K3 capital
group plc

ANNUAL REPORT 2020

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† All figures relating to 9 months are unaudited

FINANCIAL HIGHLIGHTS

	GROUP REVENUE	EBITDA	PROFIT BEFORE TAX	NET CASH
2019	£13.6M	£5.0M	£4.9M	£5.8M
2020	£15.0M	£6.8M	£6.4M	£8.3M
	+10%	+36%	+31%	+43%

	EBITDA MARGIN*	EARNINGS PER SHARE	DIVIDEND PER SHARE**
2019	37%	9.43P	7.60P
2020	45%	12.37P	7.47P**

* *EBITDA Margin is calculated as Operating Profit plus depreciation and amortisation, divided by revenue*

** *2020 is the interim dividend per share of 3.7p (calculated over 42m shares in issue) and the proposed final dividend per share of 3.8p (calculated over 68.5m shares in issue).*


IAN
MATTIOLI
MBE
IAN MATTIOLI MBE | CHAIRMAN

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to report a highly satisfactory year of trading at K3 Capital Group plc despite the economic challenges that the COVID-19 pandemic has presented to companies and economies across the Globe. FY20 has been a year which has shown promising evidence of continued growth throughout all brands within the Group, demonstrated by a 54% increase in the total value of Transaction Fees compared to FY19.

The trading period has seen an increase in both the volume and value of high value transactions, supported by consistent numbers of completed deals within the low to mid value range. As expected, the status of several transactions has not been immune to the aforementioned economic conditions, and whilst this has had a direct effect on the number of completed transactions across the Group, we are hopeful that a number of these transactions will duly complete as planned within FY21.

£15.0M GROUP REVENUE **£6.8M** GROUP EBITDA

I can therefore report revenues of £15.0m (FY19: £13.6m) and EBITDA of £6.8m (FY19: £5.0m). I can also report a profit after tax of £5.2m (FY19: £4.0m).

It is also pleasing to report that the amount of interest received from acquirers has remained resilient throughout the entire period, demonstrated through a 34% increase in the number of NDAs signed across the Group, and I remain confident that this will support future Transaction Fee income as the effects of the COVID-19 pandemic on the UK M&A market are fully understood.

K3 continued to both refine its direct marketing approach and build on capacity within its sales departments throughout FY20. In the first nine months of the financial year†, yielded an increase in Retainer Fee income to £6.0m (Jun - Feb FY19: £5.9m). Due to the national pandemic and lockdown, whilst the majority of operational employees were able to work from home and continue delivering a service to willing clients, the final months of the financial year saw a significant loss of appetite from existing clients to continue with the delivery of services in the short term, opting to wait until there was more certainty. As revenue is recognised in line with the delivery of service, the impact of the three month national lockdown has led to the deferral of services and therefore there was effectively a pausing of recognised Retainer Fee income for the final two months of FY20. We feel that this suspension was a prudent decision and appropriate under the circumstances. Since the national lockdown was lifted post year end, we have resumed services to clients and therefore reinstated the recognition of Retainer Fee income in line with prior years. Therefore total Retainer Fee income stood at £6.6m (FY19: £8.1m), however, throughout the first nine months† of the period, appointment levels showed a 8% increase and total Retainer Fees showed a 3% increase compared with the same period in FY19.

† *All figures relating to 9 months are unaudited*

THE UK'S MOST ACTIVE DEALMAKER

RANK	ADVISOR	2020 DEALS
1	**KBS Corporate**	**142**
2	KPMG	130
3	PricewaterhouseCoopers	118
4	Redwoods Dowling Kerr	108
5	Rothschild & Co	95
6*	Deloitte	89
6*	Grant Thornton	83
8*	Bruce & Company	57
8*	RSM Corporate Finance	54
10	Benchmark International	52

Source: EMEA Mid-Market Insight - 2019

REFINITIV

Our Group has once again found itself excelling in national league tables, with Refinitiv naming us as the most active dealmaker in the Small Cap Financial Advisory review for 2019, and the EMEA Mid-Market review for the first seven months of 2020. Such accolades are testament to the dedication of the Board and employees in having the drive and determination to improve performance across the Group.

FINANCIALS

As reported, revenues for the year stood at £15.0m (FY19: £13.6m), which generated an EBITDA of £6.8m (FY19: £5.0m) and an Operating Profit of £6.5m (FY19: £4.9m).

Net cash at the year end stood at £8.3m (FY19: £5.8m). It is pleasing to report that 'free cash' (as detailed in the CFO report) rose to £4.3m (FY19: £3.1m).

Group net assets at FY20 were £9.2m (FY19: £7.2m) with current net assets standing at £5.0m (FY19: £3.1m).

Year Ended 31 May 2020	2020 £'000	2019 £'000
EBITDA	**6,790**	4,976
Depreciation and amortisation of assets	**(331)**	(103)
Operating Profit	**6,459**	4,873
Finance income (costs)	**(22)**	6
Profit before taxation	**6,437**	4,879

As a result, the Board is recommending a final dividend payment of 3.80p per share. This results in a total dividend of 7.47p (FY19: 7.60p).

The Board remains committed to the dividend policy as detailed in the Chief Financial Officer's report, whilst maintaining an appropriate level of dividend cover. If approved, the final dividend will be paid on 27 October 2020 to shareholders on the register at the close of business on 08 October 2020.

EBITDA MARGIN*	EARNINGS PER SHARE	DIVIDEND PER SHARE
2019 37%	2019 9.43p	2019 7.60p
2020 45%	2020 12.37p	2020** 7.47p**

* *EBITDA Margin is calculated as Operating Profit plus depreciation and amortisation, divided by revenue*
** *2020 is the interim dividend per share of 3.7p (calculated over 42m shares in issue) and the proposed final dividend per share of 3.8p (calculated over 68.5m shares in issue).*

RECOMMENDING A FINAL DIVIDEND OF 3.80P PER SHARE

SUMMARY

Whilst the UK experiences continuing economic challenges brought about by the COVID-19 pandemic and ongoing Brexit negotiations the Board is satisfied and encouraged with the performance of the Group as a whole, especially throughout the first nine months of the financial year, which reported increases across the majority of key metrics before the impacts of COVID-19 took effect.

The Board remains positive for the outlook in FY21 due to a strong first quarter of trading and the encouraging performance of major KPIs across the Group, as detailed in the CEO report.

I would like to thank the Directors and senior management team for their swift, decisive action as events around COVID-19 unfolded in March, not least in respect of their personal sacrifices in salary and bonus to protect jobs and support the Group.

Post year-end, we were delighted to welcome randd UK and Quantuma to K3 Capital Group, diversifying our service offering into R&D tax credits, pension advisory, forensic accounting and investigations and restructuring and insolvency. These acquisitions were immediately earnings enhancing for the group and will provide significant cross-selling opportunities.

Following a restructure to our Board, which sees Martin Robinson move into the role of Senior Independent Director and Stuart Lees assume the role of Non-Executive Director, I would also like to take this opportunity to welcome Carl Jackson of Quantuma to the Board, as well as Charlotte Stranner as Non-Executive Director.

IAN MATTIOLI MBE
Chairman
21 September 2020

FOR THE FINANCIAL YEAR, K3 MAINTAINED ITS NO.1 POSITION FOR THE VOLUME OF DEALS COMPLETED IN THE UK.


JOHN
RIGBY
JOHN RIGBY | CHIEF EXECUTIVE OFFICER

CHIEF EXECUTIVE OFFICER'S REPORT

INTRODUCTION AND HIGHLIGHTS

The financial year ending May 2020 has been, as I am sure it has been for many, a year which presented many obstacles and challenges, the likes of which we have never experienced before. Whilst I feel that much of the impact of the COVID-19 pandemic is yet to unwind; I am proud of how we as a business have initially reacted and subsequently dealt with these unprecedented circumstances. I am also confident that the fundraise and subsequent acquisitions which we have concluded post year end will serve to provide the now enlarged Group with a stronger foundation and more diversified base from which to expand and grow in the years ahead.

Despite the very difficult final quarter which saw lockdown imposed across the UK with an obvious impact on trading activity, I am delighted to report that Group revenues increased by 10% to £15.0m during the financial year ending 31st May 2020 (FY19: £13.6m), with EBITDA increasing by 36% to £6.8m (FY19: £5.0m). This was achieved despite the final months of the reporting period being set against a backdrop of significant economic uncertainty and unprecedented challenges which have been brought upon us by the pandemic, with the wider M&A market witnessing the effects of an economic contraction.

Whilst unwelcome, these challenges have enabled K3 to demonstrate its resilient and robust business model. As previously reported, during the lockdown period the Directors were able to significantly reduce the operating costs of the Group and since the trading update on the 25 March, the Group has remained EBITDA positive during a most challenging time. I am also pleased to report that within the period, the Group has experienced an increase across several key metrics, resulting in a 56% uplift in total Transaction Fee income (FY20: £8.4m, FY19: £5.4m).

As an innovative and disruptive player within the fragmented business and company sales marketplace, K3 continued to outperform the general market, completing 22% more deals than any other advisor (Refinitiv Global Small Cap M&A Review 2019) to maintain its market leading position as the UK's most active deal maker. Amid the current economic uncertainty, I am also proud to announce that we retained this status throughout the first seven months of 2020 in the Refinitiv EMEA Mid-Market Insight, completing 15% more deals than our next nearest competitor from January to July 2020.

The introduction of UK-wide 'lockdown' measures in March in light of the COVID-19 pandemic meant that each department across all brands within the Group were required to quickly adjust to remote working, both for the wellbeing and safety of our employees and to adhere to government guidelines. In the weeks leading up to 'lockdown', each department piloted a work from home initiative in order to eliminate as many potential operational inefficiencies in preparation for what we envisioned would be an inevitable scenario. I am pleased to report that the Board considers this to have been a resounding success, with our ability to minimise disruption to our core operations seen as a pillar on which we have built a strong start to FY21.

Throughout all the recent challenges we have endeavoured to continue 'business as usual' with the continuing implementation of our strategy, predicated on effective use of data and industry leading marketing strategies supported by our own proprietary technology and delivered through our team of highly motivated and incentivised staff. The Group's performance is continually monitored through key performance indicators, including the volume and average value of mandates, completed transactions and average Transaction Fees.

The Group's technological initiatives remain a key part of our ongoing growth strategy to attract both more sellers and more buyers to the Group. Our rapid reaction to the changing conditions saw some adjustments to our teams and a focus on controlling costs whilst remaining well placed to leverage commercial advantage from our market leading position.

We remain committed to our ongoing 'bigger and better' strategy, which has once more delivered an increase of 67% in average Transaction Fees across the Group.

I would like to once again thank my fellow Directors and all the staff across the Group for their hard work and dedication over the last 12 months. In the face of adverse market conditions and uncertainty in the wider macro-economic environment, to have achieved growth across several areas of the Group is testimony to our increasingly robust business model.

Marketing spend for the period saw a decrease of 18% to £0.9m (FY19: £1.1m) as a direct result of the COVID-19 pandemic and the need to pause several key marketing activities during the final quarter of FY20. Although a reduction on the previous period, I am pleased to report that marketing spend was in line with budgets throughout the first nine months of the financial year, and has driven new client wins across the Group, many of which we hope will convert into Transaction Fee income as we move into FY21.

SALES / RETAINER FEES

With two brands now fully established within the 'retail' and 'commercial' arenas, the Knightsbridge sales department continued to deliver growth across all key metrics throughout the first nine months of FY20, delivering increases across several key performance indicators before the effects of COVID-19 hit.

NEW CLIENT APPOINTMENTS

FY19 (9 MTHS)	
FY20 (9 MTHS)	+10%

FY19 (12 MTHS)	
FY20 (12 MTHS)	-13%

A prosperous start to the year resulted in the number of new client appointments increasing by 10% from June to February† (overall FY decrease of 13%), the value of Retainer Fee quotes increasing by 9% (overall: -17%), and the number of new client mandates increasing by 6% (overall: -19%).

8% INCREASE IN RETAINER FEE INCOME

Despite a downturn in overall performance throughout the final three months of the period, total Retainer Fee income increased by 8% in FY20 compared to FY19.

The outlook for FY21 is cautiously optimistic; many key metrics are showing significant signs of recovery, with appointment numbers and instructions increasing by 57% and 53% respectively in Q1 FY21 compared with Q4 FY20.

OPERATIONS / TRANSACTION FEES

As expected and outlined in the last annual report, the Knightsbridge Commercial team has started to see traction in FY20, recording an 8% increase in total Transaction Fee income compared with FY19.

Despite the previously outlined downturn in Q4, three out of four of the main operational KPIs showed increases over the full financial period, including: monthly non-disclosure agreements increasing by 78%, monthly buyer meetings increasing by 3%, and total Transaction Fees increasing by 8%. The average number of monthly offers received saw a 13% decline over the 12 month period, however throughout the first nine months†, this metric also showed an increase of 2%.

OPERATIONS - 9 MONTHS†:

	NDAS	BUYER MEETINGS	OFFERS
2019			
2020	+111%	+31%	+2%

OPERATIONS - 12 MONTHS:

	NDAS	BUYER MEETINGS	OFFERS
2019			
2020	+78%	+3%	-13%

The Commercial department, which embodies our 'bigger and better' mantra, as well as the above KPI improvements, has seen an 8% increase in total Transaction Fee income over the entire reporting period, despite the difficulties of the final quarter.

TRANSACTION FEES

FY19 (9 MTHS†)	
FY20 (9 MTHS†)	+54%

FY19 (12 MTHS)	
FY20 (12 MTHS)	+8%

† *All figures relating to 9 months are unaudited*

SALES / RETAINER FEES

The continued success of the Knightsbridge Commercial brand in handling smaller value mandates has allowed the KBS Corporate sales department to focus on its 'bigger and better' mantra of securing higher value mandates which have and will continue to fuel the success of the transactional side of the business.

This has allowed the corporate sales department to spend more time dealing with larger clients in order to better understand their objectives and exit strategy. This enables us to further tailor our service offering to the client's needs, and resulted in an increase of 6% in the number of monthly appointments throughout the first nine months of FY20 † (overall: -12%).

6% INCREASE IN APPOINTMENTS (FIRST 9 MONTHS†)

The requirement to adopt a fully remote strategy for the sales departments across the Group was perhaps the most crucial and testing transition posed by the pandemic and subsequent lockdown. It was imperative that we seamlessly adapted to fulfilling virtual meetings with potential clients, both to honour the arrangements we had already made with them to explore a company sale, and to ensure that the sales department remains operational until which point physical meetings are safe to attend once more.

I am pleased to report that this has been a resounding success, with encouraging levels of appointments maintained throughout the 'lockdown', and the first quarter of FY21 seeing notable increases across all key metrics within the KBS Corporate sales department when compared to Q4 FY20.

† All figures relating to 9 months are unaudited

OPERATIONS / TRANSACTION FEES

Our continued investment into data, technology and buyer targeting, has again delivered increases in the volume of interested parties through the completion of NDAs (up 13% in FY20) and the number of buyer meetings arranged between KBS Corporate's clients and potential acquirers (up 4%). The effects of COVID-19 resulted in a slight decline of 4% in the number of offers submitted per month, however it is worth noting that from Q1 FY20 through to Q3 FY20, the number of offers received showed an 18% increase on the same period of the prior year, a direct result of the aforementioned increase in NDAs secured. We hope to be able to continue to deliver this growth into FY21 and beyond, with early KPIs supporting a quicker 'return to form' than we predicted.

OPERATIONS - 9 MONTHS†:

	NDAS	BUYER MEETINGS	OFFERS
2019			
2020	+22%	+31%	+18%

OPERATIONS - 12 MONTHS:

	NDAS	BUYER MEETINGS	OFFERS
2019			
2020	+13%	+4%	-4%

Despite the challenges faced, Transaction Fee* income increased by 20% during the period to £4.8m in FY20 (FY19: £4.0m) which is a pleasing result given the circumstances. I am pleased that the growth in KPIs over previous periods has had a positive effect on Transaction Fee income.

**Transaction Fee income and Transaction volumes are adjusted to reflect KBS Corporate Sales clients invoiced through KBS Corporate Finance following an enhanced service offering, as further detailed in the CFO report.*

20% INCREASE IN TRANSACTION FEE INCOME*

KBS corporate finance

OPERATIONS / TRANSACTION FEES

FY20 was a very positive year for KBS Corporate Finance, with a significant number of transactions closing as expected, a welcome result following a disappointing FY19.

Total Transaction Fees* increased by significantly from £0.8m in FY19 to a much improved £2.9m in FY20, an increase of 263%.

We have carried forward a strong book of clients into FY21 and whilst the wider M&A market faces some challenges, we continue to receive strong interest from many UK and overseas investors, private equity, and trade acquirers, supported by a 13% increase in monthly NDAs received throughout the entire reporting period.

263% INCREASE IN TOTAL TRANSACTION FEES* IN FY20

**Transaction Fee income and Transaction volumes are adjusted to reflect KBS Corporate Sales clients invoiced through KBS Corporate Finance following an enhanced service offering, as further detailed in the CFO report.*

LOOKING AHEAD IN OUR M&A BUSINESS

It is without doubt a challenging time to predict the future however we have certainly been very encouraged by the demand for our services and buyer activity in the post lockdown period. The first quarter of FY21 has seen significant increases across all key metrics within the volume brands of the Group when compared with the final three months of FY20.

The strategy of our M&A business for FY21 is in line with our previously stated strategy of continuing to drive the volume of transactions across the Knightsbridge and KBS Corporate brands, combined with the ongoing delivery of our 'bigger and better' mantra. Whilst the economic challenges which are faced by UK SMEs and the wider economy present challenges when completing M&A transactions, the resilient and nimble nature of our business, together with the strong pipeline of clients brought forward by all three brands gives us confidence in delivering on our forecasts for the year ahead. Early performance indicators from Q1 FY21 suggest all brands are well underway in rebuilding towards the levels of performance seen throughout the first three quarters of FY20.

Whilst the Corporate Finance brand continues to present an exciting opportunity to deliver significant transactions and therefore incremental revenue and profits, as previously stated; it is the Board's intention to continue the transition towards a model where the happening of such fees represents upside opportunity rather than downside risk.

To achieve this, we will continue to leverage our data, technology and people to find more sellers, more buyers and aim to complete more transactions than any other UK advisor, with the intention of maintaining our position as the UK's number one advisor in the small cap market.

