K3 Business Technology Group PLC

Annual Report and Financial Statements for the year ended 30 November 2020

Registered number: 2641001

k3 business technologies

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1.1 HIGHLIGHTS

FINANCIAL

2020 date represents 12 months to 30 November 2020 and 2019 data 12 months to 30 November 2019

Revenue

£48.8m

2019: £50.1m

Recurring or predictable revenue[*2]

76.2%

2019: 73.2%

Own IP revenue (Note 5)

£16.1m

2019: £17.9m

Own IP revenue as a percentage of total revenue[*3]

33.0%

2019: 35.7%

Own IP gross profit (Note 5)

£12.2m

2019: 12.6m

Own IP gross profit as a percentage of total gross profit[*4]

£42.6%

2019: 44.0%

Gross margin

£58.8%

2019: 57.4%

Adjusted EBITDA[*1]

£4.0m

2019: 7.1m

Loss before tax from continuing operations, including exceptional impairments[**]

£(20.9)m

2019: (£0.7)m

Net cash from operating activities

£8.2m

2019: 5.9m

Net debt[*5]

£(1.9)m

2019: (£2.4)m

Reported loss per share

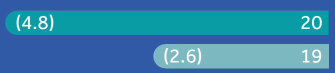
£(49.3)p

2019: (36.0)p

Adjusted (loss)/earnings per share[*6]

(4.8)p

2019: 2.6p



Loss from discontinued activities[***]

£(0.2)m

2019: (£14.3)m

[*]See note 29 on page 120 for further details of the alternative performance measures.
[**]Exceptional impairments (all non-cash items) totalling £16.9m, which related to legacy products, the third-party Sage business and historic capitalised development costs.
[***]Discontinued activities relate to UK Dynamics and Starcom Technologies Limited (see note 11 for further details).

OPERATIONAL

- Own-IP revenue (including K3|fashion and K3|imagine) totalled £16.1m (2019: £17.9m), with gross profit of £12.2m (2019: £12.6m) – coronavirus crisis impacted retail solution sales
- Global Accounts revenue increased to £17.3m (2019: £15.7m); with gross profit up by 20.5% to £7.4m (2019: £6.2m) – reflected ongoing expansion of the IKEA franchisee network
- Third-party product revenue decreased to £15.4m (2019: £16.4m), with gross profit at £9.0m (2019: £10.0m) – SYSPRO software and maintenance contracts renewals remained high at 97%
- Loss-making UK Dynamics business placed into administration in April 2020, leaving Group focused on profitable core units

POST-PERIOD EVENTS AND OUTLOOK

- Successful sale of managed service unit, Starcom Technologies Ltd, in February 2021 for £14.7m in cash, generated over £10m in profit and significantly strengthened balance sheet
- Re-evaluating target markets for K3|imagine ensuring optimal return on investment
- Trading so far in new financial year is in line with last financial year
- On 26 March 2021 we successfully agreed an extension to our Revolving Credit Facility with Barclays, with a facility of £3.5m, to March 2022
- Appointment of Marco Vergani as Chief Executive Officer

TOM CRAWFORD, CHAIRMAN OF K3, SAID:

"In the face of unprecedented challenges created by the coronavirus pandemic, I am pleased with the resilience K3 has demonstrated. Our high level of predictable and recurring revenues, as well as our large and diverse customer base, led to robust results at a trading level.

"Implementing our strategy to focus on Own IP and Global Accounts and to cease investing in legacy POS products, we took a number of important strategic decisions in line with our growth strategy. These included placing the loss-making UK Dynamics unit into administration, raising additional funding and, in late February 2021, selling Starcom, our managed services unit, for £14.7m. The Group is now in a significantly stronger financial position and is better placed to drive our Own-IP strategy.

"Following Starcom's sale, Adalsteinn Valdimarsson stepped down as Chief Executive Officer, and I am pleased to welcome Marco Vergani as his successor. He brings significant sector experience and a strong record of driving sales.

"Marco will be leading a re-evaluation of our target markets for K3|imagine, which continues to offer exciting growth potential. We have a strong product offering and look forward to a return to more normal trading conditions as the coronavirus vaccine programme continues and lockdown restrictions are eased."

1.2 COMPANY OVERVIEW

K3 is a leading provider of mission-critical software and cloud solutions to the supply chain sector. The Group has over 2,400 customer installations across the UK, Europe, the Far East, and USA. Solutions comprise both wholly authored products and third-party products that are enriched with K3 intellectual property ("IP").

The Group typically has long relationships with customers and generates a high level of predictable revenue. This includes revenue from annual software licence renewals, maintenance and support contracts and framework service agreements.

K3 has recently launched a cutting-edge new product suite, K3|imagine – a cloud-native, ERP agnostic, commerce and data platform, together with a library of scalable applications and integration engine and API suite that interfaces, enhances, and modernises any pre-existing technology infrastructure to deliver digital strategies. It enables customers to continue to adopt relevant new technologies simply and easily and is a major focus of the Company's growth strategy.

