



# **K3 Business Technology Group PLC Annual Report and Financial Statements for the year ended 30 November 2024**

Registered number: 02641001



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# Highlights

## Key Points

Revenue from  
continuing operations

**£23.2m**

2023: re-presented<sup>2</sup>  
£31.3m

2024	£23.2m
2023	£31.3m

Recurring revenue ("ARR")<sup>1</sup>

**£16.7m**

2023: re-presented  
£16.8m

2024	£16.7m
2023	£16.8m

Adjusted operating loss<sup>1</sup>

**£(1.1)m**

2023: re-presented  
£(1.4)m

2024	£(1.1)m
2023	£(1.4)m

Revenue from continuing operations

**£23.2m**

£31.3m

Gross profit

**£14.8m**

£18.6m

– gross margin

**64%**

59%

Adjusted operating loss<sup>1</sup>

**£(1.1)m**

£(1.4)m

Loss before tax from continuing operations

**£(2.8)m**

£(2.3)m

Net cash<sup>3</sup>

**£3.6m**

£8.3m

Reported loss per share from continuing operations

**(5.4)p**

(5.3)p

Adjusted loss per share for continuing operations

**(3.4)p**

(4.7)p

## Financial

- Results in line with management expectations.
- Improved cash generation and continued cost discipline supported increased net cash balances at financial year-end of £8.9m (30 November 2023: £8.3m), which includes the businesses held for sale. Excluding the businesses held for sale, net cash at year-end was £3.6m.
- Total revenue from continuing operations of £23.2m (2023: re-presented £31.3m) mainly reflected decrease in revenue from Global Accounts, which was expected. Annual recurring revenue ("ARR") was consistent year-on-year at £16.7m, and total software ARR run rate as at year-end increased by 3% to £11.8m (2023: re-presented £11.5m).
- Adjusted operating loss reduced to £(1.1)m (2023: re-presented £(1.4)m).
- Sale of NexSys Solutions Limited ("NexSys") agreed close of financial year-end with disposal completed post year-end in January 2025 for £36.0m (gross cash):
  - Acquired by SYSPRO, the global ERP software provider controlled by funds managed and/or advised by Advent International LP ("Advent"), the international software investor.
  - NexSys results are excluded from the Group's continuing operations.

<sup>1</sup> Refer to glossary of terms on page 106 for these and other definitions throughout the document.

<sup>2</sup> The 2023 results have been re-presented to show NexSys Solutions Limited and K3 Systems Support Limited as discontinued operations in line with IFRS 5. See Note 28 for further details. All future references to re-presented in this document refer to these discontinued operations.

<sup>3</sup> The 2024 cash excludes cash held by NexSys Solutions Limited and K3 Systems Support Limited as discontinued operations. The prior year statement of financial position has not been re-presented in line with IFRS 5. See Note 28 for further details.

## Operational

- K3 Products division (continuing operations):
  - Revenue of £12.3m (2023: re-presented £12.7m); 96% of revenue was recurring.
  - Gross profit of £9.9m (2023: £10.0m).
  - Gross profit margin of 80% (2023: 79%).
  - ARR run rate as at year-end for the Fashion portfolio up 3% to £6.0m (2023: £5.8m) and net retention rate of 100%.
- Third-party Solutions division (continuing operations):
  - Revenue of £10.9m (2023: re-presented £18.6m) and gross profit of £4.8m (2023: re-presented £8.6m).
  - Gross profit margin of 45% (2023: re-presented 46%).
  - The anticipated decrease in activity at Global Accounts was managed effectively with appropriate adjustments to the cost base.

## Current Trading and Prospects

- The Board remains focused on cash management and cost discipline and expects the continuing operations to be month-on-month cash break even from end of February 2025.
- In the first quarter of the new financial year, the Group's continuing operations traded in line with management expectations and 2024 gross profit levels.
  - legacy revenue decline is ongoing, but managed, and Global Accounts has a lower but now stable services run-rate, as expected.
- The Board anticipates returning a substantial proportion of the net proceeds of the NexSys sale via a Tender Offer to shareholders in due course.
  - a further update will be provided as soon as possible.

### Eric Dodd, Chief Executive Officer of K3 Business Technology Group plc, said:



*"It was a challenging year, especially at Global Accounts, where activity levels reduced significantly, as we previously reported. Nonetheless, results are in line with our expectations, helped by the actions we took over costs and resources to maintain firm financial discipline."*

*"We were pleased to agree the sale of NexSys at an attractive valuation at the close of the financial year. It enables us to return significant cash to shareholders, and our focus remains on shareholder value. The ongoing operations are performing to budget and should trade at cash breakeven from the end of February, as planned."*

*"We will make a further announcement on the return of cash to shareholders in due course."*



# K3 at a Glance



**K3 is a leading provider of business-critical software solutions focused on fashion and apparel brands and related large retail brands. The Group's solutions comprise a number of applications authored by K3 and also third-party products that have been enriched with K3 software.**

**These solutions provide customers with comprehensive, end-to-end capabilities that enable them to have greater control over their operations and real-time oversight of their businesses. The Group operates through two divisions, K3 Products and Third-party Solutions.**

The Group typically has long-standing relationships with its customers, which generate a high level of recurring income. This income arises from annual licenses and renewals of software licenses, maintenance and support contracts.

The Group's operations are based across the UK and Europe.

## K3 Products

The division provides software products and solutions that are powered by our own IP. They comprise strategic products focused on the fashion and apparel market (the Fashion portfolio), solutions for the visitor attraction market and other stand-alone point-of-sale ("POS") solutions and apps, which are mainly legacy products. Products are sold either directly by the K3 sales teams or indirectly via channel partners.

### K3 Fashion

K3 Fashion is the Group's 'Concept-to-Consumer' solution, which is built on Microsoft Dynamics 365 for Finance, Supply Chain and Commerce. It is designed to meet the specific needs of fashion and apparel enterprises and has been endorsed globally by Microsoft as its recommended embedded solution for the fashion sector.

K3 Fashion provides enterprises with the ability to gain insight and control over all their processes and inventory. This spans product planning and design, sourcing raw materials, managing suppliers and manufacturers, sales, including all channels-to-market, logistics, ordering and the tracking of financial transactions.

### K3 Pebblestone

K3 Pebblestone is also focused and tailored to the fashion industry and has similar functionalities to K3 Fashion. Built on Microsoft Dynamics Business Central, it is specifically aimed at smaller brands and retailers, and is available in both, as a cloud-based SaaS solution and as an 'on-premises' solution.

### K3 Retail Solutions

K3 Retail Solutions is a family of products focused on visitor attractions in the UK and integrated mid-market POS solutions across Northern Europe. The products provide high availability and good value.

## Third-party Solutions

The Third-party Solutions division comprised two activities during the financial year under review. Towards the end of the financial year, the sale of NexSys was agreed and subsequently completed in 2025.

### NexSys (sale agreed on 29 November 2024 and completed on 6 January 2025)

NexSys provides, integrates and supports business software solutions for manufacturers and distributors. It is a SYSPRO elite partner in the UK and has over 40 years' experience of delivering innovative ERP solutions.

NexSys enables its customers to manage and control business-critical information, and take decisions made on accurate and reliable real-time insights. This helps customers to maximise their opportunities by innovating more easily, improving operational efficiencies, and powering their competitive edge and optimising their financial returns.

### Global Accounts

Global Accounts includes the Group's relationship with Inter IKEA Systems B.V. (the owner and franchisor of the Inter IKEA Concept) and the Inter IKEA Concept overseas franchisees. As well as supporting the core Microsoft Business Central IKEA solution for IKEA franchisees, K3 assists IKEA franchisees with their local enhancements, business change and IT infrastructure. This includes help with integrations and system enhancements, which is key to the smooth functioning of franchisees' IKEA stores and back-office solutions.

# Fashion Retail Market

Digital transformation remains a dominant feature of the fashion retail market, with digital solutions enabling fashion retailers to run their operations more efficiently and significantly enhance consumers' experience of their brands.

The trend to upgrade old legacy ERP systems with modern, more effective and intuitive cloud-based solutions continues and the growth opportunities for K3's Fashion products remain attractive.

With growing awareness of the operational and commercial benefits of upgrading legacy ERP systems, the fashion and apparel market remains engaged with adopting digital infrastructure and solutions. According to a report by McKinsey & Company, by 2030, fashion companies are expected to invest between 3.0 and 3.5 percent of their revenues in technology, up from 1.6 to 1.8 percent in 2021. These forecasts give a clear indication of the market opportunity available.

The Group's Microsoft Dynamics-based 'Concept-to-Consumer' products provide better management of centralised processes and can replace 'on-premise' legacy systems with cloud-based solutions. The benefits are multiple, providing competitive advantage in both operations and customer-facing activities.

## K3 Market Position

The Group has a well-established track record in its chosen market segments. It has very strong domain knowledge and a sophisticated understanding of the opportunities and challenges facing fashion and apparel retailers and related large retail brands. As a result, K3 is well-placed to help retailers adopt unified commerce strategies and to integrate the management and control of all forms of digital sales as well as store sales.

K3's focus is on mid-size enterprise clients, in particular enterprises that wish to adopt the latest cloud-based solutions, without the risks and challenges of replacing their entire application environment or managing the complexity of integrating and maintaining a high number of different applications and technologies.

K3's portfolio of solutions, backed by a strong understanding of market trends and customers' evolving needs, is designed to capitalise on the growth opportunities available.



# Chair and Chief Executive Officer's Report

## Overview

It was a challenging year, especially at Global Accounts as previously reported. However, the Group's overall results were in line with management expectations of both underlying profitability and cash generation.

Results were supported by the Board's continuing strong focus on financial discipline and its remedial actions – taken over 2023 and 2024 – to bring the cost base more closely into line with activity levels where required.

Group revenue from continuing operations decreased to £23.2m (2023: re-presented £31.3m), which mainly reflected the significant reduction in activity at Global Accounts. However, the adjusted operating loss improved, decreasing to a loss of £1.1m from a loss of £1.4m (re-presented) in the prior year. This was a satisfactory result given and it should be noted that these figures exclude the highly profitable NexSys Solutions Limited ("NexSys") business unit and K3 Systems Support Limited ("SSL"), classified as held for sale.

Cash generation also improved, and net cash (including NexSys and SSL) at the financial year-end was higher at £8.9m from £8.3m at the same point in the prior year. This was after significant restructuring costs. Excluding the NexSys and SSL operations, net cash at 30 November 2024 was £3.6m. Some of the cost reduction measures put into effect in 2024 are still to come through fully and will be felt in the new financial year. The Group's continuing operations remain on track to trade at breakeven from the close of the current financial quarter.

At the end of the financial year, we agreed the sale of NexSys. NexSys accounted for over half of the revenues of the Third-party Solutions division in the year and it also generates high levels of cash flows from software licence and support and maintenance contract renewals. The sale was agreed with SYSPRO, the global ERP software provider controlled by funds managed and/or advised by Advent International LP ("Advent"), for a total gross cash consideration of £36.0m in cash. The sale was approved by shareholders at a General Meeting on 19 December 2024 and completion and cash received on 6 January 2025. The price achieved was at a premium of c.29% to the market capitalisation of K3, which stood at approximately £28m as at 29 November 2024 and at a c.31% and c.16% premium to K3's average market capitalisation respectively one month and three months prior to 2 December 2024, being the date of the announcement of its sale.

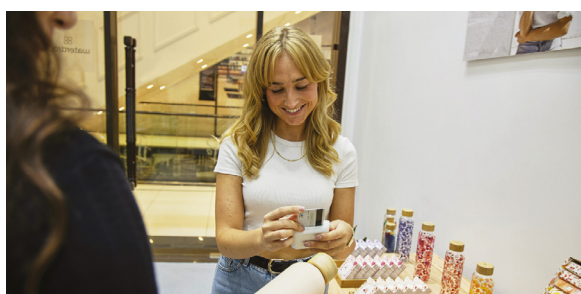
The net proceeds of the sale after deducting transaction costs and associated fees were £34.3m. After considering the most effective and practicable way of distributing net proceeds, following a reorganisation of reserves, the Board anticipates returning a substantial portion of the net proceeds to shareholders, likely to be distributed by way of a Tender Offer. A small balance of net proceeds will be retained within the Group for working capital and restructure funding purposes.



## Operational review

The segmental results of the Group's ongoing operations for the financial year ended 30 November 2024 and comparatives for 2023 are summarised in the tables below. Reporting is divided between the K3 Products division and the Third-party Solutions division. K3 Products encompasses K3's own products and includes strategic fashion and apparel products. The Third-party Solutions division now only comprises Global Accounts following the sale of NexSys, and hence the 2023 columns have been re-presented, in accordance with IFRS 5.

Year ended 30 November Continuing operations	Revenue (£m)		Gross profit (£m)		Gross margin	
	2024	2023 (re-presented)	2024	2023 (re-presented)	2024	2023 (re-presented)
K3 Products	<b>12.3</b>	12.7	<b>9.9</b>	10.0	<b>80%</b>	79%
Third-party Solutions	<b>10.9</b>	18.6	<b>4.8</b>	8.6	<b>45%</b>	46%
<b>Total</b>	<b>23.2</b>	31.3	<b>14.8</b>	18.6	<b>64%</b>	59%



### K3 Products

The division provides software products and solutions that are powered by our own IP. They comprise:

- strategic products focused on fashion and apparel markets (the Fashion portfolio);
- solutions for the visitor attraction market; and other stand-alone point-of-sale retail solutions ("Retail Solutions").

	2024 £m	2023 (re-presented) £m
Revenue	<b>12.3</b>	12.7
Gross profit	<b>9.9</b>	10.0
Gross margin (%)	<b>80%</b>	79%
Adjusted operating loss	<b>(0.5)</b>	(4.9)

The division managed its trading difficulties well and delivered much improved results, reducing the adjusted operating loss by £4.3m to a loss of £0.5m, an excellent outcome. Very meaningful cost savings were achieved following the decision in the prior year to limit product investment just to the Fashion portfolio and integrate K3 ViJi product's capabilities within the Fashion portfolio's existing corporate social responsibility functionalities rather than maintain K3 ViJi as a standalone product. Operational costs also continued to be adjusted appropriately in FY24.

The Fashion portfolio increased its contribution to the Group, although further legacy revenue attrition at Retail Solutions (£0.5m), meant that total divisional revenue decreased to £12.3m (2023: re-presented £12.7m, which excludes SSL, the business classed as held for sale).

The gross margin was higher at 80% (2023: re-presented 79%). The year-on-year rise in gross margin reflected the higher margin revenue mix, together with pricing and cost base actions and other initiatives. Gross profit remained consistent at £9.9m (2023: re-presented £10.0m). As stated above, the adjusted operating loss shows a very significant decrease on the prior year to £0.5m (2023: re-presented £4.9m loss), helped by the actions on the cost base.

The Fashion portfolio, which includes K3 Fashion and K3 Pebblestone, increased its ARR by 3% to £6.0m (2023: £5.8m). This reflected some new customer wins as well as existing customers increasing the number of their software licences and adopting multi-year agreements. The net revenue retention ("NRR") rate was 100% and the Fashion portfolio's gross profit margin improved to 86% from 83%, helped by our focus on financial discipline.

As we reported previously, deal closure through our business partner network, which is our main route to market for Fashion portfolio products, was slower in the first half with some improvement in the second half. We believe the slower pace reflects a more cautious approach, with customers shifting purchases of industry specific software solutions towards the later stages of larger 'vanilla' ERP implementation projects.

We continue to focus on supporting our business partner network and the new financial year has started as expected, with an important new logo win.

The team at Retail Solutions managed the expected legacy revenue attrition well. This is shown in the gross margin result, which remained high at 76% and was unchanged on the prior year. Annual Recurring Revenue ("ARR") was maintained at £5.8m and the team's focus remains on customer service, retention and efficiency.





## Third-party Solutions

Third-party Solutions comprised two units until the sale of NexSys, which was announced at the end of the financial year and completed on 6 January 2025. The segmental results in the table below are those of Global Accounts, which is the continuing operation.

- Global Accounts provides specialist services and support, predominantly to the Inter IKEA Concept overseas franchisee network. Its results are below.

	2024 £m	2023 (re-presented) £m
Revenue	<b>10.9</b>	18.6
Gross profit	<b>4.8</b>	8.6
Gross margin (%)	<b>45%</b>	46%
Adjusted operating profit	<b>2.4</b>	5.7

NexSys's results have not been included in the table above, which only shows continuing operations. The revenue and profit performance of the Third-party Solutions reflected the continued downturn in activity at Global Accounts, which mainly provides its specialist services to the overseas franchisees of the Inter IKEA Concept.

As predicted, revenue decreased significantly year-on-year to £10.9m (2023: re-presented £18.6m) and gross profit declined to £4.8m (2023: re-presented £8.6m). Given the substantial contraction in activity, with very limited new IKEA store openings by overseas franchisees, we took actions to adjust the resource base. Gross margin, therefore, decreased only marginally to 45% (2023: re-presented 46%). We expect the lower-level of activity we experienced as we exited 2024 to persist into the medium term. Our specialists continue to provide franchisees with a deep level of support and expert advice, and we remain focused on developing new ways of working with them in response to the existing situation.

NexSys, which provides business-critical ERP solutions for UK manufacturers and distributors, performed well despite the higher energy costs affecting its sector. The business signed six new contracts over the financial year. Software licence and maintenance and support contract renewals, which overwhelmingly fall due in the final quarter of the financial year, remained at their expected high levels, in line with prior years.

## Group Strategy

The sale of NexSys has been a milestone event and the Board is pleased to be returning net proceeds (less gross costs and a balance for working capital and restructure funding purposes) to shareholders.

The Board's principal focus remains on shareholder value and cash returns, and it will continue to concentrate on profitable growth opportunities available for the software products and solutions of its continuing operations. Cash management and cost control also remains a priority.

The K3 Products Fashion portfolio offers the opportunity of higher-margin growth, which reflects the fact that its solutions are based on K3 intellectual property ("IP"). A key focus is the development and growth of our core strategic fashion and apparel products. Microsoft's endorsement of K3 Fashion as its 'go to' embedded solution for the fashion and apparel sector is a benefit in this regard. Our key route-to-market remains our business partner network.

The Global Accounts business, which makes up the Third-party Solutions division, is a long-established partner to the overseas franchisees of the Inter IKEA Concept. While the expansion of IKEA stores by franchisees has contracted, adversely impacting the performance of Global Accounts, the business nonetheless remains a key support and services partner to the overseas franchisee network.

## Board changes

There were a number of Board changes over the year. In July 2024, Executive Chair, Tom Crawford, stepped down from his role to become a Non-executive Director. This reflected Tom's need to reduce his work commitments in the light of the health condition of a close family member. Non-executive Director, Oliver Scott, was appointed as Non-executive Chair in Tom's place and Eric Dodd, Chief Financial Officer, became Chief Executive Officer. Lavinia Alderson, Group Corporate Finance Director, was appointed as Chief Financial Officer.

In September 2024, Non-executive Director, Pernille Fabricius retired from the Board. We take this opportunity to thank her for her contribution to K3, especially as Chair of the Audit Committee. Tom Crawford took up this role in her place.

In line with the QCA's Corporate Governance Code, the Company continues to have two non-executive directors who are considered as independent, these being Tom Crawford and Gabrielle Hase.

We welcomed Lavinia Alderson to the Board. She joined K3 in December 2020, as Group Corporate Finance Director, and has significant commercial and financial experience. She was previously Finance Director of Concept Life Sciences, which provides scientific services globally, and before that, Head of Finance UK Support & Governance at Cape plc, an energy services company.

