Benefit Trust and those held in Treasury.



Adjusted earnings are calculated by adding back adjusting items (note 3), as adjusted for tax, to the profit or loss for the year.

9. Goodwill and other intangible assets

	£'000
Cost and carrying amount of goodwill	
At 1 August 2021	68,372
Acquisition of businesses	11,244
Disposals	(5,990)
Currency movements	3,309
At 31 July 2022	76,935
Acquisition of businesses	633
Adjustment to goodwill in respect of acquisitions made in the prior year	66
Impairment charge	(14,598)
Currency movements	(1,277)
At 31 July 2023	61,759

Impairment testing of goodwill

For the purpose of impairment testing, the goodwill has been allocated to four different cash-generating units ("CGUs"). The carrying amount of the goodwill allocated to each CGU are set out below, together with the pre-tax discount rate.

	2023		2022	
CGU	Carrying value £'000	Pre-tax discount rate %	Carrying value £'000	Pre-tax discount rate %
Americas	26,093	17.4	27,588	15.2
UK excluding Kin and Carta Data	25,074	16.1	39,672	13.5
Melon	9,959	16.0	9,675	13.2
Kin and Carta Data	633	16.1	–	–
	61,759		76,935	

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. For the purpose of impairment testing, goodwill is allocated to the CGU, which represents the lowest level within the Group at which goodwill is monitored.

The recoverable amount of the CGUs is determined using value-in-use calculations. These use the cash flows derived from the Group's budget for FY24 and long range plan for FY25 to FY27 as the basis for input into the value-in-use calculation, with cash flows thereafter calculated using a terminal value methodology. The budget and long range plan were approved by the Board in October 2023. A margin for historical forecasting error has also been factored into the value-in-use model for the explicit forecast period where relevant. For all CGUs, cash flows beyond FY28 have been extrapolated using a forecast growth rate of 2%. The discount rates used in the value-in-use calculation are based on the pre-tax weighted average cost of capital and reflect current market assessments of the time value of money and the risks specific to the CGUs.

Key assumptions in the value-in-use calculations are those regarding cash flow forecasts in the medium term, terminal

growth rates and discount rates. Management considers all the forecast revenues, margins and profits to be reasonably achievable given recent performance and the historic trading results of the relevant CGUs. Forecasts consider macro economic factors and forecast growth in the digital transformation sector.

9. Goodwill and other intangible assets (continued)

Summary of results

The impairment tests identified a shortfall of the value-in-use compared to the carrying value for the UK excluding Kin and Carta Data CGU of £14.6 million, driven by a reduction in projected UK-sourced cash flows associated principally with an acceleration of the shift for European clients from onshore to nearshore delivery from our operations in South East Europe ("SEE"). The cash flows associated with delivery activities from SEE are measured under the Melon CGU. The reduction in projected UK-sourced cash flows was exacerbated by a higher cost of capital arising from significantly higher UK bank interest rates, resulting in a higher discount rate being used to determine the present value of the cash flows in the value-in-use calculation.

The value-in-use calculations for the other CGUs did not identify any impairments, with a substantial excess of the value-in-use over the carrying value for the other three CGUs as set out in the table below.

There were no goodwill or acquired intangible impairments in the prior year.

Sensitivity analysis

The Group conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions. These sensitivities do not include the UK excluding Kin and Carta Data CGU, as the base case testing resulted in an impairment as detailed above.

The results of the sensitivity tests are detailed below:

	Value-in-use assumptions:		Sensitivity of value-in-use to changes in key assumptions:	
	Pre-tax discount rate (%)	Excess of value-in-use over carrying value (£'000)	Revised excess of value-in-use over carrying value arising from:	
			A reduction of the growth in revenue of 10% (£'000)	An increase in pre-tax discount rate by 2% (£'000)
Americas	17.4	181,602	140,721	154,912
Melon	16.0	27,635	24,207	21,957
Kin and Carta Data	16.1	12,129	11,776	10,229

Management concluded that no reasonably possible change in any of the key assumptions for these CGUs would reduce the recoverable amount below its carrying value at the balance sheet date.