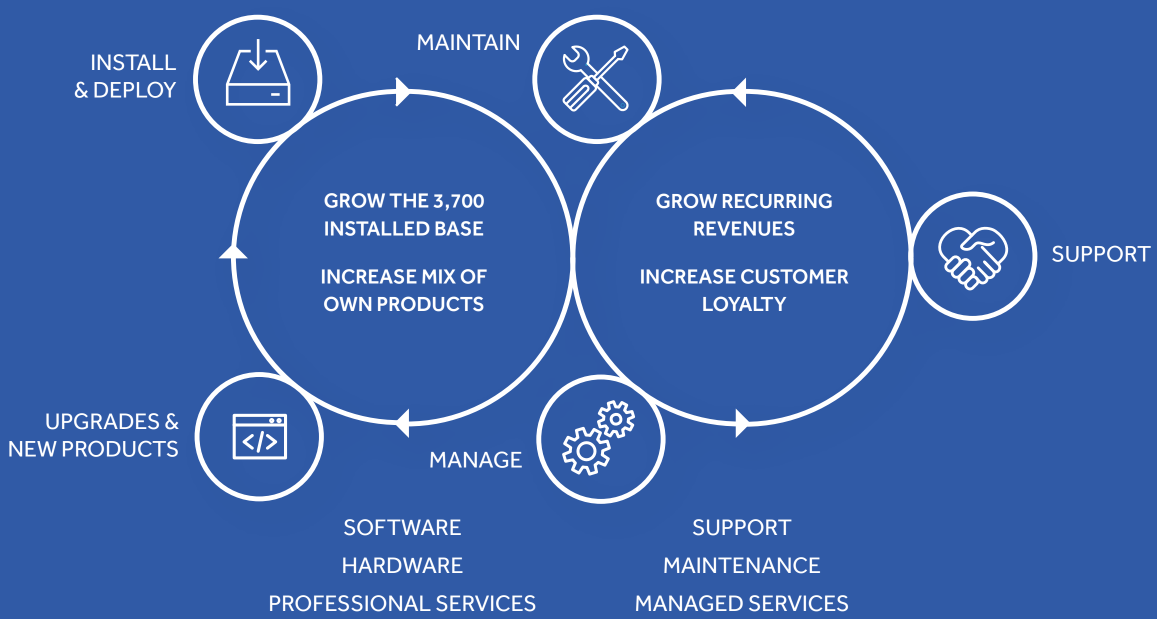
K3|Fashion:

K3|fashion is our concept-to-consumer solution, embedded in Microsoft Dynamics 365 for Finance and Operations, and further enhanced to meet the unique and exacting needs of the fashion and apparel enterprises.

It is a tailored environment in which business can gain insight and control over all processes and channels to market. Customised tools, pre-configured to align to specific fashion tasks and processes, drive agility and productivity and as such presents the perfect solution for Fashion retailers and brands across the world.

The out-of-the-box fashion functionality means businesses can implement the K3|fashion swiftly and begin driving clear ROI without the need for extensive back-end configuration.

OUR REVENUE STREAMS



OUR CUSTOMERS

MAKE

- KEEP TRACK OF PRODUCTS IN PRODUCTION
- BUSINESS FORECASTING & REPORTING

MOVE

- OPTIMISE MY WAREHOUSE OPERATIONS
- CUSTOMISED REPLENISHMENT

SELL

- MULTI-SITE STOCK MANAGEMENT
- OMNI-CHANNEL PROMOTIONS & PRICING

OUR SOLUTIONS

k3 business technologies

SOFTWARE

OWN PRODUCTS + PROFESSIONAL SERVICES

AND/OR

OWN PRODUCTS
3RD PARTY + HOSTING & MANAGED SERVICES

INSIGHT CONTROL AGILITY PRODUCTIVITY

1.3 MARKET SIZE & POTENTIAL

MARKET CONTEXT OVERVIEW

2020 saw the most significant acceleration in software development and deployment in concert with the biggest shift in human behaviour that the digital age has ever seen.

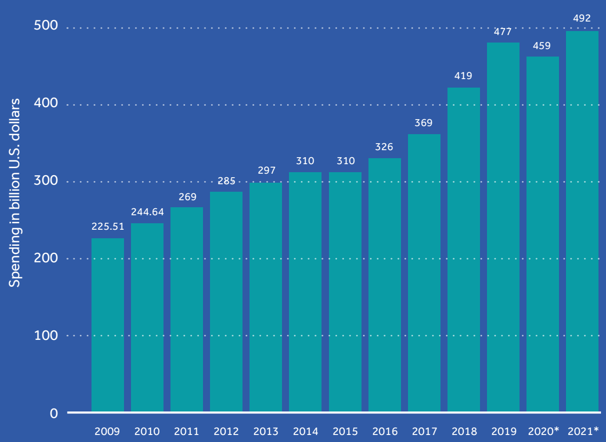
10 years' worth of industry and human behavioural evolution took place in the space of a year and this pace of change continues through 2021 at a mesmeric pace. Focus on flexible and interoperable system architecture, underpinned by clearly identifiable big data and intelligence, to drive consistent efficiency gains from factory floor to the end customer, has been a fundamental driver for businesses of all shapes and sizes. Transparency and sustainability are more than ever at the forefront of commercial agendas whilst also being a critical factor in global public consumption patterns.