## Colleagues

On behalf of the Board, we thank all our colleagues at K3 for their hard work and commitment during the year. It is valued and much appreciated.



# Summary and Prospects

The Group performed in line with the Board’s expectations and our focus in the new financial year remains on shareholder value, as well as on maintaining strong financial discipline. We believe that the Group remains appropriately resourced and sufficiently funded. Continuing operations should trade on a cash breakeven basis from the end of February 2025.

We are pleased that the sale of NexSys, which we completed at an attractive valuation in early January 2025, will enable us to return funds to shareholders in due course. We plan to do this via a Tender Offer, and we will be making subsequent announcement, after a number of necessary practical steps are completed.

**O Scott**  
**Chair**  
26 February 2025

**E Dodd**  
**Chief Executive Officer**  
26 February 2025

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# Chief Financial Officer Review

## Overview

The Group's reported segments are 'K3 Products' and 'Third-party Solutions', with Central Support costs stated separately, as previously. This aligns segmental reporting with the Group's strategy.

### *Focus on value creation for shareholders*

The Board's main focus is on value creation and cash returns for shareholders. Driving cash generation and growing annual recurring revenues ("ARR") is central to this.

We completed some important steps during the prior year in line with these goals. Late in the second half of last year, we moved in full to a Business Unit structure. Decentralising the business established a better platform from which to realise value creation and cash returns for shareholders. It increased accountability while also driving significant reductions in IT, HR and finance expenditure.

We further tightened our approach to expenditure on new product development activities, which has helped to support a meaningful improvement in cash generation. Specifically, we have allocated expenditure according to where market, pipelines and margins indicated the highest probability of cash returns over the medium term, withdrawing or reducing expenditure elsewhere. We also identified unnecessary cost burdens, such as certain structures and financing arrangements that did not offer tangible benefit to the Company. We are continuing to exit these arrangements and to work on further simplifying the business in order to establish the most appropriate cost base.

Since we believe that the closest metric to understanding cash generation is adjusted operating profit/(loss), we have continued to retain it as the key measure of the Company's performance.

The Group's products for the fashion and apparel market offer the highest-margin, highest growth opportunity, and ARR in the Fashion portfolio grew by 3% in 2024 to £6.0m (2023: £5.8m).

### *Key performance indicators*

The Group's results for the year end to 30 November 2024, together with comparatives for 2023, are summarised for the continuing operations in the tables below.

Continuing Operations	2024 £m	2023 (re-presented) £m
Revenue	<b>23.2</b>	31.3
Gross profit	<b>14.8</b>	18.6
Gross profit margin	<b>64%</b>	59%
Adjusted operating loss	<b>(1.1)</b>	(1.4)
Net cash from operating activities including held for sale operations	<b>1.9</b>	3.5
Annual recurring revenue – the Fashion portfolio	<b>6.0</b>	5.8



## Income statement

Total revenue for the year ended 30 November 2024 decreased by 26% to £23.2m (2023: re-presented £31.3m). The reduction mainly reflected lower revenue from Global Accounts, whose customers are principally the overseas franchisees of the Inter IKEA Systems B.V (the owner and franchisor of the Inter IKEA Concept), which have strategically decreased further store expansion.

Combined ARR from K3 Fashion and K3 Pebblestone increased by 3% year-on-year to £6.0m, helped by new customers and existing customer expansion.

Gross profit decreased by £3.8m or 21% to £14.8m (2023: re-presented £18.6m) as Global Accounts revenue declined by £7.7m. However, gross profit margin increased by 5 percentage points to 64%, reflecting the change in sales mix and divisional focus on gross margin improvement.

The Group's adjusted operating loss decreased to £1.1m in 2024 (2023: re-presented £1.4m loss), which was a key target. This was driven by lower amortisation and a continued disciplined approach to overhead expenditure. Amortisation continued to decrease year-on-year due to lower capitalisation of development costs, reducing by £0.3m in the financial year under review.

A total of £1.4m in reorganisation costs were incurred (2023: re-presented £2.1m) and related primarily to the cost of people leaving the business. The departure of a number of senior staff members in the prior year led to lapses of outstanding share options in 2023 and, a remaining credit of £0.2m was recognised during the year (2023: £1.1m credit). There are no outstanding share options in 2024.

The reported statutory loss from operations increased to £2.4m (2023: re-presented £2.0m loss). Excluding the exceptional items, acquisition credits in the prior year and share-based payment credits, the adjusted operating loss improved by £0.3m to a loss of £1.1m (2023: re-presented £1.4m loss).

Pleasingly, reported adjusted administrative expenses decreased by 20% to £15.7m (2023: re-presented £19.6m), helped by our continued focus on costs, a discipline that continues to yield savings.

The reported loss before tax from continuing operations increased slightly to £2.8m (2023: re-presented £2.3m), largely due to the reduced in year share-based payment credit offset by the adjusted operating loss improvement year-on-year. This mainly reflects our actions over the cost base, as stated above. Net finance expenses were £0.4m (2023: re-presented £0.3m) and we expect these to reduce in 2025 as the banking facility has fallen away with the sale of NexSys.

The corporation tax credit for the financial year was £0.3m (2023: £0.06m charge). This comprised a credit for current taxation of £0.2m (2023: re-presented £0.3m), which related to the non-UK businesses, and a credit for deferred taxation of £0.1m (2023: re-presented £0.3m charge).



## Earnings Per Share

The adjusted loss per share from continuing operations shows an improvement of 1.3p from the prior year to 3.4p (2023: re-presented 4.7p loss). The adjusted loss per share excludes exceptional reorganisation costs, exceptional impairment costs, acquisition costs/credit and share-based charges/credit and is net of the related tax credit of £0.4m (2023: re-presented £0.4m credit). The reported loss per share from continuing operations was consistent at 5.4p (2023: re-presented 5.3p loss).

## Dividends

No dividend will be declared for the year ended 30 November 2024 (2023: nil).

## Statement of Financial Position

The Group's statement of financial position is disclosed after assets and liabilities relating to operations held for sale have been removed from individual captions in the current year, however they remain in the prior year's position. The Group's cash position remains robust, with net cash of £3.6m at 30 November 2024. Following the sale of NexSys, the Group will retain a small level of net proceeds, which will be used for working capital and restructure funding purposes. It is expected that the majority of the net consideration will be distributed to shareholders via a Tender Offer once reserves have been reorganised.

Total assets reduced by £1.8m to £43.2m (2023: £45.0m), which reflected a reduction in trade receivables, in line with reducing revenue, and robust collection procedures, which maintained excellent receivables ageing, with little unprovided exposure over 60 days.

Trade and other payables reduced, driven by a reduction in contract liabilities.



## Cash Flow

Group cash flow is shown inclusive of operations held for sale.

Net cash inflow from operating activities decreased by £1.7m to £1.9m (2023: £3.5m), the reduction largely driven by working capital changes year-on-year of £1.5m.

The disciplined approach to capital allocation and the ongoing corporate simplification process have delivered tangible benefits. Both investing expenditure and financing cost have almost halved to £0.8m and £0.5m respectively (2023: investing expenditure of £1.4m and financing cost of £1.0m). A specific illustration is the 30% reduction in lease liability payments to £0.3m (2023: £0.7m), which mainly related to properties and vehicles.

The Group's closing cash balance at 30 November 2023 was £8.9m (2023: £8.3m), and £3.6m excluding operations held for sale.

## Summary and Prospects

The business unit structure established in the prior financial year created a better platform for the Group, as the Board focused on driving value and cash for shareholders. It provided clearer focus, greater accountability, and enhanced cost discipline.

The Board remains committed to shareholder value and will maintain a disciplined approach to cash management and the appropriate level of resource.

**L Alderson**  
**Chief Financial Officer**  
26 February 2025

# ESG Scorecard

## Sustainability at K3

As advocates who are passionate about enabling sustainable practices in the industry, we have turned this focus within K3 too, with an objective to promote ethical responsibility and sustainable practices across the Group. Our core internal focus areas for being a sustainable business are People, Environment and Privacy & Security.

K3's mission is to transform retail for good, leading the agenda so that our partners and customers accelerate toward their ethical priorities and responsibilities. Our products enable sustainable practices within retail and the fashion and apparel industry, via SaaS solutions that enable supply chain transparency.

To promote environmental sustainability in the fashion industry, a robust solution supporting Corporate Social Responsibility (CSR) goals is crucial. This is evidenced in our own IP: K3's CSR module offers comprehensive classifications, certificates, and documentation for products, raw materials, and vendors, empowering businesses to make informed decisions based on ethical and sustainable criteria. In addition, K3 Pebblestone offers robust functionalities for sustainability management within D365 Business Central. This encompasses tools and features designed to help businesses monitor and optimise their environmental impact, promote sustainable practices, track resource usage, manage waste, and comply with regulatory requirements. With K3 Pebblestone, companies can seamlessly integrate sustainability goals and practices into their operations and decision-making processes.

## People

Our employees are the cornerstone of everything we do. The FY24 has been one of significant change for our employees, marked by shifts in our Group strategy, workforce structure, Executive team, and global footprint. Amid this period of transition, our top priority has remained clear: fostering a positive and supportive environment for our people. We understand the importance of supporting, reassuring, and motivating our people during these changes. Effective communication has been pivotal in this process. Through consistent and transparent updates – via town halls, drop-in sessions, and timely messaging from our Executive team and business unit heads – we strived to keep employees informed and engaged.

We are committed to robust workforce planning that not only focuses on attracting new talent but, more importantly, on retaining and growing our existing employees. Our Employee Value Proposition is at the heart of this approach – offering opportunities for learning and development, flexible working arrangements, competitive compensation packages, and a positive organisational culture.

In 2024, we continued to expand our offerings in technical training, soft skills development, leadership development and compliance/legislative training. We also placed a strong emphasis on wellbeing programs and training for First Aid Champions. Furthermore, we embedded Corporate Social Responsibility into our Graduate Trainee Scheme, providing graduates with the opportunity to dedicate time each Friday to meaningful community projects.

## Energy Scorecard

The below disclosures are made in accordance with GHG Protocol Corporate Accounting and Reporting Standard and the 2019 UK Government Environmental Reporting Guidelines. We have used UK Government GHG Conversion Factors for Company Reporting. Gas and electricity emissions for Netherlands use the most recent local conversion factors published by the European Environment Agency.

### UK Emissions and Energy Consumption

Type	Activity	kWh	2024 tCO <sub>2</sub> e	kWh	2023 tCO <sub>2</sub> e
<b>Scope 1</b>	Natural gas	91,031	16.6	93,099	17.0
	Transport	31,479	8.9	135,017	30.9
	Sub-total	122,510	25.5	228,116	47.9
<b>Scope 2</b>	Electricity	42,225	8.7	74,193	15.4
	Sub-total	42,225	8.7	74,193	15.4
<b>Scope 3</b>	Grey fleet	333,334	80.4	216,004	52.4
	Sub-total	333,334	80.4	216,004	52.4
<b>Total gross emissions</b>		<b>498,069</b>	<b>114.6</b>	<b>518,313</b>	<b>115.7</b>
£ million turnover (inclusive of held for sale operations)			17.4		16.9
tCO <sub>2</sub> e per £m			6.6		6.8

### Netherlands Emissions and Energy Consumption

Type	Activity	kWh	2024 tCO <sub>2</sub> e	kWh	2023 tCO <sub>2</sub> e
<b>Scope 1</b>	Natural gas	10,039	2.1	17,378	3.5
	Transport	77,723	24.3	263,410	63.9
	Sub-total	87,762	26.4	280,788	67.4
<b>Scope 2</b>	Electricity	115,703	36.4	92,614	29.7
	Sub-total	115,703	36.4	92,614	29.7
<b>Scope 3</b>	Grey fleet	64,217	15.5	57,654	14.0
	Sub-total	64,217	15.5	57,654	14.0
<b>Total gross emissions</b>		<b>267,682</b>	<b>78.3</b>	<b>431,056</b>	<b>111.1</b>
£ million turnover			15.8		23.7
tCO <sub>2</sub> e per £m			5.0		4.7

## Total Emissions and Energy Consumption (UK and NL)

Type	Activity	2024		2023	
		kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e
<b>Scope 1</b>	Natural gas	101,070	18.7	110,477	20.5
	Transport	109,202	33.2	398,427	94.8
	Sub-total	210,272	51.9	508,904	115.3
<b>Scope 2</b>	Electricity	157,928	45.1	166,807	45.1
	Sub-total	157,928	45.1	166,807	45.1
<b>Scope 3</b>	Grey fleet	397,551	95.9	273,658	66.4
	Sub-total	397,551	95.9	273,658	66.4
<b>Total gross emissions</b>		<b>765,751</b>	<b>192.9</b>	<b>949,369</b>	<b>226.8</b>
£ million turnover (inclusive of held for sale operations)			33.2		40.6
tCO <sub>2</sub> e per £m			5.8		5.6

The net transport and Grey fleet consumption reduced overall with the reduction in employee numbers through the workforce structure changes. In addition, K3 is also working towards reducing its fleet size. Where fleet is required, this will be in the form of hybrid/electric vehicles.

We are proactively reviewing our global real estate with an effort to see a continued reduction in office space which encourages flexible working, hotdesking and creative meeting spaces. We anticipate that the hybrid working models will enable K3 to further reduce our global CO<sub>2</sub> emissions.

Future office spaces will aim to partner with sustainable building owners holding energy efficiency credentials such as LEED (Leadership in Energy and Environmental Design) and BREEAM (Building Research Establishment's Environmental Assessment Method) working collaboratively to achieve joint sustainable targets.

We continue to review our policies to focus on reducing travel emissions, both reducing the number of journeys our people make and looking for less carbon-intensive ways of travel. Travelling only where necessary, encouraging both internal and client-facing teams to make better use of technology-based alternatives that support collaborative working from different locations and encourage our people, once they've considered the need to travel, to use our internal systems to make the bookings, so we can improve our management information, reporting, risk management and costs.



# Risk Management

The Board is responsible for risk management of the Group with the principal business risks and uncertainties which the Group faces categorised as follows:

**FY24 Principal risks and uncertainties**

- 1. Customer relationships
- 2. Supplier relationships
- 3. Group strategies and product management
- 4. Credit risk
- 5. Cyber security
- 6. Currency risk
- 7. Liquidity and banking facilities
- 8. Employees
- 9. Cost of maintaining legacy products
- 10. Customer project management
- 11. Economic conditions
- 12. Property risk

**FY24 Risks and mitigation**

Description	Mitigation	Change
<p><b>Customer Relationships</b></p> <p>The Group has a single customer ecosystem (including franchisees) which accounts for circa 30% of revenue. Damage to this customer relationship, or loss of revenue, would have a significant and detrimental impact on the Group's financial performance.</p>	<p>Although represented by a single ecosystem, the customer, projects, and franchisees are spread across numerous territories, contracts and individual business orders around the world, mitigating the risk by this portfolio effect.</p> <p>The systems supplied by the Group are mission critical for the customer and franchisees.</p>	Flat
<p><b>Supplier Relationships</b></p> <p>The Group benefits from several close commercial relationships with key suppliers and software partners. Damage to or loss of these relationships could have a direct and detrimental effect on the Group's results. The international nature of the Group also means the supplier base carries a geo-political risk.</p>	<p>The key Group supplier and software partners relationships are secured by commercial agreements and management participate in regular product, service, market and strategy reviews with key suppliers and software partners.</p> <p>Relationships with alternative suppliers are maintained and activity can be diversified and moved.</p>	Flat
<p><b>Group Strategies and Product Management</b></p> <p>The Group has invested a significant amount of funds in its products. The risk is that the Group is unable to commercialise that investment with appropriate market product fit, customer engagement, product stability or pricing.</p>	<p>The Group re-evaluates its market strategy annually and ensures that strategy, technology, pricing, product and business development is market-led, and market informed, going forwards with focus on the strategically chosen fashion and apparel vertical. The Group assesses the investment needed for each product at each point in its natural product lifecycle with regard to ROI.</p>	Flat

Description	Mitigation	Change
<p><b>Credit Risk</b></p> <p>The Group's credit risk is primarily attributable to its trade receivables and accrued income. The amounts presented in the statement of financial position are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the Group's leverage, relationships, customer financial position and the current economic environment.</p>	<p>The Group operates a centralised credit management function and assesses credit risk on an individual customer basis and with standardised contract terms.</p> <p>For the Group's SaaS based products, the annual access codes and partner model is considered to structurally reduce the risk by retaining the control over the right to access and use the software. Currently, the Group's larger third-party solution customers are generally financially stable and Group has good leverage in that it provides mission critical systems.</p>	Flat
<p><b>Cyber Security</b></p> <p>There is an increasing growth in cyber terrorism. The Group may be at risk of a successful cyber-attack, which could impact the availability of internal systems and data and/or customer systems and data. A successful cyber-attack may also carry the risk of ransom demands and increased costs to recover systems or data.</p>	<p>The Group has dedicated cyber security resource and has a programme of training and IT infrastructure improvement projects. Key security policies and incident response protocols have been established. The Group also has disaster recovery plans and conducts key failover tests on an annual basis.</p>	Flat

Description	Mitigation	Change
<p><b>Currency Risk</b></p> <p>The Group's currency risk is primarily attributable to its trade receivables where certain customers are billed in Euros, and other currencies, which are not the reporting currency of the Group company. Whilst future cash generation is expected to be predominantly in EUR, cash absorption is predominantly in GBP. There is a risk that changes in foreign exchange rates could impact reported results and incur foreign exchange costs.</p>	<p>Where possible, currency and exchange risk is hedged by matching off amounts payable in those local currencies.</p>	Down
<p><b>Liquidity and Banking Facilities</b></p> <p>In previous years, the Group has had a Bank Facilities Agreement which requires it to meet certain covenants throughout the term of the agreement. This facility was closed out ahead of the NexSys business sale, with cash from the sale of the NexSys business being utilised to fund the Group on the go forward. The Group needs to maintain an appropriate level of cash in the business to fund future working capital requirements.</p>	<p>The Group ensures it has the funds to meet its working capital commitments by monitoring cash flow as part of its day-to-day control procedures.</p>	Down
<p><b>Employees</b></p> <p>As a global software house, the Group is committed to attracting and retaining talent, without which we would not be able to operate as effectively. Following the reorganisation activity across the Group over the last two years, there is potentially increased reliance on a number of key individuals. If the Group fails to retain these individuals, this could have an adverse impact on its ability to deliver on strategy.</p>	<p>The Group seeks to access global talent, offering competitive remuneration together with the ability to participate in a bonus scheme and hybrid working.</p> <p>The Group has strong purpose, clear routes of communication and core values deemed important to employees.</p>	Up



Description	Mitigation	Change
<p><b>Cost of Maintaining Legacy Products</b></p> <p>There is a risk that some legacy products become increasingly costly to support.</p>	<p>The Group has a programme to manage pricing, customer expectations, retention of key resource and to provide extended support packages as products age.</p>	Up
<p><b>Customer Project Management</b></p> <p>The Group implements projects which are customer critical and can be long-term. The risk of project failure could impact the Group's reputation and cash collection.</p>	<p>The Group has invested in Service Delivery leadership, new tooling and methods to support project management. Regular project management reporting, with action, is held and the profile of projects continues to reduce in risk as the Group moves to more standardised solutions.</p>	Flat
<p><b>Economic Conditions</b></p> <p>Demand for the Group's products may be adversely affected if economic and market conditions are unfavourable. Adverse economic conditions worldwide can contribute to slowdowns in the Information Technology spending environment and may impact the Group's business, resulting in reduced demand for its products as a result of decreased spending by clients and increased price competition for the Group's products.</p>	<p>The Group has high levels of recurring revenue, from business critical systems such as ERP, which provides some resilience against the full effects of market deterioration. Additionally, the Group operates in multiple geographic regions and business sectors.</p>	Flat
<p><b>Property Risk</b></p> <p>With the sale of the NexSys business, there is a short-term risk associated with the future utilisation of owned property, previously servicing NexSys and Group employees.</p>	<p>The Group is marketing this property for sale, and there is potential for this property to be sublet.</p>	New

# Section 172 Statement

The K3 Board considers it has made decisions in a way that, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, having regard to the factors set out in section 172 of the Companies Act 2006.