ACQUISITIONS OF RANDD AND QUANTUMA

During the period we continued to develop our strategic plan of diversifying revenue streams by acquiring complementary professional services businesses. A comprehensive 'market mapping' exercise was conducted within two target segments, those being specialist tax reclaim and business restructuring / insolvency. Following successful identification of two preferred targets, a thorough due diligence process was conducted over the summer together with a successful fundraise, whereby £30.5 million was raised by way of the issue of new ordinary shares to support our strategy.

I am therefore delighted to report that during the first quarter of FY21, K3 Capital Group plc completed the acquisitions of both randd UK Limited, a research and development tax reclaim specialist, and Quantuma Advisory Limited, a business advisory firm specialising in corporate finance, financial advisory, pension advisory, forensic accounting and investigations, and restructuring and insolvency.

Following these acquisitions, K3 Capital Group plc has become a broader professional services business which incorporates the UK market leader in company sales, one of the longest established R&D tax reclaim businesses in the UK and one of the UK's fastest growing restructuring, insolvency and advisory firms, creating a Group with diversified income streams, recurring revenues, multiple and complementary channels to market and significant cross selling opportunities.

The acquisitions were immediately earnings enhancing and give the Group a more diverse revenue and profit profile, bringing significant growth potential and providing a greater degree of visibility and predictability in the 'post covid' world.

Directors and senior management across the Group are working through a 100 day plan to ensure smooth integration of the acquisitions. In addition, we aim to streamline and consolidate certain Group functions such as finance, human resources and marketing to create some cost synergies.

Following the acquisitions, we were pleased to welcome Carl Jackson, the Chief Executive Officer of Quantuma, to the plc Board and we also further strengthened and balanced the Non-Executive function of our Board through the appointment of Charlotte Stranner, Stuart Lees' change to Non-Executive Director and the appointment of Martin Robinson as Senior Independent Director. I believe this provides the Group with a well-balanced Board of four Executive Directors, and four Non-Executive Directors.

The Board is considering changing the name of the Group to reflect the Group's wider service offering following the recent acquisitions and with the changing nature of the Group's revenue and profits, the Board will also be considering how it reports on performance and will develop an appropriate suite of KPIs in order to communicate its future results.

We are working on a number of new initiatives to take advantage of the complementary nature of all businesses within the Group and we plan to launch several direct marketing strategies for Quantuma and randd in FY21, in addition to expanding and leveraging the Group's existing accountancy and professional services referral networks. We remain committed to our medium-term strategy to build a wider Group of growing and complementary professional services businesses to provide SMEs with high quality advice across specialist disciplines, and continually evaluate organic and acquisitive opportunities.

A POSITIVE START

We have started the year with a positive approach to the 'post lockdown era' and a revised forecast in place which shows significant growth in both revenue and EBITDA across the wider Group. Early months' trading is very much in line with market expectations and we are excited by the potential to deliver our growth strategy across the new Group.

The first quarter has already seen encouraging signs within our M&A businesses, with significant improvement across all major KPIs in comparison to Q4 FY20, which was heavily impacted by lockdown. We are encouraged by the demand for our M&A services from both sellers and buyers, and whilst the full effects of the pandemic are yet to unfold, we are delighted with the level of new client wins and completed transactions which gives us confidence in the year ahead.

The randd team have also started the year positively with strong performance over the first quarter as part of the wider Group, supported by a number of cross referrals from the existing KBS and Quantuma client base.

With the additional contribution of Quantuma trading for the final month, the first quarter of FY21 has resulted in turnover (unaudited) of £5.6m, delivering EBITDA (excluding exceptional transactional costs, unaudited) of £2.3m. We remain confident in delivering performance in line with market expectations.

J.R.

JOHN S RIGBY
Chief Executive Officer
21 September 2020


ANDREW
MELBOURNE
ANDREW MELBOURNE | CHIEF FINANCIAL OFFICER

CHIEF FINANCIAL OFFICER'S REPORT

INCOME STATEMENT

I am delighted to report a welcome 10% increase in Group turnover for the year with a result of £15.0m (FY19: £13.6m). The financial year saw a significant increase in operational activity and transactional income, largely due to prior year investments in technology and people, which helped drive significant growth through the period despite an uncertain final quarter.

The year saw continued investment into our industry leading client service levels, and average headcount growing to 166 during FY20 (FY19: 153), with additional resource being given to all departments in order to further the high levels of customer service we expect to deliver to our clients, both new and existing.

There was clear disruption to the end of FY20 due to the effects of COVID-19 which is detailed in the CEO report. Despite this, when reviewing the first 9 months† of FY20 compared to the same period in FY19, the Group has seen significant uplift in Key Performance Indicators, with 8% more client meetings delivering a 3% increase in Retainer Fee income from the sales function, with a 51% increase in buyer registrations, leading to a 32% increase in buyer meetings, delivering a substantial 74% increase in Transaction Fee income from the operational function.

Due to the COVID-19 pandemic and the Government decision to impose a national lockdown in March 20, the final quarter of FY20 was an uncertain time for all in the Group. The Board welcomed the Government's Coronavirus Job Retention Scheme (CJRS) as this allowed the Board time to better understand the impact of the pandemic and make informed decisions – which ultimately has led to minimal staff loss over the period and the retention of a significant number of jobs as the scheme intended.

The Group achieved EBITDA of £6.8m, an uplift of 36% on the prior year (FY19: £5.0m) despite the challenges faced in Q4.

£15.0M	£6.8M	£6.4M
GROUP REVENUE	GROUP EBITDA	PROFIT BEFORE TAX

† All figures relating to 9 months are unaudited

GROUP RETAINER FEE INCOME

Recognised Retainer Fee income (see note 3) for the first 9 months† of the financial year showed a 3% increase compared with the same period of FY19.

However due to lockdown restrictions imposed throughout the final quarter, recognised Retainer Fee income (see note 5) declined in the period by 18% to £6.6m (FY19: £8.1m). In line with IFRS15 the Retainer Fee income is recognised over a period of time linked to the delivery of service on client contract. Due to the national pandemic and lockdown, whilst the majority of operational employees were able to work from home and continue delivering a service to willing clients, the final months of the financial year saw a significant loss of appetite from existing clients to continue with the delivery of services in the short term, opting to wait until there was more certainty. As revenue is recognised in line with the delivery of service, the impact of the three month national lockdown has led to the deferral of services and therefore there was effectively a pausing of recognised Retainer Fee income for the final two months of FY20. We feel that this suspension was a prudent decision and appropriate under the circumstances. Since the national lockdown was lifted post year end, we have resumed services to clients and therefore reinstated the recognition of Retainer Fee income in line with prior years.

GROUP TRANSACTION FEE INCOME

The continued growth of the volume brands and improved performance of the Corporate Finance ("CF") team saw a significant increase in Group Transaction Fee income (see note 5) for FY20, delivering £8.4m, representing a 56% increase on prior year (FY19: £5.4m). The headline movement has come from the KBS Corporate Finance department. Following the frustrations of FY19 delivering £0.8m with the slowing of larger transactions, this year has seen an improvement in the quality of client mandates leading to a number of transactions completing to deliver £2.9m of Transaction Fee income in FY20.

In FY19 the Group reported the pleasing growth of the 'CF Lite' team, which, from a standing start delivered £2.6m of income in the period. I am pleased to report that this department continues to deliver growth with FY20 delivering £3.3m of income, a 33% increase from the prior year, further demonstrating the 'bigger and better' mantra that has been the Group objective for many years.

Whilst COVID-19 has undoubtedly resulted in a slowing of transactions since March, the Group has continued to complete a number of transactions pre and post the lockdown period. Since year end we have seen a significant improvement in buyer activity displaying encouraging signs for FY21. Although the timing and certainty of transactions can never be guaranteed, the Directors are confident the Group is well positioned to utilise its data, marketing and proactive approach in order to keep ahead of its peers in attracting buyers for our clients' businesses.

MARKETING COSTS

Group marketing spend has declined by 18% in FY20 to £0.9m (FY19 £1.1m). As a direct result of the COVID-19 lockdown, the Board took the decision to curb all unnecessary expenditure across the Group in order to protect the business and mitigate potential redundancies. The final two months of FY20 saw a significant reduction in the average monthly marketing spend (down 88%), demonstrating the agile nature of expenditure control.

OVERHEAD COSTS

Overheads for FY20 reduced slightly to £7.3m (FY19: £7.5m). This can be broken down into two separate cost areas – being payroll costs and general overheads. In March, following the 'grounding' of sales staff in line with lockdown, as with marketing expenditure all non essential spend was cancelled or postponed. As such, general overheads were reduced to £1.3m (FY19: £1.5m) – with the final two months of FY20 averaging £75k down from £113k over the rest of the financial year.

As detailed in Note 3, IFRS16 was implemented in FY20, which resulted in lease costs falling below the EBITDA line. A full assessment has been carried out in respect of this and, there has been no material change to the PBT of the Group.

In respect of Group wages, staff numbers continued to grow during the period, and the uplift in turnover on prior year also resulted in an increase in bonus payments to staff. However, in the final two months of the year a portion of the workforce was placed on CJRS, in addition to all Directors taking significant pay reductions to mitigate potential job losses due to COVID-19. These significant measures taken by the Board resulted in a drop in average payroll costs from £570k a month down to £142k a month for April and May, as a result the FY20 payroll cost equated to £6.0m which was flat on FY19 (£6.0m).

EBITDA

It is pleasing to see EBITDA for the period growing to £6.8m (FY19: £5.0m), with an improved EBITDA margin of 45% (FY19: 37%). This movement in EBITDA margin is predominantly caused by the increase in value of transactions in the period alongside cost reduction measures taken in the final quarter.

PROFIT BEFORE TAXATION

The period has seen profit before tax of £6.4m delivered (FY19: £4.9m)

TAXATION

The effective tax rate is 18.9% which is marginally higher than the prior year (FY19: 18.5%).

EARNINGS PER SHARE

Based on the closing 42.2m shares in issue, the basic earnings per share (see note 13) was 12.37p for the year (FY19: 9.43p).

STATEMENT OF FINANCIAL POSITION

CASH

The Group cash balances have significantly improved during the period due to the uplift in performance in FY20. The year ended with £8.3m of cash (FY19: £5.8m).

As always, the Group business model continues to be highly cash generative with Retainer Fee income typically being paid in advance of services. Due to the month end processing of wages, and bonus payments being made after receipt of income, this leaves minimal requirement for working capital in the business.

There have been no exceptional cash items in the period.

The Directors regularly review Group cash balances to ensure appropriate application of funds. As noted in previous reports, whilst a £8.3m cash balance appears high for a Group with minimal working capital requirement, once a provision for corporation tax, VAT and PAYE (£1.4m), and a provision for a final dividend (£2.6m) are taken into account, this leaves a free balance of £4.3m (FY19: £3.1m), which, despite increasing uncertainty across the globe, the Directors feel is sufficient liquidity for the Group.

By exception, other points of note with regard to the statement of financial position are:

- Introduction of Right-of-use assets totalling £0.9m relating to the capitalisation of property and vehicle leases in accordance with IFRS16. This is balanced with £0.9m of Lease Liabilities in current and non-current liabilities.
- Trade receivables/payables are subject to the timing of transactions and recognised income around the reporting date (see notes 18 & 21)
- Contract liabilities have declined at year end following the slowing of Retainer Fees received over the lockdown period, though remain at significant levels (£1.4m) to underpin future turnover (see note 23)

EBITDA MARGIN	EARNINGS PER SHARE	DIVIDEND PER SHARE
45%	12.37P	7.47P

COVID-19 MITIGATION MEASURES

As detailed above, the Group took part in the Coronavirus Job Retention Scheme (CJRS) under which it received £344k of government support. At the same time, management sacrificed salary and bonus payments amounting to £611k, representing 177% of the funds received through the CJRS. The commitment and understanding of the management team, complemented by the assistance offered by the CJRS, drastically mitigated the potential number of redundancies.

A significant majority (69%) of the CJRS grant was within our sales and marketing functions; the government lockdown which commenced in March 2020 meant that no face to face meetings were possible, and consequently many client appointments were cancelled. A small number of the team continued working throughout the period, and introduced new ways of undertaking client appointments remotely to ensure some continuity of services.

Throughout the lockdown period, other staff within the company were able to remain active in order to manage relationships with existing clients. This meant that in the departments where staff were required, much less government support was needed.

The CJRS, along with the personal sacrifices of both the Board and senior management (by way of salary sacrifice and bonus reduction) provided the Board with time to further understand the impact of Covid-19 upon the business and thereby avoid making hasty decisions with respect to redundancies.

As a direct result of these combined measures, we have undoubtedly seen a significant reduction in the potential number of job losses across the Group. As demand for our services gained momentum in the first quarter of FY21, staff were brought back to work into positions retained thanks to the CJRS and the personal sacrifices made by the Board and senior management. We estimate that in excess of 80% of potential redundancies have been avoided, and as at the date of this report, no employees remain on furlough.

RISKS AND UNCERTAINTIES

Management consider the following issues to be the principal risks potentially affecting the business:

Risk: COVID-19
Risk Classification: High
The recent outbreak and global spread of the COVID-19 may have a significant and prolonged impact on global economic conditions, reduce confidence within the marketplace, increase employee absenteeism and adversely impact Group operations. Governments and public bodies in affected countries have introduced temporary emergency public measures such as travel bans, quarantines and public lockdowns.

Mitigation:
The UK Government has provided significant financial help for many Companies like K3. The announcement of the CJRS meant that the government would subsidise 80% of a relevant employee's salary. This was a welcome aid, helping us retain our much-valued workforce. At the date of this report, there are no employees on the furlough scheme. In addition to this, it is noted that all Directors in the Group agreed to significant pay cuts over the period in order to support cash flow and protect jobs, alongside significant cuts in marketing spend and overheads.

Whilst the COVID-19 pandemic has caused major uncertainty in many businesses across the UK, the Board at K3 have taken the dynamic approach to see the current situation as an opportunity to diversify and expand the business, spreading the risk and retaining shareholder confidence in the K3 Group. Completing two substantial acquisitions, K3 has expanded its reach across various new sectors, creating synergies and huge opportunities for the near future.

K3 continues to work closely with all its clients to provide the outstanding service that K3 prides itself on. With a wealth of expertise across the Group, retaining close relationships with clients and providing professional insight where appropriate, we aim to help our clients through this difficult period.

Following updated Government advice, the Board is now thrilled to invite employees back into the Head Office which has now fully 'Covid Compliant'. With some staff still working from home, we are hoping this is a step back into normality.

Risk: Economical & Political
Risk Classification: Medium
Macro-economic conditions such as government regulation, political instability or recession could cause volatility in the UK economy. The wider economic impacts of the outcome of the EU referendum may also be felt throughout the UK economy.

Mitigation:
The continued Group policy of sourcing both clients and buyers from all sectors and industries, across all geographic regions of the UK, is expected to sufficiently spread this risk of downturn in individual markets or areas. All income is derived from a diverse portfolio of clients, across a broad range of sectors.

The economic impacts of leaving the EU will be monitored and mitigated where possible by the Board with the appropriate action being taken in a timely manner.

Risk: Personnel
Risk Classification: Low
Management consider there could be a risk to the Group growth strategy should it fail to retain or attract effective personnel.

Mitigation:
As detailed in previous reports, the Group's admission to AIM resulted in two LTIP schemes being issued. At the end of FY20 there were 29 employees (20% of May 20 headcount) part of these two schemes, seen as a significant incentive to retain talent within the Group. Following year end, two further schemes have been issued, 1 further LTIP and the introduction of Growth Shares, that now see 65 employees of the wider Group with capital value linked to the success of the Group.

The performance periods under these schemes run for 3-year cycles. At 31 May 20 there were 1,617,123 shares granted to staff (see note 28), which has increased to 4,359,695 post year end following the acquisitions of randd and Quantuma, representing 5.98% of the enlarged share capital.

The Group continues to look for innovative ways to reward all members of staff, with a Death In Service policy, Healthcare Plan and Employee Discount Scheme for all members of staff. In addition, January saw the introduction of Wellbeing Days, with a series of events aimed at improving mental health and the general wellbeing of staff that was well received.

This, combined with regular social events, team incentives and rewards, is deemed to be sufficient for improving and maintaining the attractiveness of employment within the Group; however, the Directors regularly review opportunities to improve.

Risk: Regulation
Risk Classification: Low
With exception of KBS Capital Markets Ltd, K3 Capital Group predominantly operates within a partially unregulated marketplace and relies on a specific exemption from FCA in order to trade without regulation.

Mitigation:
Terms of business introduced in FY18 and reviewed on an annual basis make it explicitly clear that the main Group trading entities are not FCA regulated and are not able to offer advice on minority share sales. There has been an internal team established to monitor all transactions in Heads of Agreement stage to ensure that the 50% threshold is not breached, whilst at the same time, our legal partners have been written to asking them to inform the Group if a transaction falls below this level.

An additional mitigation to this risk comes from the FCA regulated Group vehicle, KBS Capital Markets Limited. All Group contracts have the right to assign a client to Group companies. This will allow K3 to act on minority share sales and AIM listings in the future, where required. This provides greater flexibility when operating around regulated markets.

Risk: Data Protection
Risk Classification: Low
There was a large change in May 2018 in respect of data protection that could have threatened the marketing capabilities of businesses who were not prepared. The General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679) is a regulation by which the European Parliament, the Council of European Union and the European Commission intend to strengthen and unify data protection for the individuals within the European union (EU) and covers firms that hold client data.

Mitigation:
The taskforce formed in FY17 to ensure compliance with GDPR was successful, with new processes and procedures put in place. Every new employee now receives training on GDPR, with ongoing CPD sessions to keep current employees updated. There are handouts for clients and buyers alike to explain how the Group handles data, and their individual rights.

This matter is addressed at each Board meeting to keep the Board aware of any issues should they arise.

Risk: Growth Management
Risk Classification: Low
The Group's future success will depend, in part, on its ability to manage anticipated expansion. Such expansion is expected to place significant demands on management, support functions, accounting, sales and marketing and other resources. If the Group is unable to manage its expansion effectively, its business and financial results could suffer.