10. Contingent and deferred consideration payable

The fair value of contingent and deferred consideration is calculated based on the amounts expected to be paid, determined by reference to forecasts of future performance of the acquired businesses and the probability of contingent events, including employment service conditions for the recipients.

The valuation methods of the Group's contingent consideration carried at fair value are categorised as Level 3. Level 3 financial assets and liabilities are considered to be the most illiquid. Their values have been estimated using available management information, including subjective assumptions. There are no individually significant unobservable inputs used in the fair value measurement of the Group's contingent consideration as at 31 July 2023.

The table below reconciles the movements in the portion of consideration payable recorded under liabilities.

	2023 £'000			2022 £'000		
	Contingent	Deferred	Total	Contingent	Deferred	Total
Balance at 1 August	8,250	849	9,099	1,888	–	1,888
Charges for contingent consideration required to be treated as remuneration ¹	4,320	–	4,320	6,005	–	6,005
Reclassification of contingent consideration deemed as remuneration from equity to liabilities	10,623	–	10,623	–	–	–
Credits for consideration related to acquisitions ²	–	(40)	(40)	–	849	849
Payments ³	(14,537)	(673)	(15,210)	–	–	–
Currency movements	(229)	(4)	(233)	357	–	357
Balance at 31 July	8,427	132	8,559	8,250	849	9,099
Current	4,849	106	4,955	6,346	598	6,944
Non-current	3,578	26	3,604	1,904	251	2,155
Total	8,427	132	8,559	8,250	849	9,099

1 The total charge for the period, recorded as an adjusting item in the Consolidated Income Statement, is £9.9 million. Of this, £4.3 million is recorded as a liability and £3.9 million recorded within equity. The remaining £1.7 million relates to the derivative, which economically hedged the currency exposure on deferred payments for the Cascade Data Labs acquisition.

2 Relates to £0.1 million in respect of additional cash consideration in the year for the Melon acquisition in May 2022, netted against deferred consideration adjustments credits relating to prior period acquisitions.

3 In addition to the £15.2 million noted above, £1.7 million was paid in respect of a derivative, which economically hedged the currency exposure on deferred payments for the Cascade Data Labs acquisition.

Contractual commitments for consideration linked to acquisitions

At 31 July 2023, expected future payments accounted for, in relation to prior and current period acquisitions, were £8.6 million, of which the entire balance was accrued as a financial liability. This followed a reclassification to financial liabilities in the current year from the share option reserve within equity, as management now expects that all future payments in respect of amounts outstanding on past acquisitions will be settled in cash. Further amounts of £6.6 million, estimated at the exchange rates prevailing at 31 July 2023, are expected to accrue up to FY26 in respect of past acquisitions, based on assumptions for time and performance vesting conditions.



10. Contingent and deferred consideration payable (continued)

Accrued charges at 31 July 2023 and estimated future charges to the Consolidated Income Statement in respect of deemed remuneration for prior acquisitions, valued at the exchange rates prevailing at 31 July 2023, are detailed below:

	Cascade	Octain	Loop	Melon Group	Kin and Carta Data	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 July 2023	4,395	379	716	2,469	600	8,559
Expected charges to the Consolidated Income Statement:						
FY24	883	233	240	1,073	2,401	4,830
FY25	120	88	55	180	1,140	1,583
FY26	–	–	–	–	147	147
Total	5,398	700	1,011	3,722	4,288	15,119

Estimated future amounts payable for acquisitions, at the exchange rates prevailing at 31 July 2023, are detailed below:

<i>Period of acquisition</i>	FY21	FY22	FY22	FY22	FY23	Total
<i>Acquired entity</i>	Cascade	Octain	Loop	Melon Group	Kin and Carta Data	
<i>Expected acquisition payments</i>	£'000	£'000	£'000	£'000	£'000	£'000
FY24	2,699	–	594	2,573	–	5,866
FY25	2,699	700	417	1,149	2,144	7,109
FY26	–	–	–	–	2,144	2,144
Total estimated payments payable after 31 July 2023	5,398	700	1,011	3,722	4,288	15,119
End of final measurement period	Dec 2022	Dec 2024	Dec 2023	Dec 2023	Sep 2024	

With the exception of Kin and Carta Data, which is determined in British Pounds, all other payments shown have been, or will be, determined initially in US Dollars or Euros and are, therefore, subject to future currency fluctuations when measured in British Pounds. Total amounts for each acquisition are subject to contractual maximum caps set in British Pounds.

Where amounts payable are dependent on future performance, the figures are based on best estimates of such performance. Amounts eventually payable may be higher or lower. The estimated maximum amount payable (based on exchange rates at 31 July 2023) if all businesses were to perform to a level corresponding to their respective contractual caps, is GBP 22.5 million. The earnout measurement periods, corresponding to the period of determination of amounts payable based on business performance metrics, and excluding employment service conditions on seller recipients, are still running for all acquisitions other than Cascade, and will come to an end on the dates shown above. Extended employment service conditions means that vesting extends beyond those dates for a portion of the amounts shown. Amounts already paid at completion and contingent amounts, which have already been settled at 31 July 2023 for the acquisitions noted above, are not included in the table.

In accordance with IFRS 2, amounts related to payments in respect of future contingent payments are recorded within current liabilities and non-current liabilities at the balance sheet date, based on the current likelihood that all amounts will be settled in cash, and the vesting periods associated with the contingent consideration amounts.

10. Contingent and deferred consideration payable (continued)

The Company's decision to pay in equity or cash is based on considerations of relative earnings dilution, capital allocation and optimisation of the Group's bank leverage. Taking into account these factors, in H1 FY23, a decision was made to settle all amounts 100% in cash for:

- the first instalment of the year two earn out of Cascade Data Labs, corresponding to 50% of the total year two earn out, which was paid in February 2023
- the first earn out for Loop, of which 50% was paid in May 2023, with the remaining 50% payable equally in FY24 and FY25.
- the first earn out for Melon Group, of which 50% was paid in July 2023, with the remaining 50% payable in FY24

It had been previously assumed at 31 July 2022 that a portion of these amounts, ranging from 60% to 75% depending on the acquisition, would be equity-settled. Following the decision in H1 FY23 to settle all of the amounts above 100% in cash, amounts of £6.2 million recorded in equity at 31 July 2022 were reclassified from equity to current and non-current liabilities at 31 January 2023. In H2 FY23, it was determined that the most likely method of settlement for future earn outs on the acquisitions shown would be cash, thus in H2 FY23, an additional £4.4 million, which was recorded in equity at 31 July 2022, was reclassified to current and non-current liabilities, resulting in a total reclassification for the year of £10.6 million. At 31 July 2023, there are no amounts recorded in equity in respect of future payments for past acquisitions.

Subsequent to the year end, an amount in respect of the second instalment of the year two earnout for Cascade Data Labs of GBP 2.7 million was settled in cash.

Although the balance sheet classification at 31 July 2023 reflects what is currently assessed to be the most likely form of settlement, with the exception of the Cascade Data Labs payment made in September 2023, no final decision has been made as to the split between equity and cash for settlement of the further remaining earn out amounts payable for Cascade Data Labs, Melon Group, Loop and Kin and Carta Data, and the Company retains the option to settle between 60% and 75% of such further amounts payable in shares of Kin and Carta plc, at its sole discretion. Should the final decision result alternatively in equity settlement, there would be a reclassification from liabilities to equity.