The table below sets out some examples of how the Directors have exercised this duty:

Stakeholder	This financial year
<p><b>Shareholders</b></p> <p>Continued support from shareholders is crucial to our success. In return for their support, we aim to create value by increasing the performance of the Group and providing sustainable shareholder returns.</p> <p>The Group proactively engages in dialogue with shareholders. The Chief Executive Officer regularly meets with institutional shareholders and analysts, including after the announcement of full-year and half-year results.</p>	<p>Continued shareholder consultation is embedded within the Board's activities; the views of major shareholders are obtained through direct face-to-face contact and analysts' or brokers' briefings and through the corporate representation of Kestrel Partners on the Board itself.</p> <p>The Group's executive Directors also make presentations to institutional shareholders covering interim and full-year results and investor presentations are broad to enhance investor engagement with management, and to elicit feedback. All shareholders also have the opportunity, formally or informally, to put questions to the Company's AGM.</p>
<p><b>Suppliers</b></p> <p>With part of the Group a reseller of software, including Microsoft and Syspro, K3's relationships with strategic software partners are important to the success of the business.</p>	<p>The Group benefits from several close commercial relationships with key suppliers and software partners with which the management team participate in regular product, service, market and strategy reviews.</p>

Stakeholder	This financial year
<p><b>Employees</b></p> <p>K3 recognises the importance of our talented and important teams across the organisation and several initiatives have been put in place throughout the last financial year to improve the employee experience.</p>	<p>As a global software house, the Group is committed to attracting and retaining talent across the globe through competitive remuneration together with the ability to participate in a bonus scheme, as well as a quarterly peer-recognition process.</p>
<p><b>Customers and Business Partners</b></p> <p>Customer satisfaction is of critical importance to K3.</p> <p>As well as allocating dedicated K3 account managers for the larger relationships, sizeable or complex customer projects also have executive sponsors within the group, where senior managers are appointed to oversee key customer projects; to ensure sufficient customer engagement at the correct level within the K3 Group.</p>	<p>The Group carries mindfully the responsibility that comes with the delivery and support of business critical software solutions for its customers.</p> <p>Customer Success teams are embedded within Business Units to listen to the customer base and refine useability, engagement, customer configurations development priorities to support customer return on investment.</p>

Approval of the strategic report

The strategic report for the year ended 30 November 2024 was approved by the Board and signed on its behalf by:

E Dodd  
Chief Executive Officer  
26 February 2025

## Board of Directors



### Oliver Scott Non-executive Chair

Oliver joined the board as a Non-executive Director in February 2020 and became Chair on 17 July 2024. Oliver is a partner of Kestrel Partners LLP, a business he co-founded in 2009 and which specialises in investing in smaller quoted technology companies. Prior to this, he spent over 20 years advising smaller quoted and unquoted companies, latterly as a Director of KBC Peel Hunt Corporate Finance. Oliver has acted as Kestrel's representative on the Boards of various of its investee companies. He is currently a non-executive Director of Redcentric PLC and was previously a non-executive Director of Gresham Technologies PLC, IQGeo Group plc, IDOX PLC and KBC Advanced Technologies plc. He is a member of the following committees: (A) Audit Committee, (R) Remuneration Committee and (N) Nominations Committee.



### Tom Crawford Non-executive Director

Tom was appointed Non-executive Chair on 28 October 2020 and Executive Chair on 27 October 2023. Following Tom's need to reduce his work commitments in light of the health condition and ongoing treatment of his wife, Tom returned to the Non-executive Chair role on 4 July 2024 and stepped down as Chair on 17 July 2024. He has over 20 years of main market listed small cap software business experience and a successful track record of developing and growing international product-based software businesses. Until January 2020, Tom was Chief Executive Officer of London based Aptitude Software Group Plc, the global financial management software company, having previously led the expansion of the business into North America and Asia Pacific with a dominant position in new market verticals. Tom is a member of the following committees: (A) Audit Committee (chair), (R) Remuneration Committee and (N) Nominations Committee.



### Gabrielle Hase Non-executive Director

Gabrielle is a senior level specialist in global ecommerce with significant experience in advising on omnichannel growth strategies and digital transformation, in particular for fashion retailers. She is founder Director of Soleberry Advisory Limited, which provides digital commerce advisory services to fashion and other consumer retailers, and has worked with leading brands, advising on all aspects of ecommerce, mobile commerce, direct marketing strategy and strategic brand management. Clients have included Sweaty Betty, Browns Fashion, The Fragrance Shop, Moonpig.com, Hobbs, and TK Maxx. She also mentors start-up companies and is a featured speaker at conferences such as Retail Week Live, eCommerce Futures, and eCommerce UK. Gabrielle is currently a Non-executive Director of UltraCommerce, a business-to-business ecommerce platform. Gabrielle holds an MBA from The Wharton School at The University of Pennsylvania and a BSc in Information Systems from Boston College. She is a member of the following committees: (A) Audit Committee, (R) Remuneration Committee and (N) Nominations Committee (chair).



**Eric Stephen Dodd** Chief Financial Officer

Eric was appointed to the Board on 3 April 2023. He has extensive experience of the software and technology sector. He was previously Chief Financial Officer of ATTRAQT Group plc, which he joined in 2017. ATTRAQT specialises in omnichannel search, merchandising and personalised product discovery technology for online retailers and brands, mainly in the fashion sector. Before ATTRAQT, Eric was Chief Financial Officer of Iptor Supply Chain Systems UK Limited, a private equity-backed software and services business, and previously Chief Financial Officer at KBC Advanced Technology plc, the software and consultancy provider to the hydrocarbon industry. Eric qualified as a Chartered Accountant with Deloitte, has an MBA from London Business School and a BEng from Loughborough University.



**Lavinia Alderson** Chief Financial Officer

Lavinia was appointed to the Board on 4 July 2024 as part of Eric Dodd's succession planning. She joined the Group in December 2020 as Group Corporate Finance Director. She has significant commercial and financial experience across a number of industries including PFI, IT, heavy industry services, and contract research services, having previously been Finance Director of Concept Life Sciences, which provides market-leading scientific services globally and, before that, Head of Finance UK Support & Governance at Cape plc, the energy services company. She qualified as a chartered accountant at PwC in 2000, and holds an LLB (Hons) Law degree from Northumbria University.



# Directors' Report

The Directors present their report together with the audited financial statements for the year ended 30 November 2024. The corporate governance statement on pages 31 to 35 also forms part of the Directors' report.

## Review of Business

The Chair's and Chief Executive Officer's and Chief Financial Officer's statements on pages 6 to 15 provides a review of the business, the strategies, the Group's trading for the year ended 30 November 2024 and an indication of future developments.

## Research and Development

During the year, the Group carried out development work of which £0.6m (2023: £0.7m) was capitalised. Development expenditure capitalised on product for external commercialisation was spread evenly across the core strategic products.

## Result and Dividend

The Group has reported its Consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the United Kingdom.

The Group's results for the year are set out in the Consolidated Income Statement on page 49. The Company has applied FRS 101: Reduced Disclosure Framework to the financial statements for the year ended 30 November 2024.

The Directors do not propose a dividend (2023: 0p per share). No interim dividend was paid during either year.

## Directors

The directors who served during the year were as follows:

T Crawford

O Scott

G Hase

P Fabricius (resigned 27 September 2024)

E Dodd

L Alderson (appointed 4 July 2024)

In accordance with the Company's current Articles of Association, O Scott retires by rotation and offers himself for re-election.

## Financial Instruments Risks

Details of financial instruments risks are included in note 19 to the financial statements.

## Directors' Interest

Directors (who served during the financial year) interests in the company's shares:

	As at 30 November 2024 Number of shares	As at 30 November 2023 Number of shares
T Crawford	<b>61,445</b>	61,445
O Scott	<b>12,917,079</b>	11,683,904
G Hase	<b>nil</b>	2,500
P Fabricius*	<b>–</b>	nil
E Dodd	<b>nil</b>	nil
L Alderson**	<b>256</b>	–

\*P Fabricius resigned from the board in 2024, therefore number of shares for 2024 is not disclosed.

\*\*L Alderson joined the board in 2024, therefore number of shares for 2023 is not disclosed.

Mr O Scott's interest in shares is by virtue of his position as a partner in Kestrel Partners LLP.

## Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training and facilities are arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

## Employee Consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. The model is one of communication by Business Unit leaders with support from the Chair.

## Directors' Indemnity Cover

All Directors benefit from qualifying third-party indemnity provisions in place during the financial year and at the date of this report.

## Going Concern

The Group closely reviews its funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. The Group cancelled its Banking Facilities arrangements with Barclays plc in anticipation of receipt of the proceeds from the sale of NexSys Solutions, which were received on 6 January 2025 totalling £36m gross (£34.3m net of transaction costs and fees).

The Group ended the year ended 30 November 2024 with a Net Cash position of £8.3m, including operations held for sale.

The Group has prepared a cashflow forecast for a period of at least 12 months from the date of approval of the financial statements which shows that the Group will have reasonable headroom to support its forecast working capital requirements. This forecast includes an assumption that an element proceeds from the sale of NexSys Solutions will be retained for working capital requirements, with a substantial proportion of the proceeds being returned to shareholders. The forecast has undergone sensitivity analysis and stress testing and the Directors have concluded that there is no reasonably worst-case scenario that is likely which would mean the Group would run out of cash.

The Directors therefore have a reasonable expectation that there are no material uncertainties that cast significant doubt about the Group's ability to continue in operation and meet its liabilities as they fall due for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements. For these reasons the financial statements have been prepared on a going concern basis.

## Events After the Reporting Date

On the 19 December 2024, the sale of NexSys Solutions to SYSPRO, controlled by funds managed and/or advised by Advent, received Shareholder approval and gross proceeds of £36m (£34.3m net of transaction costs and fees) were received by the Group on 6 January 2025. The Group profit on disposal was £15.7m.

## Auditors

During the year, the Group conducted a tender of the audit contract, the outcome of which was that Crowe U.K. LLP took over the external audit contract from BDO LLP.

All the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of the information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

The Notice of Annual General Meeting contains a resolution to re-appoint Crowe U.K. LLP as auditors for the ensuing year.

By order of the Board

Baltimore House  
50 Kansas Avenue  
Manchester M50 2GL

**E Dodd**  
**Director**  
26 February 2025

# Corporate Governance Statement

K3 adopts the Quoted Companies Alliance’s (QCA) Corporate Governance Code (“the Code”) being, in the view of the Board, the most appropriate recognised corporate governance code having regard to the size and nature of the K3 Group. K3 will move to adopt and report against the 2023 update of the Code during FY25.

As Chair of the Board, I am responsible for implementing corporate governance at the K3 Group, working with the other members of the Board. I chair meetings of the Board and am responsible for ensuring the Board agenda appropriately focuses on the Group’s potential, strategy, business model and delivery against its strategic objectives. I am also a member of each Board committee.

We have reviewed and considered where and how we apply each of the ten (10) principles of the Code, and we set out an explanation of this on our website at <https://www.k3btg.com/investor-centre/corporate-governance/>, and below.

QCA Code Principle	K3 Application
1. Establish a strategy and business model which promote long-term value for shareholders	<p>The Board is responsible for determining the potential and main aims of the Company and agreeing a strategy to achieve those aims. The Board is also responsible for monitoring progress against the Company’s strategic and financial goals and for allocating investment or initiating any corrective measures. The strategic report on pages 6 to 25 sets out the progress made in the year.</p>
2. Seek to understand and meet shareholder needs and expectations	<p>Continued shareholder consultation is embedded within the Board’s activities; the views of major shareholders are obtained through direct face-to-face contact and analysts’ or brokers’ briefings and through the corporate representation of Kestrel Partners on the Board itself.</p> <p>The Group’s executive Directors also make presentations to institutional shareholders covering interim and full year results and investor presentations are broad to enhance investor engagement with management, and to elicit feedback. All shareholders also have the opportunity, formally or informally, to put questions to the Company’s AGM.</p> <p>The Group re-evaluates its market strategy annually and ensures that strategy, technology, product and business development is market led and market informed with focus on the strategically chosen fashion and apparel vertical. The Group assesses the investment needed for each product at each point in its natural product lifecycle with regard to ROI and protection of shareholder value.</p>

**QCA Code Principle****K3 Application**

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

See Section 172 statement on pages 24 to 25.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises the importance of maintaining an effective system of internal control which is appropriate in relation to the scope, size, nature and risk of the Group's activities.

The responsibility for managing risks on a day-to-day basis lies with the CEO, the CFO and Business Unit Managing Directors. The principal business risks and the actions to mitigate the risks are included on pages 19 to 23.

The key elements which enable the Board to review the effectiveness of the system of internal controls are:

- establishment of a formal management structure, including the specification of matters reserved for decision by the Board;
- setting and reviewing the strategic objectives of the Group;
- Board involvement in the setting and review of the annual business plan;
- the regular review of the Group's performance compared with plan and forecasts;
- pre and post investment appraisal of K3 product development investment; and
- Group reporting instructions and procedures including delegation of authority and authorisation levels, segregation of duties and other control procedures, and standardised accounting policies.

5. Maintain the board as a well-functioning, balanced team led by the Chair

The Board comprises the two executive Directors and three non-executive Directors. Biographical details of the Board are included on pages 26 to 27.

All non-executive Directors have written terms of appointment and are paid a fixed fee for their office which is not performance or incentive based.



**QCA Code Principle****K3 Application**

The Company currently has two independent non-executive Directors (G Hase and T Crawford), who are considered to be independent, as recommended by the QCA Code. T Crawford was, for an interim period, Executive Chair from 27 October 2023 to 4 July 2024 and Non-Executive Chair until 17 July 2024.

The Chair, Mr O Scott, is a founding partner of a significant shareholder, Kestrel Partners LLP, and, accordingly, Mr Scott would likely not be regarded as independent in accordance with the Code.

Notwithstanding this, the Board believes that the interests of each non-executive Director are aligned with those of shareholders and that the Board composition is appropriate for the circumstances of the Company.

All Directors are subject to election by shareholders at the first opportunity after their appointment. The Articles of Association of the Company require that no fewer than one-third of Directors should be subject to re-election at each AGM. Any non-executive Director serving over 9 years since first appointment is also subject to re-election at each AGM in accordance with the Company's articles.

**Board Meetings and Effectiveness**

The Board is supplied with information to enable it to discharge its duties, which includes a regular monthly Board pack including updates from the executive management team and detailed financial information measured against plan or forecast.

The Board is also provided with ad-hoc operational updates, and non-executive Directors regularly communicate with executive Directors between formal board meetings.

**Board Meetings**

The Board met on 13 occasions during the financial year. Directors are expected to attend all meetings, and to dedicate sufficient time to the Group's business and affairs to enable them to discharge their duties. Board (and committee) meeting attendance during the financial year was as set out below.

Director	Board (13)	Remuneration (2)	Audit (2)	Nomination (2)
T Crawford	13/13	2/2	2/2	2/2
E Dodd	13/13	n/a	n/a	n/a
L Alderson*	6/6	n/a	n/a	n/a
O Scott	13/13	2/2	2/2	2/2
G Hase	13/13	2/2	2/2	2/2
P Fabricius*	7/8	1/1	2/2	2/2

\*Joined or left Board during the year.

**QCA Code Principle****K3 Application****Board Committees**

The Board has established three standing sub-committees to assist in the discharge of corporate governance responsibilities. They are the nominations committee, remuneration committee and audit committee. The roles of the committees and their activities are available at <https://www.k3btg.com/investor-centre/corporate-governance/>.

All three non-executive Directors are members of each committee.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills, and capabilities

The composition of the Board is designed to provide an appropriate balance of Group, industry and general commercial experience and is reviewed as required to ensure that it remains appropriate to the nature of the Group's activities.

Biographical details of the Board (including relevant skills and experience) are included on pages 26 to 27.

Recommendations for appointments to the Board are the responsibility of the Nominations Committee.

The Directors also have access to the Company's Nominated Adviser, for support in the furtherance of their duties.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Board has established an annual process of Board performance review, once per calendar year, the most recent example of which was in July 2024 when Board changes were initiated.

The wider review process was conducted in March 2024, and this review process, assists the board in identifying any structural, procedural or individual development needs by reference to clear review areas and topics.

8. Promote a corporate culture that is based on ethical values and behaviours

The Group seeks to carry out its business with the highest standards of integrity, based on sound ethical values, and its corporate culture seeks to reflect this premise.

The Board maintains oversight of this through engagement and management reporting, which would, where appropriate, raise any material issues relating to corporate culture and integrity and ethics, including any updates to or non-compliance with key internal ethics policies.

**QCA Code Principle****K3 Application**

	<p>The Group maintains written policies and procedures concerning a number of areas that impact on its ethical values, and these policies, which are shared with all the Group's staff, underpin some of the ethical elements of the Group's culture. These include detailed policies addressing health and safety, anti-bribery and corruption, whistleblowing, equal opportunities, and anti-harassment.</p>
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board</p>	<p>The Board has responsibility for promoting the success of the Company and for the strategic leadership of the Group, with day-to-day management of the business of the Group the responsibility of the executive directors and Business Unit heads.</p> <p>The Chair of the Board is responsible for running the Board, and has overall responsibility for corporate governance, but with the support of the other Directors. Shareholder relations are primarily managed by the CEO and CFO.</p> <p>The Board has determined those matters which are retained for Board sanction and those matters which are delegated to the executive management of the business. The types of decisions which are to be taken by the Board are:</p> <ul style="list-style-type: none"> <li>• approval of the financial statements and plans for the Group;</li> <li>• approval of all shareholders' circulars and announcements;</li> <li>• the purchase or sale of any business or subsidiary;</li> <li>• any new borrowings, facilities, and related guarantees; and</li> <li>• any asset purchase or lease hire purchase facility or rental agreement over prescribed authority limits.</li> </ul>
<p>10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>The Company communicates regularly with shareholders, as further described in relation to Code Principle 2 above.</p> <p>The Company maintains RNS details on its website at: <a href="https://www.k3btg.com/investor-centre/regulatory-news/">https://www.k3btg.com/investor-centre/regulatory-news/</a>.</p> <p>These include notices, as well as results, of the most recent AGM, together with prior years' annual reports.</p>

# Remuneration Committee Report

## Remuneration Committee Report

Mr O Scott was chair of the Remuneration Committee until July 2024, with the committee being chaired by G Hase from this date. The other members of the committee are Ms G Hase and Mr T Crawford. The Committee formally met twice during the financial year.

The Group's remuneration policies and the application of these policies to the Board during the financial year are set out in the sections below.