Mitigation:
Over the course of FY20 there have been a number of appointments through the Group aimed at supporting Directors and management to ensure that growth is managed carefully with the client always at the centre of attention. The end of the period saw a significant number of employees working from home locations, which whilst a challenge for the IT department, has shown how versatile the Group can be in difficult times. As a result of home working, there have been many efficiencies created in a number of teams leading to increases in productivity and a reduction in physical office space required.

Risk: Insurance Coverage
Risk Classification: Low
The Group seeks to cap its liability to clients under its standard terms to the fees charged in respect of that client transaction. However, the Group's business may expose it to potential professional indemnity and other risks. In the future, if the Group's insurance is not adequate or available to pay liabilities associated with its operations, or if there is any failure to maintain adequate controls and processes in relation to the processing of confidential information and personal data, or if the Group is unable to purchase adequate insurance at reasonable rates, it may have a material adverse effect on the Group's business, financial condition, future trading performance, prospects and its ability to attract and retain certain members.

Mitigation:
The Group continues to work closely with our insurance brokers and underwriters to form long term relationships and ensure continuity of cover. These long standing relationships ensure that all policies are fit for purpose and all relevant policies are in place. Additional policies have been taken out post year end to further protect the Group from the impact of cyber and criminal activities.

Risk: Reputational
Risk Classification: Low
The ability of the Group to attract new business and to retain its existing clients depends in part upon the maintenance of its reputation in the market. The industry in which the Group operates demands a high level of integrity. Client trust is paramount and the Group is thus susceptible to adverse market perception. Any failure to satisfy the Group's responsibilities to its clients, any negative publicity resulting from such activities or the association of such actions with the Group, could have a material adverse effect on the financial condition, results or operations of the Group.

Mitigation:
Throughout the Group there are strict recruitment policies to ensure only potential employees with an appropriate professional and cultural fit are allowed to join. When combined with ongoing training, support, and development, the Board believes that this professional and motivated workforce will continue to deliver the exceptional levels of client service that is expected from them. There is an internal complaints procedure to ensure that any reports of client dissatisfaction are addressed at a senior level until resolved, and are logged and discussed at regular management meetings.

Social media sites and professional review pages are regularly monitored to ensure the Group has a positive outward facing perception. These average scores are reported in management meetings each month and tracked against that of competitors.

Risk: Acquisitions
Risk Classification: Low
Following the post year end acquisitions of randd UK and Quantuma, the Group's success will partially depend upon the Group's ability to integrate the acquired businesses without significant disruption to its existing business. The integration of these businesses may divert management's attention from the ordinary course operation of the Group and raise unexpected issues and may take longer or prove more costly than anticipated. Although the Directors believe that such disruption is unlikely, issues may come to light during the course of integrating the businesses into the Group that may have an adverse effect on the financial condition and results of operations of the Group.

There is no assurance that the Group will realise the potential benefits of any acquisitions made, both current and future, including, without limitation, potential synergies and cost savings (to the extent and within the time frame contemplated). If the Group is unable to integrate the recent and any future acquisitions successfully into the Group then this could have a negative impact on the results of operations and/or financial condition of the Group. Whilst the Directors do not expect that any acquisition will lead to any loss of clients, there is no certainty that clients of the Group (including the acquired businesses' clients) will continue to be clients of the Group following any acquisition, particularly if client service is affected whether before or after completion of any acquisition.

Mitigation:
Prior to both acquisitions, Directors held meetings with shareholders and investors to discuss the rationale for the strategic changes and gained wide spread support for the opportunities. For both acquisitions, the Board considered the interests of investors, employees and other stakeholders of the Group for the short, mid, and long term impact especially in light of the unfolding Covid-19 pandemic on M&A.

The recent acquisitions were subject to rigorous internal and external due diligence prior to completion to ensure appropriate use of capital. Management due diligence carried out gave the Board comfort of suitable cultural compatibility, especially when aligned with LTIP/Growth Shares and the structure of earn out payments in the mid term, whilst other due diligence streams gave comfort that both businesses were well managed with robust reporting and control channels.

Post-acquisition, focus is placed on ensuring management reporting lines are clear, operational functions of acquired entities are supported, enhanced or consolidated in to wider Group functions as appropriate, and the potential for up-sell and cross-sell across the Group's portfolio of products is maximised. Directors and senior management across the Group are currently working through a 100 day plan to ensure the smooth integration of the recent acquisitions.

SHAREHOLDERS' DIVIDEND

The Board is recommending a final dividend of 3.80 pence per ordinary share, based on 68,549,055 shares in circulation at the date of this report (FY19: 42,210,526) payable to shareholders on the 27 October 202 who are on the register on 9 October 2020 (with an associated ex dividend date of 8 October 2020), subject to shareholder approval at the Group's Annual General Meeting on Friday 16 October 2020.

The final dividend, together with the January interim dividend of 3.67p (based on 42,210,526 in circulation at the date of the dividend), gives an indicative total dividend of 7.47 pence per share for the year (FY19: 7.60 pence, 42,210,526 shares).

On admission of the Group's ordinary shares to trading on AIM in April 2017, the Board outlined an intention to pay approximately 80% of the Group's adjusted post tax profits for the year weighted 1/3 on interim results and 2/3 on final results. This final dividend of c£2.6m in addition to the interim dividend of c£1.6m represents approximately 80% of the Group's post tax profits for the year.

The Board assessed the payment of a final dividend in context of having received funds under the Government's CJRS. As noted earlier in this report, the Board and senior management's personal contribution with salary and bonus sacrifice was far greater than the government support received, and the combined measures mitigated a significant number of job losses, The decision to pay a final dividend has been taken in the context of the above, together with the post year end acquisitions of Quantuma and randd UK, which have significantly enhanced the Group's future prospects due to the counter cyclical nature of the Quantuma model and the contracted and recurring nature of the randd revenues.

CHANGE IN DIVIDEND POLICY

As discussed with shareholders during the recent fundraise, and as outlined by the Board in recent announcements following the acquisitions of randd UK and Quantuma, K3 is committed to maintaining an attractive dividend policy, now expected to be in the region of 75% of adjusted post tax profits.

This is to remain broadly consistent with the intentions established on AIM listing whilst taking into consideration future commitments linked to earn outs and working capital requirements of the Group.

SHARE PRICE

The K3 Capital Group plc share price closed the financial year at 175.5 pence (31 May 19: 135.5 pence).

GOING CONCERN

The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. As at the end of FY20, the K3 balance sheet contained £8.3m of cash reserves and has remained profitable for the period since. The acquisitions post balance sheet were funded through shareholder investment with new share issues, to cover both the purchase prices and all related costs of acquisition to conserve the cash reserves.

This confirmation is made after having reviewed assumptions about future trading performance, valuation projections, capital expenditure, asset sales and debt requirements contained within the Group's current five-year plan. In addition to this, the Board has prepared detailed cash flow forecasts for the period to 31 May 2022 for the wider Group. Under these worst case scenarios, the Group is still expected to remain cash positive at least the next 12 months. The Directors also considered potential risks and uncertainties in the business, such as credit, market and liquidity risks, including the availability of bank facilities. Further stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for at least the next 12 months following the short term performance issues relating to COVID-19.

This stress testing included extreme downside scenarios with materially reduced levels of cash receipts over this period. These downside scenarios excluded any mitigating actions that the Board would be able to take to reduce costs – as the Board have demonstrated in the final months of FY20, the business has a low fixed cost base with the ability to significantly reduce marketing spend, general overheads, and even payroll costs with senior management sacrifice in times of need. Under these scenarios, the Group would still expect to remain cash positive for at least the next 12 months from the date of this report. The Directors have not identified any material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Based on the above, together with available market information and the Directors' knowledge and experience of the Group's client portfolio and markets, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 31 May 2020.

STRATEGIC REPORT

The Strategic Report on pages 4 to 27 was approved by the Board of Directors on 21 September 2020 and signed on its behalf by:

ANDREW MELBOURNE
Chief Financial Officer
21 September 2020

SECTION 172(1) STATEMENT

The revised UK Corporate Governance Code ('2018 Code') was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019. The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company. The Board welcomes the direction of the UK Financial Reporting Council (the 'FRC'). This S172 statement, which is reported for the first time, explains how K3 Directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the Company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the Company during the financial year.

The S172 statement focuses on matters of strategic importance to K3, and the level of information disclosed is consistent with the size and the complexity of the business.

GENERAL CONFIRMATION OF DIRECTORS' DUTIES

K3's Board has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. The Financial Position and Prospects Procedures paper created at the time of the Company's AIM admission sets out the delegation and approval process across the broader business and is reviewed on an annual basis to ensure adequacy. More information on K3's Controls and Procedures can be found within the Corporate Governance Statement contained within this report.

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

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

The Directors understand the business and the evolving environment in which we operate, including the changes in market conditions, tax legislation, Brexit, Covid19 and the challenges these bring. Based on K3's purpose to provide an outstanding advisory service, the strategy set by the Board is intended to strengthen our position as a leading professional services company by providing a quality service through expertise and close relationships while keeping social responsibility fundamentals a core element of our business approach. In FY20, to help achieve the business objectives, the Board have continued the dynamic approach and the gradual expansion of the business whilst retaining the core values upon which it is built.

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

S172(1) (B) "The interests of the company's employees"

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

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

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

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

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

As part of K3's social responsibilities, the Company has always had a focus on recruiting locally and providing opportunities to the local community. K3 aims to become one of the 'employers of choice' within the local area and to be recognised as an organisation where you can work in a challenging and rewarding environment whilst enjoying the role, developing a career and growing with the business. Prior to the post-year end acquisitions of randd and Quantuma, the vast majority of the business' employees were based out of a single Head Office, where culture can be demonstrated effectively, which was supported by recognition from Investors In People. Following the acquisitions, the Group's employee base is now more geographically spread, however the focus on culture and local community will remain key to the Group.

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

K3 aims to retain its position as the largest M&A advisory firm in the UK on volume, alongside delivering excellent client service with industry leading market expertise. The Board periodically reviews and approves clear frameworks, such as, K3's Code of Conduct, specific Ethics & Compliance manuals, and its Modern Slavery Statements, to ensure that its high standards are maintained both within K3 businesses and the business relationships we maintain. This when complemented by the ways the Board is informed and monitors compliance with relevant governance standards help assure its decisions are taken and that K3 companies act in ways that promote high standards of business conduct.

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

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

Culture

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

The Board considers the Investors In People survey to be one of its principal tools to measure employee engagement, motivation, affiliation and commitment to K3. It provides insights into employee views and has a consistently high response rate. The Board also utilises this engagement to understand how survey outcomes are being leveraged to strengthen K3 culture and values.

Stakeholder engagement (including employee engagement)

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

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

Principal decisions

In the tables to the right and on page 25 we outline some of the principal decisions made by the Board over the year, explain how the Directors have engaged with, or in relation to, the different key stakeholder groups and how stakeholder interests were considered over the course of decision-making.

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

a) Investor Community
b) Employees/Workforce/Pensioners
c) Regulators/Governments/NGOs
d) Communities
e) Customers
f) Suppliers/Strategic Partners

We define principal decisions taken by the Board as those decisions in FY20 that are of a strategic nature and that are significant to any of our key stakeholder groups. As outlined in the FRC Guidance on the Strategic Report, we include decisions related to capital allocation and dividend policy.

How were stakeholders considered

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

What was the outcome

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

Investing in new business and acquisitions	
What was the outcome?	Over the course of the year, the Board discussed and approved several new opportunities and projects outside of existing operations. The Board focused on diversifying into different markets to strengthen the K3 brand and utilise the contacts each company has to create synergies across the Group. The Board continues to demonstrate its dynamic and forward-thinking approach in an effort to drive the business forward and create long-term growth for the business.
How were stakeholders considered?	The Board acted in the best interest of all Stakeholders, from protecting employees through to synergistic opportunities and maintaining share price. Due to the COVID-19 pandemic, K3 needed to act boldly, diversify into different markets and expand the Group into an all-encompassed nation-wide advisory firm.
Acquisition of randd UK Limited	An industry leading R&D claims firm with an outstanding reputation created clear synergistic opportunities for K3. With a proven track record, dynamic management team and consistent steady growth, randd was a clear target for K3. Working closely with the shareholders throughout the process, their aspirations were aligned with the K3 Board's that is to thrive in a difficult market and to be resilient to external pressures. Whilst completing outside of this reporting period, the Board are delighted to strengthen the robustness of K3 finances with a recurring revenue line not previously owned.
Acquisition of Quantuma Advisory Limited	Quantuma is a well-respected firm in the restructuring & insolvency, corporate finance, financial advisory, pensions advisory and forensic accounting sectors, experiencing huge growth in recent years. With a focus on delivering a quality service, with a genuine care for all clients, Quantuma have made a great addition to the K3 family. With 17 offices located in the UK and more overseas, this acquisition has expanded the geographic reach of K3 and presented further opportunities for the Group to grow. The acquisition of this advisory firm post year end addresses a number of shareholder concerns in recent times in respect of possible cyclical risk of the M&A market.

Investing in new business and acquisitions (cont.)
Prior to both of these acquisitions, the Board engaged with existing and potentially new institutional investors to discuss the potential strategy and gain support before proceeding to completion. With K3 now an industry leading M&A advisory firm, R&D tax specialist and restructuring advisory firm, each arm of the Group can provide business for the other, creating the potential for accelerated growth for in the years to come.

Shareholder Distributions	
What was the outcome?	The Board confirmed the final dividend in October 2019 following the AGM, and further issued an interim dividend in February 2020 following another outstanding financial performance for the K3 Group. A final dividend is proposed for October 2020 which will be subject to shareholder approval at the AGM.
How were stakeholders considered?	A number of metrics underpinned this decision. A forward-thinking firm, K3's priority is to create long-term growth for the Group. It is key that shareholders see a return on their investment, whilst the Company retains adequate reserves, for their confidence in the firm and to encourage further investment as the Group grows. As no government support will be utilised at the point of declaring the final dividend for FY20, it is deemed by the Board as appropriate for all stakeholders.

Effects of COVID-19 on staff planning
The COVID-19 pandemic created uncertainty across all market spaces within which K3 operate, leaving the Board with the difficult decision as to whether to make redundancies. Following careful planning by the Board and an agreement for all Directors and senior management team to take significant pay reductions in order to save jobs, a detailed consultation with staff took place and the difficult decision was made to proceed with a redundancy plan across all departments throughout the Group, in March. Additionally all senior management agreed to cancel bonus payments for FY20. However, as noted earlier in this report, the Group took part in the government's CJRS, thereby placing some staff on furlough who have since been brought back into the business. Opting to utilise the CJRS has undoubtedly saved a huge amount of jobs across the Group, allowing a period of time whilst some of the uncertainty around COVID-19 became more apparent, resulting in the retention of skilled staff and fewer redundancies than were originally envisaged in March.

BOARD OF DIRECTORS

IAN MATTIOLI MBE
NON-EXECUTIVE CHAIRMAN

Ian has over 30 years' experience in the financial services sector, and co-founded the Mattioli Woods Group in 1991 where he is the Chief Executive Officer and remains responsible for the vision and operational management of the Group. Ian has been awarded an MBE and also won the London Stock Exchange AIM Entrepreneur of the Year award in 2007.

Ian was appointed on 11 April 2017 upon AIM floatation and is a member of the Audit, Remuneration and Nomination committees.

JOHN RIGBY
CHIEF EXECUTIVE OFFICER

John joined the Group in 2000 following a career in commercial and corporate banking. John has over 19 years of operational, sales and commercial management experience within the sector and developed the national sales infrastructure of the Group. John became Managing Director of the Group in 2010 and has been responsible for driving growth and is integral in the development of the low cost, process driven delivery platform.

ANDREW MELBOURNE FCMA
CHIEF FINANCIAL OFFICER

Andrew joined the Group in 2012 following 10 years in various financial accounting roles across various industries including media, leisure and property management. Andrew possesses strong financial, strategy and commercial management skills including HR, IT and special projects. Andrew is a fellow of the Chartered Institute of Management Accountants and has an MSc in Strategic Financial Management.

TONY FORD FCA
EXECUTIVE VICE-CHAIRMAN

Tony is a chartered accountant and experienced corporate financier. He founded K3 and led its investment in KBS in 2007. He was subsequently responsible for the overall strategic direction of the Group and, previously as Chairman, he oversaw a period of strong growth and internal development. Tony possesses significant directorship experience across a broad range of industries including corporate finance, financial services, technology and business services.

STUART LEES FCA
EXECUTIVE DIRECTOR

Stuart joined K3 as a Non-Executive Director in September 2015 to assist with the development of the strategic direction of the Group, becoming an Executive Director in July 2017. Stuart is a highly respected corporate financier and was previously Managing Director of Altium and head of corporate finance at Arthur Andersen in the UK. Stuart has a wealth of business experience and held the position of Group CEO of Latium Holdings Limited from 2004 to 2009, acquiring Ultraframe plc, Spectus Systems, Kestrel Building Products and the successful disposal of Everest Home Improvements.

MARTIN ROBINSON FCA
NON-EXECUTIVE DIRECTOR

Martin is a highly experienced private and public company Director with over 30 years' experience in financial services. He has previously served on the board of a number of the subsidiary companies of AIM-quoted Brooks Macdonald Group Plc, the integrated wealth management group. Martin is a Fellow of the Institute of Chartered Accountants in England and Wales and was previously on the AIM Advisory Committee as a founder member, overseeing the development and regulation of the market in 1995. Martin was appointed to the K3 Capital Group board on 17 July 2017 and is a member of the Audit, Remuneration and Nomination committees.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group for the year ended 31 May 2020.

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

I T Mattioli	A R Melbourne
A J Ford	S Lees
J S Rigby	W M Robinson

ATTENDANCE AT MEETINGS

	Board	Audit	Remuneration	Nomination
I T Mattioli	6/6	3/3	1/1	1/1
W M Robinson	6/6	3/3	1/1	1/1
S Lees	5/6	-	-	-
A J Ford	6/6	-	-	-
J S Rigby	6/6	-	-	-
A R Melbourne	6/6	3/3	-	-

TIME COMMITMENTS OF DIRECTORS

The Group embraces the benefits that are brought from a Board with a range of business backgrounds and experiences. The Board also recognises that it is imperative that Board members dedicate sufficient time to the Company

Ian Mattioli's time commitment to K3 averages 1-2 days per month.

