

INTERIM RESULTS FOR THE PERIOD
1 AUGUST 2022 TO 31 JANUARY 2023

Half year results



15 March 2023

Kin and Carta plc

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

Half Year Results

Growth impacted by macro headwinds in H1
Improved performance expected in H2
Strategy focused on long-term profitable growth

Kin + Carta, the international digital transformation ("DX") company, today announces interim results for the period from 1 August 2022 to 31 January 2023

Financial Highlights *(all comments from continuing operations¹)*

- Net revenue of £98.7 million, +15% year-on-year ("YoY") and 6% decline like-for-like⁴ due to macroeconomic headwinds
 - Americas net revenue grew 22% YoY to £71.1 million; like-for-like⁴ net revenue declined 1% YoY
 - Europe net revenue grew 2% YoY to £27.6 million; like-for-like⁴ net revenue declined 16% YoY due to a challenging UK economy which is 81% of the region's net revenue. Recently acquired Melon Group grew net revenue double digits with integration progressing well
 - Execution of growing nearshore delivery improves client engagement and delivers higher gross margins but at a lower price point which caused a reduction in organic growth of c.3% in each region
- Record half year backlog of £124 million (HY FY22: £106 million), with continuing demand reflected in sales pipeline of £166 million (HY FY22: £115 million)
- Adjusted operating margin 7.6% (H1 FY22: 8.5%) reflects volatile trading conditions and planned higher investments in systems and technology partially offset by margin enhancing nearshore delivery and efficiencies in operating expenses
- Adjusted profit before tax of £6.5 million (H1 FY22: £6.3 million)
- Statutory net loss before tax of £15.1 million (H1 FY22: loss of £3.3 million) driven by trading conditions noted above in addition to adjusting items, as detailed in the Alternative Performance Measures section
- Net debt for bank covenant purposes of £11.8 million (H1 FY22: net cash £6.2 million); net debt to adjusted EBITDA ratio 0.48 times (H1 FY22: (0.33) times)

Operational Highlights

- Net revenue impacted by macroeconomic headwinds which led to (1) slowing sales cycles and new business shortfalls (2) Enterprise* spending caution and (3) client churn from non-Enterprise clients more exposed to the macroeconomic challenges
- The Company responded by protecting margins
 - £3 million annualised Opex savings
 - The acceleration of margin-enhancing delivery headcount from 9% to more than 30% year-on-year, bolstered by Melon Group acquisition in Southeast Europe and organic hiring in Latin America

- Melon Group executed on strategy of driving higher gross margins by delivering high quality engineering services to UK clients. The Company also established cost-effective shared services roles across IT, HR, Finance and Operations in Melon's Sofia office
- Continued pricing power with average 5% rate increases negotiated with 50% of the client portfolio, with a rolling process across the remaining 50% and higher pricing with new clients
- Europe won 20 new clients between the start of August 2022 and the end of February 2023
 - Record Europe contract- a £14 million, two-year contract in the UK Public Sector secured during H1 and ramping up in H2. The Company has now secured seven Public Sector clients with a Public Sector pipeline of over £60 million
 - Signed an extension for a £4 million automotive managed services contract
 - Growth in financial services, expanding Santander relationship across multiple projects
- Americas won eight new clients that are expected to commence in the second half, with growth in demand for high-value data services in partnership with Google and Microsoft
 - A new \$9 million data services contract to be delivered over three years signed with a large US automotive manufacturer
 - Increased deployment of high-margin nearshore technical resources in Latin America accelerated delivery for the two-year \$90 million financial services contract secured in the prior year
- The foundations for long-term profitable growth have strengthened
 - The Company has track record of double-digit organic net revenue growth since 2017
 - A record £124 million backlog and strong £166 million pipeline
 - 90% of net revenue is derived from Enterprise clients (global enterprise businesses, typically \$1 billion+ revenue, or government backed public sector); 27 of the 50 have been clients for more than four years and 41 have been clients for two years or more
 - Long-term demand for digital transformation services is set to remain strong

*Enterprise client profiles are c. \$1 billion+ in size and often multinational businesses. This includes government backed Public Sector

Outlook

Organic growth and profitability are expected to improve in H2. A strong sales pipeline of £166 million, up 45% year-on-year, a record order backlog of £124 million and our larger Enterprise clients spending more with us underpins our confidence. However, we are mindful of the macroeconomic challenges that continue to evolve.

As highlighted in our trading update in February, we expect FY23 net revenue growth to be 8–12%, with organic net revenue declining low single digit percentage from the prior year. We expect adjusted operating margin of 11–12% for FY23, broadly in line with the prior year and supported by increased nearshore delivery and an improved cost structure. Adjusted EBITDA margin is expected to be 12–13%.

We expect a return to more normal growth and profitability in FY24. The Company's medium term guidance of 15%+ CAGR and adjusted EBITDA margins in the mid-to-high teens remains unchanged.

Kelly Manthey, CEO, said:

“The first half has been challenging with widespread client spending caution experienced across our industry. We enter the second half with a record order backlog and our Enterprise blue chip client base, more than half of which has been with us longer than 4 years. This is the foundation for our future growth. I am as committed as ever to scaling Kin and Carta's global platform.”

Financial Highlights Table¹

	6 months to 31 January 2023	6 months to 31 January 2022 (restated) ²	Like- for- like decline ⁴
Net revenue	£98.7m	£85.6m	(6%)
Adjusted operating profit ³	£7.5m	£7.3m	(41%)
Adjusted operating margin ³	7.6%	8.5%	
Adjusted profit before tax ³	£6.5m	£6.3m	
Adjusted basic earnings per share ³	3.06p	3.11p	
Net (debt)/cash- bank covenant basis	(£11.8m)	£6.2m	
Statutory operating loss	(£14.7m)	(£2.6m)	
Statutory net loss before tax	(£15.1m)	(£3.3m)	
Statutory basic loss per share	(7.19p)	(2.04p)	

1 All Consolidated Income Statement measures reflect the results from continuing operations. Discontinued operations in six months to January 2022 include the results of three businesses, Incite, Edit and Relish, which were divested in the period. Refer to note 4 of the Interim Financial Statements for details of the discontinued operations.

2 Results for the six months ended 31 January 2022 have been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement and the reclassification of share-based payments from non-adjusting items to adjusting items, as detailed in note 1 to the Interim Financial Statements.

3 Adjusted results exclude adjusting items to reflect how management assesses and monitors the ongoing financial performance of the Group. Refer to note 5 for details.

4 The impact of retranslating H1 FY22 results at the H1 FY23 average exchange rates and excluding the impact of prior period acquisitions.

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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 2,000 consultants, engineers and data scientists around the world bring the connective power of technology, data and experience to the world's most influential companies — helping them to accelerate their digital roadmap, rapidly innovate, modernise their systems, enable their teams and optimise for continued growth. Headquartered in London and Chicago with offices across three continents, the borderless model of service allows for the best minds to be connected to collaborate on client challenges.

With purpose at its core, Kin + Carta became the first company listed on the London Stock Exchange to achieve B Corp certification. It meets high standards of verified social and environmental performance, public transparency and accountability to balance the triple bottom line of people, planet and profit.

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

Chief Executive's Review

Focused on long-term profitable growth

INTRODUCTION

In 2019 we started our own transformation journey to better serve the growing DX market, transforming what was a portfolio of market research, communications, and technology businesses into an integrated global DX consultancy. We achieved an important milestone in February 2020 when the Kin + Carta brand was born and launched globally as a pure-play digitally native DX consultancy. We divested non-digital businesses, and focused on building a foundation around the businesses that comprise today's Kin + Carta. Our platform today mirrors what any global consultancy at scale requires – a focus on serving Enterprise clients, with the right technical capabilities, from the right delivery locations, and a market leading approach to attracting and retaining the best talent. Our B Corp certification achievement signalled that we and our shareholders believe in our responsibility to use our business as a force for good.

Since becoming the Global CEO of Kin + Carta seven months ago after serving as CEO of the Americas for the past five years, my conviction is even stronger that our ambition to become a leading digital transformation partner, at scale, for the world's most recognisable brands is the right one. And that the foundations are in place to deliver this ambition.

My agenda as CEO has three priorities – 1) Optimise our foundation for scale 2) Focusing our growth engine to organise around key industry verticals with our technology partners. 3) Realign the business around three delivery engines: Domestic, Nearshore and Offshore with emphasis on growing margin-efficient nearshore and offshore.

Whilst our first half performance was disappointing, this will not distract us from pursuing the longer term ambition that we have for the Company.

In Q2 we experienced a change in client behaviour, driven by market-wide macro headwinds that triggered a more cautious approach to investment by clients. A challenging UK economy and slowing global economy drove (1) a new-business shortfall (2) caution in Enterprise client spending (3) increased client churn, predominantly from non-Enterprise clients which were more adversely impacted by the conditions.

While client caution drove a slower velocity of both converting pipeline into backlog and converting backlog into net revenue, I'm pleased to say backlog remains a durable commitment from our clients and less than 2% of backlog has been reversed during the period. Backlog combined with pipeline provides visibility to near term growth and we are focused on winning more deals and executing on conversions to net revenue in H2.

During the period, spend-levels of our Enterprise Top-20 clients increased as they continued to place their trust in Kin + Carta. In Europe, the Company won a record £14 million UK Public Services contract, and a data-led *Intelligent Experiences* proposition in partnership with Google drove strong demand in the retail sector. The Americas' anchor financial services client increased spend significantly in H1, and a \$9 million data services contract was secured in the automotive sector.