## Remuneration Policy

The policy of the Group is to set levels of remuneration to attract, retain and motivate Executive Directors and other key senior staff. The packages are designed to be competitive in value to those offered at similar sized public companies in related sectors. It is the Board's policy to align the long-term interests of Executive Directors with those of our shareholders in the granting of options and other equity awards. The components of the Executive Directors' remuneration packages are currently a basic salary, bonus, money purchase pension contributions and benefits in kind. The bonus elements are dependent on the Executive Directors achieving performance criteria set out by the Remuneration Committee.

The key matters considered and actioned by the Remuneration Committee during the financial year were:

- employee bonus pot;
- executive Director and senior leadership bonus awards; and
- review and consideration of senior leadership team remuneration.

## Directors' Remuneration

Set out below is a summary of the total gross remuneration of Directors who served during the financial year to 30 November 2024. The data provided includes bonuses relating to the financial year instead of bonuses paid in the financial year, with the prior year data updated accordingly.

	Fees/ basic salary £	Taxable benefits £	Bonuses £	Pension contribution £	Year ended 30 November 2024 Total £	Year ended 30 November 2023 Total £
<b>Executive</b>						
E Dodd*	215,360	–	110,200	10,750	<b>336,310</b>	176,492
M Vergani**	–	–	–	–	–	571,744
RD Price***	–	–	–	–	–	248,019
L Alderson****	60,979	2,043	41,500	3,042	<b>107,564</b>	–
<b>Non-Executive</b>						
T Crawford*****	170,000	–	–	–	<b>170,000</b>	140,000
G Hase	41,667	–	–	–	<b>41,667</b>	40,000
O Scott	45,000	–	–	–	<b>45,000</b>	40,000
P Fabricius*****	33,333	–	–	–	<b>33,333</b>	40,000
Aggregate emoluments	566,339	2,043	151,700	13,792	<b>733,874</b>	1,256,255

\*E Dodd was appointed to the Board with effect from 3 April 2023.

\*\*M Vergani retired from the Board with effect from 27 October 2023.

\*\*\*RD Price retired from the Board with effect from 3 April 2023.

\*\*\*\*L Alderson was appointed to the Board with effect from 4 July 2024. Her gross remuneration above is from appointment.

\*\*\*\*\*T Crawford moved from Executive Chair to Non-Executive Director with effect from 17 July 2024.

\*\*\*\*\*P Fabricius retired from the Board with effect from 27 September 2024.

The executive Directors have service contracts providing 6 months' notice.

## Directors' Pension Entitlements

The Company makes contributions to defined contribution schemes for Mr E Dodd and Mrs L Alderson. Pension contributions are capped at 5% of basic salary.

## Directors' Share Options

The Group's Long-Term Incentive Plan is no longer in use and all options granted under it have lapsed. Consequently, there are no options outstanding or held by any of the Directors.

## Directors' Warrants

Clients of Kestrel Partners LLP (in which Mr O Scott is a partner) have interests in 600,000 warrants for 25p ordinary shares, exercisable at a price of £0.25 per ordinary share. The warrants remain unexercised and outstanding as at 30 November 2024.



# Statement of Directors' Responsibilities

The Directors are responsible for preparing the strategic report, the annual report, and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and in accordance with international accounting standard in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 "Reduced Disclosure Framework". 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 of the Group and Company and of the profit or loss for the Group for that year.

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 international accounting standard in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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.

## Website Publication

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.

# Audit Committee Report

## Audit Committee Composition

The Audit Committee is chaired by Mr T Crawford. Membership included all the non-executive Directors. The CEO, CFO and external auditors attend meetings of the Audit Committee by invitation.

## Audit Committee Role and Duties

The role of the Audit Committee is to consider the appointment of the auditors, audit fees, scope of audit work and any resultant findings. It reviews external audit activities, monitors compliance with statutory requirements for financial reporting and reviews the interim and full year financial statements before they are presented to the Board for approval. The committee is also required to review the effectiveness of the Group's internal control systems.

The Audit Committee considers and determines relevant action in respect of any control issues raised by the auditors. Given the size of the Group and the close day-to-day control exercised by the Senior Management Team, no formal internal audit department is considered necessary.

The key matters considered and actioned by the Audit Committee during the financial year were:

- review of audit plan and consideration of key audit matters
- review of Annual Report and financial statements
- review and consideration of external audit report and management representation letter
- going concern review
- internal control systems review; and
- audit meeting with external auditor, without management.

## External Auditor and Audit Process

During the year, the Group conducted a tender of the audit contract, the outcome of which was that Crowe U.K. LLP took over the external audit contract from BDO LLP.

Crowe U.K. LLP sets out the scope of its audit in an audit plan, which is reviewed and approved in advance by the Committee. Following the audit, the auditor presented its findings to the Audit Committee, and no major areas of concern were highlighted.

The Audit Committee regularly reviews auditor independence, including the provision of any non-audit services by the auditor. The Audit Committee has confirmed its recommendation to re-appoint Crowe U.K. LLP at the next AGM.

## Auditors' Remuneration

Fees for services provided by the auditors have been as follows:

	Year ended 30 November 2024 £000	Year ended 30 November 2023 £000
Audit services		
• Audit of Group	<b>206</b>	251
• Audit of Subsidiaries	<b>19</b>	23
Further assurance services:		
Other services	<b>–</b>	49
	<b>225</b>	323

No non-audit services have been provided in FY24. During the prior year, the auditors' overseas member firms provided non-audit services in relation to tax advice and company secretarial support to certain overseas subsidiaries. The UK audit firm did not provide any non-audit services. The Board considered the proposed non-audit services in advance to ensure that it was satisfied that neither the nature nor the scale of the non-audit services would impair the auditors' objectivity and independence.

## Risk Management and Compliance

The Audit Committee has reviewed both the Company's risk management and internal controls (reference on pages 19 to 23), and the Company's policies on key compliance matters, such as anti-bribery and whistleblowing, and is satisfied that current control systems and policies are operating effectively.

# Independent Auditor's Report to the Members of K3 Business Technology Group plc

## Opinion

We have audited the financial statements of K3 Business Technology Group plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 November 2024, which comprise:

- the Consolidated income statement and Consolidated statement of comprehensive income for the year ended 30 November 2024;
- the Consolidated and Parent statement of financial position as at 30 November 2024;
- the Consolidated statement of cash flows for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including material accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 30 November 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained management's going concern assessment including future financing expectations, Board approved cash flow forecasts and sensitivity analysis for a period of at least twelve months from the date of approval of the financial statements;
- Gained an understanding of the design of processes and controls in place over management's forecasts supporting the going concern assessment and confirming that they are implemented as designed;
- Challenged management over the key assumptions used in the forecasts which included revenue growth, cost assumptions and conversion of receivables into cash, to determine whether these are reasonable and consistent with the trading expectations and history of the business;
- Examined detailed budgets and forecasts prepared by management covering the period of the going concern assessment to ensure these are appropriate. Challenged management over the likelihood, timing and quantity of future revenues forecast;
- Reviewed the accuracy of past forecasts by comparing the budget for the current year against actual results for the year;
- Challenged management on the severity of the sensitivity analysis prepared by management and the reasonableness of the mitigating action management plans to put in place to maintain a net cash and cash equivalent to continue to meet its liabilities as and when they fall due;
- Agreed the sale of NexSys Solutions Limited to share purchase agreements and confirmed receipts of cash proceeds to the bank statements;
- Considered management's assessment of how much to retain in the business for working capital and how much is to be distributed to shareholders following post-year end disposals in the going concern period; and
- Challenged management on the appropriateness and adequacy of the disclosures in the financial statement in respect of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## Overview of our audit approach

### *Materiality*

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £300,000, based on approximately 0.85% of Group revenue. Revenue is the most stable and relevant measure for the users of the financial statements due to profit volatility. It is also a principal consideration for the user of the financial statements in assessing the Group's performance.



Materiality for the Parent Company financial statements as a whole was set at £270,000. Whilst an asset-based benchmark is considered to be the most relevant measure for the Parent Company, as it acts mainly as a holding company, this was deemed to be at too high level and has therefore been capped at 90% of the Group's materiality.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This is set at £210,000 for the Group and £189,000 for the Parent.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and Directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £15,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

### *Overview of the scope of our audit*

The financial reporting function for the Group and its material subsidiaries is centralised in one operating location in the UK, with the exception of the entities in the Netherlands region. Our audit was conducted from the main operating location and all material subsidiaries, except those performed by the component auditors in the Netherlands region.

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 misstatements at the Group level. For the five significant components which were identified: the Parent company, K3 Software UK Limited, NexSys Solutions Limited, K3 Business Solutions B.V. and K3 Software Solutions B.V.; we performed a full scope audit of the complete financial information to component materiality. For K3 Business Solutions B.V., the audit was led by a separate team and key audit partner, which is a member firm of the Crowe Global network. The component audit team visited the Netherlands reporting function during the audit and discussed audit matters with local management. In addition, the component auditors performed audit procedures on specified account balance for K3 Software Solutions B.V. significant component. For the remaining components, we performed analytical reviews and other audit procedures on specific accounts within those components that we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of these accounts or their risk profile.

In our assessment of the residual balances not covered by the above procedures, we have considered the risk that there could be a material misstatement with a large number of geographically dispersed businesses. We have performed analytical review procedures to check the reasonableness of any movements noted within these components. We concluded that we have reduced the audit risk of such a misstatement arising to a sufficiently low level.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, 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) that we identified. These matters included 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.

This is not a complete list of all risks identified by our audit.

Key Audit Matter	How the scope of our audit addressed the key audit matter
<p><b>Revenue recognition in line with IFRS 15 and Cut-off assertion</b></p> <p>Revenue for the year from continuing operations was £23.2m, out of which £15.8m relates to Maintenance &amp; Support and £6.4m relates to services revenue and both streams contain revenue recognised over time. This is detailed in Note 2.</p> <p>The Group has a number of different revenue streams, each of which has a different revenue recognition policy. Revenue recognition is based on the identification of performance obligations within each contract, and allocating the contract price to each performance obligation in accordance with the requirement of IFRS 15. There is a risk that revenue is recognised before the risks and rewards of ownership have transferred to the customer and before the performance obligation have been met.</p> <p>By evaluating which types of revenue, revenue transactions or assertions give rise to such fraud risks we are able to identify and assess the risk of material misstatement due to fraud or error. The key risk of material misstatement in relation to revenue applies to the occurrence of revenue in line with the contractual terms agreed with customers, and in line with IFRS 15. Where the contract was ongoing at year end, we have also identified a further risk to be in relation to cut-off.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the process of revenue recognition and relevant systems and controls;</li> <li>• Reviewed the income recognition accounting policy and verified that they are in line with the accounting standards;</li> <li>• Tested a sample of sales from the accounting records through to the order details, contractual terms and bank, in addition to confirming that revenue had been recognised in accordance with IFRS 15. We also tested samples of contracts which were still ongoing at year end to gain assurance that the revenue recognition was in compliance with IFRS 15;</li> <li>• Tested samples of revenue transactions around the year end, to determine whether transactions were recorded in the correct accounting period and whether revenue was appropriately deferred; and</li> <li>• Critically assessed the adequacy of disclosures in relation to revenue including segmental analysis and relevant accounting policies in line with IFRS 15 and IFRS 8.</li> </ul>

**Key Audit Matter****How the scope of our audit addressed the key audit matter****Carrying value/Impairment of Goodwill and other intangible assets disclosed related to continuing operations as disclosed in Note 13.**

Goodwill on consolidation or arising from historic purchases of the trade and assets of another entity may not be carried at the correct value and may be impaired. Similarly, we identified potential impairments in the carrying value of other intangible assets following the loss performance of certain Cash Generating Units (CGUs).

The Group has Goodwill and intangible assets amounting to £10.1m and £1.4m respectively which is excluding the Goodwill arising from NexSys Solutions Limited, which was disposed post year end. The goodwill is material and the recoverability is a highly subjective impairment assessment process which requires significant judgement as regards the assumptions about key inputs and the future results for each CGU.

We have performed the following procedures:

- Obtained and reviewed the management's impairment assessment. Challenged identification of CGUs and their assessment of impairment indicators;
- Obtained evidence confirming Board approval of the forecasts and traced numbers through from approved forecasts to the forecast prepared as part of the impairment assessment;
- Reviewed the model prepared by management for reasonableness and substantively test by audit team for certain characteristics (period covered, terminal value, EBITDA/cash, consistency with other forecasts);
- With the assistance of our internal valuations specialists, we critically assessed the discount rates and developed our own estimate of range of possible discount rates for each of the CGUs, based on external market data and our understanding of these businesses, and compared this to the discount rates determined by the Group;
- Challenged management on the assumptions regarding the revenue, costs and cash flow forecasts used in the impairment model, giving consideration to historical forecast accuracy and corroborated expected revenue to existing and prospective contracts;
- Obtained a "severe but plausible downside" scenario for the forecasts and key assumptions in the model and assess the reasonableness of its severity. We evaluated the impact on the headroom available from the value in use and carrying amount before there would be impairment; and
- Assessed the adequacy and completeness of the Group's disclosures with respect to the carrying value of the Goodwill and other intangible assets, and the related assumptions.

## Other information

The Directors are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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 Directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and their 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 where 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 the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 38, 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the Group and Parent Company operates. We also considered and obtained an understanding of the UK legal and regulatory framework which we considered in this context were the Companies Act 2006, the Quoted Companies Alliance (QCA) Corporate Governance Code, the Alternative Investment Market (AIM) rules and UK and Dutch taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the misstatement of revenue and override of controls by management leading to a misstatement of carrying value of intangible assets including goodwill. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities and sample testing on the posting of journals. We also reviewed and challenged accounting estimates and assumptions used by management for the valuation of goodwill, intangible assets and recognition of contract income, in order to verify that the calculations and models were reasonable and free of biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect noncompliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Jayson (Senior Statutory Auditor)  
For and on behalf of  
**Crowe U.K. LLP**  
Statutory Auditor  
Manchester

26 February 2025

# Consolidated Income Statement

for the year ended 30 November 2024

	Notes	Year ended 30 November 2024 £'000	Year ended 30 November 2023 (re-presented <sup>^</sup> ) £'000
<b>Revenue</b>	2	<b>23,217</b>	31,297
Cost of sales		<b>(8,446)</b>	(12,689)
<b>Gross profit</b>		<b>14,771</b>	18,608
Adjusted administrative expenses		<b>(15,735)</b>	(19,606)
Impairment losses on financial assets	3	<b>(148)</b>	(357)
<b>Adjusted operating loss</b>	31	<b>(1,112)</b>	(1,355)
Exceptional impairment	3	–	(72)
Exceptional reorganisation costs	3	<b>(1,441)</b>	(2,116)
Exceptional acquisition/disposal related (costs)/credit	3	<b>(30)</b>	406
Share-based payment credit	10	<b>192</b>	1,126
<b>Loss from operations</b>	3	<b>(2,391)</b>	(2,011)
Finance expense	6	<b>(378)</b>	(282)
<b>Loss before taxation from continuing operations</b>		<b>(2,769)</b>	(2,293)
Tax credit/(charge)	7	<b>332</b>	(67)
<b>Loss for the year from continuing operations</b>		<b>(2,437)</b>	(2,360)
Profit/(loss) for the year from discontinued operations	28	<b>3,011</b>	(25)
<b>Profit/(loss) for the year</b>		<b>574</b>	(2,385)

All the profit/(loss) for the year is attributable to equity shareholders of the parent.

## Earnings/(loss) per share

	Notes	Year ended 30 November 2024	Re-presented Year ended 30 November 2023
Basic	9	<b>1.3p</b>	(5.3)p
Diluted	9	<b>1.3p</b>	(5.2)p
Basic from continuing operations	9	<b>(5.4)p</b>	(5.3)p

The notes on pages 54 to 105 form part of these financial statements.

<sup>^</sup>The 2023 results have been re-presented to show NexSys Solutions Limited and K3 Systems Support Limited as discontinued operations. See Note 28 for further details.



# Consolidated Statement of Comprehensive Income

for the year ended 30 November 2024

	Year ended 30 November 2024 £'000	Year ended 30 November 2023 £'000
<b>Profit/(loss) for the year</b>	<b>574</b>	<b>(2,385)</b>
<b>Other comprehensive (expense)/income</b>		
Exchange differences on translation of foreign operations	<b>(314)</b>	76
Other comprehensive (expense)/income	<b>(314)</b>	76
<b>Total comprehensive income/(expense) for the year</b>	<b>260</b>	<b>(2,309)</b>

Total comprehensive income/(expense) is attributable to equity holders of the parent.

All the other comprehensive income will be reclassified subsequently to profit or loss when specific conditions are met. None of the items within other comprehensive (expense)/income had a tax impact.

The Consolidated Statement of Comprehensive Income includes both continuing and discontinued operations' results.

The notes on pages 54 to 105 form part of these financial statements.

# Consolidated and Company Statement of Financial Position

as at 30 November 2024

Registered number: 02641001

	Notes	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	967	1,323	106	283
Right-of-use assets	12	679	1,025	–	–
Goodwill	13	10,108	24,911	–	–
Other intangible assets	13	1,404	1,533	–	–
Deferred tax assets	21	145	77	–	–
Investments	15	–	–	14,968	28,589
<b>Total non-current assets</b>		<b>13,303</b>	<b>28,869</b>	<b>15,074</b>	<b>28,872</b>
<b>Current assets</b>					
Stock		154	275	–	–
Trade and other receivables	16	3,652	7,556	2,827	1,859
Current tax assets		–	–	149	779
Cash and short-term deposits		3,643	8,304	718	2,419
Assets classified as held for sale	28, 15	22,428	–	14,192	–
<b>Total current assets</b>		<b>29,877</b>	<b>16,135</b>	<b>17,886</b>	<b>5,057</b>
<b>Total assets</b>		<b>43,180</b>	<b>45,004</b>	<b>32,960</b>	<b>33,929</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Lease liabilities	22	497	646	–	–
Provisions	20	622	105	501	–
Deferred tax liabilities	21	71	91	–	–
<b>Total non-current liabilities</b>		<b>1,190</b>	<b>842</b>	<b>501</b>	<b>–</b>
<b>Current liabilities</b>					
Trade and other payables	17	7,574	15,946	4,138	3,906
Current tax liabilities		130	285	–	–
Lease liabilities	22	179	338	–	–
Borrowings	18	1	12	–	–
Provisions	20	167	305	–	181
Liabilities classified as held for sale	28	6,595	–	–	–
<b>Total current liabilities</b>		<b>14,646</b>	<b>16,886</b>	<b>4,138</b>	<b>4,087</b>
<b>Total liabilities</b>		<b>15,836</b>	<b>17,728</b>	<b>4,639</b>	<b>4,087</b>
<b>EQUITY</b>					
Share capital	23	11,183	11,183	11,183	11,183
Share premium account		31,450	31,450	31,450	31,450
Other reserves	23	6,401	11,151	6,277	11,027
Translation reserve		1,370	1,684	–	–
Accumulated losses		(23,060)	(28,192)	(20,589)	(23,818)
<b>Total equity attributable to equity holders of the parent</b>		<b>27,344</b>	<b>27,276</b>	<b>28,321</b>	<b>29,842</b>
<b>Total equity and liabilities</b>		<b>43,180</b>	<b>45,004</b>	<b>32,960</b>	<b>33,929</b>

The parent Company loss for the year after tax was £1.3m (2023: £22.2m).