Martin Robinson's time commitment to K3 averages 1-2 days per month

BOARD MEMBERS' DIRECTORSHIPS

A list of Board Members' directorships is as follows:

Ian Mattioli	John Rigby	Andrew Melbourne	Anthony Ford	Stuart Lees	Martin Robinson
Mattioli Woods plc	K3 Business Services Limited		Abersoch Marine and Charter Ltd	Facetspera Limited	ASC Healthcare Limited
Custodian Capital Limited	K3 Estates LLP		Abersoch Property Holdings LLP	Housingagent Services Limited	ASC Real Estate Investments Limited
Custodian REIT plc	T Force (Registered Charity 1179920)		Caulfield Group Limited	NSS Maintenance Limited	Braemar Agricultural Land Investments Limited (Guernsey)
Amati Global Investors Limited			Coastwalk Properties Limited	Pranglin Limited	Braemar Group PCC Limited (Guernsey)
Care Hires Limited			K3 Business Services Limited	Tasker Investments Limited	DB Holdings Housing Limited
Professional Independent Pension Trustees Limited			K3 Estates LLP	Signia Corporate Finance Limited	GRIF Cosec Limited
Custodian Real Estate Limited			Oliver Twist Productions LLP	Spectus Systems (Dormant) Limited	Hambledon Vineyard plc
MDL First Limited			Triskell LLP	SST Trading Limited	Hambledon Wineries Limited
Mainsforth Developments Limited			21 Capital Limited	Three Popes Limited	Mundell Robinson Projects Limited
Mattioli Woods (New Walk) Limited			My Rent Rewards Ltd	Wilmslow Plastic Properties LLP	Tomorrow Cardiovascular Screening Limited
			Bridge Housing Solutions Limited	Lima Group Holdings Limited	21 Capital Limited

POST YEAR END CHANGES

During the acquisition of randd UK and Quantuma, a comprehensive review of Board composition was carried out with support from our advisors. As a result of this there have been a number of changes to the plc Board post year end.

From 3rd August 2020, we welcome to the Board Carl Jackson (CEO of Quantuma) as an Executive Director and Charlotte Stranner as a Non Executive Director. The review has also seen Stuart Lees move from Executive Director to Non Executive Director and Martin Robinson promoted to Senior Independent Director in order to balance the Board of four Executive and four Non Executive. Further information can be found on our plc website.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Business risks and uncertainties are included within the Chief Financial Officer's Report on pages 17 to 23 and financial risks are set out in note 27 to the financial statements.

DIRECTORS' REMUNERATION

Directors' remuneration payable in year ended 31 May 2020:

£	Salary & Fees	Benefits in Kind	Bonus payable in respect of FY20	Pension Contributions	Total FY20
I T Mattioli	61,458	-	-	-	61,458
A J Ford	133,333	-	-	1,097	134,430
J S Rigby	200,000	2,055	-	-	202,055
A R Melbourne	91,667	9,503	-	329	101,499
S Lees	33,333	-	27,000	846	61,180
W M Robinson	29,167	-	-	-	29,167
Total	548,958	11,558	27,000	2,272	589,788

Bonuses which are not guaranteed accrue to the Executive Directors and certain senior executives based on pre-determined performance targets. Bonuses disclosed as payable in respect of the year are paid in May.

RESULT AND DIVIDEND

The Group's results for the year are set out in the Consolidated Statement of Comprehensive Income on page 46.

The Directors recommendation for dividends is set out in the Chairman's Statement on page 8.

EMPLOYEES

At K3 Capital Group, we recognise that we need to attract, motivate and develop good quality people. As a Company we aim to become one of the employers of choice and to be recognised as an organisation where you can work in a challenging and rewarding environment whilst having fun, developing a career and growing with the business.

As a Company, we value the following:

- Honesty and integrity
- Energy and enthusiasm
- A strong desire to satisfy our customers
- New and innovative ideas
- Commitment and loyalty
- Common sense and intelligence
- People who strive to succeed in whatever they do
- Ambition

We aim to provide a professional, friendly and safe work environment where our colleagues can develop as individuals and as part of the winning team, sharing the rewards of our success. The Group's policy is to recruit and promote on the basis of aptitude and ability without discrimination of any kind. Applications for employment by disabled people are always fully considered bearing in mind the qualification and abilities of the applicants. In the event of employees becoming disabled, every effort is made to ensure their continued employment.

POLITICAL DONATIONS

There were no political donations in either FY20 or FY19.

SHARE CAPITAL AND SHARE STRUCTURE

Details of the share capital, together with details of the movements in the share capital during the year, are shown in note 26 to the financial statements.

The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. There are no other classes of share capital. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

SHARE OPTIONS

The Directors consider that an important part of the Group's remuneration policy should include equity incentives through the grant of share options to Directors and employees. Accordingly, the Company has adopted an Option Plan. On the Company's admission to AIM in April 2017 ("Admission"), a total of 7 employees were awarded options at the admission price subject to performance criteria, totalling 2.5% of the enlarged share capital.

In January 2018, a second wave of awards were granted to an additional 25 key employees of the Group consisting of 1.2% of the enlarged share capital of the Group. The criteria was set on the same basis to that of the first plan, with targets for Earnings Per Share and Total Shareholder Return over the 3 year period.

At May 2020, there were a total of 29 current employees (20% of May 2020 Group employees) participating in the Option Plans with a combined grant equivalent to 3.69% of the enlarged share capital of the Group.

As detailed within our Admission Document, it was the intention of Directors to open a Save As You Earn share scheme, following the indicated uptake at the time, balanced against the administrative costs, it was not considered appropriate. However, following the recent acquisitions and now enlarged staff base, the Board now considers FY21 an appropriate time to launch the scheme.

It is the intention of the Directors to grant further options to current and future employees of the Group. The maximum number of Ordinary Shares which will be subject to options granted to Directors and employees under the Option Plan, Save As You Earn share scheme and any other employee share plan adopted by the Company will not exceed 10 per cent. of the Company's issued share capital from time to time in any rolling 10 year period.

HEALTH, SAFETY AND THE ENVIRONMENT

The Directors consider the health, safety and environmental protection aspects of the business to be of great importance, in addition to the prevention of any personal injury, avoidance of damage to health and the protection of the environment, which are important business and social responsibilities. Management practices within the Group are designed to ensure so far as is reasonably practicable, the health, safety and welfare at work of employees, contractors and visitors and the implementation of environmentally aware and friendly policies.

In light of the COVID-19 pandemic, and the subsequent return to the office for certain members of staff, a thorough risk assessment was undertaken to ensure a safe environment for all employees and visitors. Further information can be found in the CFO's Report.

CORPORATE GOVERNANCE

Reporting on our compliance with the Quoted Company Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code) was adopted in FY19 and as a Board we recognise the importance of applying sound governance principles in the successful running of the Group.

The Board believes that it complies with the principles of the QCA Code within a corporate governance framework which is proportional to the size, risks and operations of the business, and is in line with the Group's values. Further details are set out on pages 36-38.

THE BOARD

The Board comprises a Non-Executive Chairman, four Executive Directors and one Non-Executive Director. Their names and biographical details are set out on pages 28 and 29. The Board considers the Non-Executive Director, W M Robinson, to be independent. The posts of Chairman and Chief Executive are held by different individuals. The Chairman is responsible for the Board and the Chief Executive for the operating performance of the Group.

Subsequent to year end, and detailed on our website there have been two additions to the Board in CS Jackson (Executive Director) and CA Stranner (Non Executive Director). S Lees has become Non Executive.

The Board is scheduled to meet four times each year, with additional meetings called if required. The Board's main responsibilities are to agree Group strategy, approve annual budgets, review management performance, financial results, board appointments and dividend policy. A comprehensive board pack is distributed to all Directors prior to each scheduled Board meeting. Directors are able, if necessary, to take independent professional advice, at the Group's expense, in the furtherance of their duties. The Board has delegated specific responsibilities to Audit, Remuneration, and Nomination Committees.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by I T Mattioli, its other member is W M Robinson. Subsequent to year end the committee has been joined by S Lees.

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the Non-executive Directors of the Company are set by the Board. Details of Directors' remuneration are set out in the Directors' report on page 31.

AUDIT COMMITTEE

The Audit Committee is chaired by W M Robinson, its other member is I T Mattioli. Subsequent to year end the committee has been joined by S Lees and C A Stranner.

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

NOMINATIONS COMMITTEE

The Nominations Committee is chaired by I T Mattioli, its other member is W M Robinson. Subsequent to year end the committee has been joined by S Lees and C A Stranner.

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board, performance of Board members, induction of new Directors, appointment of committee members and succession planning for senior management. The Nomination committee is responsible for evaluating the balance of skills, knowledge, diversity and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors and makes appropriate recommendations to the Board on such matters. The Nomination Committee prepares a description of the role and capabilities required for a particular appointment. The Nomination Committee meets formally at least once a year and otherwise as required.

SCHEME INTERESTS AND OUTSTANDING SHARE AWARDS

Director	Description	Options Granted during the Year	Outstanding interest at 31 May 2020	Outstanding interest at 31 May 2019
Andrew Melbourne	LTIP Option	0	325,531	325,531

The performance periods of the above Share Option scheme commenced on 1 June 2017 and 1 December 2017.

SUMMARY OF DIRECTORS INTERESTS IN THE COMPANY

A summary of Directors' interests in the Company are shown in the table below. All figures relate to shares owned outright.

Director	Class of Share	Shareholding at end of Year	Shareholding at start of Year
I T Mattoili	Ordinary	683,794	634,622
A J Ford	Ordinary	6,247,895	6,347,895
J S Rigby	Ordinary	7,597,895	7,597,895
A R Melbourne	Ordinary	464,802	464,802
S Lees	Ordinary	688,125	688,125
W M Robinson	Ordinary	36,900	36,900

AUDITORS

In accordance with Section 489 of the Companies Act 2006 a resolution will be proposed at the Annual General Meeting that BDO LLP be re-appointed auditors.

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Group and the Company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group and the Company's auditor is aware of that information.

FUTURE DEVELOPMENTS

The Board intends to continue to pursue its business strategies as outlined in the strategic report on pages 7 to 27.

POST BALANCE SHEET DEVELOPMENTS

A detailed report of post balance sheet events is reported in note 32 of the financial statements on pages 96 to 100

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the strategic report and the Directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year.

Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period.

The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

A R MELBOURNE FCMA
Company Secretary
21 September 2020

OUR ADVISORS

OUR ADVIS0RS

Auditors:
BDO LLP
3 Hardman Street
Spinningfields
Manchester
M3 3AT

Accountants:
Beever & Struthers
St. George's House
215 - 219 Chester Road
Manchester
M15 4JE

Solicitors:
TLT LLP
3 Hardman Square
Manchester
M3 3EB

Nominated Advisor and Broker:
finnCap Ltd
One Bartholomew Close
London
EC1A 7BL

Registrars:
Computershare Investor Services PLC
The Pavillions
Bridgwater Road
Bristol
BS99 6ZZ

Registered Office:
KBS House
5 Springfield Court
Summerfield Road
Bolton
BL3 2NT

Registered Number:
06102618

CORPORATE GOVERNANCE STATEMENT

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

The QCA Code states that corporate governance is fundamentally about culture. Throughout FY20, K3 Capital Group has continued to promote a healthy and proactive ethos ensuring that all stakeholders are at the forefront of decision making. Further detail surrounding this can be found on the K3 Capital website www.k3capitalgroupplc.com

ROLES & RESPONSIBILITIES

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

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

EXECUTIVE & NON-EXECUTIVE DIRECTORS

At the date of this report, K3 Capital Group plc has a Non-Executive Chaiman and two independent Non-Executive Directors (NED), led by a Senior Independent Director (SID) whose responsibility is to provide scrutiny and direction of the performance of the Executive Directors. The SID also chairs the Audit committee and is a member of both the Remuneration and Nomination committees.

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

The ten principles that form the QCA Code are outlined on the following pages, with commentary on how K3 Capital Group plc complies with each principle:

1. ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTE LONG-TERM VALUE FOR SHAREHOLDERS

- The Group's strategy is set out on page 14 & 15.
- The Group's Executive Directors and senior management team have regular meetings throughout the year to focus on the Group's five year rolling strategic plan. The strategy is communicated to all staff members at corporate team briefs and separate team meetings.

2. SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

- The CEO and CFO meet our shareholders on a number of occasions throughout the year and have open dialogue to receive feedback.
- Investor roadshow meetings are undertaken at least twice a year, within different UK locations, following the interim and annual report announcements.
- Management will provide a live presentation to investors relating to the Preliminary results for FY20 via the Investor Meet Company platform.
- Shareholders are invited to the AGM held each year where Board members interact with our shareholders on a one to one basis and take questions as they arise.
- The Executive Directors are available to meet shareholders on request and a number of ad-hoc meetings may be held during the year. They also regularly conduct phone and video conversations with shareholders when required.
- Shareholder feedback is discussed at Board meetings.

3. TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS

EMPLOYEES

- Regular meetings take place with staff groups to share Group strategy and seek feedback.
- In order to motivate and retain employees, at the date of this report the Group currently had 65 members of staff enrolled in the LTIP scheme or with Growth Options.
- The Group's Investors In People status was positively reviewed during FY20, resulting in the retention of our accredited status for a further 12 months.

CLIENTS

Relationships with our clients are fundamental to our success, as it allows us to successfully conclude transactions. The K3 team have continuous communications with clients and processes to monitor feedback, and reviews are in place and are acted upon when required.

SUPPLIERS

Suppliers allow K3 to undertake new client mandates, and to deliver our services. We have long term relationships in place, and these are maintained through regular communication and review meetings with senior employees.

OUR COMMUNITY

The Group cares about its community and regularly undertakes fundraising events that generate high levels of employee engagement. Throughout the financial year, money raised by staff has been supplemented with donations from the Group, which has benefitted charities and organisations as detailed on page 40.

ENVIRONMENT

K3 is aware of its environmental responsibilities and where possible, promotes a paperless office. Systems introduced in recent years have eliminated the need for all documents to be printed and held in paper files. Confidential waste is shredded and recycled.

4. EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION

- The Group risk register is maintained by the Board and senior management team.
- Risk is a fixed item on the management team agenda
- The register is subject to a bi-monthly review.
- Risks and uncertainties are disclosed in the Strategic Review within the Chief Financial Officer's report on pages 17 to 23.

5. MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR

- The Board is led by our Non-Executive Chairman, Ian Mattioli.
- The Board includes a Senior Independent Non-Executive Director, Martin Robinson, who has significant experience of public and private Directorships.
- The Board currently has three sub-committees: the Audit Committee, the Nominations Committee and the Remuneration Committee, which are chaired by either Ian Mattioli or Martin Robinson. Details of the number of meetings held and attendance by Directors are noted in the Directors' Report on pages 30 to 34.
- Non-Executive Directors communicate directly with Executive Directors and senior management between formal Board meetings. The Board met 6 times in the year. In addition, the Board held strategy days to review growth opportunities and priorities across the medium to longer term. Directors are expected to attend all meetings of the Board, and of the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfill their duties as Directors. The time commitments of the board are detailed on page 30
- The board has been strengthened post year end, and the Non-Executive function of our Board has been balanced further through the appointment of Charlotte Stranner, Stuart Lees' change to Non-Executive Director and appointment of Martin Robinson as Senior Independent Director

6. ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES

- The current K3 Board has adequate sector, financial and plc experience.
- Between them, the Executive Directors have many decades of experience in the company sales industry. Biographies on all Directors, giving details of their experience and roles on the Board, are shown on pages 28 and 29.
- With the support of our Nominated Advisor, Auditors and other advisors, the Board training and development needs are maintained.

7. EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

- Whilst the Board performance is considered to be good, historically there has not been a formal evaluation of the Board.
- As detailed throughout this report a comprehensive review of the Board structure was carried out post year end, and is further detailed on our website.
- The Remuneration Committee evaluates Executive Director performance alongside remuneration and reward.
- With regards to financial performance, the Auditors meet with the Audit Committee (comprising the Non-Executive Directors) biannually and beyond the audit report, to comment on the systems, procedures and efficacy of management.

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

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

8. PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

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

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

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

9. MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION MAKING BY THE BOARD

- The K3 Board generally meets 6 times a year (minimum of 4) and the Audit and Remuneration Committees meet at least once a year.
- The controls are subject to review internally by individual teams within the Company.
- A culture of challenge and continuous improvement is encouraged to ensure that controls evolve with the business.
- The plc website and annual reports describe the roles and terms of reference for the Committees.

10. COMMUNICATE HOW THE COMPANY IS GOVERNED AND PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

- Communications with shareholders are explained in point (2) above.
- In addition to the interim and full year investor roadshows, regular meetings and phone / video calls are held with analysts, retail investor groups and prospective investors.
- In addition, the plc website contains information about the business activities, access to all RNS announcements and copies of the Annual Report.
- The work of the Audit, Nominations and Remuneration Committees is described on pages 32 and 33.
- The plc website also includes historical announcements.
- K3 undertake Capital Markets days when required and senior management are available to provide any additional information surrounding the marketing, data and operations functions of the Group.

CORPORATE SOCIAL RESPONSIBILITY

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

Our carbon emissions are relatively low compared to many other sectors however, we believe it is important for us to play our part in recognising the effects of climate change and its potential impact on the company, economy, and environment.

FY20 is our first year of reporting on Greenhouse Gases (GHG) that we contribute through our operations, this means that this report will not include a comparative year. In FY21 we will have more procedures in place to capture more data to give us a wider understanding of our total emissions and how we can continuously minimise our environmental impact.

OUR AIM

- 10% reduction in TCO2e per FTE by 2025.
- Minimising our business travel by improving our operational efficiencies and promoting the use of video conferencing.
- Widen our understanding of total emissions.

FY20 GHG HIGHLIGHTS

COVID-19 has challenged the way in which the market operates which has given us the opportunity to look at other means for meeting with clients. This has not only saved time and money but has also drastically reduced the amount of business miles, leaving a positive effect on the GHG we produce. Scope 1 business mileage through rep's cars being our number one source of emissions (64%), this is the key area for us to focus on to meet our aim of reducing TCo2e per FTE by 2025. To help achieve this we have put extensive training into place to maximise the utilisation of technology.