Through the H1 challenging business environment we responded with actions to mitigate the near term and manage for the long term. Cost structure changes were accelerated, refocusing key leaders in our business from internally building Kin + Carta, to serving clients in the market. Opex structure improvements were executed through executive changes, role consolidation and the launch of a global shared services centre in Southeast Europe ("SEE")

at Melon, leveraging our recent acquisition and allowing the transition of business operations roles from the UK market.

The Company enters the second half with strengthened growth foundations:

- Record backlog and strong pipeline continue to be driven by strong demand for high quality digital transformation services.
- Net revenue from Top-20 Enterprise blue chip client base continues to increase.
- Pricing power for the most in-demand technology capabilities is protecting margins.
- Margin-efficient nearshore delivery continues to expand.
- Acquired businesses continue to grow and add value for our business and for our clients.
- Since 2017, Kin + Carta has delivered double-digit CAGR growth in organic, constant currency.

Underpinning all of this is an unwavering commitment to strike a balance between people, profit, and planet and operate as a higher standard, more responsible digital transformation consultancy and a certified B Corp.

Our second half outlook has taken account of the changed macroeconomic environment offset by our typically stronger second half performance. It is worth noting that the Company's H1 includes significant holiday months of August, November's Thanksgiving holiday in the US, and the December holidays.

We will continue to be responsive, controlling what we can in the short-term, without sacrificing the key drivers for long-term profitable growth. We remain alert to the challenges of a continuing volatile economic climate.

Our ambition for Kin + Carta remains unchanged.

OPERATIONAL PERFORMANCE

In H1, macroeconomic headwinds impacted our growth resulting in net revenue of £98.7 million, +15% year-on-year ("YoY") and 6% decline like-for-like⁴. The market volatility led to changes in client behaviours late in the half that caused (1) slowing sales cycles and new business shortfalls (2) Enterprise spending caution and (3) client churn from non-Enterprise clients more exposed to the macroeconomic challenges.

- Demand remains strong with a record £14 million UK Public Sector contract, \$9 million automotive data services deal, and 20+ new business logos won in the period, expected to ramp-up in H2.
- Client portfolio continues to strengthen with \$1 billion+ Enterprise profiles driving 90% of total net revenue, and 93% of our Top-50 clients net revenue is derived from Enterprise clients; scale-ups with higher exposure to macro volatility replaced with resilient Enterprise clients, and continued pricing power.
- Opex restructuring delivering annualised £3 million of savings, and acceleration of higher-margin nearshore delivery resources from 9% to 34% year-on-year enhance the foundation for long-term profitable growth.
- Successful integration of our acquisitions has formed the backbone of high-demand data services (Cascade Data Labs), growth in commerce (Loop), and double-digit growth from high quality nearshore delivery (Melon Group).
- Purpose-led, high performance culture recognised within the period by awards for 'Great place to work' in US, UK and Greece, 'Best workplaces for wellbeing', Built-In 2023 'Best places to work', Chicago Tribune 'Top workplaces', and B Lab's 'Best for the world in Governance'.

Kelly Manthey
Chief Executive Officer

FINANCIAL PERFORMANCE

Group net revenue from continuing operations of £98.7 million was up 15% on the comparable period (H1 FY22: £85.6 million), driven by acquisitions and currency effects. The Americas region grew 22% year-on-year to £71.1 million while Europe's H1 net revenue grew 2% year-on-year to £27.6 million. The Americas region accounted for 72% of the total H1 FY23 net revenue.

The Americas segment produced £9.3 million of adjusted operating profit (H1 FY22: £8.5 million) on net revenue of £71.1 million (H1 FY22: £58.5 million). Americas' organic net revenue at constant currency declined by 1%, reflecting macroeconomic weakness that caused client spending caution and elongated sales cycles noted across the industry. Adjusted operating margin declined from 14.5% to 13.0% with a slightly lower gross margin associated with lower utilisation of delivery staff due to project delays and non-strategic client attrition. This gross margin headwind was partially offset by organic growth of high margin nearshore delivery teams in Latin America. At the adjusted operating margin level, there was also the effect of higher planned investment into information technology.

The Europe segment produced £0.6 million of adjusted operating profit (H1 FY22: £1.4 million) on net revenue of £27.6 million (H1 FY22: £27.1 million). Like-for-like net revenue declined 16% as a result of macroeconomic weakness in the UK which accounts for 81% of Europe's net revenue. Gross margin pressures were largely offset by the significant increase in the Company's margin enhancing nearshore delivery associated with the recent Melon Group acquisition in Southeast Europe. At the adjusted operating margin level, higher planned investment into information technology also impacted Europe.

Group like-for-like net revenue declined by 6% and Group adjusted operating margin was 7.6% for the period (H1 FY22: 8.5%). The Group's delivery staff in Latin America and Southeast Europe near-shore locations grew from 9% of delivery staff last year to over 30% this year, 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 by c. 3% during the period. The lower operating margin in the period also includes the impact of unusual client disputes from non-Enterprise clients with related net revenue at much lower than average margin, resulting in an adverse impact on adjusted operating profit of c. £2m during the period.

Adjusted finance costs were in line with prior year and adjusted profit before tax from continuing operations was up 3% at £6.5 million (H1 FY22: £6.3 million).

The total loss before tax from continuing operations in the period was £15.1 million (H1 FY22: loss of £3.3 million), which is stated after net adjusting cost items of £21.7 million (H1 FY22: net costs of £9.7 million). Adjusting items in the current period include £12.0 million related to acquisitions which comprises: £4.7 million related to the amortisation of acquired intangibles, £7.2 million of consideration required to be treated as remuneration for acquisitions made in prior periods, and £0.2 million of acquisition and integration related costs. Adjusting items also include: £2.5 million in respect of share-based payments relating to employee share schemes, £1.0 million relating to the Company's legacy Defined Benefit Pension Scheme (the "Scheme"); a charge of £1.8 million for restructuring-related costs; and a charge of £4.9 million related to client disputes and associated litigation. There were two client disputes settled during the period, one of which was a legacy client that came via a prior acquisition. The resolution of the two disputes resulted in £4.9 million of additional costs which have been treated as adjusting given the size and nature of the settlement payments and related legal costs.

A change in leasing arrangements for our Chicago premises was concluded after the balance sheet date which will result in a substantial reduction in leased space and associated cash costs. This will result in a credit of £7-8 million to the Income Statement recorded as an adjusting item in H2 FY23. Further details are provided within note

5 and the Alternative Performance Measures section below. Absent further acquisitions, deemed remuneration charges within adjusting items will reduce by more than 60 percent in H2. Total net adjusting items in H2 FY23 are therefore forecast to be significantly lower than H1.

Net assets decreased by £40.7 million versus 31 July 2022, driven by the actuarial loss, net of tax, on the Scheme surplus of £20.0 million, the net loss after tax of £12.5 million, foreign exchange gains on consolidation of £0.8 million, non-income movements in equity related to net share repurchases and settlements of £8.0 million and transfers from equity to liabilities in respect of contingent deferred payments for acquisitions made in prior periods of £6.2 million following the Company's decision to settle in cash rather than equity, partially offset by £5.2 million of credits to equity in respect of share-based payments.

Operating cash inflow before working capital was £5.4 million (H1 FY22: £7.1 million). The working capital inflow of £1.3 million reflects strong management of billing and collection in the period. Net cash inflows of £5.4 million before working capital are stated net of outflows of £4.3 million related to adjusting items. Cash outflows related to finance charges increased slightly due to the increase in net debt and higher interest rates.

The investing cash outflow of £6.8 million (H1 FY22: inflow of £32.1 million) includes payments of £5.4 million related to the prior Cascade Data Labs and Melon Group acquisitions, as well as capital expenditure of £1.4 million. H1 FY22 included £33.2 million of proceeds on disposal of subsidiaries divested in the period. Financing cash flows includes market purchases of the Company's shares by the Employee Benefit Trust of £8.4 million (H1 FY22: £1.6 million) to satisfy expected future vesting under share-based payment schemes. Market purchase of shares reduces the dilutive effect to earnings per share and hedges the market price risk associated with employee share options. Lease payments were broadly in line with the comparable prior year period at £1.8 million (H1 FY22: £2.0 million).

As a result, the Company ended the half year with a net debt position for bank covenant purposes of £11.8 million (£0.2 million at 31 July 2022). Leverage remains modest with net debt at 0.48 times adjusted EBITDA for bank covenant purposes at 31 January 2023 (31 July 2022: 0.01 times).

The IAS 19 pension accounting surplus decreased at the half year to £13.9 million from £38.7 million at 31 July 2022 due to 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 the effect of the corresponding increase in corporate bond yields which are used to discount the accounting liability.

The pension 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. Approximately 32% of the Scheme's assets are currently allocated to growth assets (reduced from 40% at 31 July 2022), of which less than half are allocated to equities. The non-growth assets are invested in liability matching and cash flow matching assets. Excluding trustee expense support, sponsor cash contributions to the Scheme will reduce to £0.2 million in H2 FY23. The Company is committed to pay a further £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.

Our liquidity position remains strong, with modest claims on operating cash flows beyond growth-related working capital investments and, in the near term, cash payments to settle deferred consideration on prior acquisitions. There remains substantial undrawn capacity on the Company's credit facility of £85 million committed until September 2026. Notwithstanding any further potential acquisitions, the pro forma leverage ratio (net debt to pro forma adjusted EBITDA) is expected to be less than 1 times for the rest of the current financial year. The Company's balance sheet and financial flexibility remain strong and provide ample opportunity to invest for growth.