Solidifying the capability to sustain continuous adaptation and innovation in this rapidly changing world has been a key driver behind Technology purchasing. This fundamental need to tackle and resolve uncertainty positions the K3|imagine opportunity at the heart of future purchasing decisions that require businesses to consistently meet and exceed customer and commercial expectations across multiple touchpoints, channels, and processes.

VALUE OF ENTERPRISE SOFTWARE MARKET

Spending on enterprise software continues to grow globally as businesses of all shapes and sizes move towards cloud infrastructures and software as a service solution for driving interoperability, efficiency gain, and streamlining traditionally manual processes into lower cost optimisable and adaptable software solutions. The global spend on enterprise software this year is estimated to reach nearly $500 billion with an additional application market revenue of nearly $225 billion.

Information Technology (IT) spending on enterprise software worldwide, from 2009 to 2021 (in billion U.S. dollars)



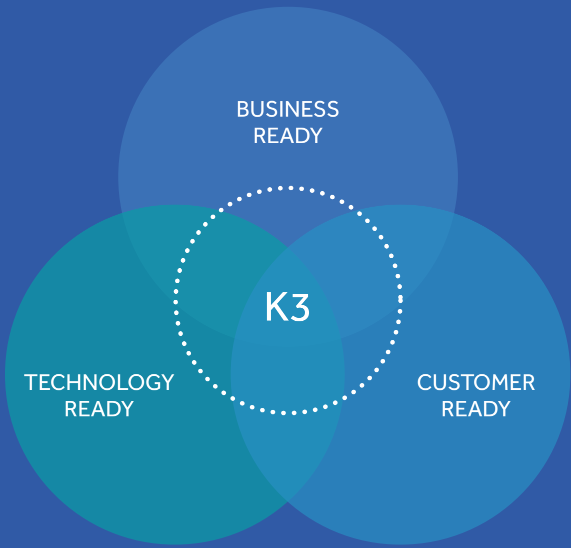
Sources Gartner: Statista
© Statista 2020

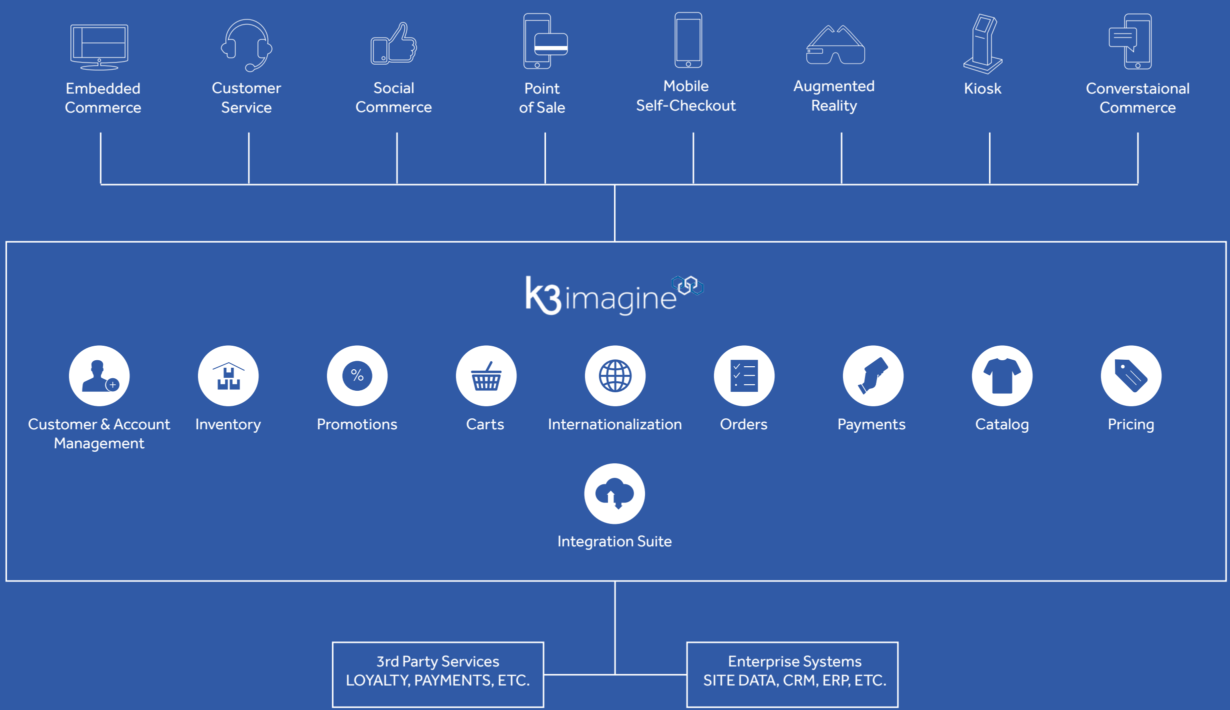
Additional Information:
Worldwide 2009 to 2021

K3 MARKET POSITION

Positioned within a growth industry, K3 has an emerging solution portfolio designed to capitalise on this growth opportunity whilst also being future proofed by modern design. Through the fundamental cloud infrastructure, headless commercial architecture, flexibility, and specialism within our owned IP products, we are able to efficiently evolve to meet industry trends and market needs, ensuring our products have market, technology, business, and customer fit.