11. Loans and borrowings

	2023 £'000	2022 £'000
Non-current liabilities		
Bank loans– revolving credit facility	29,815	13,148
	29,815	13,148

Bank loans – revolving credit facility

The Group's revolving multi-currency credit facility of £85.0 million is committed to 26 September 2026. Up to £10.5 million can be drawn as an overdraft facility. As at 31 July 2023, interest on loan drawdowns is charged at a currency-specific

interbank reference rate (SOFR/SONIA) plus a margin, which is linked to the leverage ratio of the Group, calculated on the Group's net debt adjusted EBITDA on a pre-IFRS 16 basis, including the pro-forma effect of acquisitions and disposals. Interest on overdraft drawdowns are charged at an average rate of 2.00% (2022: 2.00%) over the UK base rate.

11. Loans and borrowings (continued)

At 31 July 2023, the Group's outstanding loans within this facility were £29.8 million (2022: £13.1 million), leaving an unutilised commitment of £55.2 million (31 July 2022: £71.9 million).

The Directors consider that the carrying amount of the loans approximates to their fair value.

Changes in loans and borrowings in the year were as follows:

	2022 £'000	Drawdown £'000	Acquisition £'000	Repayment £'000	Foreign exchange gains £'000	2023 £'000
Bank loans – revolving credit facility	13,148	26,672	421	(8,809)	(1,617)	29,815

12. Provisions

	Provision for repairs £'000	Provision for reorganisation £'000	Provision for client disputes and litigation £'000	Total £'000
Balance at 1 August 2022	225	4,458	–	4,683
Charged to the Consolidated Income Statement	1,021	6,037	4,903	11,961
Acquisition of businesses	41	–	–	41
Utilised during the year	–	(5,188)	(4,903)	(10,091)
Unused amounts reversed	–	(4,228)	–	(4,228)
Notional interest charge on provisions	–	51	–	51
Currency movements	–	(158)	–	(158)
Balance at 31 July 2023	1,287	972	–	2,259
Current	1,012	972	–	1,984
Non-current	275	–	–	275
Total	1,287	972	–	2,259

Provision for repairs

Where the Group is committed under the terms of a lease to make repairs to leasehold premises, a provision for repairs is made for these estimated costs over the period of the lease. It is anticipated that these liabilities will crystallise between FY24 and FY26. Also included are provisions for Kin and Carta's obligations as a lessor to reimburse certain tenant maintenance costs under the lease in respect of the investment property, which are classified as current.

Provision for reorganisation

The provision for reorganisation comprises staff redundancy, onerous property and other costs. The provision will be

utilised when the restructuring completes or where the obligations associated with onerous properties are fully discharged.

Provision for client disputes and litigation

The provision for client disputes and litigation during the year related to settlements payable to two clients, as detailed in note 3. These were provided for at H1 FY23 and paid during H2 FY23.

13. Retirement benefits

As at 31 July 2023, the Group reported a net IAS 19 accounting surplus in respect of the Defined Benefit Pension Scheme (the 'Scheme') of £13.0 million (31 July 2022: £38.7 million surplus). The deferred tax liability recorded in respect of the Scheme surplus is £3.2 million (31 July 2022: £9.7 million). The Company expects to recover this asset through a reduction in future cash contributions payable to the Scheme, reducing the UK corporation tax deductions associated with such contributions. Accordingly, the deferred tax liability has been valued at the UK statutory corporation tax rate of 25%.

The lower surplus is due to a decrease in the value of Scheme assets of £82.7 million, driven primarily by the reduction in the value of the gilt portfolio, which comprises a large proportion of Scheme assets, following the large increase in UK gilt yields in the period. This was partially offset by a decrease in the Scheme liabilities of £56.9 million, driven by increases in the AA corporate bond yield, which is used to discount the Scheme liabilities.

On the basis of the assumptions used in the measurement of the technical liability used to determine statutory funding levels, the Scheme remains fully hedged against interest rate and long-term inflation rate risk. The technical liability is discounted using gilt yields rather than AA corporate bond yields.