The financial statements on pages 49 to 105 were approved and authorised for issue by the Board of Directors on 26 February 2025 and were signed on its behalf by:

**E Dodd**  
Director

# Consolidated Statement of Cash Flows

for the year ended 30 November 2024

	Notes	Year ended 30 November 2024 £'000	Year ended 30 November 2023 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		574	(2,385)
Adjustments for:			
Finance expense		397	417
Tax expense	7	(274)	564
Depreciation of property, plant and equipment	11	530	552
Impairment of property, plant and equipment	11	–	464
Depreciation of right-of-use assets	12	294	591
Amortisation of intangible assets and development expenditure	13	761	1,091
Impairment of intangible assets (including goodwill)	13	–	1,606
Gain/(loss) on sale of property, plant and equipment and right-of-use assets		(374)	11
Share-based payments credit	10	(192)	(969)
Net cash flow from provisions		366	(740)
Net cash flow from stock		121	208
Net cash flow from trade and other receivables		1,711	3,319
Net cash flow from trade and other payables		(2,050)	(1,104)
<b>Cash generated from operations</b>		<b>1,864</b>	<b>3,625</b>
Income taxes received/(paid)		25	(82)
<b>Net cash from operating activities</b>		<b>1,889</b>	<b>3,543</b>
<b>Cash flows from investing activities</b>			
Development expenditure capitalised	13	(747)	(734)
Acquisition of a subsidiary, net of cash acquired		–	(86)
Purchase of property, plant and equipment	11	(32)	(588)
<b>Net cash used in investing activities</b>		<b>(779)</b>	<b>(1,408)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		2,250	3,500
Repayment of loans and borrowings		(2,261)	(3,536)
Repayment of lease liabilities		(265)	(708)
Interest paid on lease liabilities		(74)	(126)
Finance expense paid		(120)	(163)
<b>Net cash used in financing activities</b>		<b>(470)</b>	<b>(1,033)</b>
<b>Net change in cash and cash equivalents</b>		<b>640</b>	<b>1,102</b>
Cash and cash equivalents at start of year		8,304	7,113
Exchange (losses)/gain on cash and cash equivalents		(55)	89
<b>Cash and cash equivalents at end of year</b>	27	<b>8,889</b>	<b>8,304</b>

The notes on pages 54 to 105 form part of these financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 30 November 2024

	Share capital £'000	Share premium £'000	Other reserves £'000	Translation reserve £'000	Accumulated losses £'000	Total equity £'000
<b>At 30 November 2022</b>	<b>11,183</b>	<b>31,450</b>	<b>11,151</b>	<b>1,608</b>	<b>(24,838)</b>	<b>30,554</b>
Loss for the year	–	–	–	–	(2,385)	<b>(2,385)</b>
Other comprehensive income for the year	–	–	–	76	–	<b>76</b>
Total comprehensive income/(expense)	–	–	–	76	(2,385)	<b>(2,309)</b>
Share-based payment	–	–	–	–	(969)	<b>(969)</b>
<b>At 30 November 2023</b>	<b>11,183</b>	<b>31,450</b>	<b>11,151</b>	<b>1,684</b>	<b>(28,192)</b>	<b>27,276</b>
Profit for the year	–	–	–	–	574	<b>574</b>
Other comprehensive expense for the year	–	–	–	(314)	–	<b>(314)</b>
Total comprehensive (expense)/income	–	–	–	(314)	574	<b>260</b>
Share-based payment	–	–	–	–	(192)	<b>(192)</b>
Other reserves reclassification <sup>^</sup>	–	–	(4,750)	–	4,750	<b>–</b>
<b>At 30 November 2024</b>	<b>11,183</b>	<b>31,450</b>	<b>6,401</b>	<b>1,370</b>	<b>(23,060)</b>	<b>27,344</b>

# Company Statement of Changes in Equity

for the year ended 30 November 2024

	Share capital £'000	Share premium £'000	Other reserve £'000	Accumulated losses £'000	Total equity £'000
<b>At 30 November 2022</b>	<b>11,183</b>	<b>31,450</b>	<b>11,027</b>	<b>(679)</b>	<b>52,981</b>
Loss for the year	–	–	–	(22,170)	<b>(22,170)</b>
Total comprehensive expense	–	–	–	(22,170)	<b>(22,170)</b>
Share-based payment	–	–	–	(969)	<b>(969)</b>
<b>At 30 November 2023</b>	<b>11,183</b>	<b>31,450</b>	<b>11,027</b>	<b>(23,818)</b>	<b>29,842</b>
Loss for the year	–	–	–	(1,329)	<b>(1,329)</b>
Total comprehensive income	–	–	–	(1,329)	<b>(1,329)</b>
Share-based payment	–	–	–	(192)	<b>(192)</b>
Other reserves reclassification <sup>^</sup>	–	–	–	4,750	<b>–</b>
<b>At 30 November 2024</b>	<b>11,183</b>	<b>31,450</b>	<b>6,277</b>	<b>(20,589)</b>	<b>28,321</b>

<sup>^</sup>See note 23 on page 97 for more details on the other reserves reclassification.

The notes on pages 54 to 105 form part of these financial statements.

# Notes forming part of the Financial Statements

for the year ended 30 November 2024

## 1. Material accounting policies for the financial statements

### Statement of compliance

The Group financial statements have been prepared in accordance with UK endorsed IFRS in conformity with the requirements of the Companies Act 2006 ("IFRS") ("UK Adopted internal accounting standards"). The Company financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS101").

The financial statements have been prepared on the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented. Also policies have been consistently applied unless the Group has exercised any exemptions arising following the adoption of new or revised IFRSs allowing the Group to not restate the comparative information.

In preparing these financial statements, the Company has taken advantage of section 408 of the Companies Act 2006, with no separate income statement and related notes being presented for the Company. The Company has also taken advantage of certain exemptions permitted by FRS 101, as the equivalent disclosures are made in the Group accounts. Exemptions have been applied in respect of the following disclosures:

- The cash flow statement and related notes
- Capital management disclosures
- The effects of new IFRSs
- The disclosure of the remuneration of key management personnel
- Disclosure of related party transactions with other wholly owned members of the K3 Business Technology Group plc group of companies
- Financial instrument disclosures

A number of subsidiaries have chosen to take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 30 November 2024, with the Parent Company providing a declaration of guarantee in accordance with section 479C of the Companies Act 2006 for the relevant subsidiaries. A full listing of the subsidiaries availing of the guarantee and audit exemption is set out in note 29.

The financial statements are presented in Sterling and in round thousands.

## 1. Material accounting policies for the financial statements continued

### Going concern

The Group closely reviews its funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. The Group cancelled its current Banking Facilities arrangements with Barclays plc in anticipation of receipt of the proceeds from the sale of NexSys Solutions, which were received on 6 January 2025 totalling £36m gross (£34.3m net of transaction fees and costs).

The Group ended the year ended 30 November 2024 with a Net Cash position of £8.3m, including operations held for sale.

The Group has prepared a cashflow forecast for a period of at least 12 months from the date of approval of the financial statements which shows that the Group will have reasonable headroom to support its forecast working capital requirements. The forecast includes an assumption that an element of the proceeds from the sale of NexSys Solutions will be retained for working capital requirements, with a substantial proportion of the proceeds being returned to shareholders. The forecast has undergone sensitivity analysis and stress testing and the Directors have concluded that there is no worst-case scenario that is likely which would mean the Group would run out of cash.

The Directors therefore have a reasonable expectation that there are no material uncertainties that cast significant doubt about the Group's ability to continue in operation and meet its liabilities as they fall due for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements. For these reasons the financial statements have been prepared on a going concern basis.

### Adoption of new and revised standards

#### New accounting standards, interpretations adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year as disclosed in the 2023 Annual Report and Accounts. At the date of authorisation of these financial statements, there are no amended standards and interpretations issued by the UK Endorsement Board that impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

#### New accounting standards, interpretations and amendments not yet adopted by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 November 2024 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 1. Material accounting policies for the financial statements continued

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 November each year. The Company controls an investee if all three of the following elements are present:

- power over the investee
- exposure, or has rights, to variable returns from the investee; and
- the ability of the investor to use its power to affect those returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

### Business combinations

All business combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.



## 1. Material accounting policies for the financial statements continued

### Business combinations continued

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### Discontinued operations

In line with IFRS 5, the Group classifies discontinued operations within a disposal group held for sale if their carrying values will be recovered principally through a sale transaction rather than through their continuing use. Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of a disposal group. The criteria for classifying a disposal group as held for sale is only considered as having been met when a sale is highly probable and the disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be reversed. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Consolidated Income Statement. In addition, the comparative information in the Consolidated Income Statement has been re-presented to show these businesses as discontinued for the year ended 30 November 2024. The discontinued operations are excluded from the individual captions in the Statement of Financial Position with all discontinued operations assets presented as a single amount called 'assets classified as held for sale' and all discontinued operations liabilities presented as a single amount called 'liabilities classified as held for sale'. The prior year balance sheet is not re-presented for the discontinued operations.

### Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For impairment testing, goodwill is allocated to each of the Group's subsidiaries or cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent year.

On disposal of a subsidiary or cash-generating unit, the attributable net book value of goodwill is included in the determination of the profit or loss on disposal.

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 1. Material accounting policies for the financial statements continued

### Revenue recognition

The Group contracts for products and services in a variety of contractual forms and deployment methods which impact IFRS 15 revenue recognition. These include:

- Reselling of 3rd party products for which following contracting, the Group has no continuing performance obligations for software and the customer controls the software. These are usually perpetual licenses with customer on premise installations. Since the Group is reselling these all already functional products, services are unbundled. Customers can also choose to take maintenance and support for these products or indeed obtain services, support, and maintenance from different suppliers.
- K3 bolt on own software IP (Intellectual Property) that adds incremental vertical functionality and bolts onto Microsoft Dynamics products and that is either sold directly to customer or via a channel partner. There is an ongoing performance obligation to maintain the product to ensure the functionality continues to bolt onto Microsoft Dynamics products.
- K3 own products for which K3 controls and has ongoing performance obligations. These products are typically SaaS (Software as a Service) based subscription products which include a right to access as the customer continuously consumes functionality. The product offer is a typical bundle of software access, maintenance, and support. The contracts typically have a low level of services.

#### *Software licence revenue:*

Software licenses for 3rd party products are recognised at a point in time, on contract and issue of the initial license key which is contemporaneous.

K3 bolt on own software IP is recognised over time.

K3 own products which is SaaS based is recognised over time and not in software but rather in maintenance and support for the purposes of revenue disaggregation disclosures. Revenue is recognised over time as K3 controls the product, the license is not distinct, and the customer continually receives benefits.

#### *Services revenues:*

Services are linked to implementation and set up of K3 own and 3rd party products, rather than product functionality build. Services are contracted for on a time and materials basis, the customer takes ownership of the work delivered and revenue is recognised as it is performed.

## 1. Material accounting policies for the financial statements continued

### Revenue recognition continued

#### *Hardware:*

Hardware is peripheral to a number of contract implementations; the revenue is recognised when the customer takes control of the asset on delivery.

#### *Maintenance and Support:*

Maintenance refers to the maintenance of the products and ensuring a right to upgrade whilst Support refers to ongoing customer support including for example help desk access.

3rd party products maintenance is provided by the product's author. K3 has no performance obligation and this is sold through K3 for a margin. Revenue is recognised for the term of the contract at a point in time when the contract is signed. Support of 3rd party products is provided by K3 over time over the term of the contract.

K3 bolt on own software IP is typically re-sold via channel partners who provide support. K3 has an ongoing performance obligation for the maintenance of the product and recognises a portion of revenue associated with that over time.

K3 own SaaS/subscription products and usually hosted by K3 and typically a bundled offer of maintenance and support is provided to customers which are both performance obligations for K3 and revenue is recognised over time.

#### *Allocation of transaction price:*

Transaction price is measured based on the consideration specified in a contract with a customer and, where applicable, the best estimate of any consideration related to modifications to the contract which has yet to be agreed. Any amounts expected to be paid to the customer, such as penalties for late delivery, are deducted from the consideration. Where a transaction price must be allocated between multiple performance obligations, this is generally achieved through allocating a proportion of total price against each using either standard list sales prices or an estimated cost methodology.

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 1. Material accounting policies for the financial statements continued

### Leases

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.

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 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.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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.

## 1. Material accounting policies for the financial statements continued

### Taxation

The 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 net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised on intangible assets and other temporary differences recognised in business combinations.

Deferred tax is not recognised for the initial recognition of an asset or liability in a transactions which at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 1. Material accounting policies for the financial statements continued

### Dividends

Dividends are recognised when paid for interim dividends and when approved by shareholders for final dividends.

### Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

The cost of items of property, plant and equipment is its purchase cost, together with any incidental costs of acquisition. As well as the purchase price, cost includes directly attributable costs of bringing the asset into use.

Depreciation is recognised so as to write off, on a straight-line basis over the expected useful economic lives of the asset concerned, the cost of property, plant and equipment, less estimated residual values, which are adjusted, if appropriate, at each reporting date. The principal economic lives used for this purpose are:

- |                                 |                     |
|---------------------------------|---------------------|
| • Long leasehold buildings      | Period of lease     |
| • Leasehold improvements        | Period of lease     |
| • Plant, fixtures and equipment | Three to five years |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Provision is made against the carrying value of items of property, plant, and equipment where impairment in value is deemed to have occurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within administrative expenses in the consolidated income statement. Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques. The significant intangibles recognised by the Group, their estimated useful economic lives and the methods used to determine the cost of intangibles acquired in business combinations are as follows:

Intangible asset	Estimated useful economic life	Valuation method
Software distribution agreements	5-9 years	Estimated royalty stream if the rights were to be licensed
Contractual and non-contractual customer relationships	5-15 years	Estimated discounted cash flow
Intellectual property rights	6-10 years	Estimated royalty stream if the rights were to be licensed

## 1. Material accounting policies for the financial statements continued

### Internally generated intangible assets (research and development costs)

Expenditure on research activities is recognised as an expense in the year in which it is incurred. An internally generated intangible asset arising from the Group's software development is recognised only if all the following conditions are met:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

The expenditure capitalised represents the cost of direct labour and third-party costs incurred in developing the software product.

Capitalised development costs are amortised on a straight-line basis over their useful lives commencing from the date the asset is available for use. Management estimates the amortisation of useful economic life is 2 to 7 years, depending on the age of the technology and how quickly it moves. The amortisation expense is included within administrative expenses in the consolidated income statement. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

### Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets which are currently in development and not amortised, these are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.



# Notes forming part of the Financial Statements continued

for the year ended 30 November 2023

## 1. Material accounting policies for the financial statements continued

### Investments

Fixed asset investments are shown at cost less provision for impairment. Loans due from subsidiary companies which are of a long-term nature are regarded as permanent equity and included in investments. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured either by reference to the nominal value or the fair value of the shares where appropriate. Any premium is ignored when the nominal value is used.

### Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group and Company 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.

Intercompany loans are subsequently measured at amortised cost. Interest income is recognised using the effective interest method.

The carrying amount of financial assets and liabilities that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting year. For financial assets and liabilities measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

### Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant year.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

## 1. Material accounting policies for the financial statements continued

### Financial assets continued

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets, other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting years, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

The Group recognises a loss allowance for expected credit losses on trade receivables and contract assets. 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 for trade receivables and contract assets. 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.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

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.

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 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, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2023

## 1. Material accounting policies for the financial statements continued

### Financial liabilities

All financial liabilities are measured initially at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third-party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

#### *Onerous contracts*

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

#### *Dilapidation provisions*

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the Directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

## 1. Material accounting policies for the financial statements continued

### Employee share ownership plans

As the Company is deemed to have control of its ESOP trust, it is treated as a subsidiary and consolidated for the purposes of the Group accounts. The material assets, liabilities, income, and costs of the K3 Business Technology Group plc Share Incentive Plan are included in the financial statements. Until such time as the Group's own shares vest unconditionally with employees, the consideration paid for the shares is deducted in equity shareholders' funds.

### Share-based payments

The Group has previously issued equity-settled share-based payments to certain employees (i.e., share options). Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of a trinomial lattice model. The expected life used in the model has been adjusted, based on the Group's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest. Non-market vesting conditions are considered by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the amount that eventually vest. Market vesting conditions are factored into the fair value of the options and warrants granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. Where Group no longer feels that the conditions will be met for the options to vest any charge is subsequently reversed.

### Warrants

Warrants are measured at fair value at the date of grant and initially recognised in equity. The fair value determined at the grant date is expensed as a finance costs on a straight-line basis over the term of the loan.

### Pension contributions

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred. The Group has no defined benefit arrangements in place.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The Group considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management system are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 1. Material accounting policies for the financial statements continued

### Foreign currency translation

The presentational currency is sterling.

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency") are translated at the rates ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates ruling at that date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

On consolidation, results of overseas subsidiaries are translated using the average exchange rate for the year. The statement of financial positions of overseas subsidiaries are translated using the closing year-end rate. Exchange differences arising, if any, are taken to a separate component in equity (the translation reserve). Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling denominated assets and liabilities.

Exchange differences recognised in the income statement of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the translation reserve on consolidation.

### Critical accounting estimates and judgements

In applying the Group's accounting policies above the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The Directors are of the opinion that there are no significant judgements to be disclosed. The key sources of estimation that have a significant impact on the carrying value of assets and liabilities are discussed below:

#### *Impairment of goodwill and other intangibles*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires an entity to estimate the future cash flows expected to arise from the cash generating unit. It also requires judgement as to a suitable discount rate in order to calculate present value, i.e., the Directors' current best estimate of the weighted average cost of capital ("WACC"). Other intangibles are assessed annually for impairment as well as when triggers of impairment arise. An impairment review has been performed at the reporting date. More details including carrying values are included in note 14.

## 1. Material accounting policies for the financial statements continued

### Critical accounting estimates and judgements continued

#### *Recoverability of investments in subsidiaries held by the Parent*

Investments in subsidiaries held by the Parent Company are compared to the net assets of the entities which the investment is held against when considering whether the investments are recoverable. Where the net assets fall below the investment value, the investment is assessed against other criteria, such as past profitability, future expected profitability and other known information such as recent dividend payments. A value in use calculation is performed to assess the appropriateness alongside the other known information as to whether the investment is considered recoverable. If the investment is deemed not to be supportable, it is written off through the Consolidated Income Statement.

#### *Capitalised development expenditure and subsequent amortisation*

Where such expenditure meets the relevant criteria, the Group is required to capitalise development expenditure. In order to assess whether the criteria are met the Board is required to make estimates in relation to likely income generation and financial and technical viability of the relevant development projects and the period over which the Group is likely to benefit from such expenditure. Development projects are subject to an investment appraisal process with the product managers to assess the status of the development and the expected commercial opportunities. Development costs are assessed for impairment which requires an estimation of the future expected revenues to be generated from each product. This methodology, which is similar to that used to assess any impairment of goodwill, is discussed further in note 14. Expenditure is only capitalised when the investment appraisal process has assessed that the product is likely to benefit the Group in the future. More details including carrying values are included in note 14.

## 2. Revenue

	2024 £'000	2023 (re-presented) £'000
The Group's revenue comprises:		
Software licence revenue	377	3,022
Services revenue*	6,356	13,421
Maintenance and support**	15,832	14,242
Hardware and other revenue	652	612
<b>Revenue</b>	<b>23,217</b>	<b>31,297</b>

\*From installation, integration and software development services.

\*\*From software maintenance renewals, annual term contracts, support contracts and software as a service ("SaaS").