Whilst the first half has been challenging, there are positive trends that give us confidence in a stronger second half performance. Nonetheless, the outcome for the year will reflect the adverse effects of the macroeconomic headwinds we experienced in H1. We expect to return to Kin + Carta's more normal trajectory of revenue and profitable growth in FY24.

Chris Kutsor

Chief Financial Officer

Chief Operating Officer

Alternative Performance Measures (“APMs”)

The half 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.

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. Adjusting items include acquisition related costs and amortisation of acquired intangibles, share-based payments, administrative expenses related to St Ives Defined Benefit Pension Scheme, client disputes and litigation and restructuring charges. For further details refer to note 5 of the Interim Financial Statements.

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.

	6 months to 31 January 2023 £'000	6 months to 31 January 2022 £'000
Revenue	100,577	89,256
Project-related costs	(1,842)	(3,699)
Net revenue	98,735	85,557

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 constant currency rate of exchange and excluding the effects of acquisition or disposal.

	6 months to 31 January 2023 £'000	Impact of ¹ exchange movements £'000	Impact of ² acquisition in prior period £'000	Like-for-like adjusted net revenue £'000	6 months to 31 January 2022 £'000	Like-for-like adjusted net revenue decline %
Europe	27,614	–	(4,841)	22,773	27,061	(15.8%)
Americas	71,121	(9,245)	(3,921)	57,955	58,496	(0.9%)
Group	98,735	(9,245)	(8,762)	80,728	85,557	(5.6%)

¹ The impact of retranslating H1 FY22 net revenue at the H1 FY23 average exchange rates.

² Representing the contribution effect of Loop and Melon Group, acquisitions completed in H2 FY22, calculated using the H1 FY22 pre-acquisition results.

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

	6 months to 31 January 2023 £'000	Restated ¹ 6 months to 31 January 2022 £'000
Statutory operating loss	(14,688)	(2,562)
Add back total adjusting items excluding net finance income and tax	22,217	9,837
Adjusted operating profit	7,529	7,275

¹ The 31 January 2022 results have been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement and the reclassification of share-based payments from non-adjusting items to adjusting items, as detailed in note 1 to the Interim Financial Statements.

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 constant currency rate of exchange excluding the effects of acquisition or disposal.

	6 months to 31 January 2023 £'000	Impact of ¹ exchange movements £'000	Impact of ² acquisition in prior period £'000	Like-for-like adjusted operating profit £'000	Restated ³ 6 months to 31 January 2022 £'000	Like-for-like adjusted operating profit decline %
Europe	636	–	(1,299)	(663)	1,390	(147.7%)
Americas	9,251	(1,523)	(442)	7,286	8,492	(14.2%)
Corporate costs	(2,358)	–	–	(2,358)	(2,607)	(9.6%)
Group	7,529	(1,523)	(1,741)	4,265	7,275	(41.4%)

¹ The impact of retranslating H1 FY22 net revenue at the H1 FY23 average exchange rates.

² Representing the contribution effect of Loop and Melon Group, acquisitions completed in the H2 FY22, calculated using the H1 FY22 pre-acquisition results.

³ The 31 January 2022 results have been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement and the reclassification of share-based payments from non-adjusting items to adjusting items, as detailed in note 1 to the Interim Financial Statements.

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

	6 months to 31 January 2023 £'000	Restated ¹ 6 months to 31 January 2022 £'000
Statutory loss before tax	(15,126)	(3,345)
Add back total adjusting items before tax	21,673	9,671
Adjusted profit before tax	6,547	6,326

¹ The 31 January 2022 results have been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement and the reclassification of share-based payments from non-adjusting items to adjusting items, as detailed in note 1 to the Interim Financial Statements.

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

	6 months to 31 January 2023 £'000	Restated' 6 months to 31 January 2022 £'000
Statutory loss after tax	(12,455)	(3,525)
Add back total adjusting items after tax	17,758	8,909
Adjusted profit after tax	5,303	5,384

1 The 31 January 2022 results have been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement and the reclassification of share-based payments from non-adjusting items to adjusting items, as detailed in note 1 to the Interim Financial Statements.

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

	6 months to 31 January 2023 £'000	Restated' 6 months to 31 January 2022 £'000
Adjusted profit after tax	5,303	5,384
Weighted number of shares ('000)	173,189	173,007
Adjusted basic earnings per share (pence)	3.06	3.11

1 The 31 January 2022 results have been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement and the reclassification of share-based payments from non-adjusting items to adjusting items, as detailed in note 1 to the Interim Financial Statements.

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

	6 months to 31 January 2023 £'000	Restated' 6 months to 31 January 2022 £'000
Net revenue	98,735	85,557
Adjusted operating profit	7,529	7,275
Adjusted operating margin	7.6%	8.5%

1 The 31 January 2022 results have been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement and the reclassification of share-based payments from non-adjusting items to adjusting items, as detailed in note 1 to the Interim Financial Statements.

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 facility agreement, includes an adjustment to present on a 'frozen GAAP' pre-IFRS 16 basis.

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

	12 months to 31 January 2023 £'000	12 months to 31 January 2022 £'000	12 months to 31 July 2022 £'000
Adjusted operating profit	22,381	17,837	22,127
Add: depreciation and amortisation	12,463	10,351	10,547
Less: amortisation of intangibles classified as adjusting items	(8,204)	(6,149)	(6,390)
Adjusted EBITDA	26,640	22,039	26,284
Covenant adjustment	(2,274)	(3,172)	(1,817)
Adjusted EBITDA for covenant purposes	24,366	18,867	24,467

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 GBP Sterling are translated at an average rate over the preceding twelve months rather than at the period end spot rate used in the Consolidated Balance Sheet. Borrowings drawn under the US Paycheck Protection Program are excluded from the calculation.

	31 January 2023 £'000	31 January 2022 £'000	31 July 2022 £'000
Cash and cash equivalents in the balance sheet	(5,355)	(7,679)	(12,609)
Bank overdrafts	981	-	-
Cash and cash equivalents in the cash flow statement	(4,374)	(7,679)	(12,609)
Bank and other loans	16,246	2,259	13,148
Net debt/(cash)- before covenant adjustments	11,872	(5,420)	539
Foreign exchange difference between spot rate and average rate	(121)	(61)	(353)
Deduct Paycheck Protection Program loan	-	(768)	-
Net debt/(cash)- leverage covenant purposes	11,751	(6,249)	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.

	31 January 2023 £'000	Restated' 31 January 2022 £'000	Restated' 31 July 2022 £'000
Adjusted EBITDA for covenant purposes	24,366	18,867	24,467
Net debt/(cash) for covenant purposes	11,751	(6,249)	186
Net debt/(cash) to adjusted EBITDA for covenant purposes	0.48	(0.33)	0.01

1 Results have been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement and the reclassification of share-based payments from non-adjusting items to adjusting items, as detailed in note 1 to the Interim Financial Statements.

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.

Condensed Consolidated Income Statement – unaudited

	Note	6 months to 31 January 2023			Restated ¹ 6 months to 31 January 2022		
		Adjusted results	Adjusting items (note 5)	Statutory results	Adjusted results	Adjusting items (note 5)	Statutory results
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2	100,577	–	100,577	89,256	–	89,256
Project-related costs		(1,842)	–	(1,842)	(3,699)	–	(3,699)
Net revenue		98,735	–	98,735	85,557	–	85,557
Costs of service		(54,860)	–	(54,860)	(46,833)	–	(46,833)
Gross profit		43,875	–	43,875	38,724	–	38,724
Selling costs		(10,323)	–	(10,323)	(10,060)	–	(10,060)
Administrative expenses		(26,023)	(2,827)	(28,850)	(21,830)	(875)	(22,705)
Share of results of joint arrangements		–	–	–	441	–	441
Share-based payments		–	(2,461)	(2,461)	–	(1,508)	(1,508)
Client disputes and litigation		–	(4,935)	(4,935)	–	–	–
Amortisation of acquired intangibles		–	(4,667)	(4,667)	–	(2,853)	(2,853)
Contingent consideration treated as remuneration		–	(7,160)	(7,160)	–	(3,936)	(3,936)
Acquisition and integration costs		–	(167)	(167)	–	(665)	(665)
Operating profit/(loss)	2	7,529	(22,217)	(14,688)	7,275	(9,837)	(2,562)
Net pension finance income		–	682	682	–	166	166
Other finance costs	6	(982)	(138)	(1,120)	(949)	–	(949)
Profit/(loss) before tax		6,547	(21,673)	(15,126)	6,326	(9,671)	(3,345)
Income tax (charge)/credit	8	(1,244)	3,915	2,671	(942)	762	(180)
Net profit/(loss) from continuing operations		5,303	(17,758)	(12,455)	5,384	(8,909)	(3,525)
Net profit from discontinued operations	4	–	–	–	1,385	23,595	24,980
Net profit/(loss) for the period		5,303	(17,758)	(12,455)	6,769	14,686	21,455
Basic earnings/(loss) per share (pence)							
Continuing operations		3.06		(7.19)	3.11		(2.04)
Discontinued operations		–		–	0.80		14.43
Continuing and discontinued operations	7	3.06		(7.19)	3.91		12.39
Diluted earnings/(loss) per share (pence)							
Continuing operations		2.99		(7.19)	2.97		(1.94)
Discontinued operations		–		–	0.76		13.76
Continuing and discontinued operations	7	2.99		(7.19)	3.73	–	11.82

1 The 31 January 2022 results have been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement and the reclassification of share-based payments from non-adjusting items to adjusting items, as detailed in note 1.