Our clients are able to meet their customers where they need to be met as opposed to being restricted by inflexible technology with predefined design and no innovation capacity. This allows us to differentiate ourselves from competitors who are welded to aged predefined software architecture and burdensome hardware. With their front and back end coupled in hard to innovate structures that require large development costs and resource bases to meet the changing landscape, our competitors increasingly represent high risk and low scope, low innovation solutions in an industry rapidly moving in the opposite direction.

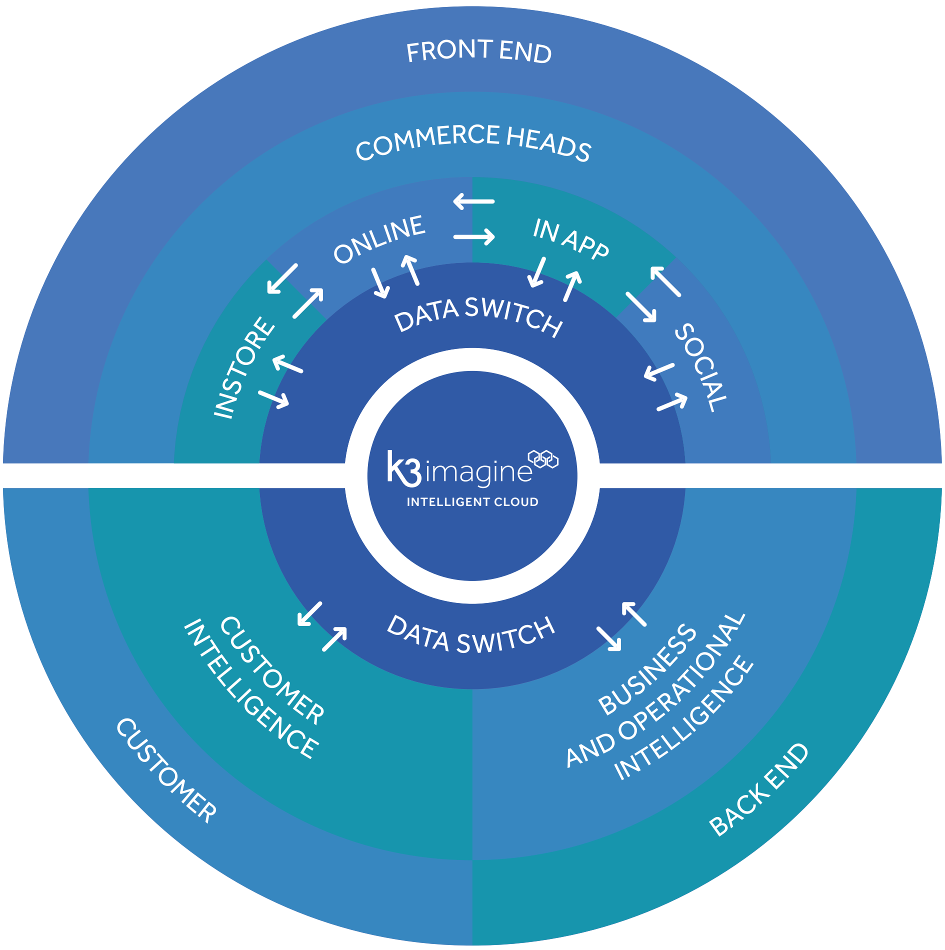




COMPLETE COMMERCE INFRASTRUCTURE

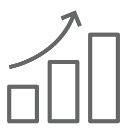
"Imagine proved to be the intuitive solution we were looking for without excessive days to develop. It's an agile product that was much needed to allow us to start with a blank piece of paper and K3|imagine was the perfect solution to fit our needs. For us to get a development solution literally in days, that was customer led, was absolutely amazing"

Gareth Julian
British Heart Foundation

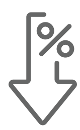


With K3 | Imagine you can move quickly and get ideas to market fast. **You can build, test and deploy confidently in a matter of days or weeks.**

As your business grows, you can support more users, in more locations with a broader range of devices across your channels.



K3 | Imagine enables you to manage your own resources more efficiently across the business. Transform staff roles, stock management and CX.



A cloud-native strategy reduces technical risk. By choosing the cloud approach you can move quickly while taking small, reversible steps.