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 3. Loss from operations

	Notes	2024 £'000	2023 (re-presented) £'000
This has been arrived at after charging/(crediting):			
Staff costs	4	<b>11,895</b>	16,743
Depreciation of property, plant and equipment	11	<b>340</b>	552
(Gain)/loss on disposal of fixed assets and right-of-use assets	11	<b>(374)</b>	12
Depreciation of right-of-use assets	12	<b>294</b>	591
Amortisation of development costs	13	<b>761</b>	1,091
Exceptional impairment of goodwill, intangibles and property, plant and equipment*	11/13	–	72
Exceptional reorganisation costs**		<b>1,441</b>	2,116
Exceptional acquisition/disposal related costs/(credit)		<b>30</b>	(406)
Impairment losses on financial assets		<b>148</b>	357
Audit fees:			
– Audit services – Audit of Group		<b>206</b>	251
– Audit services – Audit of Subsidiaries		<b>19</b>	23
– Non-audit services		–	49

\*The exceptional impairments in the prior year arise from the value in use assessment and are discussed more in notes 11 and 13.

\*\*During the year the Group continued to achieve operating efficiencies following on from the reorganisation programme of previous years.



## 4. Staff costs

	Group 2024 * £'000	Group 2024 ** £'000	Group 2023 (re-presented) £'000	Company 2024 £'000	Company 2023 £'000
Staff costs (including executive Directors) comprise:					
Wages and salaries	<b>14,718</b>	<b>10,151</b>	14,202	<b>1,795</b>	2,025
Short-term non-monetary benefits	<b>67</b>	<b>10</b>	12	<b>52</b>	71
Defined contribution pension cost	<b>925</b>	<b>518</b>	772	<b>95</b>	128
Employers' national insurance contributions and similar taxes	<b>1,784</b>	<b>1,216</b>	1,757	<b>176</b>	307
	<b>17,494</b>	<b>11,895</b>	16,743	<b>2,118</b>	2,531

In addition, share-based payments were credited of £0.2m (2023: £1.1m credit).

Of the above Group staff costs £0.6m (2023: £0.7m) has been capitalised within development costs (see note 13).

The average number of employees in continuing and discontinuing operations during the year was:

	Group 2024 Number*	Group 2024 Number**	Group 2023 Number	Company 2024 Number	Company 2023 Number
Consultants and programmers	<b>170</b>	<b>100</b>	239	–	–
Sales and distribution	<b>30</b>	<b>21</b>	35	–	–
Administration	<b>43</b>	<b>37</b>	48	<b>20</b>	25
	<b>243</b>	<b>158</b>	322	<b>20</b>	25

\*Includes discontinued operations held for sale staff costs or headcount.

\*\*Excludes discontinued operations held for sale staff costs or headcount.

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 4. Staff costs continued

### Directors and key management personnel remuneration

Key management personnel, defined as the Board, are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group.

	2024 £'000	2023 £'000
Key management personnel remuneration consists of:		
Remuneration (includes contractual and settlement compensation for loss of office)	860	1,433
Company contributions to defined contribution pension schemes	20	43
	<b>880</b>	<b>1,476</b>

Share-based payment credit relating to key management personnel remuneration was £0.2m (2023: credit of £0.7m).

Included in the totals above is Directors' remuneration:

	2024 £'000	2023 £'000
Directors' remuneration consists of:		
Emoluments (includes contractual and settlement compensation for loss of office)	720	1,227
Contributions to personal pension schemes	14	29
Total per remuneration report (page 37)	<b>734</b>	<b>1,256</b>

Share-based payment credit relating to Director remuneration was £0.2m (2023: credit of £0.6m).

	2024 £'000	2023 £'000
Remuneration in respect of the highest paid Director:		
Aggregate emoluments (includes contractual and settlement compensation for loss of office)	325	558
Pension contributions	11	14
	<b>336</b>	<b>572</b>

There were 2 Directors in defined contribution pension schemes (2023: 3). Note that the Directors' emoluments include amounts attributed to benefits-in-kind on which Directors are assessed for tax purposes. This may differ to the cost to the Group of providing those benefits included in this note.

## 5. Segment information

The Group operates a streamlined organisation with management resource and central services focused on working across the Group in a more unified manner to increase the strategic focus on the level of our own product sales.

Reporting is based on product split between K3 own products ('K3 Products') and Third-party reseller activities ('Third-party Solutions') across revenue and gross margin. Global Accounts and Third-Party Products continue to be merged into Third-party Solutions. Overheads and administrative expenses are included as a central cost given resource works across these three segments. The activities and products and services of the operating segments are detailed in the Strategic Report on pages 6 to 25.

Transactions between operating segments are on an arms-length basis. The CODM (Chief Operating Decision Maker, the Board) primarily assesses the performance of the operating segments based on product revenue, gross margin and Group adjusted operating profit/(loss). The segment results for the year ended 30 November 2024 and for the year ended 30 November 2023, reconciled to profit for the year.

	K3 Products £'000	Year ended 30 November 2024 Third-party Solutions £'000	Central Costs £'000	Total £'000
<b>External revenue</b>	<b>12,340</b>	<b>10,877</b>	<b>–</b>	<b>23,217</b>
Cost of sales	(2,412)	(6,034)	–	<b>(8,446)</b>
<b>Gross profit</b>	<b>9,928</b>	<b>4,843</b>	<b>–</b>	<b>14,771</b>
Gross margin	80%	45%	–	<b>64%</b>
Adjusted administrative expenses and impairment losses on financial assets	(10,461)	(2,419)	(3,003)	<b>(15,883)</b>
<b>Adjusted operating profit/(loss)</b>	<b>(533)</b>	<b>2,424</b>	<b>(3,003)</b>	<b>(1,112)</b>
Exceptional reorganisation costs	–	–	(1,441)	<b>(1,441)</b>
Exceptional acquisition/disposal related costs	–	–	(30)	<b>(30)</b>
Share-based payment credit	–	–	192	<b>192</b>
<b>(Loss)/profit from operations</b>	<b>(533)</b>	<b>2,424</b>	<b>(4,282)</b>	<b>(2,391)</b>
Finance expense	–	–	(378)	<b>(378)</b>
<b>(Loss)/profit before tax</b>	<b>(533)</b>	<b>2,424</b>	<b>(4,660)</b>	<b>(2,769)</b>
Tax expense	–	–	332	<b>332</b>
<b>(Loss)/profit for the year from continuing operations</b>	<b>(533)</b>	<b>2,424</b>	<b>(4,328)</b>	<b>(2,437)</b>
Profit from discontinued operations				<b>3,011</b>
<b>Profit for the year</b>				<b>574</b>

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 5. Segment information continued

	Year ended 30 November 2023 (re-presented)			
	K3 Products £'000	Third-party Solutions £'000	Central Costs £'000	Total £'000
<b>External revenue</b>	12,734	18,563	–	31,297
Cost of sales	(2,699)	(9,990)	–	(12,689)
<b>Gross profit</b>	10,035	8,573	–	18,608
Gross margin	79%	46%	–	59%
Adjusted administrative expenses and impairment losses on financial assets	(14,891)	(2,857)	(2,215)	(19,963)
<b>Adjusted operating profit/(loss)</b>	(4,856)	5,716	(2,215)	(1,355)
Exceptional impairment	–	–	(72)	(72)
Exceptional reorganisation costs	–	–	(2,116)	(2,116)
Acquisition/disposal related costs	–	–	406	406
Share-based payment credit	–	–	1,126	1,126
<b>(Loss)/profit from operations</b>	(4,856)	5,716	(2,871)	(2,011)
Finance expense	–	–	(282)	(282)
<b>(Loss)/profit before tax</b>	(4,856)	5,716	(3,153)	(2,293)
Tax expense	–	–	(67)	(67)
<b>(Loss)/profit for the year from continuing operations</b>	(4,856)	5,716	(3,220)	(2,360)
Loss from discontinued operations				(25)
<b>Loss for the year</b>				(2,385)

Segment assets and segment liabilities are reviewed by the CODM in a consolidated statement of financial position. Accordingly, this information is replicated in the Group consolidated statement of financial position. As no measure of assets or liabilities for individual segments is reviewed regularly by the CODM, no disclosure of total assets or liabilities has been made, in accordance with the amendment to paragraph 23 of IFRS 8.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Transactions between segments are accounted for at cost.

The Group has one customer relationship which accounts for 12% (2023: 42%) of external Group revenue.

## 5. Segment information continued

Analysis of the Group's external revenues (by customer geography) and non-current assets by geographical location are detailed below:

### External revenue by end customer geography

	External revenue		Non-current assets	
	Year ended 30 November 2024 £'000	Year ended 30 November 2023 (re-presented) £'000	2024 £'000	2023 £'000
United Kingdom	3,999	4,755	12,203	21,911
Netherlands	4,349	5,761	1,039	5,913
Ireland	26	44	–	–
Rest of Europe	6,891	7,466	55	974
Middle East	1,896	2,142	–	–
Asia	3,220	6,195	(3)	68
USA	575	98	9	3
Rest of World	2,261	4,836	–	–
	<b>23,217</b>	<b>31,297</b>	<b>13,303</b>	<b>28,869</b>
<b>% of non-UK revenue</b>	<b>83%</b>	<b>85%</b>		

### External revenue by business unit geography

	External revenue	
	Year ended 30 November 2024 £'000	Year ended 30 November 2023 (re-presented) £'000
United Kingdom	4,917	4,338
Netherlands	15,776	23,657
Ireland	–	727
Rest of Europe	2,524	2,575
Rest of World	–	–
	<b>23,217</b>	<b>31,297</b>
<b>% of non-UK revenue</b>	<b>79%</b>	<b>86%</b>

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 6. Finance expense

	2024 £'000	2023 (re-presented) £'000
<b>Finance expense</b>		
Bank borrowings	108	128
Interest expense on lease liabilities	85	126
Other finance costs	185	28
	<b>378</b>	<b>282</b>

## 7. Tax (credit)/charge

	2024 £'000	2023 (re-presented) £'000
<b>Current tax (credit)/expense</b>		
Income tax of UK operations on profits/(losses) for the year	(1)	(406)
Income tax of overseas operations on profits/(losses) for the year	56	597
Adjustment in respect of prior years	(299)	(462)
Total current tax credit	(244)	(271)
<b>Deferred tax (credit)/expense</b>		
Origination and reversal of temporary differences	(14)	84
Effect of changes in tax rate	–	–
Adjustments in respect of prior years	(74)	254
Total deferred tax (credit)/expense	(88)	338
Total tax (credit)/expense in the current year	<b>(332)</b>	<b>67</b>

Deferred tax balances as at 30 November 2024 have been measured at 25% (2023: 25%).

## 7. Tax (credit)/charge continued

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits/(losses) for the year are as follows

	2024 £'000	%	2023 (re-presented) £'000	%
<b>Loss before tax</b>	<b>(2,769)</b>		<b>(2,293)</b>	
Expected tax credit based on the standard rate of corporation tax	<b>(692)</b>	<b>25.0</b>	<b>(527)</b>	<b>23.0</b>
Effects of:				
Items not deductible for tax purposes	<b>91</b>		<b>107</b>	
Income not taxable	<b>(177)</b>		<b>(369)</b>	
Group relief on held for sale operations	<b>757</b>		<b>–</b>	
Intercompany impairments	<b>–</b>		<b>(459)</b>	
Adjustment to tax charge in respect of prior years	<b>(372)</b>		<b>651</b>	
Movements in deferred tax not recognised	<b>66</b>		<b>464</b>	
Differences between overseas tax rates	<b>(5)</b>		<b>125</b>	
Effect of deferred tax rate difference	<b>–</b>		<b>75</b>	
<b>Total tax (credit)/expense in current year</b>	<b>(332)</b>	<b>12.0%</b>	<b>67</b>	<b>(2.9)%</b>

Deferred tax recognised directly in equity for the year was £nil (2023: £nil). Current tax recognised in equity for the year was £nil (2023: £nil). None of the items within other comprehensive income in the Consolidated Statement of Comprehensive Income have resulted in a tax expense or tax income.

## 8. Dividends

No dividend in respect of the year ended 30 November 2024 will be proposed (2023: nil).

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 9. (Loss)/earnings per share

The calculations of (loss)/earnings per share are based on the (loss)/profit for the year and the following numbers of shares:

<i>Denominator</i>	2024 Number of shares	2023 Number of shares
Weighted average number of shares used in basic EPS	<b>44,732,379</b>	44,705,570
Warrants	<b>1,200,000</b>	1,200,000
Weighted average number of shares used in diluted EPS	<b>45,932,379</b>	45,905,570

	Basic and diluted 2024 £'000	2023 (re-presented) £'000
Loss after tax from continuing operations	<b>(2,437)</b>	(2,360)
Profit/(loss) after taxation from discontinued operations	<b>3,011</b>	(25)
Profit/(loss) attributable to ordinary equity holders of the Parent	<b>574</b>	(2,385)

The alternative earnings per share calculations have been computed because the Directors consider that they are useful to shareholders and investors. These are based on the following profits/(losses) and the above number of shares.

	Basic and diluted before other items 2024 £'000	2023 (re-presented) £'000
Loss after tax from continuing operations	<b>(2,437)</b>	(2,360)
Add back other items:		
Exceptional reorganisation costs	<b>1,441</b>	2,116
Exceptional impairment costs	–	72
Share-based payment credit	<b>(192)</b>	(1,126)
Acquisition/disposal related costs/(credit)	<b>30</b>	(406)
Tax charge related to other items	<b>(360)</b>	(410)
Loss attributable to ordinary equity holders of the parent for basic and diluted earnings from continuing operations before other items	<b>(1,518)</b>	(2,114)

	2024 Pence	2023 (re-presented) Pence
<b>Profit/(loss) per share</b>		
Basic profit/(loss) per share	<b>1.3</b>	(5.3)
Diluted profit/(loss) per share	<b>1.3</b>	(5.2)
Basic loss per share per continuing operations	<b>(5.4)</b>	(5.3)

### Adjusted earnings per share

Basic loss per share from continuing operations and before other items	<b>(3.4)</b>	(4.7)
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## 10. Share-based payments

K3 Business Technology Group plc operated an equity-settled share-based remuneration scheme for employees in previous years: the K3 Long Term Incentive Plan ("LTIP") for certain senior management including executive Directors. Everyone who was in this plan has subsequently left. There is no scheme operating in the current year.

### Market Priced Options

Market Priced Options may be granted annually subject to the achievement of performance targets set by the Remuneration Committee. The value of any awards granted are intended to be between 50% - 100% of an individual's basic salary. The exercise price of Market Priced Options is determined by the prevailing price of the Company's shares on the day before the date of grant and any vesting conditions are set by the Remuneration Committee at the time of the annual award.

During the financial year and the prior year, the Remuneration Committee awarded no Market Priced Options. 70,000 Market Priced Options lapsed without being exercised during the year, leaving no Market Priced Options in issue at the end of the financial year (2023: 70,000).

### Nominal Priced Options/LTIP Options

Nominal Priced Options are not granted annually, but are granted on an occasional basis at the determination of the Remuneration Committee. The exercise price of Nominal Priced Options is 25p, being nominal value of the Company's shares.

All current Nominal Priced Options granted to date are subject to performance conditions based on the achievement of certain 60 day Volume Weighted Average Price ('VWAP') thresholds of the Company's shares, measured between the third and fourth anniversary of the date of option grant. The 60 day VWAP measurement will be applied to any consecutive 60 trading days during the 12 month testing period.

The performance targets and associated vesting of the Nominal Priced Options are:

- 25% vest at VWAP of 200p;
- 50% vest at VWAP of 225p; and
- 100% vest at VWAP of 250p.

with a straight line vesting between these thresholds.

Subject to meeting the above performance targets, all Nominal Priced Options granted to date may be exercised as follows:

- 50% on or after the fourth anniversary of the date of grant; and
- 50% on or after the fifth anniversary of the date of grant.

Nominal Priced Options granted to date will remain exercisable until the seventh anniversary of the original date of grant, at which point they will lapse.

During the financial year and the prior year no Nominal Priced Options were granted. 437,500 Nominal Priced Options lapsed without being exercised during the year, leaving no Nominal Priced Options in issue at the end of the financial year (2023: 437,500).

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 10. Share-based payments continued

	2024		2023	
	Weighted average exercise price Pence	Options Number	Weighted average exercise price Pence	Options Number
Outstanding at beginning of the year	42.2	507,500	64.0	2,335,000
Lapsed during the year	42.2	(507,500)	70.1	(1,827,500)
Outstanding at the end of the year	–	–	42.2	507,500

There were no share options outstanding at the end of the year. In the prior year of the share options outstanding, nil were exercisable at 30 November 2023 and no options had vested. The options outstanding at 30 November 2023 had a weighted average price of LTIP:25p, Market Priced Options:204p, Market Priced Options:150p, and their weighted average contractual life was 5.64.

The share-based remuneration income (note 4) comprises:

	2024 £'000	2023 £'000
Equity-settled schemes	(192)	(1,126)

The credit resulted from lapsed share options.

The Group did not enter into any share-based payment transactions with parties during the current or previous year.

## 11. Property, plant and equipment

Group

	Long leasehold land and buildings £'000	Leasehold improvements £'000	Plant, fixtures and equipment £'000	Total £'000
<b>Cost</b>				
At 30 November 2022	750	47	6,354	7,151
Additions	–	–	588	588
Disposals	–	–	(49)	(49)
Effect of movements in foreign exchange rate	–	–	(14)	(14)
At 30 November 2023	<b>750</b>	<b>47</b>	<b>6,879</b>	<b>7,676</b>
Additions	–	–	32	32
Disposals	–	(47)	(3,827)	(3,874)
Reclassified to held for sale	–	–	(537)	(537)
Effect of movements in foreign exchange rate	–	–	(136)	(136)
At 30 November 2024	<b>750</b>	<b>–</b>	<b>2,411</b>	<b>3,161</b>
<b>Accumulated depreciation</b>				
At 30 November 2022	157	47	5,181	5,385
Depreciation charge	10	–	542	552
Disposals	–	–	(39)	(39)
Impairment	–	–	464	464
Effect of movements in foreign exchange rate	–	–	(9)	(9)
At 30 November 2023	<b>167</b>	<b>47</b>	<b>6,139</b>	<b>6,353</b>
Depreciation charge	10	–	330	340
Disposals	–	(47)	(3,797)	(3,844)
Reclassified to held for sale	–	–	(528)	(528)
Effect of movements in foreign exchange rate	–	–	(127)	(127)
At 30 November 2024	<b>177</b>	<b>–</b>	<b>2,017</b>	<b>2,194</b>
<b>Net book value</b>				
At 30 November 2023	583	–	740	1,323
At 30 November 2024	<b>573</b>	<b>–</b>	<b>394</b>	<b>967</b>

Bank borrowings are secured on certain assets of the Group including property, plant, and equipment. There is a fixed charge over the long leasehold property.

The impairment of £0.5m in the prior year related to impairment of Unity project. The project was implemented with a view to delivering Group wide efficiencies. However, in FY23, a decision was made to not use this model, and therefore the investment in Unity project was not considered recoverable, hence the impairment recorded.

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 11. Property, plant and equipment continued

Company

Plant, office  
equipment  
and fixtures  
£'000

### Cost

At 30 November 2022	1,882
Additions	229
At 30 November 2023	2,111
Additions	9
Disposals	(832)
At 30 November 2024	<b>1,288</b>

### Depreciation

At 30 November 2022	1,044
Depreciation charge	431
Impairment	353
At 30 November 2023	1,828
Depreciation charge	186
Disposals	(832)
At 30 November 2024	<b>1,182</b>

### Net book value

At 30 November 2023	283
At 30 November 2024	<b>106</b>

The impairment of £0.4m, in the prior year, relates to impairment of Unity project. The project was implemented with a view to delivering Group-wide efficiencies. However in FY23, a decision was made to not use this model, and therefore the investment in Unity project was not considered recoverable.