2 In the 2022 Interim Financial Statements, the Group presented its results for the year to 31 July 2021 in addition to the six months to 31 January 2021. As the results for the full year are not required by IAS 34 'Interim Financial Reporting' the Group has included only the comparative six month period to 31 January 2022 in the 2023 Interim Financial Statements.

Condensed Consolidated Statement of Comprehensive Income – unaudited

	6 months to 31 January 2023 £'000	Restated' 6 months to 31 January 2022 £'000
(Loss)/profit for the period	(12,455)	21,455
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (loss)/gain on defined benefits pension scheme	(26,661)	4,354
Tax credit/(charge) on items taken through other comprehensive income	6,665	(827)
	(19,996)	3,527
Items that may be reclassified subsequently to profit or loss:		
Transfers of gains/(losses) on cash flow hedges	54	(9)
Losses on cash flow hedges	(2)	(22)
Foreign exchange gains	761	636
Tax charge on items taken through other comprehensive income	(111)	–
	702	605
Other comprehensive (loss)/income for the period	(19,294)	4,132
Total comprehensive (loss)/income for the period	(31,749)	25,587

¹ The 31 January 2022 results have been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement, as detailed in note 1.

Condensed Consolidated Statement of Changes in Equity – unaudited

	Share capital £'000	Additional paid-in capital ¹ £'000	ESOP reserve £'000	Treasury shares £'000	Share option reserve £'000	Hedging, translation and revaluation reserve £'000	Other reserves £'000	Retained earnings/ (accumulated deficit) ² £'000	Total equity £'000
Balance at 1 August 2021 (as reported)	17,255	86,513	(68)	(163)	3,756	1,583	91,621	(26,118)	82,758
Prior year adjustment (note 1)	–	–	–	–	–	–	–	1,301	1,301
Balance at 1 August 2021 (restated)	17,255	86,513	(68)	(163)	3,756	1,583	91,621	(24,817)	84,059
Profit for the period (as reported)	–	–	–	–	–	–	–	21,623	21,623
Change of accounting policy, net of tax (note 1)	–	–	–	–	–	–	–	(168)	(168)
Other comprehensive income	–	–	–	–	–	605	605	3,527	4,132
Total comprehensive income	–	–	–	–	–	605	605	24,982	25,587
Dividends paid	–	–	–	–	–	–	–	(37)	(37)
Shares issued to settle employee share options	178	215	(25)	–	(1,154)	–	(964)	1,032	246
Purchase of own shares by Employee Benefit Trust	–	–	(1,595)	–	–	–	(1,595)	–	(1,595)
Settlement of share-based payment using own shares	–	–	353	–	–	–	353	–	353
Recognition of share-based payments	–	–	–	–	1,419	–	1,419	–	1,419
Recognition of share-based contingent consideration deemed as remuneration	–	–	–	–	2,711	–	2,711	–	2,711
Tax on share-based payments	–	–	–	–	(68)	–	(68)	–	(68)
Hyperinflation revaluation	–	–	–	–	–	67	67	–	67
Reclassification to retained earnings	–	(5,357)	–	–	–	–	(5,357)	5,357	–
Balance at 31 January 2022 (restated)	17,433	81,371	(1,335)	(163)	6,664	2,255	88,792	6,517	112,742
Loss for the period as restated	–	–	–	–	–	–	–	(11,672)	(11,672)
Other comprehensive income	–	–	–	–	–	2,615	2,615	10,599	13,214
Total comprehensive income/(loss)	–	–	–	–	–	2,615	2,615	(1,073)	1,542
Dividends paid	–	–	–	–	–	–	–	(1)	(1)
Shares issued to settle consideration for acquisitions	352	7,843	–	–	–	–	7,843	–	8,195
Shares issued to settle employee share options	12	88	8	–	(88)	–	8	66	86
Purchase of own shares by Employee Benefit Trust	–	–	(3,998)	–	–	–	(3,998)	–	(3,998)
Recognition of share-based payments	–	–	–	–	1,699	–	1,699	–	1,699
Recognition of share-based contingent consideration deemed as remuneration	–	–	–	–	4,882	–	4,882	–	4,882
Tax on share-based payments	–	–	–	–	(250)	–	(250)	–	(250)
Hyperinflation revaluation	–	–	–	–	–	109	109	–	109
Balance at 31 July 2022 (restated)	17,797	89,302	(5,325)	(163)	12,907	4,979	101,700	5,509	125,006
Loss for the period	–	–	–	–	–	–	–	(12,455)	(12,455)
Other comprehensive income/(loss)	–	–	–	–	–	702	702	(19,996)	(19,294)
Total comprehensive income/(loss)	–	–	–	–	–	702	702	(32,451)	(31,749)
Dividends paid	–	–	–	–	–	–	–	(2)	(2)
Shares issued to settle employee share options	6	45	3,576	–	(1,507)	–	2,114	(2,067)	53
Purchase of own shares by Employee Benefit Trust	–	–	(8,395)	–	–	–	(8,395)	–	(8,395)
Settlement of share-based payment using own shares	–	–	362	–	–	–	362	–	362
Recognition of share-based payments	–	–	–	–	2,096	–	2,096	–	2,096
Recognition of share-based contingent consideration deemed as remuneration	–	–	–	–	3,071	–	3,071	–	3,071
Reclassification of contingent consideration deemed as remuneration from equity to liabilities	–	–	–	–	(6,248)	–	(6,248)	–	(6,248)
Tax on share-based payments	–	–	–	–	70	–	70	–	70
Balance at 31 January 2023	17,803	89,347	(9,782)	(163)	10,389	5,681	95,472	(29,011)	84,264

1 Additional paid-in capital includes share premium, merger reserve and capital redemption reserve as detailed in note 14.

2 The 31 January 2022 results have been restated in respect of the following, as detailed in note 1:

- the correction of the tax treatment of income from US loan forgiveness income in FY21.
- a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement.

The 31 July 2022 results have been restated in respect of the correction of the tax treatment of income from US loan forgiveness income in FY21.

Condensed Consolidated Balance Sheet

		31 January 2023 (unaudited) £'000	Restated ¹ 31 January 2022 (unaudited) £'000	Restated ² 31 July 2022 (audited) £'000
	Note			
Assets				
Non-current assets				
Property, plant and equipment		10,151	14,537	10,559
Investment property		4,034	4,303	4,169
Goodwill		77,194	63,451	76,935
Other intangible assets		16,165	11,891	20,435
Investment in joint arrangements		–	1,402	–
Retirement benefits surplus	9	13,892	25,512	38,748
Other non-current assets		103	–	101
Deferred tax assets		8,743	3,174	7,625
		130,282	124,270	158,572
Current assets				
Trade and other receivables	11	33,218	38,291	45,393
Derivative financial instruments		–	22	2
Current tax assets		1,623	–	–
Cash and cash equivalents	11	5,355	7,679	12,609
		40,196	45,992	58,004
Total assets		170,478	170,262	216,576
Liabilities				
Current liabilities				
Lease liabilities	11	3,227	2,835	2,806
Loans and borrowings		981	768	–
Trade and other payables	11	24,463	26,862	32,968
Derivative financial instruments		–	–	454
Current tax liabilities		2,268	493	1,867
Contingent consideration payable	11	12,000	824	6,944
Deferred income		3,703	5,523	5,159
Provisions	12	5,138	313	477
		51,780	37,618	50,675
Non-current liabilities				
Lease liabilities	11	8,522	12,291	10,052
Loans and borrowings	11	16,246	1,491	13,148
Contingent consideration payable	11	2,077	2,398	2,155
Provisions	12	4,160	191	4,206
Deferred tax liabilities		3,429	3,532	11,334
		34,434	19,903	40,895
Total liabilities		86,214	57,521	91,570
Net assets		84,264	112,741	125,006
Capital and reserves				
Share capital	13	17,803	17,433	17,797
Other reserves	15	95,472	88,791	101,700
(Accumulated deficit)/retained earnings		(29,011)	6,517	5,509
Total equity		84,264	112,741	125,006

1 The 31 January 2022 balance sheet has been restated in respect of the following, as detailed in note 1:

- the effect of the correction of the tax treatment of income from forgiveness of loans in FY21.
- a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement.

2 The 31 July 2022 balance sheet has been restated for the effect of the correction of the tax treatment of income from US loan forgiveness in FY21 as detailed in note 1.

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on 14 March 2023.