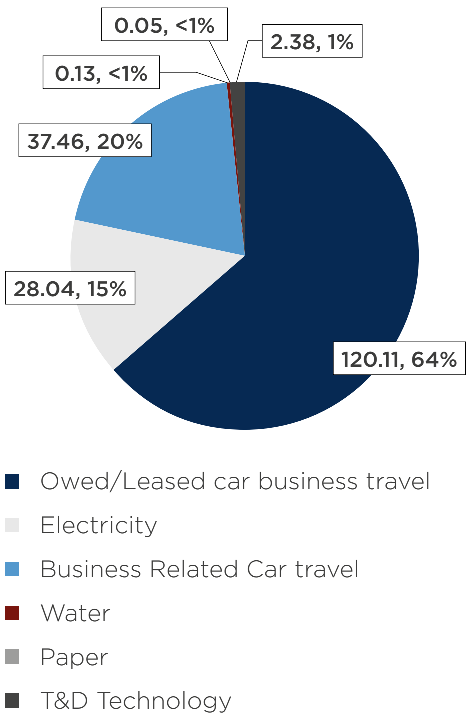
During the year we also moved from one energy provider to another, with our current provider sourcing 56% of its fuel mix in 2019-20 from renewable energy; a vast improvement on our previous providers 27% mix from renewable energy. Although this does not directly impact our GHG report, we find it an important step towards minimising our environmental impact.

Our offices do not use natural gas as a means of heat, we use electricity as it is much more sustainable. All wastepaper is placed into the shredding box which is taken away and securely disposed of and recycled back into paper, resulting in saving 38 trees and 5.17 m3 of landfill.

K3 Capital Group Plc has committed to tackling our emissions head on by including scope 3 emissions in the SECR report to not only be as transparent as possible but to also have a true understanding of our environmental footprint.

	2019/20 TCO2e
Scope 1	
Owed/Leased car business travel	120.11
Total - Scope 1	120.11
Scope 2	
Electricity	28.04
Total - Scope 2	28.04
Scope 3	
Business Related Car travel	37.46
Paper	0.05
Water	0.13
T&D Electricity	2.38
Total - Scope 3	40.02
Total Gross Emissions	**188.17**
Emissions Intensities	
Average headcount	166
TCO2e per average employee	1.13

TOTAL EMISSIONS



- *Scope 1 comprises vehicle emissions in relation to business travel for client meetings. Natural gas has been excluded as it is not used at our premises.*
- *Scope 2 comprises our energy consumption from electricity purchased.*
- *Scope 3 comprises of Business travel from employee owned cars, Paper usage and Transmission and Distribution losses from power plant to office.*

SUMMARY

K3 Capital Group Plc has chosen to define its emissions boundaries through operational control. The methodology used to calculate our emissions is based on the UK Government (Defra) guideline along with the Defra conversions factors for 2019. Emissions reported correspond with our financial year and all emissions are within the UK and none are generated offshore. In order to express our GHG emissions in relation to a quantifiable factor that has the best fit for our activities, we have used Tonnes of CO2 per full time employee averaged over the year as our intensity ratio as this will be in line with growth.

Our emissions predominately arise from the fuel consumption for means of business travel to and from meetings with clients. This will be our key area for focus.

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

COMMUNITY AND CHARITABLE WORK

Throughout FY20, K3 Capital Group plc supported a number of local charities and community groups. Directors and staff alike came together on numerous occasions to raise money for great causes. K3 Capital Group plc often matches the sums raised by staff so employees are encouraged and empowered to set up fundraising initiatives knowing that their contributions will be further enhanced.

Employees of the Group took part in the annual Save the Children 'Christmas Jumper Day', where all staff were encouraged to wear a Christmas themed jumper to work and asked to make a donation towards a cause that the Group supports every year.

Throughout FY20, the Group also made charitable donations to Children in Need, through a staff fancy dress event, Bury and Elton Swimming Club, Miam Miam FC and Cats Protection.

In addition to the work done within K3 Capital Group plc, each of the Directors on the Board have personal commitments to local community and charity projects.


SALES SPECIALIST
KBS

INDEPENDENT AUDITOR'S REPORT

OPINION

We have audited the financial statements of K3 Capital Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2020 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

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

Key audit matter	How we addressed the Key Audit Matter in the Audit
Revenue recognition Refer to the Accounting Policies, Note 4 and Note 5. The directors are required to estimate the period over which services linked to the retainer fee are to be provided and accordingly recognise revenue based on that estimate. This leads to the contract liabilities at period ends, which the directors assess for reasonableness based on the stage of completion of services at that point in time. In the current year an additional area of estimate is the impact of Covid-19 and delay in the provision of services by the Group.	In respect of both retainer fees and transaction fees, we reviewed a sample of customer contracts and agreements to determine the service being delivered by the Group. We verified that the accounting policy for the two separate elements of revenue have been appropriately applied by undertaking the following audit procedures in relation to revenue: • performed testing, on a sample basis, of transaction fee revenue across the year by agreeing the recorded transactions to completion documents such as Companies House or legal documents, signed customer contracts and proof of cash receipts;

Revenue on the transaction fee element of the contract is only recognised when the performance conditions have been met and the group has the right to consideration, which is on completion of the transaction. In view of the judgements and estimates involved above, as well as management being in a position to be able to override controls, we considered this to be an area in which there was a significant risk of misstatement.	• performed testing, on a sample basis, of transaction fee revenue across the year by agreeing the recorded transactions to completion documents such as Companies House or legal documents, signed customer contracts and proof of cash receipts; • performed detailed cut off procedures to test transaction fee income by agreeing a sample of transaction fees around the year end to originating documentation to provide evidence that transactions were recorded in the correct financial period; • For a sample of retainer fees we checked the control over cash banked to signed contracts as is evidenced by management on a monthly basis. • performed detailed testing over a sample of retainer arrangements, through verification to signed contracts and recalculation of the amounts recognised as revenue in the year and deferred at year by reference to evidence of key service delivery milestones; • performed detailed cut-off testing for a sample selected around the year end to test whether retainer fees are recorded in the correct period. This involved corroborating key delivery milestone completion dates to evidence external from the accounting software; • tested the year end deferred income balance by re-performing the release calculation and corroborating inputs of the calculation to supporting evidence. We also considered management’s assessment of impact of Covid-19 on the expected timing of services provided. • interrogated the system to identify any manual journals posted to revenue to ascertain if any were outside the normal course of business. This was in addition to reviewing the nominal ledger revenue accounts for unusual activity and corroborating to evidence to ensure appropriate where outliers were identified. Key observations Based on the procedures we performed, we consider the judgements and estimates made by management are reasonable in respect of revenue recognition.
Going concern Refer to the Accounting Policies note 3. Coronavirus has had a notable impact on the group’s operations in the current financial year as it has caused a reduction in the number of transactions which have occurred in the final quarter and delayed the abil-ity to provide retainer fee services. Due to the level of uncertainty with regard to the medium and long term, and the significant assumptions required to be made by management in considering going concern, a significant audit risk has been identified and accordingly going concern has been considered to be a key audit matter.	In respect of this key audit matter we carried out the following procedures: • Challenged the appropriateness of management’s assessment of going concern with regard to relevant financial forecasts by testing the mechanical accuracy, assessing historical forecasting accuracy, understanding management’s consideration of downside sensitivity and the impact on cash flow; • Reviewed management’s stress tests and applied further sensitivities to key assumptions such as forecast revenue;. • Reviewed the feasibility of mitigating actions and cost savings that have been proposed by management and considered management’s ability to implement them; • Considered the consistency of management’s forecasts with other areas of the audit, such as impairment models; and • Considered the adequacy of the disclosures in the financial statements
Carrying value of goodwill Refer to the Accounting Policies note 3 and note 14. Management are required to review the carrying value of goodwill and test it annually for impairment. Management exercise judgement in determining the underlying assumptions used in the impairment review; the assumptions include the discount rate used and the future cash flows attributed to a cash generating unit (CGU). Due to the uncertainty around the potential impact of Covid 19 on future performance, and the significant judgement required to be applied by management, we have considered this to be a key audit matter	In respect of this key audit matter we carried out the following procedures: • We challenged the calculations prepared by management in the impairment review, specifically the discount rate; • We assessed the reasonableness of the assumptions underlying management’s assessment of goodwill, including the pipeline and cashflow forecasts for the CGU; • We performed sensitivity analysis on the discount rate and reductions in cashflow forecast.; • We compared actual results for year ended 31 May 2020, which included the immediate impact of Covid-19 in the final quarter of the financial year, and actual post year end trading results to the forecasts to assess the reasonableness of the growth and assumptions in the forecast. Key observations: We consider the judgements and assumptions supporting the cash flows of the CGU to be appropriately identified and reasonable. We considered management’s assessment of no impairment being necessary, as reasonable.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. Materiality is assessed on both quantitative and qualitative grounds.

INDEPENDENT AUDITOR'S REPORT

We determined materiality for the financial statements as a whole as follows:

Group materiality	£321,000 (2019: £243,000)
Basis for materiality	5% of profit before tax (2019: 5% profit before tax)
Rationale for the benchmark adopted	Pre-tax profit is determined to be a stable basis of assessing business performance and is considered to be a significant determinant of performance used by shareholders.

In considering individual account balances and classes of transactions we apply a lower level of materiality (performance materiality) in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at £241,000 (2019: £182,000), representing 75% (2019: 75%) of materiality. The performance materiality threshold was selected based on the expected low level of misstatements and the relatively low number of accounts that are subject to management estimation.

Component materiality ranged from £129,000 to £209,000 (2019: £97,000 to £158,000) with a similar restriction of 75% for performance materiality (2019: 75%). Parent Company materiality was £228,000 (2019: £93,000).

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £9,600 (2019: £7,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level.

The Group manages its operations from one location in the UK, and has common financial systems, processes and controls covering all significant components. The audit of all significant components was performed by the Group audit team.

In assessing the risk of material misstatement in the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, our Group audit scope focused on the Group's significant components: KBS Corporate Sales Limited, KBS Corporate Finance Limited and Knightsbridge Business Sales Limited, which were subject to a full scope audit. Together with the Parent Company and its Group consolidation, which was also subject to a full scope audit, these components represent the principal business units of the Group and account for 100% of the Group's revenue, 100% of the Group's profit before tax and 99% of the Group's net assets.

The Group's newly formed subsidiary KBS Capital Markets Limited was subject to limited scope procedures only performed by the Group audit team.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS OF WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, within the Directors' report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

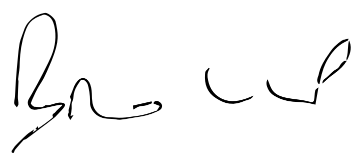
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

USE OF OUR REPORT

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



Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
21 September 2020

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

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2020

Year Ended 31 May 2020	Note	2020 £'000	2019 £'000
Revenue	5	**14,994**	**13,564**
Distribution costs		**(938)**	**(1,065)**
Administrative expenses		**(7,597)**	**(7,626)**
EBITDA		**6,790**	4,976
Depreciation of tangible assets		**(277)**	(87)
Amortisation of intangible assets		**(54)**	(16)
Operating profit	7	**6,459**	4,873
Finance income		**7**	6
Finance costs	11	**(29)**	-
Profit before taxation		**6,437**	4,879
Taxation	12	**(1,215)**	(901)
Profit and total comprehensive income for the financial year		**5,222**	3,978
Attributable to the owners of the Company		**5,222**	3,978
Earnings per share:	13		
Basic and diluted EPS		**£0.12**	£0.09

All the activities of the Group are from continuing operations

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MAY 2020

31 May 2020	Note	2020 £000	2019 £000
ASSETS			
Non-current assets			
Intangible assets	14	**4,046**	4,065
Property, plant and equipment	15	**56**	88
Right-of-use assets	16	**871**	-
Total non-current assets		**4,973**	4,153
Current assets			
Trade and other receivables	18	**5**	43
Other assets	20	**266**	380
Cash and cash equivalents		**8,271**	5,753
Total current assets		**8,542**	6,176
TOTAL ASSETS		**13,515**	10,329
Current liabilities			
Trade and other payables	21	**1,080**	1,130
Current tax liabilities	22	**924**	288
Contract liabilities	23	**1,369**	1,645
Lease liabilities	24	**200**	-
Total current liabilities		**3,573**	3,063
Non-current liabilities			
Lease liabilities	24	**671**	-
Deferred tax liabilities	25	**25**	35
Total non-current liabilities		**696**	35
TOTAL LIABILITIES		**4,269**	3,098
NET ASSETS		**9,246**	7,231
EQUITY			
Equity attributable to owners of the Company:			
Issued capital and share premium	26	**2,413**	2,413
Share option reserve		**118**	75
Retained earnings		**6,715**	4,743
TOTAL EQUITY		**9,246**	7,231

These financial statements were approved by the Board of Directors and authorised for issue on 21 September 2020 and are signed on behalf of the board by:

ANDREW MELBOURNE FCMA

Company Secretary

21 September 2020

COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MAY 2020

K3 Capital Group plc (06102618) - 31 May		2020	2019
	Note	£000	£000
ASSETS			
Non-current assets			
Intangible assets	14	**1,100**	**1,100**
Investments	17	**5,667**	**5,667**
Total non-current assets		**6,767**	**6,767**
Current assets			
Trade and other receivables	18	**18**	**8**
Other financial assets	19	**2,834**	**-**
Other assets	20	**29**	**24**
Cash at bank and in hand		**99**	**126**
Total current assets		**2,980**	**158**
TOTAL ASSETS		**9,747**	**6,925**
Current liabilities			
Trade and other payables	21	**628**	**3,181**
Total current liabilities		**628**	**3,181**
NET ASSETS		**9,119**	**3,744**
EQUITY			
Equity attributable to the owners of the Company:			
Issued capital and share premium	26	**2,413**	**2,413**
Share option reserve		**118**	**75**
Retained earnings		**6,588**	**1,256**
TOTAL EQUITY		**9,119**	**3,744**

An income statement is not provided for the parent company as permitted by s408 of the Companies Act 2006.

The profit for the financial year of the parent company was £8,581,000 (2019: £1,990,000).

These financial statements were approved by the Board of Directors and authorised for issue on 21 September 2020, and are signed on behalf of the board by:

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ANDREW MELBOURNE FCMA

Company Secretary

21 September 2020

Registered number 06102618

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2020

Year Ended 31 May 2020	Share capital £000	Share premium £000	Share option reserve £000	Retained earnings £000	Total £000
Balance at 1 June 2018	422	1,991	32	5,830	**8,275**
Profit and total comprehensive income for the year	-	-	-	3,978	**3,978**
Transactions with owners					
Share Based Payments	-	-	43	-	**43**
Dividends	-	-		(5,065)	**(5,065)**
Balance at 31 May 2019	422	1,991	75	4,743	**7,231**
Profit and total comprehensive income for the year	-	-	-	5,222	**5,222**
Transactions with owners					
Share based payments	-	-	43	-	**43**
Dividends	-	-	-	(3,250)	**(3,250)**
As at 31 May 2020	422	1,991	118	6,715	**9,246**

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2020

Year Ended 31 May 2020	Share capital	Share premium	Share option reserve	Retained earnings	Total
	£000	£000		£000	£000
Balance at 1 June 2018	422	1,991	32	4,331	**6,776**
Profit and total comprehensive income for the year	-	-	-	1,990	**1,990**
Transactions with owners:					
Share Based Payment	-	-	43	-	**43**
Dividends	-	-	-	(5,065)	**(5,065)**
Balance At 31 May 2019	422	1,991	75	1,256	**3,744**
Profit and total comprehensive income for the year	-	-	-	8,582	**8,582**
Transactions with owners:					
Share-based payments	-	-	43	-	**43**
Dividends	-	-	-	(3,250)	**(3,250)**
At 31 May 2020	422	1,991	118	6,588	**9,119**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2020

Year Ended 31 May 2020	Note	2020 £000	2019 £000
Cash flows from operating activities			
Profit for the financial year		**5,222**	3,978
Adjustments for:			
Depreciation of property, plant and equipment	7	**58**	87
Depreciation of right-of-use assets	7	**219**	-
Amortisation of intangible assets	7	**54**	16
Finance income		**(7)**	(6)
Finance Costs	11	**29**	-
Income tax expense	12	**1,215**	901
Expense recognised in respect of equity-settled share-based payments		**43**	43
		6,833	5,019
Movements in working capital:			
Decrease in trade and other receivables	18	**38**	155
Decrease/(increase) in other assets	20	**114**	(43)
(Decrease) in trade and other payables	21	**(50)**	(459)
(Decrease)/increase in contract liabilities	23	**(276)**	229
Cash generated from operations		**6,659**	4,901
Finance income received		**7**	6
Income taxes paid		**(589)**	(1,450)
Net cash from operating activities		**6,077**	3,457
Investing activities			
Purchases of property, plant and equipment	15	**(26)**	(72)
Purchases of intangible assets	14	**(35)**	(89)
Net cash used in investing activities		**(61)**	(161)
Financing activities			
Dividends paid to owners of the Company	30	**(3,250)**	(5,065)
Lease liability interest paid		**(29)**	-
Repayment of the lease liabilities	24	**(219)**	-
Net cash used in financing activities		**(3,498)**	(5,065)
Net increase/(decrease) in cash and cash equivalents		**2,518**	(1,769)
Cash and cash equivalents at beginning of year		**5,753**	7,522
Cash and cash equivalents at end of year		**8,271**	5,753

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2020

Year Ended 31 May 2020	Note	2020 £000	2019 £000
Cash flows from operating activities			
Profit for the financial year		**8,581**	1,990
Adjustments for:			
Income from shares in Group undertakings		**(9,500)**	(3,000)
Expense recognised in respect of equity-settled share based payments		**43**	43
		(876)	(967)
Movements in working capital:			
(Increase)/decrease in trade and other receivables	18	**(10)**	16
(Increase)/decrease in other assets	20	**(5)**	44
Decrease in trade and other payables	21	**(32)**	(351)
Cash used in operations		**(923)**	(1,258)
Net cash used in operating activities		**(923)**	(1,258)
Financing Activities			
Dividends received from Group undertakings		**9,500**	3,000
Settlement of amounts due from related parties		**-**	2,231
Advances to Group undertakings	19	**(2,834)**	-
(Decrease)/increase in amounts owed to Group undertakings	21	**(2,520)**	1,109
Dividends paid to owners of the Company		**(3,250)**	(5,065)
Net cash generated by financing activities		**896**	1,275
Net increase/(decrease) in cash and cash equivalents		**(27)**	17
Cash and cash equivalents at beginning of year		**126**	109
Cash and cash equivalents at end of year		**99**	126

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020

1. General Information

K3 Capital Group PLC is incorporated in England and Wales under the Companies Act, listed on AIM, the market of that name operated by the London Stock Exchange, with the registered number 06102618. The address of the registered office is KBS House, 5 Springfield Court, Summerfield Road, Bolton, BL3 2NT.