FUNDAMENTAL TO HEALTHY BUSINESS

We are fundamental to healthy and successful business for the supply chain sector. We are the beating heart of businesses we work with, unleashing the potential of digital and cloud, providing the intelligent commerce engines with consistent customer touchpoint experience, and embedding the competencies to realise the aspirations of over $100billion of business to breath every year.

ANYTHING, ANYWHERE, ANYTIME

K3 makes the concept of Anything, Anywhere, Anytime commerce truly alive through the K3|imagine platform.

RESOLVABLE UNCERTAINTY

In this uncertain time, the K3|imagine platform presents a highly flexible and adaptable foundation and core application set from which you can build and integrate limitless areas of interaction, intelligence, and services holistically, whilst also remaining fundamentally joined up. Through this we can provide a true resolution to uncertainty.

1.4 CHAIRMAN'S STATEMENT

OVERVIEW

This is my first Statement as Chairman, having joined the Group and the Board at the end of October 2020. It has been a challenging year for K3. Nonetheless, some important strategic decisions and actions were taken, and the Group's performance has shown a significant degree of resilience despite the impact of the coronavirus pandemic on a number of areas of operation. Revenue from continuing operations over the financial year decreased by 2.5% to £48.8m (2019: £50.1m), and gross profit decreased slightly to £28.7m (2019: £28.8m). These robust results at a trading level were supported by our high level of predictable revenues and the geographically diverse customer base. However, the Group's reported losses, before discontinued operations, increased to £20.9m (2019: £1.1m) after non-cash impairment and reorganisation charges.

Throughout the pandemic, the safety and welfare of our staff, customers, partners, and suppliers have been priorities. Our staff made a tremendous effort in responding to the challenges we faced, and I am extremely grateful to everyone for the sacrifices they have made and for their hard work and loyalty to the Group.

The transition to working from home, virtual global collaboration and remote customer delivery went smoothly, although trading was affected by the impact of coronavirus-related restrictions on some customers and sub-sectors. We implemented cost saving measures to conserve cash and used government support where appropriate. This included furlough schemes in the UK and Denmark and tax deferral in the UK, amounting to £2.0m of tax, which will unwind in 2021.

As previously reported, in April 2020, having explored other options, the difficult decision was taken to place the loss-making UK Dynamics business into administration. The decision has left the Group focused on its core profitable business units, and the sales route for our K3|fashion and K3|pebblestone products in the UK is now through channel partners – as it is in Europe and international markets.

On 31 March 2020, we raised £6.0m in funding, through a shareholder loan of £3.0m and a £3.0m increase in banking facilities with Barclays. In the first quarter of the new financial year, in late February 2021, we agreed the sale of Starcom Technologies Limited ("Starcom"), our managed services unit, for £14.7m in cash. The sale generated over £10 million of profit on disposal. On 26 March 2021 we successfully agreed an extension to our Revolving Credit Facility with Barclays to March 2022. In addition, we are in advanced discussions with shareholders to convert the £3.0m of shareholder loans to equity in the near future. These actions have placed the Group on a more solid financial footing. These transactions are part of our strategic focus to develop our own IP products, and in particular our K3|imagine platform, as well as focus on our Global Accounts business.

With the sale of Starcom successfully concluded and the Group's balance sheet strengthened, Adalsteinn Valdimarsson stepped down as Chief Executive Officer in early March. We are pleased to announce the appointment of Marco Vergani as his successor. He brings significant relevant commercial and industry experience and a strong track record in driving sales growth.

K3 has a good platform on which to move forward, and our growth strategy is focused on developing our own IP products and revenue streams, in particular SaaS revenue from our K3|imagine suite and revenue from our Global Accounts segment. Given the opportunity this presents, and with a new Chief Executive assuming control of the Group in a global environment changed by the pandemic, we are going to be re-evaluating market strategy to ensure that we are investing in market segments with attractive, long-term growth opportunities.

1.5 CHAIRMAN'S STATEMENT (continued)

FINANCIAL RESULTS

RESULTS FROM CONTINUING ACTIVITIES

Revenue from continuing operations over the financial year totalled £48.8m (2019: £50.1m) with recurring or predictable revenue*2 accounting for 76.2% of the total revenue (2019: 73.2%). The Own IP business segment generated £16.1m of revenue (2019: £17.9m) which is 33.1% of total revenue (2019: 35.7%). Global Accounts (our business supporting Inter IKEA Systems B.V. (the owner and franchisor of the IKEA concept) and the Inter IKEA Concept franchisees) generated £17.3m of revenue (2019: £15.7m), an increase of 9.7%, which is 35.4% of total revenue (2019: 31.4%).

Group gross profit for the financial year was £28.7m (2019: £28.8m), with own IP contributing £12.2m (2019: £12.6m) or 42.6% of the total gross profit (2019: 44.0%*4). Gross margin increased to 58.8% (2019: 57.4%) driven by our Own IP and Global Accounts businesses.