14. Financial instruments

The financial instruments by category and maturity profile are as follows:

	2023 £'000	2022 £'000	Maturity profile
Financial assets measured at fair value through profit or loss			
Derivative financial instruments	31	2	Less than 12 months
Financial assets measured at amortised cost			
Trade and other receivables	31,432	45,393	Less than 12 months
Cash and cash equivalents	9,847	12,609	Less than 12 months
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	–	(454)	Less than 12 months
Contingent consideration payable- current	(4,849)	(6,346)	Less than 12 months
Contingent consideration payable- non-current	(3,578)	(1,904)	More than 12 months
Financial liabilities measured at amortised cost			
Trade and other payables	(23,534)	(32,968)	Less than 12 months
Deferred income (contract liabilities)	(3,479)	(5,159)	Less than 12 months
Loans and borrowings	(29,815)	(13,148)	More than 12 months
Lease liabilities- current	(2,574)	(2,806)	Less than 12 months
Lease liabilities- non-current	(8,193)	(10,052)	More than 12 months
Deferred consideration payable- current	(106)	(598)	Less than 12 months

The maturity profile is based on the remaining period between the balance sheet date and the contractual maturity date of the Group's financial assets and liabilities at 31 July 2023, based on contractual undiscounted receipts and payments.

15. Share capital

	Number of shares	Ordinary shares of 10p each £'000
Issued and fully paid:		
Balance at 1 August 2021	172,545,721	17,255
Issued during the period	5,414,958	542
Balance at 31 July 2022	177,960,679	17,797
Issued during the period	61,318	6
Balance at 31 July 2023	178,021,997	17,803

All authorised and issued share capital is represented by equity shareholdings. During the period, 61,318 shares were issued to satisfy share options exercised under the SAYE scheme. These shares were issued at a premium of £44,983.

16. Additional paid-in capital

	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Total £'000
Balance at 1 August 2021	76,085	9,190	1,238	86,513
Reclassification to retained earnings	–	(5,357)	–	(5,357)
Shares issued during the period	303	7,843	–	8,146
Balance at 31 July 2022	76,388	11,676	1,238	89,302
Shares issued during the period	45	–	–	45
Balance at 31 July 2023	76,433	11,676	1,238	89,347

The additional paid-in capital includes share premium, merger reserve and capital redemption reserve.

The merger reserve arises from acquisitions made in prior periods. During the prior year, there was a reclassification from the merger reserve to retained earnings following the divestments of entities, which accounted for a portion of the merger reserve in prior periods. The addition to the merger reserve in the prior period related to the share premium on share issues for consideration as part of the acquisitions of Loop and Melon Group of £0.6 million and £7.2 million, respectively.

The capital redemption reserve represents the purchase by the Company of Kin and Carta plc ordinary shares in prior periods. Additional details of the shares issued in respect of the SAYE scheme are detailed in note 15.

17. Other reserves

Other reserves in the Consolidated Statement of Changes in Equity is made up of additional paid-in capital as detailed

in note 16 above along with the following:

- The ESOP reserve, representing Kin and Carta plc ordinary shares held in the Company's Treasury and the Company's Employee Benefit Trust ("EBT"). Treasury shares consisting of 90,637 Kin and Carta plc ordinary shares were held as at 31 July 2023 (31 July 2022: 90,637 shares). In addition, 4,660,263 Kin and Carta plc ordinary shares (31 July 2022: 2,489,665 shares) were held by the EBT as at 31 July 2023. All shares held in the EBT are expected to be used to settle awards vesting in the 24 months following the balance sheet date
- The share option reserve, which includes the cumulative charge related to the unvested options granted to Group's employees of Kin and Carta plc ordinary shares

17. Other reserves (continued)

- The hedging and translation reserve, which includes amounts relating to foreign translation differences arising on the retranslation of reserves due to the Group's presentation in Sterling, and the mark-to-market of hedging instruments designated as cash flow hedges

Share-settled bonus payments

A limited number of US staff received a portion of their bonus linked to substantial outperformance for the FY23 year in the form of fully vested shares in Kin and Carta plc. The number of shares used to settle was calculated based on the average price of £0.86. The related charge included within trade and other payables at 31 July 2023 is £0.3 million.