Condensed Consolidated Statement of Cash Flows – unaudited

		6 months to 31 January 2023 (unaudited) £'000	Restated' 6 months to 31 January (unaudited) 2022 £'000	Year to 31 July (audited) 2022 £'000
	Note			
Statutory operating (loss)/profit	16	(14,688)	23,764	11,329
Depreciation and amortisation	16	6,840	5,070	10,876
Other operating non-cash items before working capital movements	16	13,228	(21,779)	(3,006)
Operating cash inflows before working capital movements	16	5,380	7,055	19,199
Decrease/(increase) in working capital	16	1,331	(10,313)	(7,072)
Cash generated from/(used in) operations	16	6,711	(3,258)	12,127
Interest paid		(794)	(366)	(1,014)
Income taxes (paid)/received		(778)	130	(1,341)
Net cash flows from operating activities		5,139	(3,494)	9,772
Investing activities				
Purchase of property, plant and equipment		(1,365)	(847)	(1,336)
Payments relating to acquisitions		(5,440)	(240)	(11,932)
Proceeds on disposal of subsidiaries		–	33,161	34,269
Net cash flows from investing activities		(6,805)	32,074	21,001
Financing activities				
Lease payments		(1,788)	(2,006)	(3,812)
Purchase of own shares by the Employee Benefit Trust		(8,395)	(1,595)	(5,593)
Dividends paid		(2)	(37)	(38)
Proceeds from issue of shares	13	51	246	332
Increase/(decrease) in bank loans	16	3,527	(62,966)	(54,190)
Net cash flows from financing activities		(6,607)	(66,358)	(63,301)
Net decrease in cash and cash equivalents		(8,273)	(37,778)	(32,528)
Cash and cash equivalents at beginning of the period		12,609	44,971	44,971
Effect of foreign exchange rate changes		38	486	166
Cash and cash equivalents at end of the period	10	4,374	7,679	12,609

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

		6 months to 31 January 2023 £'000	Restated' 6 months to 31 January 2022 £'000	Year to 31 July 2022 £'000
Net cash generated from operating activities		–	(1,656)	(1,862)
Net cash flows from investing activities		–	33,147	34,255
Net cash used in financing activities		–	(542)	(542)
Net increase in cash and cash equivalents		–	30,949	31,851

1 The 31 January 2022 Cash Flow Statement has been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement, as detailed in note 1.

Notes to the Condensed Consolidated Interim Financial Statements

1. Basis of preparation

Corporate information

Kin and Carta plc (the “Company”) is a public limited company 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.

These Condensed Consolidated Financial Statements for the six months ended 31 January 2023 comprise the Company and its subsidiaries (together the “Group”). The nature of the Group’s operations and its principal activities are set out in the Chief Executive’s Review.

These statements have not been audited but have been reviewed by the Group’s auditors pursuant to International Standard on Review Engagements (UK) 2410 “Review of Interim Financial Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council.

The Condensed Consolidated Interim Financial Statements were authorised for issue with a resolution of the Directors on 14 March 2023.

Basis of preparation

The Condensed Consolidated Interim Financial Statements for the six months ended 31 January 2023 have been prepared in accordance with Disclosure and Transparency Rules of the Financial Authority and with IAS 34 ‘Interim Financial Reporting’ under UK-adopted International Accounting Standards. They should be read in conjunction with the Group’s last Annual Consolidated Financial Statements as at and for the year ended 31 July 2022. They do not include all of the information required for a complete set of financial statements prepared in accordance with UK-adopted International Accounting Standards and in conformity with the requirements of the Companies House 2006. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

These Condensed Consolidated Interim Financial Statements do not constitute statutory accounts of the Group within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 July 2022 have been filed with the registrar of companies and can be found on the Group’s website. The auditor’s report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498(2) or (3) of the Companies Act 2006. The annual statements of Kin and Carta plc are presented in accordance with UK-adopted International Accounting Standards.

Accounting policies

The accounting policies adopted in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Group’s Annual Consolidated Financial Statements for the year ended 31 July 2022, except in respect of the adoption of new standards effective as of 1 August 2022.

1. Basis of preparation (continued)

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, except for the IFRIC IC agenda decision on configuration and customisation costs in a Cloud Computing Arrangement detailed below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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 sheets (31 January 2022 and 31 July 2022) in these interim statements have been restated as detailed in the tables below.

(2) Changes in accounting policy for the interim period ended 31 January 2022: Cloud computing

The Group previously accounted for Configuration and Customisation ("CC") costs in a cloud computing arrangement as 'intangible assets– computer software', amortised over a period of two to five years. Following the IFRS Interpretation Committee agenda decision on configuration and customisation costs in a Cloud Computing Arrangement in March 2021, the Group reconsidered its accounting treatment. The Group has adopted the treatment set out in the IFRS IC agenda decision not to capitalise CC costs but to record them as an expense in the Consolidated Income Statement on the basis that the Group does not control the software that was configured and customised. This change in accounting treatment has been accounted for retrospectively. This change in accounting policy was reflected in the 2022 Annual Consolidated Group Financial Statements. For the 2023 Interim Financial Statements, the comparative interim period has been restated to reflect the change.

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

From FY23, the Group's share-based payment charge is excluded from adjusted results. 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'. 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, therefore aiding comparability of adjusted results. This is a reclassification 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 items are reflected in the tables below:

Restatements and reclassifications as at and for the prior ending 31 January 2022

	31 January 2022 (statutory- as reported) £'000	Tax on loan forgiveness £'000	Cloud Computing: increase/(decrease) £'000	Share-based payments reclassification £'000	31 January 2022 (statutory- restated) £'000
Balance Sheet (extract)					
Property, plant and equipment	14,488	–	49	–	14,537
Other intangible assets	12,672	–	(781)	–	11,891
Current tax liabilities	(1,794)	1,301	–	–	(493)
Deferred tax liabilities	(3,671)	–	139	–	(3,532)
Net assets	112,033	1,301	(593)	–	112,741
Retained earnings	5,809	1,301	(593)	–	6,517
Total equity	112,033	1,301	(593)	–	112,741
Income Statement (extract)					
Administrative expenses	(24,005)	–	(208)	1,508	(22,705)
Share-based payments	–	–	–	(1,508)	(1,508)
Loss before tax	(3,137)	–	(208)	–	(3,345)
Income tax charge	(220)	–	40	–	(180)
Net profit loss from continuing operations	(3,357)	–	(168)	–	(3,525)
Net profit from discontinued operations	24,980	–	–	–	24,980
Net profit for the period	21,623	–	(168)	–	21,455
Statement of Comprehensive Income (extract)					
Profit for the period	21,623	–	(168)	–	21,455
Total comprehensive income for the period	25,755	–	(168)	–	25,587

1. Basis of preparation (continued)

Basic and diluted earnings per share for the interim period ending 31 January 2022 have been updated to reflect the adjustments above:

	Statutory earnings		Adjusted earnings	
	6 months to 31 January 2022 (as reported)	6 months to 31 January 2022 (restated)	6 months to 31 January 2022 (as reported)	6 months to 31 January 2022 (restated)
<i>Continuing and discontinued operations</i>				
Earnings (£'000)	21,623	21,455	5,126	6,769
Earnings per share (pence)				
Basic earnings per share	12.50	12.39	2.96	3.91
Diluted earnings per share	11.92	11.82	2.83	3.73

Restatement as at and for the prior year ending 31 July 2022

	31 July 2022 (statutory- as reported) £'000	Tax on loan forgiveness £'000	31 July 2022 (statutory- restated) £'000
Balance Sheet (extract)			
Current tax liabilities	(3,168)	1,301	(1,867)
Net assets	123,705	1,301	125,006
Retained earnings	4,208	1,301	5,509
Total equity	123,705	1,301	125,006

Going concern

As part of the interim going concern review, management ran a series of downside scenarios on the latest forecast profit and cash flow projections to assess bank covenant headroom against funding facilities for the period to 31 July 2024, a period of at least 12 months from the date of approval of the Condensed Consolidated Interim Financial Statements.

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 the first half of FY23, resulting in lower than forecast revenue growth. Revenue growth is forecast to improve modestly in H2 FY23 as the impact of new contract wins comes through. Scenarios modelled included further sales volume reductions and decreases in gross margin. None of the stress scenarios modelled shows 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 Interim Financial Statements are authorised for issue. Accordingly, the Consolidated Interim Financial Statements are prepared on a going concern basis.

1. Basis of preparation (continued)

On 5 September 2022, the Group agreed the extension of its committed £85 million multicurrency revolving credit facility with four lender banks for a further year, to 26 September 2026.

At 31 January 2023, the Group had drawn £17.2 million, including £1.0 million drawn as an overdraft facility (31 January 2022: £1.5 million, 31 July 2022: £13.1 million) on its credit facilities, leaving an unutilised commitment of £67.8 million (31 January 2022: £83.5 million, 31 July 2022: £71.9 million). At 31 January 2023, the ratio of net debt/(cash) to adjusted EBITDA for bank covenant purposes was 0.48 times (31 January 2022: (0.33) times, 31 July 2022: 0.01 times), well within the covenant limit of 2.5 times. Although the Group is in a net current liability position at 31 January 2023 of £11.6 million (31 January 2022: £8.4 million net current assets, 31 July 2022: £7.3 million net current assets), this is well within the unutilised credit facility amount of £67.8 million, and thus does not trigger liquidity concerns. The Group projects that it will continue to operate within lender covenant limits and has sufficient liquidity in both the base case forecast and in the severe but plausible downside scenarios.

Exchange rates against sterling

The following key exchange rates were applied in these financial statements:

	Half year ended 31 January 2023		Half year ended 31 January 2022		Year ended 31 July 2022	
	Average rate	Period end rate	Average rate	Period end rate	Average rate	Year end rate
US Dollar	1.170	1.231	1.351	1.342	1.315	1.216
Euro	1.148	1.134	1.182	1.197	1.181	1.194

Critical estimates and critical judgements

The preparation of Condensed Consolidated Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results might differ from these estimates. In preparing these Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were in line with those that applied to the Annual Report and Accounts for the year ended 31 July 2022, with the exception of changes in estimates that are required in determining the provision for income tax. Where applicable, the Group has taken into consideration the current macroeconomic environment, including rising interest rates, when assessing the judgements and estimates for the current half year period.

2. Segment reporting

Following the change in FY22 to a regionally focused approach to management of the Group, segment information is presented on a regional basis. Corporate costs, comprising certain costs which are not allocated to the operating regions, are disclosed separately. The segmental information for the half year period to 31 January 2022 has been restated in respect of this change.