## 12. Right-of-use assets

	Buildings £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>			
At 30 November 2022	2,719	2,156	4,875
Additions	825	–	825
Disposals	–	(129)	(129)
Effect of movements in foreign exchange rate	–	3	3
At 30 November 2023	3,544	2,030	5,574
Additions	–	55	55
Disposals	(2,432)	(1,359)	(3,791)
Reclassified to held for sale	–	(26)	(26)
Effect of movements in foreign exchange rate	(23)	(19)	(42)
At 30 November 2024	<b>1,089</b>	<b>681</b>	<b>1,770</b>
<b>Accumulated depreciation</b>			
At 30 November 2022	2,400	1,674	4,074
Depreciation charge	361	230	591
Disposals	–	(113)	(113)
Effect of movements in foreign exchange rate	–	(3)	(3)
At 30 November 2023	2,761	1,788	4,549
Depreciation charge	178	116	294
Disposals	(2,355)	(1,359)	(3,714)
Reclassification	(90)	90	–
Reclassified to held for sale	–	(17)	(17)
Effect of movements in foreign exchange rate	(7)	(14)	(21)
At 30 November 2024	<b>487</b>	<b>604</b>	<b>1,091</b>
<b>Net book value</b>			
At 30 November 2023	783	242	1,025
At 30 November 2024	<b>602</b>	<b>77</b>	<b>679</b>

The Group leases several assets including buildings, motor vehicles and equipment.

The Group's obligations are secured by the lessors' title to the leased assets for such leases.

### Amounts recognised in profit and loss

	2024 £'000	2023 £'000
Depreciation expense on right-of-use assets	<b>294</b>	591
Interest expense on lease liabilities	<b>85</b>	126

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 13. Intangible assets

	Goodwill £'000	Development costs £'000	Contractual and non- contractual customer relationships £'000	Distribution agreements £'000	Intellectual property rights £'000	Total £'000
<b>Cost or valuation</b>						
At 30 November 2022	34,048	27,448	19,040	10,646	3,951	95,133
Additions	–	734	–	–	–	734
Disposal	–	(122)	–	–	–	(122)
Effect of movements in foreign exchange rate	(10)	(15)	–	–	–	(25)
At 30 November 2023	34,038	28,045	19,040	10,646	3,951	95,720
Additions	–	567	–	–	–	567
Reclassified as held for sale	(14,448)	(2,206)	(2,924)	(496)	–	(20,074)
Disposal	(7,411)	(23,756)	(9,810)	(8,950)	(374)	(50,301)
Effect of movements in foreign exchange rate	(355)	235	–	–	–	(120)
At 30 November 2024	<b>11,824</b>	<b>2,885</b>	<b>6,306</b>	<b>1,200</b>	<b>3,577</b>	<b>25,792</b>
<b>Accumulated amortisation</b>						
At 30 November 2022	9,026	24,054	19,040	10,646	3,951	66,717
Amortisation charge	–	1,091	–	–	–	1,091
Disposal	–	(120)	–	–	–	(120)
Impairment	106	1,500	–	–	–	1,606
Effect of movements in foreign exchange rate	(5)	(13)	–	–	–	(18)
At 30 November 2023	9,127	26,512	19,040	10,646	3,951	69,276
Amortisation charge	–	761	–	–	–	761
Reclassified as held for sale	–	(1,772)	(2,924)	(496)	–	(5,192)
Disposal	(7,411)	(24,156)	(9,810)	(8,950)	(374)	(50,701)
Effect of movements in foreign exchange rate	–	136	–	–	–	136
At 30 November 2024	<b>1,716</b>	<b>1,481</b>	<b>6,306</b>	<b>1,200</b>	<b>3,577</b>	<b>14,280</b>
<b>Net book value</b>						
At 30 November 2023	24,911	1,533	–	–	–	26,444
At 30 November 2024	<b>10,108</b>	<b>1,404</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11,512</b>

In 2023, an impairment of Development costs and Goodwill of £1.4m by Viji IP CGU was recorded due to forecast performance not in line with management expectation set at the time of acquisition. An impairment of £0.2m was also recorded relating to Unity project.

## 14. Goodwill and impairment

Goodwill acquired in business combinations is allocated at acquisition to the cash generating units ("CGUs") that are expected to benefit from that business combination. The allocation made represents the lowest level at which goodwill is monitored for internal management purposes and are not larger than the single operating segment defined under IFRS 8 (Operating Segments).

During the prior year, IBS CGU was merged with that of NexSys CGU as IBS entity merged with NexSys entity to drive operational efficiency. This CGU has been moved to held for sale in the current year.

The carrying value of goodwill in respect of all CGUs is set out below. These are fully supported by value in use calculations in the year.

	Goodwill carrying amount 2024 £'000
Global Accounts	9,011
Walton	1,097
	<b>10,108</b>
	Goodwill carrying amount 2023 £'000
NexSys and Integrated Business Solutions (IBS)	14,448
Global Accounts	9,366
Walton	1,097
	<b>24,911</b>

The recoverable amounts of the remaining CGUs are determined from value in use calculations. The key assumptions for these calculations are discount rates, sales growth, gross margin, and admin expense growth rates. The assumptions for these calculations reflect the current economic environment. The discount rate represents the current market assessment of the risks specific to the Group, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from the weighted average cost of capital (WACC). Other assumptions used are based on external data and management's best estimates.

For all the CGUs where the recoverable amount is determined from value in use, the Group performs impairment reviews by forecasting cash flows based upon the Annual Budget starting in 2025, which anticipates sales, gross margin and admin cost growth based on management's best estimates. A projection of sales and cash flows based upon a blended inflation rate 2% for the Walton CGU and nil inflation rate for the Global Accounts CGU is then made for a further four years, into a terminal amount.

The rate used to discount the forecast pre-tax cash flows is 20.7% for Global Accounts and 20.6% for Walton, which represents the Directors' current best estimates of the pre-tax weighted average cost of capital ("WACC"). The Directors consider that there are no material differences in the post-tax WACC for different CGUs. For the Global Accounts CGU to become impaired, which would be a £3.5m reduction in headroom, the pre-tax WACC would need to increase to 25.9%, an increase in the pre-tax WACC of 25% (post tax WACC of 16.6% and a 34.4% increase).

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 15. Investments

	2024 €'000	2023 €'000
Subsidiary undertakings	<b>29,160</b>	28,589

The trading subsidiaries of K3 Business Technology Group plc are disclosed in note 29. All subsidiary undertakings are wholly owned, and all shares consist of ordinary shares only.

	€'000
At 30 November 2022	32,436
Impairment	(3,847)
<b>At 30 November 2023</b>	28,589
Additions	571
<b>At 30 November 2024</b>	<b>29,160</b>
<b>Net book value</b>	
<b>At 30 November 2024*</b>	<b>29,160</b>
At 30 November 2023	28,589

\*€14.2m is disclosed in the caption 'assets classified as held for sale' on the face of the Company Statement of Financial Position.

In FY24, additions of €0.6m related to K3 Property Holdco Limited, which holds the head office owned by the Group, purchased from an intercompany via dividends paid.

In FY23, an impairment of €3.1m was recorded, which resulted from a subsidiary in Ireland which was closed in the year. Another €0.7m related to an impairment of subsidiaries where investment's net book value exceeded recoverable amount due to downward change in future cash flows.



## 16. Trade and other receivables

	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Trade receivables	<b>2,872</b>	6,042	–	–
Loss allowance	<b>(407)</b>	(635)	–	–
Trade receivables – net	<b>2,465</b>	5,407	–	–
Amounts due from subsidiary undertakings	–	–	<b>2,516</b>	1,390
Other receivables	<b>193</b>	185	<b>71</b>	148
Contract assets	<b>419</b>	1,286	–	–
Prepayments	<b>454</b>	678	<b>240</b>	321
Intercompany trading with held for sale assets	<b>121</b>	–	–	–
	<b>3,652</b>	7,556	<b>2,827</b>	1,859

The fair value of trade and other receivables approximates to book value at 30 November 2024 and 30 November 2023.

Of the above, trade receivables of £nil (2023: £nil) and contract assets of £nil (2023: £nil) are due after more than one year.

Interest is charged on amounts owed by subsidiary undertakings at 8.75% (2023: 8.1%), which is deemed to be a market rate. The Company impaired £1.9m during the year (2023: £20m) of the intercompany receivables. The prior year impairment was part of the Company's strategy to close its operations in Ireland.

The Group is exposed to credit risk with respect to trade receivables due and accrued income which will become due from its customers. The Group has more than 1,000 (2023: more than 1,000) customers at the year-end spread across various industries, although predominantly in the retail, manufacturing, and distribution sectors. The Group has one customer relationship that accounts for over 12% (2023: 42%) of total Group revenue but the relationship is spread across different territories and markets. The Group assesses the credit rating for new customers to minimise the credit risk.

The average credit period on sales is 30 days. No interest is charged on outstanding trade receivables.

The Group measures the loss allowance for trade receivables at an amount equal to the lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable 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 bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The carrying amounts of the Group's trade and other receivables are denominated in the following:

	2024 £'000	2023 £'000
Pound sterling	<b>935</b>	2,101
Euro	<b>2,555</b>	5,107
Other	<b>162</b>	348
	<b>3,652</b>	7,556

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 16. Trade and other receivables continued

The following table details the risk profile of trade receivables and contract assets based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

30 November 2024 Group	Trade receivables and contract assets receivables – days past due					Total £'000
	Not past due £'000	<30 £'000	31-60 £'000	61-90 £'000	>90 days £'000	
Expected credit loss rate	<b>0.8%</b>	<b>0.9%</b>	<b>3.5%</b>	<b>1.7%</b>	<b>0.9%</b>	<b>1.0%</b>
Estimated total gross carrying amount at default	<b>2,304</b>	<b>422</b>	<b>173</b>	<b>59</b>	<b>333</b>	<b>3,291</b>
Specific provision	<b>–</b>	<b>(2)</b>	<b>(27)</b>	<b>(18)</b>	<b>(327)</b>	<b>(374)</b>
Lifetime expected credit loss	<b>(19)</b>	<b>(4)</b>	<b>(6)</b>	<b>(1)</b>	<b>(3)</b>	<b>(33)</b>
						<b>2,884</b>
					Trade receivables – net	<b>2,465</b>
					Contract assets	<b>419</b>
					Total	<b>2,884</b>

30 November 2023 Group	Trade receivables and contract assets receivables – days past due					Re-presented Total £'000
	Not past due £'000	<30 £'000	31-60 £'000	61-90 £'000	>90 days £'000	
Expected credit loss rate	0.8%	0.9%	5.2%	0.5%	6.7%	1.7%
Estimated total gross carrying amount at default	4,437	1,497	462	201	731	7,328
Specific provision	–	–	–	–	(511)	(511)
Lifetime expected credit loss	(37)	(13)	(24)	(1)	(49)	(124)
						6,693
					Trade receivables – net	5,407
					Contract assets	1,286
					Total	6,693

Movements on the Group provision for impairment of trade receivables and contract assets are as follows:

	2024 £'000	2023 £'000
At beginning of year	<b>635</b>	784
Provided during the year	<b>148</b>	354
Utilised during the year	<b>(311)</b>	(503)
Discontinued operations held for sale	<b>(65)</b>	–
<b>At end of year</b>	<b>407</b>	635

The movement on the provision for impaired receivables and contract assets has been included in administrative expenses in the consolidated income statement.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable set out above.

## 17. Trade and other payables

	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Trade payables	<b>1,138</b>	1,132	<b>591</b>	585
Amounts owed to subsidiary undertakings	–	–	<b>2,331</b>	2,289
Other payables	<b>1,234</b>	1,463	<b>507</b>	171
Accruals	<b>1,379</b>	3,337	<b>709</b>	861
Other tax and social security taxes	<b>381</b>	2,560	–	–
Contract liabilities	<b>3,442</b>	7,454	–	–
	<b>7,574</b>	15,946	<b>4,138</b>	3,906

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

To the extent trade and other payables are not carried at fair value in the consolidated statement of financial position, book value approximates to fair value at 30 November 2024 and 30 November 2023.

Interest is charged on amounts owed to subsidiary undertakings at 8.75% (2023: 8.1%), which is deemed to be a market rate.

£3m of contract liabilities in 2024 have been included in discontinued operations held for sale. See note 28 for detail.

The carrying amounts of the Group's trade and other payables are denominated in the following:

	2024 £'000	2023 £'000
Pound sterling	<b>4,523</b>	11,291
Euro	<b>2,714</b>	3,715
Other	<b>338</b>	940
	<b>7,575</b>	15,946

## 18. Borrowings

	2024 £'000	2023 £'000
<b>Current</b>		
Bank loans	<b>1</b>	12
<b>Total borrowings</b>	<b>1</b>	12

In 2023, the Group's bank overdrafts are secured by cross guarantees and debentures (fixed and floating charges over the assets of all the Group companies) and the Group's bankers had a formal right to set-off and provide a net overdraft facility across the Group of £250,000. With the sale of NexSys Solutions Limited on 29 November 2024, this facility fell away with the Group looking to keep a proportion of the £36m gross sales proceeds within the Group for working capital purposes and to ensure that the remaining parts of the Group are appropriately funded.

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 18. Borrowings continued

### 2023 terms

Principal terms and the debt repayment schedule of the Group's loans and borrowings in prior year were as follows:

	Currency	Nominal rate %	Year of maturity	Security
Secured bank loan	GBP	3.65% over SONIA	2024	See below

The Facilities included a monthly draw down and a multi-currency overdraft facility.

### Bank borrowings

The bank loans in the prior year were secured by a fixed charge over the Group's long leasehold property and floating charges over the remaining assets of the Group.

The Group had undrawn committed banking facilities available at 30 November 2023: £3.5m, for which all conditions had been met. It was a revolving loan facility on which interest was charged at a floating rate linked to SONIA. For the purposes of reporting, fair value was equivalent to the carrying value of the borrowings. During 2024, the banking facility agreement had been extended until 31 March 2026, with a facility maximum of £2.8m, before being released as part of the NexSys Solutions Limited disposal in November 2024.

## 19. Financial instruments

### Risk management

The group is exposed through its operations to one or more of the following financial risks:

- a. Market (and currency) risk
- b. Liquidity risk
- c. Credit risk

Policy for managing these risks is set by the Board following recommendations from the Chief Financial Officer. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes from previous years in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or methods used to measure them.

## 19. Financial instruments continued

### Principal financial instruments

The principal financial instruments used by the Group, from which financial risk arises, are as follows:

- a. Trade receivables;
- b. Cash at bank;
- c. Trade and other payables; and
- d. Floating-rate bank loans and overdrafts.

### Market (and currency) risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

#### *Fair value and cash flow interest rate risk*

The Group has fixed interest loans in respect of leases with a net book value of £0.7m (2023: £1.0m). The interest rate applicable on lease liabilities ranges from 5% to 9% (2023: 9%).

Bank debt is £nil (2023: £nil) and in 2023 was held under floating rates linked to quarterly SONIA.

#### *Foreign currency risk*

Foreign exchange risk arises because the Group has operations located overseas whose functional currency is not the same as the Group's primary functional currency (sterling). The net assets from overseas operations are exposed to currency risk giving rise to gains or losses on retranslation into sterling. The amount of receivables and payables denominated in different currencies can be seen notes 16 and 17 accordingly.

Foreign exchange risk also arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. It is Group policy that such transactions should be hedged by entering into forward contracts where it is considered the risk to the Group is significant. This policy is managed centrally by Group treasury entering into a matching forward contract with a reputable bank.

It is Group policy that transactions between Group entities are always denominated in the selling entity's functional currency thereby giving rise to foreign exchange risk in the income statement of both the purchasing Group entity and the Group. No external hedge is entered into as there is no exposure to consolidated net assets from intra-group transactions.

### Liquidity risk

The liquidity risk of each Group entity is managed centrally by the Group treasury function comparing to budgets and quarterly forecasts.

In 2023, the Group maintained a syndicated revolving loan facility with Barclays to manage any unexpected short-term cash shortfalls. The facility from the Group's bankers required the Group to meet certain covenants throughout the term of the loans, with which the Group was compliant during the period. This facility fell away with the Group looking to keep a proportion of the £36m sales proceeds, from the sale of NexSys Solutions Limited, within the Group for working capital purposes and to ensure that the remaining parts of the Group are appropriately funded.

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 19. Financial instruments continued

### Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings, taking into account local business practices, are then factored into any contractual arrangements.

The Group does not have any significant credit risk exposure to any single customer. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Further details, including quantitative information, are included in note 16.

### Capital disclosures

The Group monitors "adjusted capital" which comprises all components of equity (i.e., share capital, share premium, retained earnings and other reserves) other than amounts in the translation reserve. Other reserves comprise a merger relief reserve.

	2024 £'000	2023 £'000
Total equity	<b>27,344</b>	27,276
Less: amounts in translation reserve	<b>(1,370)</b>	(1,684)
	<b>25,974</b>	25,592

The Group's objective when maintaining capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders. In order to maintain the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

### Sensitivity analysis

Whilst the Group takes steps to minimise its exposure to cash flow interest rate risk and foreign exchange risk as described above, changes in interest and foreign exchange rates will have an impact on profit.

In the prior year, with the banking facility, a small increase of 0.1% movement in the interest rate could be reasonably possible as at 30 November 2023, and would have caused additional annual interest charges of £2.8k, assuming the Banking Facility was fully drawn for an entire year. This risk falls away with the removal of the banking facility in the current year.

The Group's foreign exchange risk is dependent on the movement in the Euro to sterling exchange rate. The Directors consider a 3 per cent movement in the Euro GBP rate to be reasonably possible as at 30 November 2024. The effect of a 3 per cent strengthening or weakening in the Euro against sterling at the 30 November 2023 on the Euro denominated £1m overdraft would have been £25k. This risk falls away with the removal of the banking facility in the current year.

## 19. Financial instruments continued

### Financial instruments by category

The carrying value of the Group's financial instruments are analysed as follows:

As at 30 November 2024

	Notes	Amortised cost £'000	At FVTPL £'000	Total £'000
<b>Assets</b>				
Trade and other receivables:				
Trade receivables	16	2,465	–	<b>2,465</b>
Other non-derivative financial assets	16	193	–	<b>193</b>
Contract assets	16	419	–	<b>419</b>
Cash and cash equivalents		3,643	–	<b>3,643</b>
<b>Total assets</b>		<b>6,720</b>	<b>–</b>	<b>6,720</b>
<b>Liabilities</b>				
Borrowings and lease liabilities:				
Current	18/22	(180)	–	<b>(180)</b>
Non-current	18/22	(497)	–	<b>(497)</b>
Trade and other payables:				
Trade payables	17	(1,138)	–	<b>(1,138)</b>
Other non-derivative financial liabilities	17	(1,234)	–	<b>(1,234)</b>
Contract liabilities	17	(3,442)	–	<b>(3,442)</b>
<b>Total liabilities</b>		<b>(6,491)</b>	<b>–</b>	<b>(6,491)</b>
<b>Net</b>		<b>229</b>	<b>–</b>	<b>229</b>

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 19. Financial instruments continued

### Financial instruments by category continued

As at 30 November 2023

	Notes	Amortised cost £'000	At FVTPL £'000	Total £'000
<b>Assets</b>				
Trade and other receivables:				
Trade receivables	16	5,407	–	<b>5,407</b>
Other non-derivative financial assets	16	185	–	<b>185</b>
Contract assets	16	1,286	–	<b>1,286</b>
Cash and cash equivalents		8,304	–	<b>8,304</b>
<b>Total assets</b>		<b>15,182</b>	<b>–</b>	<b>15,182</b>
<b>Liabilities</b>				
Borrowings and lease liabilities:				
Current	18/22	(350)	–	<b>(350)</b>
Non-current	18/22	(646)	–	<b>(646)</b>
Trade and other payables:				
Trade payables	17	(1,132)	–	<b>(1,132)</b>
Other non-derivative financial liabilities	17	(1,463)	–	<b>(1,463)</b>
Contract liabilities	17	(7,454)	–	<b>(7,454)</b>
<b>Total liabilities</b>		<b>(11,045)</b>	<b>–</b>	<b>(11,045)</b>
<b>Net</b>		<b>4,137</b>	<b>–</b>	<b>4,137</b>

### Financial instruments measured at fair value

There were no financial instruments measured subsequent to initial recognition at fair value at the end of either year.