Share-based contingent consideration required to be treated as remuneration

The Group recognised a charge for share-based payment of £3.9 million (2022: £7.7 million) relating to contingent consideration for acquisitions, which is recorded as part of deemed remuneration within adjusting items (note 3) under the Americas, Europe and Melon reporting segments.

Share-based payment expense

The Group recognised a total expense in the profit and loss of £3.7 million in the current year (2022: charge of £3.4 million) relating to equity-settled share-based payments other than in the context of acquisitions. Of this amount, £3.1 million (2022: £3.1 million) has been recognised as an expense in the share-based payment reserve, the remaining expense relates to employer tax national insurance and social security contributions associated with share-based payments and amounts in respect of the share-settled bonus payments. The exercise price of options outstanding at 31 July 2023 ranges between £nil and £2.45.

18. Related party transactions

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 year, which might reasonably affect the decisions made by the users of these financial statements.

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

Remuneration of key management personnel

The remuneration of the Executive and Non-Executive Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2023 £000	2022 £000
Short-term employee benefits (emoluments)	1,115	1,640
Post-employment benefits (pension contributions)	38	73
Gains on exercise of share awards	1,264	940
Share-based payment charge	547	623
	2,964	3,276

18. Related party transactions (continued)

Highest paid director

Remuneration of the highest paid Director was £0.5 million (2022: £1.6 million), including pension contributions of £0.02 million (2022: £0.06 million). The highest paid Director exercised 125,000 share options in the year (2022: 287,061).

Aggregate Executive Directors' remuneration

	2023 £000	2022 £000
Short-term employee benefits (emoluments)	806	1,360
Post-employment benefits (pension contributions)	38	73
Gains on exercise of share awards	1,264	940
Share-based payment charge	547	623
	2,655	2,996

Two Directors received part payment into a Group Personal Pension Plan and part payment as cash in lieu of pension (2022: two). Two Directors exercised share options during the year (2022: two).

At 31 July 2023, 60,700 ordinary shares of Kin and Carta plc were held by close family members of Chris Kutsor, one of the Executive Directors (2022: nil).

19. Post-balance sheet events

After the year end, the Group's insurers agreed to reimburse in full the settlement costs paid in H2 FY23 in respect of a client dispute arising in the year, as detailed further in note 3. The insurance proceeds of £3.3 million are expected to be received before the end of the half year FY24 and will be recorded as an adjusting item in the Consolidated Income Statement in FY24 within the Americas segment.

On 18 October 2023, it was announced that the boards of directors of Kelvin UK Bidco Limited ('Bidco'), a newly formed company owned indirectly by funds advised by Apax Partners LLP ('Apax'), and Kin + Carta had reached agreement on the terms and conditions of a recommended cash offer made by Bidco to acquire the entire issued share capital of Kin + Carta (the 'Acquisition'). The Acquisition is conditional inter alia on approval by the Company's shareholders and certain regulatory approvals. Completion of the Acquisition is currently expected to take place in the first quarter of 2024.

Statement of Directors' Responsibilities

The 2023 Annual Report and Accounts, which will be issued in November 2023, contains a responsibility statement in compliance with DTR 4.1.12 of the FCA's Disclosure Guidance and Transparency Rules. The responsibility statement sets out that, as at the date of approval of the Annual Report and Accounts on 1 November 2023, 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 or loss of the Group and Company, taken as a whole; 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, taken as a whole, 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 2023 Annual Report and Accounts.

The foregoing contains forward looking statements made by the Directors in good faith based on information available to them up to 1 November 2023. 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.