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 which are not allocated directly to the operating regions, including the costs of the Board.

The above operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Makers (“CODM”). 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 segmental balance sheet is not disclosed as this information is not reported to the CODM.

Results from continuing operations for the current period ended 31 January 2023:

	Europe £'000	Americas £'000	Corporate costs £'000	Total £'000
Revenue	28,984	71,593	–	100,577
Net revenue	27,614	71,121	–	98,735
Statutory operating loss	(5,829)	(4,728)	(4,131)	(14,688)
Adjusting items	6,465	13,979	1,773	22,217
Adjusted operating profit/(loss)	636	9,251	(2,358)	7,529

Results from continuing operations for the prior period ended 31 January 2022:

	Europe £'000	Americas £'000	Corporate costs £'000	Restated' Total £'000
Revenue	27,758	61,498	–	89,256
Net revenue	27,061	58,496	–	85,557
Statutory operating (loss)/profit	(404)	1,950	(4,108)	(2,562)
Adjusting items	1,794	6,542	1,501	9,837
Adjusted operating profit/(loss)	1,390	8,492	(2,607)	7,275

All Group revenue, in the current and prior period, is derived by the rendering of services, as defined by IFRS 15 ‘Revenue’.

3. Acquisitions

There were no acquisitions in the half year period ended 31 January 2023.

Contractual commitments for consideration linked to acquisitions in prior periods

At 31 January 2023, future contingent deferred payments accounted for in relation to prior period acquisitions were £20.9 million, of which £14.1 million is accrued as a liability and £6.8 million recorded in equity within the share option reserve. Further amounts of up to £6.3 million, estimated at the exchange rates prevailing at 31 January 2023, will accrue up to FY26 in respect of past acquisitions based on time vesting conditions of such payments.

Estimated maximum future contracted amounts payable for historical acquisitions, at the exchange rates prevailing at 31 January 2023, are detailed below:

Period of acquisition	FY20	FY21	FY22	FY22	FY22	
Acquired entity	Spire	Cascade Data Labs	Octain	Loop	Melon Group	Total
Period of payment/vesting	£'000	£'000	£'000	£'000	£'000	£'000
H2 FY23 deferred payments	6,733	5,642	–	1,220	1,559	15,154
FY24 deferred payments	–	2,821	–	1,103	2,603	6,527
FY25 deferred payments	–	2,821	700	717	1,045	5,283
FY26 deferred payments	–	–	–	200	–	200
Total estimated maximum deferred consideration payable after 31 January 2023	6,733	11,284	700	3,240	5,207	27,164
To be settled in cash	3,501	7,052	–	2,640	3,954	17,147
To be settled in shares	3,232	4,232	700	600	1,253	10,017
Total	6,733	11,284	700	3,240	5,207	27,164

All amounts shown which are to be settled in the future 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 maximum caps set in British pounds. The level of deferred consideration is now fixed in local currency for Spire and Cascade Data Labs (but still subject to service conditions for the recipients), and is contingent upon future performance and service for Octain, Melon Group and Loop. Therefore actual amounts payable may be less than the amounts shown, which correspond to the estimated capped maximums at the exchange rate prevailing at 31 January 2023, if the performance in the earnout period does not result in the cap being reached.

Amounts paid at completion and deferred amounts which have already been settled at 31 January 2023 for the acquisitions noted above are not included in the table above.

In accordance with IFRS 2, amounts related to payments in respect of future deferred payments have been recorded within current liabilities, non-current liabilities and equity at the balance sheet date, based on the likely method of settlement (cash or equity), and the vesting periods associated with the deferred consideration amounts.

3. Acquisitions (continued)

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

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

- the first instalment of the second earn out of Cascade Data Labs, corresponding to 50% of the total earn out which was paid in February 2023
- the first earn out for Melon Group, of which 50% will be settled prior to 31 July 2023, with the remaining 50% payable in FY24
- the first earn out for Loop, of which 50% will be settled prior to 31 July 2023, with the remaining 50% payable equally in FY24 and FY25.

The value of the above earnouts in the currency of payment (US dollars, euros and US dollars respectively) have now been determined and payment is only subject to further service by the individual recipients. It had been previously assumed at 31 July 2022 that a portion of these amounts, ranging from 60% to 75%, would be equity-settled. Following the decision in the current period to settle all of these amounts 100% in cash, amounts of £6.1 million recorded in equity at 31 July 2022 were reclassified from equity to current and non-current liabilities, and will be settled in cash over the two years following the balance sheet date.

No 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 and Loop, 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. For the purpose of accounting, it has been assumed at 31 January 2023 that the maximum portion permissible amounts will be equity-settled. Should the final decision result alternatively in cash settlement, further amounts would be reclassified from equity to liabilities.

4. Discontinued operations

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

The results of the discontinued operations for the 2022 interim period were as follows:

	Restated ¹ 6 months to 31 January 2022		
	Adjusted results £'000	Adjusting items £'000	Statutory results £'000
Revenue	10,115	–	10,115
Project-related costs	(4,222)	–	(4,222)
Net revenue	5,893	–	5,893
Costs of service	(2,349)	–	(2,349)
Gross profit	3,544	–	3,544
Selling costs	(693)	–	(693)
Administrative expenses	(1,187)	–	(1,187)
Gain on divestment of discontinued operations	–	24,632	24,632
Share-based payments related to employee share schemes	–	(235)	(235)
Release of provision	–	265	265
Operating profit	1,664	24,662	26,326
Other finance costs	(32)	–	(32)
Profit before tax	1,632	24,662	26,294
Income tax charge	(247)	(1,067)	(1,314)
Net profit for the period	1,385	23,595	24,980

¹ The 31 January 2022 results have been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement and the reclassification of share-based payments from non-adjusting items to adjusting items, as detailed in note 1.

5. Adjusting items

Adjusted results exclude adjusting items to reflect how management assesses and monitors the ongoing financial performance of the Group. Items are presented as adjusting when, in the opinion of the Directors, their separate presentation aids understanding of the financial performance of the Group.

Adjusting items from continuing operations disclosed on the face of the Consolidated Income Statement are as follows:

Expense/(income)	6 months to 31 January 2023 £'000	Represented' 6 months to 31 January 2022 £'000
Continuing operations		
Costs related to acquisitions		
Amortisation of acquired intangibles	4,667	2,853
Contingent consideration required to be treated as remuneration	7,160	3,936
Acquisition and integration costs	167	665
	11,994	7,454
Share-based payments		
Share-based payments related to employee share schemes	2,461	1,508
St Ives Defined Benefit Pension Scheme costs		
Scheme administrative costs	377	262
Other related costs	643	613
	1,020	875
Client disputes and litigation		
Client disputes and litigation	4,935	–
Restructuring items		
Redundancies and other charges	1,807	–
Adjusting items before interest and tax	22,217	9,837
Net pension finance income in respect of defined benefit pension scheme	(682)	(166)
Interest charges related to non-pension adjusting items	138	–
Adjusting items before tax	21,673	9,671
Income tax credit	(3,915)	(762)
Continuing operations adjusting items after tax	17,758	8,909

¹ Adjustments to prior periods relate to the reclassification of share-based payments from non-adjusting items to adjusting items, as detailed in note 1.

Costs related to acquisitions made in prior periods

Charges relating to the amortisation of acquired customer relationships, proprietary techniques and trademarks amounted to £4.7 million (H1 FY22: £2.9 million).

During the period, charges relating to contingent consideration required to be treated as remuneration of £7.2 million (H1 FY22: £3.9 million) were recorded in the Consolidated Income Statement as adjusting items. The charges in the period are in respect of the acquisitions of Cascade Data Labs £3.4 million (H1 FY22 £3.0 million), Spire £1.1 million (H1 FY22 £0.9 million), Melon Group £2.0 million, Loop £0.6 million and Octain £0.1 million, all of which took place in prior periods.

5. Adjusting items (continued)

Acquisition and integration costs of £0.2 million (H1 FY22: £0.7 million) were incurred during the period relating to advisor costs incurred in respect of potential acquisition targets and one-off costs associated with the integration of the Melon Group acquisition onto Kin and Carta operating platforms. In the prior period, acquisition costs of £0.7 million were incurred in respect of acquisitions that were completed during FY22, including Melon Group and the full acquisition of the joint venture, Loop.

Share-based payments related to employee share schemes

Charges of £2.5 million (H1 FY22: £1.5 million) were recorded in the period 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 inclusion of share-based payments as an adjusting item is in line with publicly listed peer group companies in digital transformation, therefore aiding comparability of adjusted profitability. £1.2 million (H1 FY22: £0.8 million) of these costs were recorded within the Americas segment, £0.5 million (H1 FY22: £0.4 million) within the Europe segment and £0.8 million (H1 FY22: £0.3 million) within corporate costs.

St Ives Defined Benefit Pension Scheme costs

The Scheme charges include service costs of £0.4 million (H1 FY22: £0.3 million) and costs in relation to running the Scheme of £0.6 million (H1 FY22: £0.6 million). The recurring 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 of £4.9 million (H1 FY22: £nil) includes the 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.

During the period, £0.9 million (H1 FY22: £nil) was incurred for external legal advisor costs in defending separate legal disputes with two legacy, non-Enterprise clients, one of which came via prior acquisition. At the balance sheet date, a provision of £4.0 million has been made in respect of these disputes. Of this amount, £3.6 million was paid on 3 March 2023 in full and final settlement of one client dispute. The Group anticipates the other client dispute will be cash-settled prior to 31 July 2023. An amount of £0.5 million has been provided for at the balance sheet date based on the value of the judgement awarded by the arbitrator. The Group is investigating the possibility of partial recovery of the costs noted above under the Group insurance policies, but no related income has been recorded as at 31 January 2023. Should any such insurance income arise, it will be presented as an adjusting item. There were no other material client disputes at the reporting date.