The principal activity of K3 Capital Group PLC in the reporting period was to act as Business Sales Specialists.

2. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively ''IFRSs'') issued by the International Accounting Standards Board (''IASB'') as adopted by the European Union (''adopted IFRSs'').

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

3. Accounting Policies

Basis of preparation

The principle accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented.

Basis of consolidation

The Group financial statements consolidate the results of the company, K3 Capital Group PLC, and its subsidiaries (together referred to as the "Group").

Subsidiary undertakings acquired are included using the acquisition method of accounting. Under this method the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows included the results and cash flows of subsidiaries from the date of acquisition and to the date of sale outside the Group in the case of disposals of subsidiaries.

Where the company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

New standards, amendments to and interpretations to published standards

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 June 2019.

The Group has applied IFRS 16 using the modified retrospective approach which:

- Requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

The right of use asset is equal to the lease liability, adjusted for prepaid or accrued lease payments

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 June 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 June 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Impact on Lessee Accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases, the Group:

a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

The Group has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Financial impact of initial application of IFRS 16

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 June 2019 is 3%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 May 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2020

	£'000
Operating lease commitments at 31 May 2019	522
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	646
Effect of discounting the above amounts	(104)
Lease liabilities recognised at 1 June 2019	1,064

The Group has recognised £1,064,000 of right-of-use assets and £1,064,000 of lease liabilities upon transition to IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 June 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New standards, amendments to and interpretations to published standards not yet effective

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

IFRS 17	-	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	-	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 3	-	Definition of a business
Amendments to IAS 1 and IAS 8	-	Definition of material
Conceptual Framework	-	Amendments to References to the Conceptual Framework in IFRS Standards

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Going Concern

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

Based on financial performance to date and forecasts along with significant cash reserves coupled with no debt in the Group, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements. The Board has prepared cash flow forecasts for the period to 31 May 2022. Under this base case scenario, the Group is expected to continue to have significant headroom relative to the cash reserves available. The Board has also considered various other severe downside scenarios, including the possibility of a second lockdown as a result of a second wave of Covid-19. These downside scenarios included significant reductions in expected turnover levels in all trading subsidiaries of the Group, and excluded any mitigating actions that the Board would be able to take to reduce costs. Under these scenarios, the Group would still expect to have sufficient cash reserves to operate. The Group therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements

Revenue Recognition

Revenue comprises revenue recognised by the Group in respect of services supplied during the year, exclusive of Value Added Tax.

The Group recognises revenue from the following major sources:

- Retainer Fees arising from customers for professional advice
- Transaction Fees arising from business sales arranged by the Group companies

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

There is one performance obligation associated with Retainer Fee income. Although there are different services provided, none of these are individually distinct. These services include the drafting of an information memorandum, as well as performing research to obtain a buyer for the client. Revenue is recognised over time because the work performed does not create an asset of which has an alternate use, and the K3 Capital Group has an enforceable right to payment for the work of which has been performed. There is no variable consideration.

Due to revenue being recognised over time, and agreements overlapping the period end, contract liabilities are recognised when invoiced revenue is recognised in advance of delivery of the remaining service of the retainer. As these contracts are similar in nature, the review of milestone completion and calculation of contract liabilities is done on a portfolio basis.

As detailed on page 17 of this report, due to the impact of lockdown and the fact that the Company utilised the CJRS, the decision was taken to review the estimates applied to revenue recognition following the national lockdown and impact on the delivery of services, as a result there was a deferral of 2 months retainer fee income at the end of FY20.
The transaction price is determined at inception of the contract. The transaction price is allocated to the performance obligation in line with the stage of completion of the retainer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately on the following pages.

Policies applicable from 1 June 2019

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

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

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

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

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

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

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

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

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

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

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

Policies applicable prior to 1 June 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

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

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

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

Employee Benefits

i. Short-term benefits
Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

ii. Defined Contribution plans
The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions are charged to the Statement of Comprehensive Income. The Group also contributes to the personal pension plans of the Directors at the Group's discretion.

Operating Profit

Operating profit is stated after all expenses, including those considered to be exceptional, but before finance income or expenses. Distribution costs relate to marketing expenses. All other operational costs are classified as administrative expenses.

EBITDA

EBITDA is utilised as a key performance indication for the Group and is calculated utilising profit before tax, adjusted for finance income and costs, amortisation and depreciation on non-current assets and right of use assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. To the extent these cannot be capitalised, acquisition related costs are expensed as incurred and included in administrative expenses, though seperated as exceptional items within reports.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is measured as the excess of the aggregate of the consideration transferred and the amount recognised for the non-controlling interest over the fair value of the identifiable net assets acquired and liabilities assumed.

After initial recognition, goodwill is not amortised and is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to a cash generating unit that is expected to benefit from the combination. For each period covered in these financial statements the Group has one cash generating unit, related to Business Sales.

Other Intangible Assets

The Group classifies website costs as an intangible asset. Such intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Website and software costs - 33% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Long leasehold property	-	Over the lease term
Fixtures and fittings	-	33% straight line
Equipment	-	33% straight line

Investments

Fixed asset investments, including those in subsidiary undertakings, are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Financial Instruments

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

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

Financial assets

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

<u>Initial recognition and measurement</u>
The Group's financial assets include cash and cash equivalents, trade and other receivables that arise from the business operations, as well as non-derivative other financial assets.

Cash and cash equivalents comprise deposits with banks and bank and cash balances, subject to insignificant risk of changes in value. All other financial assets are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment. Interest is recognised by applying the effective interest method, except for short term receivables when the recognition of interest would be immaterial.

<u>Derecognition of financial assets</u>
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments
Classification as debt or equity
Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities and equity components
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS. Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
b) where the instruments will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to these shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of assets
Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. IFRS 9 involves the use of an expected credit loss model when assessing for potential impairment. This takes into consideration increased credit risk, probabilities of default, and deteriorations in the macro-economic environment.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

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

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

(ii) Definition of default
The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event (see (ii) above);
c) the lender(s) to the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy
The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

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

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

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial period.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Share Capital

Ordinary shares are recorded at nominal value and proceeds received in excess of nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Costs incurred directly to the issue of shares are accounted for as a deduction from share premium, otherwise they are charged to the Statement of Comprehensive Income.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Events After the Balance Sheet Date

Post period-end events that provide additional information about the Group's position at the balance sheet date are reflected in the financial statements. Post period-end events that are not adjusting events are disclosed in the notes when material.

Related Parties

Parties are considered to be related if one party has the ability (directly or indirectly) to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Share-based payment

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Where share options vesting is contingent on a future event a charge is recognised only if the future event is considered probable. Fair value is measured by the use of an appropriate valuation model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The volatility in the model is calculated by reference to an implied volatility of a group of listed entities that have similar characteristics and are in the same industry sector.

4. Critical Accounting Estimates and Sources of Estimation Uncertainty

In applying the accounting policies, the Directors may at times be required to make critical accounting judgements, estimates and assumptions about the carrying amount of assets and liabilities. These estimates and assumptions, when made, are based on historical experience and other factors that the Directors considers are relevant.

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are reviewed are as stated below.

Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

In relation to the services provided, a Retainer Fee is typically paid by clients upon commencement of a contract with the Group, which is included in contract liabilities and recognised as revenue over the period in which performance obligations are met. The critical judgement on Retainer Fee income is that there is one performance obligation. This judgement is made on the fact that as part of a retainer, there are different services provided, none of which are individually distinct. This has been detailed within note 3. For Retainer Fees there is one performance obligation and revenue is recognised over time due to the services performed creating a bespoke asset, for which the customer has no alternative use.

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

Linked to the Retainer Fee at the commencement of a contract is a commission fee payable to employees for sourcing the contract. The commission costs are incremental and recognised over the same period as the revenue, and thus are released in line with the release of Retainer Fee income from contract liabilities. Commission costs deferred are accounted for within prepaid contract costs.

A contingent fee ("Transaction Fee") is payable upon the completion of a transaction. Judgement is applied in regards to the number of performance obligations. There is one performance obligation, the sale of shares or assets to a third party. This has been determined after management reviewed a sample of contracts in respect of Transaction Fee income. This review was conducted after consideration of the requirements within IFRS 15 and concluded that there is one performance obligation. This fee is typically a percentage of the transaction value and therefore varies by client. Revenue on the Transaction Fee element of the contract is only recognised when the performance obligation has been satisfied, at completion of the transaction.

Assessing Goodwill for potential impairment

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (see note 14).

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

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. The Group's incremental borrowing rate is estimated by management based on an assessment of market rates for equivalent assets and the Group's ability to leverage debt and then adjusted for the specifics of the lease and asset. For every 0.5% increase in the incremental borrowing rate the right of use asset and lease liability recognised would increase by approximately £16,000, conversely an equivalent reduction in the incremental borrowing rate would decrease the right of use asset and liability by approximately £16,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Significant increase in credit risk

As explained in note 3, expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Calculation of loss allowance

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

5. Revenue

The Group's revenue arises from the provision of services in fulfilling the principal activities. An analysis of revenue by subsidiary company is shown below:

Revenue Year Ended 31 May 2020	2020 £000	2019 £000
KBS Corporate Sales Limited	**7,091**	8,693
KBS Corporate Finance Limited	**5,473**	2,671
KBS Capital Markets Limited	**50**	-
Knightsbridge Business Sales Limited	**2,380**	2,200
	14,994	13,564

A further breakdown of revenue by type is shown below:

Revenue Year Ended 31 May 2020	2020 £000	2019 £000
Retainer Fees (over time)	**6,643**	8,130
Transaction Fees (point in time)	**8,351**	5,434
	14,994	13,564

The Group's revenue is recognised when performance obligations are satisfied, further details of which are included in the accounting policies. As a result, contract liabilities arise when performance obligations have not been met details of which are included in note 23. The contract liabilities from 31 May 2019 have been fully recognised in the reported revenue for year end 31 May 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

6. Segment Information

The Group has 3 operating segments based on the subsidiaries identified above, but one reporting segment due to the nature of services provided across the whole Group being the same, being business sales derived solely from the UK. Every client contract contains the right to assign that client to other Group companies. Clients can be transferred to another operating segment most likely to deliver a successful transaction. The Group's revenues, costs, assets, liabilities and cash flows are therefore totally attributable to this reporting segment.

Internal management reports are reviewed by the Directors on a monthly basis, including revenue information by subsidiary. Such revenue information alone does not constitute sufficient information upon which to base resource allocation decisions.

Performance of the segment is assessed based on a number of financial and non-financial KPI's as well as on EBITDA.

The Group is not reliant on a major customer or group of customers.

As the Group only has one reportable segment, all segmented information is provided by the consolidated income statement, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows.

7. Operating Profit

Operating profit or loss is stated after charging:

Year Ended 31 May 2020	2020 £000	2019 £000
Amortisation of intangibles – website costs	**54**	16
Depreciation of property, plant and equipment	**58**	86
Depreciation of right-of-use assets	**219**	-
Government grants in respect of CJRS	**(344)**	-
Auditor remuneration	**33**	31
Equity – settled share based payments expenses	**43**	43
Operating lease charge	**-**	235

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

8. Auditors Remuneration

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

Year Ended 31 May 2020	2020 £000	2019 £000
BDO LLP		
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual accounts	**33**	31
Fees payable to the Company's Auditor and its associates for other services:		
Corporate finance services	**5**	-
Total Auditors Remuneration	**38**	31

9. Employee Benefit Expense

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

Year Ended 31 May 2020	2020 No.	2019 No.
Management	**11**	10
Sales	**73**	71
Marketing / Administration	**82**	72
	166	153

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

Year Ended 31 May 2020	2020 £000	2019 £000
Wages, salaries and bonuses	**5,299**	5,416
Share – Based Payments	**43**	43
Social security costs	**565**	526
Other pension costs	**74**	54
	5,981	6,039

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Year Ended 31 May 2020	2020	2019
	£000	£000
Wages and salaries	**561**	651
Bonuses	**27**	-
Share-based payments	**43**	43
Social Security Costs	**74**	82
Other Pension Costs	**2**	3
	707	779

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

Year Ended 31 May 2020	2020	2019
	No.	No.
Management	**6**	7

10. Directors' and Key Management Remuneration

Group

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

Year Ended 31 May 2020	2020	2019
Group	£000	£000
Wages, salaries, bonuses & benefits in kind	**1,294**	1,072
Share – based payments	**43**	43
Social security costs	**166**	139
Pension contributions	**6**	7
	1,509	1,261

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Remuneration of highest paid Director in respect of qualifying services:

Year Ended 31 May 2020 Group	2020 £000	2019 £000
Wages, salaries, bonuses & benefits in kind	**285**	242
Social security costs	**38**	32
Pension contributions	**-**	1
	323	275

Company

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

Year Ended 31 May 2020	2020 £000	2019 £000
Wages, salaries, bonuses & benefits in kind	**588**	651
Share-based payments	**8**	8
Social security costs	**74**	82
Other pension Costs	**2**	3
	672	744

The Directors are considered to be key management personnel. In FY20 there were 3 Directors in defined contribution pension schemes (FY19: 6)

Remuneration of highest paid Director in respect of qualifying services:

Year Ended 31 May 2020	2020 £000	2019 £000
Wages, salaries, bonuses & benefits in kind	**202**	242
Social security costs	**27**	32
Pension Contributions	**-**	1
	229	275

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

11. Finance costs

Year Ended 31 May 2020	2020 £000	2019 £000
Interest on lease liabilities	**29**	-

12. Tax on Profit

Major components of tax expense

Year Ended 31 May 2020	2020 £000	2019 £000
Current tax:		
UK current tax expense	**1,233**	889
Adjustments in respect of prior periods	**(8)**	-
Total current tax	**1,225**	889
Deferred tax:		
Origination and reversal of temporary differences (Note 25)	**(10)**	12
Impact of change in tax rate	**-**	-
Tax on profit	**1,215**	901

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%)

Reconciliation of tax expense	2020	2019
Year Ended 31 May 2020	£000	£000
Profit on ordinary activities before taxation	**6,437**	4,879
Profit on ordinary activities by rate of tax	**1,223**	927
Adjustment in respect of prior periods	**(8)**	-
Effect of expenses not deductible for tax purposes	**1**	3
Utilisation of tax losses	**(1)**	-
Effect of research and development relief	**-**	(29)
Tax on profit	**1,215**	901

Changes Affecting Future Tax Rates

In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporation tax rate from 19% to 17% which was due to be effective from 1 April 2020. This was announced in the Budget on 11 March 2020 and was substantially enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

13. Earnings per Share

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

Diluted earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would have been issued on the conversion of all dilutive potential ordinary shares into ordinary shares at the start of the year, or, if later, the date of issue.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2020	2019
	£000	£000
Net profit attributable to equity holders of the Company	**5,222**	3,978
Initial weighted average of ordinary shares	**42,210,526**	42,210,526
Basic earnings per share	**12.37p**	9.43p

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of shares used in the calculation of basic earnings per share as follows:-

	2020	2019
	£000	£000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**42,210,526**	42,210,526
Dilutive effect of share options	**481,052**	142,322
Dilutive weighted average number of ordinary shares	**42,691,578**	42,352,848
Diluted earnings per share	**12.23p**	9.39p

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

14. Intangible Assets

Group

Year Ended 31 May 2020	Goodwill	Website and software Costs	Total
	£000	£000	£000
Cost			
At 1 June 2018	5,812	110	**5,922**
Additions	-	89	**89**
At 31 May 2019	5,812	199	**6,011**
Additions	-	35	**35**
At 31 May 2020	5,812	234	**6,046**
Amortisation			
At 1 June 2018	1,885	45	**1,930**
Charge for the year	-	16	**16**
At 31 May 2019	1,885	61	**1,946**
Charge for the year	-	54	**54**
At 31 May 2020	1,885	115	**2,000**
Carrying amount			
At 31 May 2020	3,927	119	**4,046**
At 31 May 2019	3,927	138	**4,065**

£2,827,000 of goodwill relates to the cash generating unit that arose from the business combination that took place when the Group acquired KBS Corporate Sales Limited in the year ended 31 May 2008 and £1,100,000 relates to the business combination when the company acquired the trade and assets of Triskell LLP in the year ended 31 May 2017 .

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Company

	Goodwill £000
Cost	
At 31 May 2019 and May 2020	**1,100**
Carrying amount	
At 31 May 2020	**1,100**
At 31 May 2019	**1,100**

As explained in the accounting policies, the Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the goodwill are determined by value-in-use calculations. The key assumptions for the value-in-use calculation are those regarding discount rates and growth rates as well as expected changes to costs and the forecast level of demand from clients wishing to engage in the Group's services.

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

	31 May 2020	31 May 2019
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond approved forecast period	**1%**	2%
Pre-tax discount rate	**15%**	15%

Management has estimated the discount rate taking account of the way the market would assess specific risks inherent within the Group's estimated future cash-flows. The growth rates used in the value in use calculation reflect the long term economic growth rates in the UK, which have been reduced in the current financial year to 1% to reflect increased economic uncertainty. Further to this, a series of sensitivities were applied to base case budgets, including significant reductions to all income streams, with no compensating cost saving measures activated, to establish appropriate levels of headroom in the carrying amount. Following these stress tests and other reasonable investigations, no impairment was identified and none of the reasonable changes in key assumptions would be expected to result in any impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

15. Tangible Assets

Group

	Long Lease-hold property £000	Fixtures and fittings £000	Equipment £000	Total £000
Cost				
At 1 June 2018	34	98	101	**233**
Additions	-	39	33	**72**
At 31 May 2019	34	137	134	**305**
Additions	-	-	26	**26**
At 31 May 2020	34	137	160	**331**
Depreciation				
At 1 June 2018	11	53	67	**131**
Charge for the year	11	43	32	**86**
At 31 May 2019	22	96	99	**217**
Charge for the year	9	25	24	**58**
At 31 May 2020	31	121	123	**275**
Carrying amount				
At 31 May 2020	3	16	37	**56**
At 31 May 2019	12	41	35	**88**

The Company has no tangible assets

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

16. Right-of-use assets

	Buildings £000	Motor vehicles £000	Total £000
Cost			
At 1 June 2019	829	235	**1,064**
Additions	-	26	**26**
At 31 May 2020	829	261	**1,090**
Depreciation			
At 1 June 2019	-	-	**-**
Charge for the year	101	118	**219**
At 31 May 2020	101	118	**219**
Carrying amount			
At 31 May 2020	728	143	**871**

The Group leases several assets including buildings and motor vehicles. The average term is 2.4 years.