Underlying support/admin expenses*7 increased by 14.5% to £24.7m (2019: £21.6m) as a result of investment in commercial and product development resource. Adjusted EBITDA*1 from continuing activities decreased to £4.0m (2019: £7.1m). This largely reflects the investment in increased commercial and product resource, lower fashion software sales and the adverse effects of the coronavirus outbreak.

Following impairment and reorganisation costs the loss before tax from continuing activities was £20.9m (2019: £1.1m) as administrative expenses increased to £48.5m (2019: £28.7m). In line with our strategic decision to cease developing legacy products and focus on the development of our own IP products, we recognised exceptional impairments (all non-cash items) totalling £16.9m, which comprises a £14.3m impairment of goodwill in the third-party Sage business (£4.9m), and legacy products within Own IP (relating to legacy products in the DdD, RSG and Unisoft CGUs) (£9.4m) and an impairment of historic capitalised development costs within our Own IP segment (£2.6m) (2019: £nil).After these items, the resultant loss before tax from continuing activities was £20.9m (2019: £0.2m profit).

Whilst our customer base is resilient and well-diversified, both geographically and by market vertical, the challenges of the pandemic, including lockdown restrictions, created certain impediments to sales and the adoption of new, and developing, K3|imagine solutions.

REPORTED RESULTS INCLUDING DISCONTINUED ACTIVITIES

Discontinued activities relate to the UK Dynamics subsidiary and Starcom Technologies Limited ("Starcom"). UK Dynamics was put into administration on 21 April 2020, and the loss after tax from discontinued activities was £1.0m (2019: £15.2m).

Starcom was held for sale at 30 November 2020. The profit after tax from discontinued activities was £0.8m (2019: £0.9m).

DIVIDEND AND AGM

Given the financial position of the Group and ongoing investment in the Own IP strategy, the Board believes it is prudent to maintain the suspension of dividends for the foreseeable future.

K3's Annual General Meeting will be held on Wednesday 19 May 2021 at Baltimore House, 50 Kansas Avenue, Manchester M50 2GL. The meeting will be conducted in line with Government guidance at this time.

See note 29 on page 120 for further details

GROWTH STRATEGY

The Group strategy remains focused on growing own-IP sales, and on developing the commercial opportunity presented by the K3|imagine platform and applications. This strategy has the scope to generate high quality, SaaS revenue and higher margins. To this end, with a new Chief Executive now in place and the global environment changed by the pandemic, we are going to re-evaluate market strategy to ensure that we invest in attractive market segments with long-term growth themes and potential.

The K3|imagine suite is relevant for existing as well as new customers. Its platform and applications, such as self-serve kiosks, enable customers to adopt powerful technology rapidly and easily, and offer attractive returns on investment. The suite provides an upgrade path for existing customers using legacy technology as well as an opportunity to cross-sell into Global Accounts and other customers. Consequently, we made the decision in October 2020 to cease marketing some of our legacy products and start an initiative to promote the phased adoption of the K3|imagine retail suite by point-of-sale customers.

K3|fashion remains an important product for us and Microsoft's global endorsement of it for the fashion and apparel sectors enhances its market appeal. We now sell the product via channel partners across all markets, which include Europe and the US, with partners responsible for implementations. Sales are typically with larger companies and comprise upfront software licence income together with ongoing maintenance income. They tend to be high value although often with longer and more complex sales cycles.

Global Accounts, which is a significant business segment and includes our Inter IKEA Systems B.V. (the owner and franchisor of the IKEA concept) and the Inter IKEA Concept franchisees, is growing well. This reflects the strong relationships we have established, our high service levels, and the ongoing expansion of the IKEA franchisees networks. We have increased investment in resource in the Kuala Lumpur office to support growth, and are in the process of standardising service implementation, which should protect services gross margin. We expect to see this area of operation continue to grow, including within the newer geographies.

In line with our growth strategy, UK Dynamics was put into administration on 21 April 2020 and Starcom Technologies Limited was held for sale at 30 November 2020. As a result, third party solutions now principally comprises our SYSPRO and Sage products, which we sell in the UK. SYSPRO's core markets are manufacturing, and distribution and our large installed customer base generates significant earnings and cash flows from annual software licence, support, and maintenance renewals. Sage and SYSPRO suffered from sluggish new business impacted by Brexit and the coronavirus pandemic. As the impact of Brexit decreases and we begin to move out of the significant disruption caused by the coronavirus pandemic, the prospects and situation for the SYSPRO business is also beginning to improve.

BOARD CHANGES

We are very pleased to welcome Marco Vergani to the Board as Chief Executive Officer. Marco has over 30 years' experience in technology, principally in commercial sales, including in the UK, Europe, the Far East, and USA. He has wide sector experience, which includes retail, consumer, and e-commerce. A major part of his career was spent at IBM, the multi-national technology company, where he ran the Retail Store Solutions Division in Europe, Middle East, and Africa prior to joining the IBM Business Process Outsourcing division where he was promoted to Vice President of Sales for Europe. In 2014, he joined Digital River, the US-based global e-commerce, payments, and marketing services company becoming its Senior Vice President, Global Sales and Account Management. More recently, he was Chief Operating Officer at Qubit, the venture capitalist-backed personalisation technology company.