These costs are recorded within the Americas segment. The Group anticipates that the settlement costs are deductible for corporate income tax.

Restructuring items

During the period, restructuring costs of £1.8 million (H1 FY22: £nil) were incurred. These relate primarily to the restructuring of the Group, started in H2 FY22 following the switch to a fully regionally based organisation, and the costs of simplifying the Group's legal structure leading to the liquidation of a number of legal entities. 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

5. Adjusting items (continued)

administrative expenses and are recorded within the Americas segment (£0.7 million), Europe segment (£0.9 million) and corporate costs (£0.2 million).

Finance (income)/expense

Net pension finance income of £0.7 million (H1 FY22: £0.2 million) is in respect of the surplus in the St Ives Defined Benefit Pension Scheme. This is not allocated to either regional segment.

During FY22, 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. In H1 FY23, finance costs 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

In the current period, a tax credit of £3.9 million (H1 FY22: £0.8 million credit) relates to the items noted above.

Post-balance sheet

After the balance sheet date, the Group agreed a renegotiation on a lease interest in premises in Chicago, USA resulting in a substantial reduction in the space occupied. This will give rise to a significant one-off credit to the Income Statement. This will be classified as an adjusting item within administrative expenses in the second half of the current year. Refer to note 18 for further details.

6. Other finance costs

	6 months to 31 January 2023 £'000	6 months to 31 January 2022 £'000
Interest and bank arrangement fees on bank overdrafts and loans	757	582
Interest on lease liabilities	314	367
Interest unwind on provisions	49	–
Total	1,120	949

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 5 for further details.

7. Basic and diluted earnings/(loss) per share

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

	Adjusted earnings		Statutory (loss)/earnings	
	6 months to 31 January 2023	Restated' 6 months to 31 January 2022	6 months to 31 January 2023	Restated' 6 months to 31 January 2022
<i>Continuing and discontinued operations</i>				
Earnings/(loss) (£'000)	5,303	6,769	(12,455)	21,455
Weighted average number of ordinary shares ('000)²	173,189	173,007	173,189	173,007
<i>Effect of dilutive potential ordinary shares:</i>				
Share options	4,318	8,425	4,318	8,425
Diluted number of ordinary shares	177,507	181,432	177,507	181,432
Earnings/(loss) per share (pence)				
Basic earnings/(loss) per share	3.06	3.91	(7.19)	12.39
Diluted earnings/(loss) per share	2.99	3.73	(7.19)	11.82

1 The 31 January 2022 results have been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement and the reclassification of share-based payments from non-adjusting items to adjusting items, as detailed in note 1.

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 5), as adjusted for tax, to the profit or loss for the period.

8. Taxation

The adjusted tax charge for the period to 31 January 2023 is £1.2 million (H1 FY22: £0.9 million). The charge equates to an effective tax rate on adjusted profit of 19.0% (H1 FY22: 14.9%). The adjusted effective tax rate is calculated using management's best estimate of the average annual effective income tax rate expected for the full year, applied to adjusted profit before tax for the half year. As such, the adjusted effective tax rate in the Interim Financial Statements may differ from management's estimate of the adjusted effective tax rate determined for the FY23 Annual Financial Statements. The average is calculated using the weighted average profit at jurisdictional rates, adjusted for significant permanent differences between accounting and tax. Non-UK jurisdictional rates differ from the UK statutory corporate income tax rate.

For adjusting items, the income statement tax effect is considered on an item-by-item basis. The tax credit for the period relating to adjusting items is £3.9 million (H1 FY22: £0.8 million credit). The resulting statutory tax credit for the period is £2.7 million (H1 FY22: £0.2 million charge), equating to a statutory effective corporate income tax rate of (17.7%) (H1 FY22: 5.4%).

The reduction in deferred tax liabilities is driven primarily by the liability associated with the retirement benefit surplus which has reduced significantly from 31 July 2022.

During the period, an error was identified relating to the taxation of income from loan forgiveness in FY21. As a result, the retained earnings for the comparative balance sheets (31 January 2022 and 31 July 2022) in these Interim Financial Statements have been restated. Further details are provided within note 1.

9. Retirement benefits

As at 31 January 2023, the Group reported a net IAS 19 accounting surplus in respect of the Defined Benefit Pension Scheme (the 'Scheme') of £13.9 million (31 January 2022: £25.5 million surplus, 31 July 2022: £38.7 million surplus). The deferred tax liability recorded in respect of the Scheme surplus is £3.4 million (31 January 2022: £4.9 million, 31 July 2022: £9.7 million).

The lower surplus is due to a decrease in the value of Scheme assets of £60.6 million, driven primarily by the increase in gilt yields which reduced the value of the gilt assets in the Scheme portfolio. This was partially offset by a decrease in the Scheme liabilities of £35.8 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 inflation rate risk. The technical liability is discounted using gilt yields rather than AA corporate bond yields.

10. Analysis of closing net debt including lease liabilities

	31 January 2023 £'000	31 January 2022 £'000	31 July 2022 £'000
Cash and cash equivalents in the balance sheet	(5,355)	(7,679)	(12,609)
Bank overdrafts	981	–	–
Cash and cash equivalents in the cash flow statement	(4,374)	(7,679)	(12,609)
Bank and other loans	16,246	2,259	13,148
Lease liabilities	11,749	15,126	12,858
Closing net debt- statutory	23,621	9,706	13,397

11. Financial instruments

The financial instruments by category are as follows:

	31 January 2023 £'000	31 January 2022 £'000	31 July 2022 £'000
Financial assets measured at fair value through profit or loss			
Derivative financial instruments	–	22	2
Financial assets measured at amortised cost			
Trade and other receivables	33,218	38,291	45,393
Cash and cash equivalents	5,355	7,679	12,609
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	–	–	(454)
Contingent consideration payable	(14,077)	(3,222)	(9,099)
Financial liabilities measured at amortised cost			
Trade and other payables	(24,463)	(26,862)	(32,968)
Loans and borrowings	(17,227)	(2,259)	(13,148)
Lease liabilities	(11,749)	(15,126)	(12,858)

Fair values

The carrying value of the Group's financial assets and liabilities measured at amortised cost is approximately equal to their fair value, except for investment properties, which are recorded at amortised cost. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Derivative financial instruments

The Group enters into forward foreign exchange contracts to cover specific foreign currency payments and receipts and to manage the risk associated with anticipated sale and purchase transactions. Forward foreign exchange contracts have are used to hedge the exchange rate risk arising from these commitments, which are designated as cash flow hedges. The Group also hedges, in certain circumstances, amounts payable to the former shareholders of companies it has acquired in respect of contingent consideration payable, where the value of such consideration is calculated based on a currency other than the functional currency of the acquiring entity.

The valuation methods of all the Group's derivative financial instruments carried at fair value are categorised as Level 2 as defined by the fair value hierarchy of IFRS 13 'Fair Value Measurement'. Level 2 financial assets and liabilities do not have regular market pricing, but their fair value can be determined based on other data values or market prices.

Contingent consideration payable

Fair value 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 service conditions for the recipients and financial targets being achieved.

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 January 2023.

11. Financial instruments (continued)

The table below reconciles the movements in the portion of consideration payable recorded under liabilities. The other portion of consideration payable is recorded within equity.

	31 January 2023 £'000	31 January 2022 £'000	31 July 2022 £'000
Opening balance at 1 August	9,099	1,888	1,888
Charges for contingent consideration required to be treated as remuneration	2,438	1,255	6,005
Reclassification of contingent consideration deemed as remuneration from equity to liabilities	6,248	-	-
Charges for consideration related to acquisitions	66	-	849
Cash-settled payments ¹	(3,789)	-	-
Currency movements	15	79	357
Closing balance	14,077	3,222	9,099

¹ In addition to the £3.8 million noted shown above, £1.6 million was paid in respect of a derivative which hedged the currency exposure on deferred payments for the Cascade Data Labs acquisition.

As detailed in note 3, the level of consideration is now fixed in local currency for the Spire and Cascade Data Labs acquisitions, but remains subject to service conditions for the recipients. For Melon Group, Octain and Loop, consideration is dependent upon future performance and service conditions, thus the fair value could be affected if the forecast financial performance is different to that estimated, however this variance is not expected to be material.

12. Provisions

	Provision for reorganisation £'000	Provision for client disputes and litigation £'000	Provision for repairs £'000	Total £'000
Balance at 1 August 2022	4,458	-	225	4,683
Charged to the Consolidated Income Statement	694	4,029	-	4,723
Utilised during the period	(55)	-	-	(55)
Notional interest charge on provisions	49	-	-	49
Currency movements	(56)	(46)	-	(102)
Balance at 31 January 2023	5,090	3,983	225	9,298
Current	1,155	3,983	-	5,138
Non-current	3,935	-	225	4,160
Total	5,090	3,983	225	9,298

Provision for reorganisation

The provision for reorganisation comprises onerous property and redundancy costs. The provision will be utilised when the obligations associated with onerous properties are fully discharged or when the restructuring completes.

Provision for client disputes and litigation

The provision for client disputes and litigation relates to settlements payable to two clients. Of this amount, £3.6 million was paid on 3 March 2023 in full and final settlement of one client dispute. The Group anticipates the other client dispute will be cash-settled prior to 31 July 2023. An amount of £0.5 million has been provided for at the balance sheet date based on the value of the judgement awarded by the arbitrator.