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

Approximately one tenth of the leases for property, plant and equipment expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of £26,000 in 2020. The maturity analysis of lease liabilities is presented in note 24.

Amounts recognised in profit and loss	31 May 2020 £000
Depreciation expense on right-of-use assets	219
Interest expense on lease liabilities	29

The total cash outflow for leases amount to £220,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

17. Investments

The Group has no investments.

Company

	Shares in Group undertakings £000
Cost	
At 31 May 2019 and 2020	**5,667**
Impairment	
At 1 Jun 2018, 31 May 2019 and 31 May 2020	**-**
Carrying amount	
At 31 May 2019	**5,667**
At 31 May 2020	**5,667**

Subsidiaries, associates and other investments

Details of the investments in which the parent Company has an interest in are as follows:

Year Ended 31 May 2020	Class of Share	Percentage of shares held
Subsidiary undertakings		
KBS Corporate Sales Limited	Ordinary shares	100
KBS Corporate Finance Limited	Ordinary shares	100
Knightsbridge Business Sales Limited	Ordinary shares	100
KBS Capital Markets Limited	Ordinary shares	100

The Registered Office address of the subsidiaries is:
KBS House
5 Springfield Court
Summerfield Road
Bolton
England
BL3 2NT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

18. Trade and Other Receivables

Year Ended 31 May 2020	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade receivables	**5**	43	-	-
Allowance for doubtful debts	**-**	-	**-**	-
	5	43	**-**	-
Other receivables	**-**	-	**18**	8
	5	43	**18**	8

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

19. Other Financial Assets

Year Ended 31 May 2020	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Amounts owed by Group undertakings	**-**	-	**2,833**	-
	-	-	**2,833**	-

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

20. Other Assets

Year Ended 31 May 2020	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Prepayments	**266**	380	**29**	24

21. Trade and Other Payables

Year Ended 31 May 2020	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade payables	**191**	112	**7**	3
Amounts due to Group undertakings	**-**	-	**575**	3,095
Accruals	**311**	293	**45**	53
Other taxation and social security	**556**	690	**1**	26
Other payables	**22**	35		4
	1,080	1,130	**628**	3,181

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

The amounts due to Group undertakings/related parties are stated at the undiscounted amount as they are repayable on demand. No interest is paid/payable and the loans are not secured.

22. Current Tax Liabilities

Year Ended 31 May 2020	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Corporation tax payable	**924**	288	**-**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

23. Contract Liabilities

Year Ended 31 May 2020	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Arising from client contracts	**1,369**	1,645	**-**	-

The contract liabilities arise from the non-contingent contracts provided to certain customers in respect of providing business marketing and research to these clients. Revenue is recognised and deferred in accordance with services provided within contract terms.

24. Lease Liabilities

Year Ended 31 May 2020	Group	Company
	2020	2020
	£000	£000
Analysed as:		
Non-current	**671**	**-**
Current	**200**	**-**
	871	**-**

Year Ended 31 May 2020	Group	Company
Maturity Analysis		
	2020	2020
	£000	£000
Year 1	**200**	**-**
Year 2	**150**	**-**
Year 3	**107**	**-**
Year 4	**104**	**-**
Year 5	**104**	**-**
Onwards	**206**	**-**
	871	**-**

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

All lease obligations are denominated in Sterling.

Opening lease liability was £1,064k. In the year, £27k of interest was incurred and £220k of payments made, leaving the closing balance of £871k

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

25. Deferred Tax Liability

Year Ended 31 May 2020	Group	Company
	£000	£000
Liability at 1 June 2018	**(23)**	-
Charge for the year	**(12)**	-
Liability at 31 May 2019	**(35)**	-
Credit for the year	**10**	-
Liability at 31 May 2020	**(25)**	-

26. Share Capital

Allotted, called up and fully paid

Year Ended 31 May 2020	2020		2019	
Group	No.	£000	No.	£000
Amounts presented in equity:				
Ordinary shares	**42,210,526**	**422**	42,210,526	422
	42,210,526	**422**	42,210,526	422

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

27. Financial Instruments

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and lease liabilities. The Group's accounting policies and method adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in note 3 to the financial statements. The Group does not use financial instruments for speculative purposes.

The fair values and the carrying values of financial assets and liabilities are the same. The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Year Ended 31 May 2020	Group	
	2020	2019
	£000	£000
Financial assets measured at amortised cost		
Trade receivables	**5**	43
Cash and cash equivalents	**8,271**	5,753
Total financial assets	**8,276**	5,796
Financial liabilities measured at amortised cost		
Trade and other payables	**524**	440
Lease liabilities	**871**	-
Total financial liabilities	**1,395**	440
Total financial instruments	**6,881**	5,356

Year Ended 31 May 2020	Company	
	2020	2019
	£000	£000
Financial assets measured at amortised cost		
Trade receivables	**18**	32
Amounts owed from Group undertakings	**2,834**	-
Cash and cash equivalents	**99**	126
Total financial assets	**2,951**	158
Financial liabilities measured at amortised cost		
Trade and other payables	**53**	86
Amounts owed by Group undertakings	**575**	3,095
Total financial liabilities	**628**	3,181
Total financial instruments	**2,323**	(3,023)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while attempting to maximise the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of issued capital and retained earnings.

Credit risk

Credit risk is the risk that a counter-party will cause a financial loss to the Group by failing to discharge its obligations to the Group. The Group manages its exposure to this risk by applying limits to the amount of credit exposure to any one counterparty and employs strict minimum credit worthiness criteria as to the choice of counterparty. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount. The Group considers credit risk to be low due as trade receivables are insignificant and amounts are settled from business sales proceeds brokered by the Group via the legal process of completion agreements.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of the trade and other receivables as appropriate. The allowance comprises a provision against individually significant exposures.

Ageing analysis

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

Year Ended 31 May 2020	Group	
	2020	2019
	£000	£000
Current	**5**	28
Up to 30 days	**-**	10
30 to 60 days	**-**	1
60 days and older	**-**	4
	5	43
Bad debt provision	**-**	-
	5	43

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

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

Year Ended 31 May 2020	Group	
	2020	2019
	£000	£000
Net trade receivables	**5**	43
Cash and cash equivalents	**8,271**	5,753
	8,276	5,796

For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Fair values

The Directors have assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The principal interest rate risks of the Group arise in respect of borrowings. As the interest expense on variable rate financial instruments is immaterial, the Group does not actively manage the exposure to this risk.

Interest rate risk

The Group's policy is to fund its operations through the use of retained earnings and equity. The Group's exposure to changes in interest rates relates primarily to cash at bank. Cash is held either on current or short-term deposits at a floating rate of interest determined by the relevant bank's prevailing base rate.

Interest rate sensitivity

There would be no material impact resulting from a reasonably possible change in interest rates.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- commodity price risk
- interest rate risk; and
- foreign currency risk.

Financial instruments affected by market risk include deposits, trade receivables, trade payables and accrued liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Foreign currency exchange risks

The Group has no foreign currency risk currently as its operations and transactions are all denominated in Sterling.

Liquidity risks

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The maturity profile of the Group's trade and other payables, and other financial liabilities are, at each period end, due within one year.

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

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

	Group 2020 £000
Less than 1 month	**19**
1 – 3 months	**38**
3 months to 1 year	**166**
1 – 2 years	**171**
2 – 5 years	**376**
5+ years	**177**
Total	**947**
Carrying amount	**871**
Weighted average effective interest rate %	**3.00%**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

28. Share-based payments

Employee share option plan of the Company

Details of the employee share option plan of the Company

The Company has a share option scheme for executives and senior employees of the Company and its subsidiaries. In accordance with the terms of the plan executives and senior employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with the performance-based formula approved by the remuneration committee. The formula rewards executives and senior employees to the extent of the Group's and the individual's achievement judged against both qualitative and quantitative criteria from the following financial measures:

- improvement in adjusted earnings per share
- improvement in return to shareholders

The following share-based payment arrangements were in existence during the current and prior years:

	Option series	Number	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
(1)	Granted on 11 April 2017	1,193,611	11/04/17	11/04/27	0.95	0.11
(2)	Granted on 17 January 2018	552,022	17/01/18	17/01/28	1.81	0.28

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

The share – based payment expense recognised in respect of employee services received during the year ended 31 May 2020 was £43,000 (2019: £43,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Movements in share options in the year

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

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		£		£
Balance at beginning of year	**1,627,123**	**1.24**	1,735,633	1.22
Forfeited during the year	**(10,000)**	**1.81**	(108,510)	0.95
	1,617,123	**1.23**	1,627,123	1.24

All outstanding options are currently vesting, such that no options were exercisable at 31 May 2020.

Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of £1.23 (2019: £1.24) and a weighted average remaining contractual life of 2,598 days (2019: 2,966)

29. Related Party Transactions

Group

Key management personnel compensation has been disclosed in note 10. In addition to the related party information disclosed elsewhere in the financial information, the following were significant related party transactions during the correct and prior year and at terms and rates agreed between the parties:

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

	2020	2019
	£000	£000
Rent	**146**	99

Company

K3 Capital Group Plc is the parent entity of the Group. The Group has taken advantage of the exemption available under IAS 24 not to disclose transactions with wholly owned subsidiary undertakings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

30. Dividends

Year Ended 31 May 2020	2020 £000	2019 £000
Dividends paid on equity shares		
Ordinary shares	**3,250**	5,065
Total	**3,250**	5,065
Dividend per share (unadjusted)	**2020**	2019
Ordinary shares	**7.70p**	12.00p
Dividend per share (adjusted)	**2020**	2019
Ordinary shares	**7.70p**	12.00p

31. Commitments

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group 2019 £000	Company 2019 £000
Not later than 1 year	**238**	-
Later than 1 year and not later than 5 years	**284**	-
	522	-

32. Events after the reporting date

Share issue and placing

On 29 June 2020 the Group announced a fundraise through the issue and placing of new shares with both institutional and retail investors. In total 21,845,862 new ordinary shares were issued at a price of 150p per share and were admitted to the market in two tranches. The first admission of shares was for 6,198,521 shares on 1 July and the second admission was for the remaining 15,647,341 on 20 July 2020. The purpose of the fundraise was to enable the completion of two strategic acquisitions by the Group further details of which are provided below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Acquisition of randd UK Limited

On 29 June 2020, the Group conditionally agreed to acquire randd UK Limited (company number 06648783) (“randd”), a UK based private company specialising in securing R&D tax credits for clients, for an initial consideration of £9.27 million, in addition to a maximum earn out of £7.5 million. The completion had an effective date of 1st June 2020.

The initial consideration of £9.27 million plus surplus cash was satisfied by the issue of 6,178,521 new ordinary shares in the Company of which 4,633,891 were sold at 150p per share by way of a vendor placing The Initial Consideration Shares not sold in the Vendor Placing are subject to a 2 year lock-in, followed by a 12 month orderly market agreement.

The earn out is forecast to be £2.32 million payable over 3 years with mechanisms to increase or decrease subject to certain performance criteria. The earn out is capped at £7.5 million and is payable in cash and shares as follows:

- FY21: 60% cash, 40% shares
- FY22: 70% cash, 30% shares
- FY23: 80% cash, 20% shares

Earn out shares are subject to a 2 year lock-in for FY21 and a 1 year lock-in for FY22.

As part of the strategic planning around this acquisition, a total of 666,664 Share Options were issued to key management under the existing LTIP scheme with performance criteria set over the next three financial years

The completion had an effective date of 1st June 2020, with the profits from 1st June 2020 reflected within the Group, following an interest charge of £0.2m paid to the sellers on completion.

At the date of authorisation of these financial statements a detailed assessment of the fair value of the identifiable net assets and consideration paid has not been completed. The Group is still assessing the debtor book and is not yet in a position to accurately assess the final level of uncollectable contractual cash flows, if any.

It is expected that some goodwill will be recognised. This goodwill represents items, such as the assembled workforce, which do not qualify for recognition as separable assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Acquisition of Quantuma Advisory Limited

On 31 July 2020, the Group acquired the entire issued and to be issued share capital of Quantuma Advisory Limited (company number 12743937), a holding company containing the assets of Quantuma LLP (company number OC379411) ("Quantuma"), a UK-focused business providing advisory services including restructuring and insolvency, corporate finance and forensics, for a cash free, debt free initial consideration of £26.95 million to be satisfied through a combination of cash and ordinary shares of 1 penny each in the Company ("Ordinary Shares"), in addition to maximum combined earn outs of £15 million and an additional 645,513 Growth Shares.

The initial consideration of £26.95 million was satisfied through £20.22 million in cash from the Group's existing cash reserves and the issue of 4,492,667 Ordinary Shares (being £6.74 million at an issue price of £1.50) satisfied through the Company's existing authorities ("Consideration Shares"). The Consideration Shares were admitted to trading on AIM on 6 August 2020.

The Consideration Shares are subject to a 2 year lock-in, followed by a 12 month orderly market agreement. The lock-in agreements are each capable of being modified, waived or cancelled in the event each of the parties to the respective lock-in agreement are in agreement it is in the best interests of maintaining an orderly market.

The earn out is split into three tranches, with the first tranche forecast to be £6.74 million payable over 3 years with mechanisms to increase or decrease subject to certain performance criteria. The first tranche is payable as to 60% cash and 40% shares across the next 3 financial years ending 31 May 2023 (the "First Earn Out").

The First Earn Out shares are subject to a 2 year lock-in. The lock-in agreements are each capable of being modified, waived or cancelled in the event each of the parties to the respective lock-in agreement are in agreement it is in the best interests of maintaining an orderly market, subject to the approval of the Company's broker at that time and also certain other limited circumstances (including but not limited to a transfer to executors on death, in acceptance of an offer for the entire issued share capital of the Company, and pursuant to a court order).

The second tranche of the earn-out is payable wholly in cash in each of the next three financial years, subject to certain threshold levels of normalised EBITDA having been achieved by Quantuma (the "Second Earn Out").

The date for payment and/or issue of Ordinary Shares, as applicable, in respect of the First Earn Out and Second Earn Out is set at 31 August in each relevant financial year. The First Earn Out and Second Earn Out are capped at £15 million in aggregate.

The third tranche of the earn out comprises 645,513 shares issued in K3 Capital Holdings Limited, a wholly owned subsidiary of the Company (the "Third Earn Out"). The Third Earn Out shares have the same terms as those governing the Growth Shares, set out in the section below, but are separately classified as they are being issued as part of the consideration payable for the Acquisition. The acquisition of the Third Earn Out shares has been financed by the sellers having reinvested part of their sale proceeds.

At the date of authorisation of these financial statements the completion accounts and a detailed assessment of the fair value of the identifiable net assets and consideration paid have not been completed. The Group is still assessing the debtor book and is not yet in a position to accurately assess the final level of uncollectable contractual cash flows, if any.
It is expected that some goodwill will be recognised. This goodwill represents items, such as the assembled workforce, which do not qualify

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

for recognition as separable assets.

Group restructure
Immediately following the acquisition of Quantuma the Group was reorganised in a share for share exchange such that the following entities were simultaneously transferred by K3 Capital Group Plc ("K3C") to a new wholly and directly owned subsidiary of K3C, K3 Capital Group Holdings Limited, in consideration for the issuance of new ordinary shares by K3 Capital Group Holdings Limited to K3C:

a) Knightsbridge Business Sales Limited;
b) KBS Corporate Sales Limited;
c) KBS Corporate Finance Limited;
d) RANDD UK Limited; and
e) Quantuma Advisory Limited.

This will leave the Group with only two direct subsidiaries, K3 Capital Group Holdings Limited and KBS Capital Markets Limited.

Adoption of New Share Incentive Plan and Grant of Share Incentives
The Company's Remuneration Committee has, in consultation with external advisers, adopted a new share incentive plan, in the form of a growth share plan (the "Plan") designed to incentivise delivery of the Company's growth objectives over the period to 31 May 2023.

The Remuneration Committee considers that the Plan will comprise an important aspect in aligning key management and employees of the newly acquired businesses with the Group's growth strategy and it considers the performance targets to be challenging. The Plan allows employees to share in the Company's success when the business strategy is executed successfully. The Company believes that whilst these awards are one-off in nature, they will give its new employees the opportunity to build up a meaningful shareholding in the Company which further aligns their interest with shareholders and will help maintain the culture within K3 which encourages strong and sustained corporate performance that drives absolute returns to shareholders over the longer-term.

Certain senior managers of Quantuma (the "Participants") have subscribed for in aggregate 2,075,908 growth shares (the "Growth Shares") under the Plan at a market value determined by the Company's independent advisers.

"Growth Share Awards" are awards granted in the form of an immediate beneficial interest to be held by participants in a discrete and bespoke class of ordinary shares, namely the Growth Shares in K3 Capital Holdings Limited. After a minimum period of three years (being not before the announcement of the Company's financial results for the financial year ending 31 May 2023), the Growth Shares may be exchanged for new Ordinary Shares or cash (at the Company's discretion), subject to the rules of the plan, continued employment, and meeting certain share price hurdles, which the Remuneration Committee considers to be challenging. If the share price for the 5 day period following the announcement of the Company's financial results for the financial year 2023 is below £3.00, all of the Growth Shares will be bought back by the Company for nominal value. If the share price following the announcement of the Company's financial results for the financial year 2023 is above £3.00, the Growth Shares will partially vest with vesting in full at £3.50, when each vested Growth Share may be exchanged for an ordinary share in the Company.
The Remuneration Committee has the discretion to reduce awards if it considers an individual's performance does not justify full vesting of the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

awards.