1.5 CHAIRMAN'S STATEMENT (continued)

Marco replaces Adalsteinn Valdimarrson who stepped down from the Board and Company in early March 2021. We would like to thank Adalsteinn for his significant contribution to the Group. He successfully led a fundamental restructuring of the Group and refocused its strategic direction. We wish him every success in his new ventures.

Over the year under review, a number of other changes were made to the Board. Oliver Scott joined as Non-executive Director in February 2020. Oliver is a partner of Kestrel Partners LLP, the independent investment manager, which he co-founded in 2009, having previously spent 20 years advising smaller quoted and unquoted companies, latterly as a director of KBC Peel Hunt Corporate Finance. He is also a non-executive director of ULS Technology PLC. Kestrel is K3's largest shareholder, with a current holding representing 24.3% of the Company's share capital.

In May 2020 Non-Executive Directors Stuart Darling and Paul Morland retired from the Board and at the end of October 2020, I was pleased to join the Group, taking over the role of Chairman from Jonathan Manley (interim Chair). I temporarily assumed the role of Interim Chief Executive Officer in March 2021 ahead of Marco joining the Board. My career to date has been in the global software industry, both in the UK and internationally, including Europe and North America. I also have significant experience in growing and developing product-based software businesses, and was, until January 2020, Chief Executive Officer of Aptitude Software Group Plc, the global financial management software company

STAFF

On behalf of the Board, we extend our thanks to all our staff for their hard work in this unprecedented year. Our teams have shown significant dedication and commitment during this time, and their response to adapting to the new conditions created by the pandemic was outstanding.

OUTLOOK

Trading so far in the new financial year has been in line with the same period last year. In the first quarter of the new financial year ending 30 November 2021, term contracts with a total contract value of £1.5m have been closed in K3|fashion, with £0.5m of new contracts signed for K3|imagine. Global Accounts is maintaining momentum and initiatives to promote the migration of key customers on legacy POS solutions to our K3|imagine retail suite are in planning and development. We are re-examining the wider market opportunities for K3|imagine and remain excited about its growth potential.

The Board remains confident in the plans for the future of the Group and the repositioning strategy to focus on own-IP lead growth and SaaS in attractive markets. We look forward to more normal trading conditions as the coronavirus vaccine programme rolls out and pandemic restrictions are eased.

T Crawford
Chairman
29 March 2021

1.5 FINANCIAL AND OPERATIONAL REVIEW

The Directors consider the key performance indicators by which they measure the performance of the Group to be turnover, gross profit, gross margin, recurring or predictable revenue*2 and Own IP gross profit as a percentage of total gross profit*4. The Group's results for the year end to 30 November 2020, together with comparatives for the same period in 2019, are summarised in the tables below. 2019 comparatives have been restated following the classification of UK Dynamics as a discontinued activity (after its administration in April 2020) and Starcom as an asset held for sale as at 30 November 2020.

During the year we have realigned our segmental reporting in line with our growth strategy. With the continuing growth in Global Accounts, we now recognise it as a separate segment and include revenue and costs relating to the Inter IKEA Systems B.V. (the owner and franchisor of the IKEA concept) and the Inter IKEA Concept franchisees. Our segmental analysis provides further information on the Group's performance across key areas of activity; Own IP, Global Accounts and Third-party products (including SYSPRO and Sage).

(£m)	Revenue		Gross profit		Gross margin	
	2020	2019 (restated)	**2020**	2019 (restated)	**2020**	2019 (restated)
Own IP	**16.1**	17.9	**12.2**	12.6	**75.8%**	70.7%
Global Accounts	**17.3**	15.7	**7.4**	6.2	**43.0%**	39.1%
Third-party products	**15.4**	16.5	**9.1**	10.0	**58.8%**	60.4%
Total	**48.8**	**50.1**	**28.7**	**28.8**	**58.8%**	**57.4%**

Continuing Activities	**2020**	2019
Recurring or predictable revenue	**76.2%**	73.2%
Own IP gross profit as a percentage of total gross profit	**42.6%**	44.0%

**See note 29 on page 120 for further details*

1.6 FINANCIAL AND OPERATIONAL REVIEW (continued)

OWN IP

K3's own IP includes;

- IP embedded within third-party solutions to add extra functionality and produce a richer overall solution for K3's target markets. These solutions include K3|fashion and K3|pebblestone
- K3|imagine, our cloud-native platform, solutions, and apps, with our integration engine, K3|dataswitch; and
- other stand-alone point solutions and apps including our legacy point of sale ("POS") products.

Own-IP revenue decreased by 9.7% to £16.1m (2019: £17.9m) however gross profit only fell by 3.2%to £12.2m (2019: £12.6m), reflecting a product mix that included a greater contribution from K3|fashion sales and lower contribution from POS products. In line with this, gross margin increased to 75.8% (2019: 70.7%).