12. Provisions (continued)

The charges in respect of these disputes are recorded as an adjusting item within administrative expenses during the period.

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 lease period. It is anticipated that these liabilities will crystallise between FY23 and FY26.

13. Share capital

	Number of shares	Ordinary shares of 10p each £'000
Issued and fully paid:		
At 1 August 2022	177,960,679	17,797
Issued during the period	61,318	6
At 31 January 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.

14. 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 January 2023	76,433	11,676	1,238	89,347

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

The merger reserve is derived from acquisitions made in prior periods as well as reflecting the premium on shares issued for consideration on acquisitions during the period. During the prior period, 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 acquisition 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 in note 13.

15. Other reserves

Other reserves in the Consolidated Statement of Changes in Equity is made up of additional paid-in capital as detailed in note 14 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 on 31 January 2023 (31 July 2022: 90,637 shares). In addition, 4,799,305 Kin and Carta plc ordinary shares (31 July 2022: 2,489,665 shares) were held by the EBT as at 31 January 2023. After 1 August 2022, 3,994,602 Kin and Carta plc ordinary shares were purchased by the EBT to satisfy future vesting of employee awards. In the period, 1,684,962 shares were allotted from the EBT to satisfy the exercise of certain vested employee awards. All shares held in the EBT at 31 January 2023 are expected to be used to settle awards vesting in the 24 months following the balance sheet date.

The share option reserve represents the cumulative charge related to the unvested options granted to Group's employees of Kin and Carta plc ordinary shares.

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.

16. Notes to the Consolidated Cash Flow Statement

Reconciliation of cash generated from operations

	6 months to 31 January 2023 £'000	Restated' 6 months to 31 January 2022 £'000	Year to 31 July 2022 £'000
Loss from continuing operations	(14,688)	(2,562)	(14,355)
Profit from discontinued operations	–	26,326	25,684
Statutory operating (loss)/profit	(14,688)	23,764	11,329
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	2,173	2,101	4,392
Amortisation of intangible assets	4,667	2,969	6,484
Depreciation and amortisation	6,840	5,070	10,876
Share-based payment charge	2,461	1,419	3,118
(Decrease)/increase in retirement benefit obligations	(1,123)	(1,927)	1,194
Increase in contingent consideration required to be treated as remuneration	7,160	3,936	13,228
Increase/(decrease) in provisions	4,730	(281)	3,551
Impairment loss	–	–	6,207
Loss on disposal of property, plant and equipment	–	–	72
Share of profit from joint arrangement	–	(441)	(442)
Disbursement from joint arrangement	–	147	147
Gain on disposal of subsidiaries	–	(24,632)	(24,059)
Non-cash reductions in lease liabilities	–	–	(4,401)
Fair value gain from deemed sale on step acquisition	–	–	(1,621)
Other operating non-cash items before working capital movements	13,228	(21,779)	(3,006)
Operating cash inflows before movements in working capital	5,380	7,055	19,199
Decrease/(increase) in receivables	12,006	(7,576)	(8,054)
(Decrease)/increase in payables	(9,231)	(2,700)	939
(Decrease)/increase in deferred income	(1,444)	(37)	43
Decrease/(increase) in working capital	1,331	(10,313)	(7,072)
Cash generated from/(used in) operations	6,711	(3,258)	12,127

¹ The 31 January 2022 Cash Flow Statement has been restated to reflect a change in accounting policy, following adoption of the IFRS IC's agenda decision on Configuration and Customisation Costs in a Cloud Computing Arrangement, as detailed in note 1.

Cash and cash equivalents (which are presented as a single class of assets on the face of the Consolidated Balance Sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. The effective interest rates on cash and cash equivalents are based on current market rates. Cash and cash equivalents per the Cash Flow Statement also include £1.0 million of overdrafts (H1 FY22 and FY22: £nil). Refer to note 10 for the reconciliation of statutory net debt.

16. Notes to the Consolidated Cash Flow Statement (continued)

Analysis of loan financing liabilities

	31 July 2022 £'000	Drawdown £'000	Repayment £'000	Foreign exchange gains £'000	31 January 2023 £'000
Non-current liabilities					
Bank loans – revolving credit facility	13,148	10,350	(6,823)	(429)	16,246

17. Related parties

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

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

18. Post-balance sheet events

Client disputes and litigation

After the balance sheet date, a provision of £4.0 million was made in respect of two client disputes. These costs were recorded within admin expenses as adjusting items in the Consolidated Income Statement. An amount of £3.6 million was paid on 3 March 2023 in final settlement of one of the disputes, and the Group anticipates that a further cash payment in relation to the full settlement of the other dispute will be made by 31 July 2023. No further material client disputes are outstanding at the date of this report. It is anticipated a portion of the costs may be recoverable under professional indemnity insurance policies held by the Group. No insurance income has been received or accrued as receivable at the balance sheet date.

Adjustments arising from a lease renegotiation

After the balance sheet date, the Group agreed a renegotiation on a lease interest in premises in the USA. This will result in swapping the current premises, occupying 58,282 sq feet in a building in North Canal St, Chicago, USA for a space of less than half the size in the same building from 1 January 2024, with term on the lease on the smaller premises to 31 December 2033. As part of the agreement, the penalty for the early termination of the previous lease, which had been provided for at 31 July 2022 as it was assumed to be payable on termination, has been waived by the landlord and the annual cash rent payable will reduce by over 60% compared to the pre-existing lease. This will result in savings on cash rent, property tax, maintenance and associated property cost of approximately £1.5 million per annum from 1 January 2024, when compared to the previous lease.

18. Post-balance sheet events (continued)

At 31 July 2022, provisions had been recorded of £2.5 million for the penalty expected to be payable on early termination of the lease and £2.0 million for onerous property-related costs, and the related right-of-use asset had been impaired by £2.6 million due to the underutilisation of the space previously occupied. As a result of the new contract renegotiation, the provision associated with the lease penalty and a significant portion of provision associated with onerous property-related costs will be released. In addition, the values of leases and associated right-of-use assets will be recalculated to reflect the terms of the renegotiation, resulting in a partial reversal of the impairment of the right-of-use asset booked in the prior year.

These adjustments will be accounted for after 31 January 2023, and the net result will be a significant credit to Consolidated Income Statement which will be recorded within administrative expenses as an adjusting item in the second half of the current year. This credit will be recorded within the Americas segment.

Principal risks and uncertainties

The Board considers that the categories of principal risks and uncertainties which could have a material impact on the Group's performance in the remaining six months of the financial year remain in line with those stated on pages 102 to 110 of the 2022 Annual Report and Accounts, which is available on our website <https://investors.kinandcarta.com>.

Statement of Directors' Responsibilities

For the half year ended 31 January 2023

The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

In preparing the Condensed Consolidated Interim Financial Statements included within the half-yearly financial report, the Directors are required to:

- prepare and present the Condensed Consolidated Interim Financial Statements in accordance with IAS 34 'Interim Financial Reporting' as adopted for use in the UK, and the DTR of the UK FCA;
- ensure the Condensed Consolidated Interim Financial Statements have adequate disclosures;
- select and apply appropriate accounting policies;
- make accounting estimates that are reasonable in the circumstances; and
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for designing, implementing and maintaining such internal controls as they determine is necessary to enable the preparation of the Condensed Consolidated Interim Financial Statements that are free from material misstatement whether due to fraud or error.

The Directors confirm that to the best of our knowledge:

(1) the Condensed Consolidated Interim Financial Statements included within the half-yearly financial report of Kin and Carta plc for the six months ended 31 January 2023 ("the interim financial information") which comprises Condensed Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the related explanatory notes, have been presented and prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted for use in the UK, and the DTR of the UK FCA.

(2) The interim financial information presented, as required by the DTR of the UK FCA, includes:

- a. an indication of important events that have occurred during the first six months of the financial year, and their impact on Condensed Consolidated Interim Financial Statements;

- b. a description of the principal risks and uncertainties for the remaining six months of the financial year;
- c. related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and
- d. any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Kelly Manthey

Chief Executive Officer

14 March 2023

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.

Independent Review Report to Kin and Carta plc (“the Entity”)

Conclusion

We have been engaged by the Entity to review the Entity’s Condensed Consolidated Interim Financial Statements in the half-yearly financial report for the six months ended 31 January 2023 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Cash Flows, a summary of significant accounting policies and other explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the Condensed Consolidated Interim Financial Statements in the half-yearly financial report for the six months ended 31 January 2023 is not prepared, in all material respects in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as contained in the UK adopted International Accounting Standards and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity (“ISRE (UK) 2410”) issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the half-yearly financial report to identify material inconsistencies with the information in the Condensed Consolidated Interim Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Entity to cease to continue as a going concern, and the above conclusions are not a guarantee that the Entity will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The directors are responsible for preparing the Condensed Consolidated Interim Financial Statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

As disclosed in note 1, the annual financial statements of the Entity for the period ended 31 July 2022 are prepared in accordance with UK-adopted international accounting standards.

In preparing the Condensed Consolidated Interim Financial Statements, the Directors are responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Entity a conclusion on the Condensed Consolidated Interim Financial Statements in the half-yearly financial report based on our review.

Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Entity in accordance with the terms of our engagement to assist the Entity in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Entity those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Entity for our review work, for this report, or for the conclusions we have reached.

KPMG
Chartered Accountants
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

14 March 2023