## 20. Provision

Group	Dilapidations £'000	Onerous contracts £'000	Deferred consideration £'000	Other provisions £'000	Total £'000
At 30 November 2023	229	86	95	–	410
Additions	505	–	–	120	625
Utilised in the year	(78)	(86)	(95)	–	(259)
Interest	13	–	–	–	13
At 30 November 2024	669	–	–	120	789
Split as:					
Current	47	–	–	120	167
Non-Current	622	–	–	–	622
At 30 November 2024	669	–	–	120	789
Company		Dilapidations £'000	Onerous contracts £'000	Deferred consideration £'000	Total £'000
At 30 November 2023		–	86	95	181
Additions		501	–	–	501
Utilised in the year		–	(86)	(95)	(181)
At 30 November 2024		501	–	–	501
Split as:					
Current		–	–	–	–
Non-Current		501	–	–	501
At 30 November 2024		501	–	–	501

The onerous contract provision at 30 November 2023, related to commitments undertaken for the post completion services agreement with the Buyer of Starcom for activity no longer in the Group. The deferred consideration provision at 30 November 2023, related to above market pricing included in the post completion services agreement with the Buyer of Starcom. Both provisions unwound during the year.

## 21. Deferred tax

The net deferred tax asset/(liability) at the end of the year is analysed as follows:

	2024 £'000	2023 £'000
<b>Deferred tax assets</b>		
Continuing operations	<b>145</b>	77
<b>Deferred tax liabilities</b>		
Continuing operations	<b>(71)</b>	(91)
	<b>74</b>	(14)

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 21. Deferred tax continued

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Other temporary differences	–	–	(71)	(91)	(71)	(91)
Losses	145	77	–	–	145	77
<b>Deferred tax assets/(liabilities)</b>	<b>145</b>	<b>77</b>	<b>(71)</b>	<b>(91)</b>	<b>74</b>	<b>(14)</b>

Movement in deferred tax during the year

	1 December 2023 £'000	Recognised in income £'000	Disposal £'000	30 November 2024 £'000
Other temporary differences	(91)	20	–	(71)
Losses	77	68	–	145
<b>Deferred tax assets/(liabilities)</b>	<b>(14)</b>	<b>88</b>	<b>–</b>	<b>74</b>

The Group have not recognised a deferred tax asset on £3.2m (2023: £3.6m) of tax losses and intangible fixed asset timing differences carried forward due to uncertainties over recovery.

No deferred tax liability is recognised on temporary differences of £12k (2023: £31k) relating to the unremitted earnings of overseas subsidiaries as the Group can control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

## 22. Lease liabilities

	2024 £'000	2023 £'000
Analysed as:		
Non-current	497	646
Current	179	338
	<b>676</b>	<b>984</b>
	2024 £'000	2023 £'000
Maturity analysis		
Year 1	179	338
Years 2 to 5	282	432
Greater than 5	215	214
	<b>676</b>	<b>984</b>

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. Lease obligations are denominated in Sterling and Euros.

## 23. Share capital and other reserves

	Number	2024 £'000	Issued and fully paid Number	2023 £'000
<b>Ordinary shares of 25p each</b>				
At beginning and end of the year	<b>44,732,379</b>	<b>11,183</b>	44,732,379	11,183

All shares have equal voting rights and there are no restrictions on the distribution of dividends or repayment of capital.

No shares were allocated under the employee share option schemes during the year.

1,200,000 warrants for ordinary shares of 25p were issued on 31 March 2020 following the receipt by the Group of £3,000,000 in shareholder loans, and the latter was subsequently transferred to shares in 2021. The warrants remain unexercised and outstanding as at 30 November 2024 and are split as follows:

- CA Fastigheter AB 300,000
- Johannes Plan Fastigheter AB 300,000
- Kestrel Partners LLP discretionary clients 600,000

### LTIP

As set out in note 10, K3 Business Technology Group plc operated an equity-settled share-based remuneration scheme for employees: the K3 Long Term Incentive Plan ("LTIP") for certain senior management including executive Directors.

As at 30 November 2024, no LTIP options over ordinary shares in the Company remained in issue (2023: 437,500) and no further LTIP plans are in place.

### Nature and purpose of other reserves

#### *Merger relief reserve*

The merger relief reserve represents the memorandum accounting reserve generated through acquisitions made by the Group where shares were issued as part of those acquisitions. During the year there has been a reduction in this reserve to retained earnings representing those parts of the merger relief reserve where the previous acquired companies are no longer held by the Group.

#### *Other reserve*

This reserve represents the fair value element of warrants previously issued. This fair value has amortised through the income statement in full in prior years. During the year there has been clear down of this reserve to retained earnings to match the income statement impact.

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 24. Retirement benefits

The Group operates a defined contribution scheme and also makes contributions to personal pension schemes of certain senior employees and Directors.

Pension costs for defined contribution schemes in the year to 30 November 2024 for the Group are £0.5m (2023: re-presented £0.8m).

## 25. Related party transactions

Details of Directors and key management compensation are given in the Remuneration Report on pages 36 to 37.

### Transactions

Non-Executive Director fees due to Mr O Scott are paid to Kestrel Partners, where O Scott is a founding partner. Fees paid to Kestrel in the year were £45k (2023: £40k) and the balance owed to Kestrel at 30 November 2024 was £nil (2023: £nil).

Other than their remuneration, there are no other transactions in the year with key management personnel.

### Warrants

1,200,000 warrants for ordinary shares of 25p were issued on 31 March 2020 following the receipt by the Group of the £3,000,000 in shareholders loans. The warrants were split as follows as at 30 November 2024:

- a. CA Fastigheter AB 300,000
- b. Johannes Plan Fastigheter AB 300,000
- c. Kestrel Partners LLP discretionary clients 600,000

All 1,200,000 warrants remain outstanding at 30 November 2024 and are exercisable until 31 March 2030.

## 26. Contingent liability

There are no known contingent liabilities in the current year. In the prior year, the Company has entered into a cross-guarantee with fellow Group undertakings in relation to liabilities with Barclays Bank plc. At 30 November 2023, the liabilities covered by the guarantee totalled £nil, of which £nil is included within the Company's accounts.

## 27. Notes to the cash flow statement

### Cash and cash equivalents

	2024 £'000	2023 £'000
Cash and cash equivalents	3,643	8,304
Bank overdrafts	–	–
<b>Cash and bank excluding held for sale operations</b>	<b>3,643</b>	<b>8,304</b>
Cash and bank equivalents – held for sale	5,246	–
<b>Cash and bank including held for sale operations</b>	<b>8,889</b>	<b>8,304</b>

Cash and cash equivalents comprise cash and bank balances available on demand. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting year as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated reporting position as shown above.

### Non-cash transactions

Additions to buildings and motor vehicles during the year amounting to £0.1m (2023: £0.8m) were financed by new leases.

### Reconciliation of financing liabilities

No reconciliation of financing liabilities is shown in this note as the only financing liabilities are the lease liabilities.

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 28. Discontinued operations held for sale

### Total disposals

On 29 November 2024, the Group announced the proposed sale of NexSys to SYSPRO and on 20 December 2024, the Group sold K3 Systems Support Limited ("SSL"). NexSys was part of the Third-party Solutions segment and SSL was part of the K3 Products segment. The total results of these two entities can be seen in the below table, with individual tables provided later in the note:

	2024 £'000	2023 £'000
External revenue	12,481	12,482
Cost of sales	(3,744)	(3,950)
Gross profit	8,737	8,532
Administrative expenses	(5,588)	(5,916)
Impairment losses on financial assets	1	3
Exceptional impairment	–	(1,998)
Exceptional reorganisation costs	(62)	(14)
Profit from operations	3,088	607
Finance expense	(19)	(135)
Profit before tax from discontinued operations	3,069	472
Tax expense	(58)	(497)
<b>Profit/(loss) for the year from discontinued operations</b>	<b>3,011</b>	<b>(25)</b>
	2024	2023
<b>Basic earnings/(loss) per share from discontinued operations</b>	<b>6.7p</b>	<b>(0.1p)</b>

The major classes of assets and liabilities of the both entities classified as held for sale as at 30 November 2024 can be seen in the below table, with individual tables provided later in the note:

	2024 £'000
Goodwill	14,448
Property, plant and equipment	4
Right-of-use assets	3
Other intangible assets	450
Trade and other receivables	2,277
Cash and cash equivalents	5,246
<b>Assets classified as held for sale</b>	<b>22,428</b>
Trade and other payables*	6,596
Lease liabilities	6
Current tax assets	(7)
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>6,595</b>
<b>Net assets directly associated with disposal group</b>	<b>15,833</b>

\*Included in this caption is £3m of contract liabilities.

## 28. Discontinued operations held for sale continued

### NexSys Solutions Limited ("NexSys")

On 29 November 2024, the Group announced the proposed sale of NexSys to SYSPRO, via funds managed and/or advised by Advent International, for gross consideration of £36.0m. The sale was subject to shareholder approval, which was received post year-end on 19 December 2024, with final completion and funds being received on 6 January 2025. NexSys has been classified as a disposal group held for sale as it represents a major line of business of the Group. The carrying amount of the disposal group is lower than its fair value less costs to sell and therefore no impairment loss is recognised.

The results of the NexSys business for the year are presented below:

	2024 £'000	2023 £'000
External revenue	12,048	12,131
Cost of sales	(3,710)	(3,921)
Gross profit	8,338	8,210
Administrative expenses	(5,194)	(5,617)
Exceptional impairment	–	(1,998)
Exceptional reorganisation costs	(62)	(14)
Profit from operations	3,082	581
Finance expense	(19)	(135)
Profit before tax from discontinued operations	3,063	446
Tax expense	(53)	(491)
<b>Profit/(loss) for the year from discontinued operations</b>	<b>3,010</b>	<b>(45)</b>
	2024	2023
<b>Basic earnings/(loss) per share from discontinued operations</b>	<b>6.7p</b>	<b>(0.1p)</b>

The major classes of assets and liabilities of the NexSys business classified as held for sale as at 30 November 2024 are as follows:

	2024 £'000
Goodwill	14,448
Property, plant and equipment	4
Right-of-use assets	3
Other intangible assets	450
Trade and other receivables	2,258
Cash and cash equivalents	5,040
<b>Assets classified as held for sale</b>	<b>22,203</b>
Trade and other payables	6,390
Current tax asset	(19)
Lease liabilities	6
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>6,377</b>
<b>Net assets directly associated with disposal group</b>	<b>15,826</b>

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 28. Discontinued operations held for sale continued

The net cashflows incurred by NexSys are as follows:

	2024 £'000	2023 £'000
Operating	2,154	(221)
Investing	–	–
Financing	(20)	(151)
<b>Net cash inflow/(outflow)</b>	<b>2,134</b>	<b>(372)</b>

### K3 Systems Support Limited ("SSL")

On 20 December 2024, the Group sold SSL to its management team for consideration of £20k, being £500 cash consideration and £19.5k deferred consideration.

The results of the SSL business for the year are presented below:

	2024 £'000	2023 £'000
External revenue	433	351
Cost of sales	(34)	(29)
Gross profit	399	322
Administrative expenses	(394)	(299)
Impairment losses on financial assets	1	3
Profit from operations	6	26
Finance expense	–	–
Profit before tax from discontinued operations	6	26
Tax expense	(5)	(6)
<b>Profit for the year from discontinued operations</b>	<b>1</b>	<b>20</b>
	2024	2023
<b>Basic earnings per share from discontinued operations</b>	<b>0.0p</b>	<b>0.0p</b>

The major classes of assets and liabilities of the SSL business classified as held for sale as at 30 November 2024 are as follows:

	2024 £'000
Trade and other receivables	19
Cash and cash equivalents	206
<b>Assets classified as held for sale</b>	<b>225</b>
Trade and other payables	206
Current tax liabilities	12
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>218</b>
<b>Net assets directly associated with disposal group</b>	<b>7</b>



28. Discontinued operations held for sale continued

The net cashflows incurred by SSL are as follows:

	2024 £'000	2023 £'000
Operating	152	26
Investing	-	-
Financing	-	-
Net cash inflow	152	26

# Notes forming part of the Financial Statements continued

for the year ended 30 November 2024

## 29. Subsidiaries

The trading subsidiaries of K3 Business Technology Group plc, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest and ordinary share capital held
K3 BTG Limited* <i>Company no. 06338304</i>	UK	100%
K3 Business Technology Group Trustees Company Limited* <i>Company no. 04229619</i>	UK	100%
NexSys Solutions Limited**	UK	100%
K3 Property Holdco Limited	UK	100%
K3 Systems Support Limited**	UK	100%
K3 Software UK Limited* <i>Company no. 01763900</i>	UK	100%
K3 Business Solutions BV	Netherlands	100%
K3 Software Solutions BV	Netherlands	100%
K3 Solutions BV	Netherlands	100%
K3 Software Solutions LLC	USA	100%
DdD Retail A/S	Denmark	100%
DdD Retail Germany GmbH	Germany	100%
Viji SAS	France	100%

\*Subsidiaries which have chosen to take advantage of the audit exemption set out within section 479A of the Companies Act 2006, with a declaration of guarantee for all outstanding liabilities. This has been provided as at 30 November 2024, by K3 Business Technology Group plc, registered number 02641001.

\*\*Included as a discontinued operation.

The principal activity of all the above subsidiary undertakings is the supply of computer software and consultancy except for the following: K3 Business Technology Group Trustees Company Limited which is the trustee for the Group's employee share ownership plan.

Details of movements in investments are recorded in note 15.

The registered office for all the UK companies is Baltimore House, 50 Kansas Avenue, Manchester, M50 2GL. The registered office for all the Dutch companies is Gildeweg 5a, 2632 BD Nootdorp, The Netherlands. The registered offices for the other overseas subsidiaries are:

K3 Software Solutions LLC	33S 6 <sup>th</sup> St., Suite 4200, Minneapolis MN 55402, USA
DdD Retail A/S	Kirkebjerg, Parkvej 9, st, DK-2605 Brøndby, Denmark
DdD Retail Germany GmbH	Weilstrasse 41, 89143 Blaubeuren, Germany

## 29. Subsidiaries continued

In addition, the Company has the following subsidiaries which are non-trading or intermediate holding companies and all of which have been included in these consolidated financial statements:

Name	Country of incorporation	Proportion of ownership interest and ordinary share capital held
Colne Investments Limited* <i>Company no. 03563989</i>	UK	100%
Fashion Cloud Software.com, LLC	USA	100%
K3 Business Technologies Ireland Limited (FC040299/BR025409)* <i>Company no. CRO-334819</i>	Ireland	100%
K3 FDS Limited* <i>Company no. 02052916</i>	UK	100%
K3 Holdings BV	Netherlands	100%
Retail Support International ApS	Denmark	100%
DdD Retail Norway A/S	Norway	100%
Detalj Data i Sverige AB	Sweden	100%
K3 Business Solutions Pte Limited	Singapore	100%
K3 Business Solutions SDN BHD	Malaysia	100%

\*Subsidiaries which have chosen to take advantage of the audit exemption set out within section 479A of the Companies Act 2006, with a declaration of guarantee, for all outstanding liabilities, provided as at 30 November 2024, by K3 Business Technology Group plc, registered number 02641001.

## 30. Events after the reporting date

On 19 December 2024, the sale of NexSys Solutions Limited to SYSPRO (controlled by funds managed and/or advised by Advent International), received Shareholder approval and gross proceeds of £36m were received by the Group on 6 January 2025. The Group profit on disposal was £15.7m.

On 20 December 2024, the Group sold K3 Systems Support Limited ("SSL") to its management team, for total consideration of 20k, being £500 cash consideration and £19.5k deferred consideration.

# Glossary of Terms

**'Adjusted administrative expense'** – administrative expenses adjusted to exclude exceptional impairment costs, exceptional re-organisation cost and exceptional acquisition costs/(income) and share-based payment charges/(credit).

**'Adjusted loss/earnings per share'** is the basic profit/(loss) per share from continuing operations adjusted to exclude exceptional impairment costs, exceptional re-organisation cost and exceptional acquisition costs/(income) and share-based payment charges/(credit), net of the related tax charge.

**'Adjusted operating profit/(loss)'** is the profit/(loss) from continuing activities adjusted to exclude exceptional impairment costs, exceptional re-organisation cost and exceptional acquisition costs/(income) and share-based payment charges/(credit).

**'ARR'** stands for Annual Recurring Revenue. It is ongoing revenue from contracted support, maintenance and annual licenses for the future periods after taking into account churn and cancellations, price increases and new revenue.

**'ERP'** means Enterprise Resource Planning and refers to a type of software used by businesses to manage day-to-day business activities.

**'ESG'** stands for Environmental, Social and Governance and refers to three main sustainability factors that businesses are considered against.

**'FY'** means financial year.

**'IP'** means Intellectual Property, intangible assets owned by the company and legal protected from outside use or implementation without consent.

**'Net cash'** is calculated as cash and cash equivalents balances less bank borrowings. The 2023 cash excludes NexSys Solutions Limited and K3 Systems Support Limited as discontinued operations. The prior year balance sheet has not been represented in line with IFRS 5. See Note 28 for further details.

**'NRR'** mean Net Revenue Retention and is calculated as ARR (defined above) less new revenue, taken as a % of the prior year revenue.

**'Recurring revenue (ARR)'** means Annual recurring Revenue. See more detail below under 'ARR'.

**'Re-presented'** means that the 2023 results have been re-presented to show NexSys Solutions Limited and K3 Systems Support Limited as discontinued operations in line with IFRS 5. See Note 28 for further details.

**'ROI'** means Return On Investment.

**'SaaS'** stands for Software as a Service.

# Company Information

## Registered Office

Baltimore House  
50 Kansas Avenue  
Manchester M50 2GL

## Company Website

[www.k3btg.com](http://www.k3btg.com)

## Directors

O Scott (non-executive Chair)  
G Hase (non-executive)  
T Crawford (non-executive)  
E Dodd  
L Alderson

## Company Secretary

E Dodd

## Country of Incorporation of Parent Company

England and Wales

## Company Number

02641001

## Legal Form

Public limited company

## Advisers

*Legal advisers to the Group*  
Squire Patton Boggs LLP  
No1 Spinningfields  
1 Hardman Square  
Manchester M3 3EB

## *Nominated Adviser*

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