Long Term Incentive Plan 2017
As stated as an intention at the time of the acquisition of randd, the Company has granted awards comprising a total of 666,664 options over new Ordinary Shares in the Company to certain senior management at randd under the Group's existing Long Term Incentive Plan 2017. The Awards are exercisable at a price of 150 pence per new Ordinary Share.

These options will vest on the third anniversary of the grant date subject to the rules of the plan, continued employment and achievement of performance conditions:

- 50% of any award will vest dependent on the achievement of an adjusted EBITDA target; and
- 50% will vest dependent on achievement of a total shareholder return target, each subject to a specific target for each reporting year.

Vested options will be exercisable on the third anniversary of the grant date and will lapse on the tenth anniversary of the grant date.

Following the above grant, no further grants will be made under the Long Term Incentive Plan 2017 and the scheme has now been closed.

33. Audit exemption statement

Under section 479A of the Companies Act 2006 the Group's subsidiaries, listed below, are claiming exemption from audit. The parent undertaking, K3 Capital Group plc, registered number 06102618, guarantees all outstanding liabilities to which each subsidiary company is subject at the end of the financial year (being the year ended 31 May 2020 for each company listed below). The guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.

KBS Corporate Sales Limited	04141555
KBS Corporate Finance Limited	08924449
Knightsbridge Business Sales Limited	08924297
KBS Capital Markets Limited	11164985

34. Controlling party

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fourth Annual General Meeting of K3 Capital Group plc (Company) will be held at TLT LLP's Manchester office, 3 Hardman Square, Manchester M3 3EB on Friday 16 October at 11.00am. Given the constantly evolving situation relating to the current outbreak of COVID-19 in the UK, the Company is hopeful that it will be possible for the AGM to be held as normal in accordance with current Government social distancing guidance. However, should the UK Government change current guidance or implement further restrictions which impact the holding of the AGM, the Company will update shareholders accordingly.

You will be asked to consider and vote on the Resolutions below. Resolutions 1 to 10 will be proposed as Ordinary Resolutions and Resolutions 11 and 12 will be proposed as Special Resolutions.

ORDINARY BUSINESS

Resolution 1 – To receive the Company's annual accounts for the year ended 31 May 2020 together with the Directors' report and auditor's report on those accounts.

Resolution 2 – To declare a final dividend in the sum of 3.8 pence per Ordinary Share for the year ended 31 May 2020.

Resolution 3 – To re-elect Charlotte Stranner as a non-executive Director of the Company.

Resolution 4 – To re-elect Carl Jackson as a Director of the Company.

Resolution 5 – To re-elect Andrew Melbourne as a Director of the Company.

Resolution 6 – To re-elect Anthony Ford as a Director of the Company.

Resolution 7 – To receive the Report on Directors' Remuneration as set out in the Company's annual report and accounts for the year ended 31 May 2020.

Resolution 8 – To re-appoint BDO LLP as the Company's auditor to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting at which accounts are laid before the Company.

Resolution 9 – To authorise the Directors to determine the auditor's remuneration.

Resolution 10 – That:

10.1. in accordance with section 551 of the Companies Act 2006 (Act) the Directors be generally and unconditionally authorised to allot shares in the Company, and to grant rights to subscribe for or to convert any security into shares in the Company:

(a) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £456,993.70 (such amount to be reduced by the aggregate nominal amount of equity securities allotted pursuant to paragraph 10.1(b) of this resolution) in connection with a rights issue as follows:

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

(ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider it necessary; and

(b) otherwise than pursuant to paragraph 10.1(a) of this resolution, up to an aggregate nominal amount of £228,496.85,

and so that the Directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, shares represented by depositary receipts, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter;

10.2. this authority shall expire on the earlier of the date 15 months from the passing of this Resolution 10 or the conclusion of the next annual general meeting of the Company after the passing of this Resolution 10 (whichever is the earlier) save that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares or rights to subscribe for or to convert any security into shares in the Company to be allotted after the authority ends and the Board may allot shares or rights to subscribe for or to convert any security into shares in the Company under any such offer or agreement as if the authority had not expired; and

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

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

Resolution 11

11.1. That subject to the passing of Resolution 10 above and pursuant to section 570 of the Act, the Board be authorised and are generally empowered to allot equity securities (as defined in section 560(1) of the Act) for cash under the authority given by that Resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, provided that such authority shall be limited to:

(a) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but, in the case of the authority granted under Resolution 10.1(b)(ii), by way of a rights issue only):

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

(ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) the allotment of equity securities or sale of treasury shares pursuant to the authority granted by Resolution 10.1(a) (otherwise than pursuant to Clause 11.1(a) of this Resolution) up to an aggregate nominal amount of £68,549.06.

The authority granted by this Resolution 11 shall expire on the earlier of the date 15 months from the passing of this Resolution 11 or the conclusion of the next annual general meeting of the Company after the passing of this Resolution 11 (whichever is the earlier) save that such authority shall extend to the making before such expiry of an offer or arrangement that would, or might, require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of that offer or arrangement as if the authority conferred hereby had not expired.

The authority granted by this Resolution 11 revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities or sell treasury shares under section 570 of the Act as if section 561 of the Act did not apply but without prejudice to any allotment of equity securities or sale of treasury shares already made or agreed to be made pursuant to such authorities.

Resolution 12

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

(a) the maximum aggregate number of ordinary shares authorised to be purchased is 3,427,453 (representing 5 per cent of the Company's issued share capital as at the opening of business on 21 September 2020):

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

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

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

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

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

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

By Order of the Board

ANDREW MELBOURNE FCMA
Company Secretary
21 September 2020

Registered Office: K3 Capital Group plc,
KBS House,
5 Springfield Court,
Summerfield Road,
Bolton BL3 2NT
(Registered in England, Number: 06102618)

NOTICE OF ANNUAL GENERAL MEETING

NOTES

1. Appointment of proxies

A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and (on a poll) vote instead of him. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a member of the Company. A proxy form may be used to make such an appointment. Please find a proxy form enclosed with this notice. The notes on the proxy form give instructions on the appointment of a proxy.

2. CREST proxy voting

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by our Registrars, Computershare Investor Services ID 3RA50 by 11.00am on 14 October 2020 (excluding non-working days). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instruction to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

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3. Return date for proxies

To be effective a proxy form must be deposited with the Registrar to the Company not less than 48 hours before the time fixed for the meeting i.e. by 11.00am on 14 October 2020.

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

4. Documents available for inspection

Copies of service contracts of the Directors of the Company may be inspected at the registered office of the Company at all times during normal business hours and at the place of the Annual General Meeting for a period of 15 minutes immediately prior to the Annual General Meeting until its conclusion.

5. Record date for voting

Only members whose names appear on the register of members of the Company at the close of business on 14 October 2020 at 5.30pm or, if the AGM is adjourned, at close of business on the day two days prior to the adjourned meeting (excluding any part of the day that is not a working day) shall be entitled to attend the Annual General Meeting either in person or by proxy and the number of ordinary shares and/or preference shares then registered in their respective names shall determine the number of votes such persons are entitled to cast at the Annual General Meeting. Changes to the register after the close of business on the relevant data shall be disregarded in determining the rights of any person to attend or vote at the meeting or any adjourned meeting.

6 . Voting by corporate representatives

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

7. Information Rights

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated

NOTICE OF ANNUAL GENERAL MEETING

Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

8. Shareholders rights & proxies

The statement of the rights of shareholders in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

9. Shareholder's right to ask questions

A member attending the meeting has the right, as if section 319A of the Companies Act applied to the Company, to ask questions in relation to the business of the meeting. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

10. Copy of Notice available on website

A copy of this Annual General Meeting Notice, and other information required by section 311A of the Companies Act 2006, can be found at https://www.k3capitalgroupplc.com/investor-relations/regulatory-news/

11. Shareholders' power to require website publication of audit concerns

Shareholders should note that the Company will treat section 527 of the Companies Act 2006 as applying to it, and consequently that it is possible that, pursuant to requests made by shareholders, the Company may be required to publish on a website a statement setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting. The Company may not require the shareholders requesting such website publication to pay its expenses. Where the Company is required to place a statement on a website, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required to publish on a website as if section 527 of the Companies Act 2006 applied to the Company.

12. Electronic address restrictions

Any electronic address provided either in this Notice or any related documents (including the Chairman's letter and proxy form) may not be used to communicate with the Company for any purposes other than those expressly stated.

13. Total voting rights

As at 21 September 2020 (being the last practicable date prior to the printing of this Notice) the Company's issued share capital consisted of 68,549,055 ordinary shares, carrying one vote each. No shares were held in treasury by the Company. Therefore the total voting rights available in the Company as at 21 September 2020 are 68,549,055.

14. Explanatory notes

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

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES TO THE NOTICE OF MEETING

Notice of the fourth annual general meeting of K3 Capital Group plc (Company) to be held at TLT LLP's Manchester office, 3 Hardman Square, Manchester M3 3EB on Friday 16 October 2020 at 11.00am is set out at pages 103 to 104. The Directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole; accordingly the Company's Board of Directors will be voting in favour of them and unanimously recommends that all shareholders do so as well.

Resolutions 1 to 10 are ordinary resolutions; this means that for each of those resolutions to be passed, more than half of the votes cast must be cast in favour.

Resolution 1 – annual accounts and report
The Directors have to lay copies of the Company's annual accounts, the strategic report, Directors' report and the auditor's report on those accounts and reports before you at a general meeting; this is a legal requirement.

Resolution 2 – final dividend
The Directors are recommending a final dividend of 3.8 pence per share for the year ended 31 May 2020. Subject to approval being given, the final dividend is expected to be paid on 27 October 2020 to shareholders on the register at the close of business on 08 September 2020 (ex div date).

Resolutions 3, 4, 5 and 6 – appointment or reappointment of Directors
Each of Charlotte Stranner and Carl Jackson will be retiring automatically from the office of Director at the meeting; this is because in the case of each of those Directors, they are required to submit themselves for retirement in accordance with the articles by virtue of the fact they had both been appointed as a Director since the last annual general meeting. Both being eligible, they are seeking re-appointment by the Company's shareholders.

Each of Andrew Melbourne and Anthony Ford will be retiring automatically from the office of Director at the meeting; this is because in the case of each of those Directors, they are required to submit themselves for retirement in accordance with the articles by virtue of the fact neither had been elected or re-elected at either of the two preceding annual general meetings. Both being eligible, they are seeking re-appointment by the Company's shareholders.

Brief biographical details of all individuals who are seeking re-appointment and their brief biographical details are set out on the Company's website at www.k3capitalgroupplc.com/about/board-of-directors and on pages 28 to 29 of the 2020 Annual Report and Accounts.

Resolution 7 – report on Directors' Remuneration
The shareholders will be asked to cast an advisory vote on the Report on Directors' Remuneration as set out in the Company's annual report and accounts for the year ended 31 May 2020. Since Resolution 7 is an advisory resolution only, it does not affect the remuneration paid to any Director.

Resolution 8 – re-appointment of auditors
An auditor is required to be appointed for each financial year of the Company. BDO LLP, the Company's current auditor, has agreed to serve for the current financial year and its re-appointment is therefore being proposed.

Resolution 9 – auditor's remuneration
In accordance with normal practice, the Directors are asking for your authority to determine the auditor's remuneration.

Resolution 10 - renewal of authority to allot shares
This resolution effectively seeks renewal of the Directors' existing authority to allot shares and grant rights.

The Directors of a company may only allot shares if they have been authorised to do so by shareholders in a general meeting. Resolution 10 renews a similar authority given at last year's annual general meeting and seeks authorisation from shareholders to allot shares as follows:

(a) the first part of Resolution 10 authorises the Directors to allot Ordinary Shares up to an aggregate nominal amount of £ 456,993.70 (representing two thirds of the issued share capital of the Company as at 21 September 2020, being the latest practicable date prior to publication of this document) in connection with a rights issue. The amount of this authority will reduce by the nominal value of the Ordinary Shares allotted pursuant to the authority granted by the second part of Resolution 10; and

(b) the second part of Resolution 10 authorises the Directors to allot Ordinary Shares up to an aggregate nominal amount of £228,496.85 (which represents approximately one third of the issued share capital of the Company as at 21 September 2020, being the latest practicable date prior to publication of this document). Therefore the maximum nominal amount of shares and rights that may be allotted or granted under this resolution is £ 685,490.55.

These limits are in line with the guidelines issued by The Investment Association. The authorities sought under paragraphs (a) and (b) of this resolution will expire at the end of next year's annual general meeting or on the date 15 months from the date of passing of the resolution, if earlier. The Directors have no present intention of exercising either of the authorities sought under this resolution other than in respect of any one or more of the Company's share schemes and to satisfy consideration obligations in respect of corporate acquisitions and other similar commitments. However, it is considered prudent to maintain the flexibility that this authority provides.

NOTICE OF ANNUAL GENERAL MEETING

As at the date of the notice, no shares are held by the Company in treasury. Resolutions 11 and 12 are special resolutions; this means that for each of these resolutions to be passed, at least three-quarters of the votes cast must be cast in favour.

Resolution 11 - dis-application of pre-emption rights
This resolution effectively seeks renewal of the Directors' existing power to allot shares [(or sell any shares which the Company elects to hold in treasury)] for cash without first offering them to existing shareholders in proportion to their existing shareholdings. This authority would be limited to allotments or sales of up to an aggregate nominal amount of £68,549.06, representing approximately 10% of the Company's issued share capital as at 21 September 2020. Whilst such authority is in excess of the 5% of existing issued ordinary share capital which is commonly accepted and recommended for larger listed companies, it will provide additional flexibility which the Directors believe is in the best interests of the Company in its present circumstances. A lower amount would, in the opinion of the Directors, be too restrictive for the Company's potential needs and render any such issue of limited value on the grounds of the relatively small net proceeds realised and the costs associated with it. The power sought under this resolution will expire at the end of next year's annual general meeting (or, if earlier, the date 15 months from the passing of the resolution).

Resolution 12 – purchase of own shares
This resolution is to approve the authority of the Company to purchase its own ordinary shares in the market. The authority limits the number of ordinary shares that could be purchased to a maximum of 3,427,453 ordinary shares (equivalent to 5% of the Company's issued ordinary shares capital as at the opening of business on 21September 2020; being the last practicable date prior to the publication of this document) and sets a minimum and maximum price.

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

The Directors are seeking such authority, as compared to previous years where no such authority was sought, due to the fact that the Company would now be able to exercise the proposed authority in full without triggering the requirement for a waiver of the obligation to make a general offer under Rule 9 of the Code which might arise if the Company purchased its own voting shares using the share buy back authority granted pursuant to this Resolution 11.

As previously announced, Tony Ford, John Rigby, Andrew Melbourne, Simon Daniels, Matthew Clancy and Stuart Lees, together with their respective families and other connected persons are deemed to be acting in concert and regarded by the Takeover Panel to be members of the concert party detailed in the Company's admission document dated 6 April 2017 (the Concert Party). Currently, the aggregate holdings of the members of the Concert Party sit below 30% at 27.50% and, if the buy back authority were to be exercised in full, would proportionately increase only to a possible maximum of 29.00% of the total voting rights in the Company. Accordingly, as the aggregate holdings of the Concert Party would not increase to between 30% and 50%, this would not give rise to an obligation on the Concert Party to make a general offer to all shareholders under Rule 9 of the Code and, as such, no waiver of that obligation would be required.

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

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

ATTENDING THE MEETING, WHAT TO BRING

Please bring your attendance card with you. It will confirm your right to attend, speak and vote and will speed up your admission to the meeting. Please be advised that if you own shares through a nominee account, you will be required to provide the Company with a letter from the nominee confirming your shareholding. If you are unable to obtain this letter we cannot guarantee that you will be able to vote at the AGM.

Please note that subject to any updates from the UK Government in relation to the rules on social distancing, you will be asked to wear a face covering whilst attending the meeting (unless an appropriate exemption applies).

ACCESSIBILITY

The office of TLT LLP is easily accessible by wheelchair users and has lift access inside.

NOTICE OF ANNUAL GENERAL MEETING

SHAREHOLDER ENQUIRIES

The address and contact details for the Company's registrar, Computershare Investor Services plc are The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ. Tel: 0370 707 1431 (Lines are open 8.30am to 5.30pm Monday to Friday, excluding public holidays in England and Wales).

HOW TO GET THERE

BY CAR

Postcode for Sat Nav: M3 3EB

The best car park is Manchester Spinningfields
Post Code: M3 3BE

From the car park, walk up Gartside Street and Bagel Nash will be to the left.

3 Hardman Square is the building facing Bagel Nash.

BY TRAIN

The office is located approximately 15 minutes' walk from Manchester Piccadilly Railway Station. A taxi is recommended.

BY BUS

There are numerous buses which stop in or around Manchester Spinningfields. Please visit www.tfgm.com for further details.

BY TRAM

There are numerous tram services which stop in central Manchester, with a walk to the office from the stop. Please visit www.metrolink.co.uk for further details.

GLOSSARY OF TERMS

Term	Definition
Sales	
Appointments	A face to face meeting between a regional Director and a potential Client Mandate.
Quotes	The Retainer Fee quoted following an Appointment to the potential client.
Retainer Fee	The fee paid by the client upon engaging K3 to sell their business.
Client Mandate	A new client signing terms and conditions to engage K3 services.
Regional Director	K3 Employee, not office based and who visit potential clients who may wish to engage our services.
Client Trading Profits	The profits from a client's business, not fee income to K3.
Operations	
NDA	Non Disclosure Agreement. A signed agreement that determines an expression of interest in a sales mandate.
Meetings	A meeting between a K3 client (the seller) and a potential buyer exploring the possibility of an acquisition.
Offers	A written offer from a potential buyer to a K3 client.
WIP / Transactions in Legal Exclusivity	Clients and potential Transaction Fee values attributed to Offers agreed in principal and progressing with lawyers.
Transaction Fee / Contingent Fee	Income derived from the successful sale of shares or assets of a K3 client.
Significant Transaction Fee	A Transaction Fee in excess of £0.5m
Deal	The successful sale of shares or assets of a K3 client.
General	
LTIP	Long Term Incentive Plan. An employee benefit scheme linked to a 3 year performance period of K3.
Net Cash	Group cash balances less debt.
Contract Liabilities / Deferred Income	Retainer Fee income recognised over a period of time in line with IFRS15.

K3 capital
group plc

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BOLTON
BL3 2NT

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