Despite the challenges that the lockdown restrictions created for the retail sector, £1.4m of contracts were closed for K3|fashion over the financial year (2019: £2.4m). In the first quarter of the new financial year ending 30 November 2021, £1.5m of contracts have been closed with both European and US retailers in line with our sales strategy for this product.

We remain confident about prospects for K3|fashion and its endorsement by Microsoft as its recommended 'add-on' solution for the fashion and apparel sector globally that has given our product additional profile in the market.

Our K3|imagine platform and its applications are provided on a Platform-as-a-Service ("PaaS") and Software-as-a-Solution ("SaaS") basis. Customers bought from across the suite of applications, including self-serve kiosks, point of sale, companion apps, and make tax digital. However, the retail solution sales have been impacted by coronavirus restrictions and poor trading conditions throughout 2020, and this trend has continued into 2021. In total £1.0m of contracts were closed over the year (2019: £0.3m).

As a result of the focus on our K3|imagine platform and its suite of applications we have recognised an impairment of £12.0m within Own IP (see Note 15). This is comprised of an impairment to Goodwill and Other Intangibles of £9.4m relating to the legacy POS products and a £2.6m impairment of legacy development costs.

GLOBAL ACCOUNTS

Revenue from Global Accounts continued to grow, increasing by 10.1% to £17.3 m (2019: £15.7m). Gross profit increased by 19.4% to £7.4m (2019: £6.2m) with gross margin increasing to 43.0% (2019: 39.1%).

This strong performance reflected our ability to support the ongoing expansion of the IKEA franchisee network into new geographies such as South and Central America. The increased activity mainly contributed to services income. The Far East has generally proven to be more resilient to the impact of coronavirus than the West, with Far Eastern customers being impacted for less time. We anticipate continued growth in Global Accounts and have further expanded resource at our Kuala Lumpur office to support this.

THIRD-PARTY PRODUCTS

Third-party products include our SYSPRO and Sage products, which we resell in the UK. This area of activity was the most badly affected by the coronavirus crisis and Brexit uncertainty as customers in distribution and manufacturing held back from supply chain investments and services projects. We implemented mitigating actions to reduce the impact, including furlough. Revenue decreased by 6.7% to £15.4m (2019: £16.5m) and gross profit reduced by 9.0% to £9.1m (2019: £10.0m). Gross margin was 58.8% (2019: 60.4%).

Our manufacturing customer base, which largely comprises SYSPRO customers, was more resilient to coronavirus although SYSPRO services income was impacted by some customer sites being closed. Encouragingly SYSPRO new business discussions continued throughout the period.

Our retail and distribution customer base, which is more biased to Sage, was more disrupted by coronavirus-related restrictions, and new business opportunities and pipeline remains soft. We do not expect substantial new sales in the future from our Sage business and as a result we have recognised a £4.9m impairment of goodwill relating to the Sage business unit (see Note 15).

The second half of the financial year benefited from the high level of software licence and maintenance and support contract renewals from the SYSPRO customer base in this period. This was reflected in the typically strong weighting in earnings and cash generation to the fourth quarter.

ADMINISTRATIVE EXPENSES

Underlying Support/Administration costs[*7] have increased to £24.7m (2019: £21.6m) reflecting investment in the commercial and product development teams. Total administrative expenses increased to £48.5m (2019: £28.7m). This includes exceptional impairments (all non-cash items) totalling £16.9m, which relate to a £14.3m impairment of goodwill in the third-party Sage business (£4.9m), and legacy products within Own IP (£9.4m) and an impairment of historic capitalised development costs within our Own IP segment (£2.6m) (2019: £nil).

CORONAVIRUS PANDEMIC AND BREXIT

The Group responded swiftly to the coronavirus pandemic with employees moving to remote working and offices that remained operational implementing protective measures, in line with government guidance.

Coronavirus lockdown restrictions created challenges for the Group more prominently within the retail and hospitality sectors resulting in reduced contract wins for K3|imagine retail suite and visitor attractions solutions. Our third-party products segment was also impacted as customers in distribution and manufacturing delayed investments in supply chain investments and services projects. In response to these challenges the Group utilised furlough schemes in the UK and Denmark, which reflected specific verticals that were impacted, and staff volunteered temporary salary reductions. The Group also made use of Government tax deferral schemes, with a total of £2.0m of tax deferred at the financial year end.

[*] *See note 29 on page 120 for further details*

1.6 FINANCIAL AND OPERATIONAL REVIEW (continued)

CORONAVIRUS PANDEMIC AND BREXIT (continued)

Additional funding totalling £6.0m was secured in April 2020, when we extended our loan facility with Barclays by £3.0m and raised £3.0m via a shareholder loan.

Brexit impacted our UK operations, especially for third party product sales. However, these units recovered somewhat in the final quarter of the financial year, helped by sales opportunities cultivated during the lockdown in the manufacturing vertical coming through and by the investment in sales resources.

DISCONTINUED ACTIVITIES – UK DYNAMICS

On 21 April 2020, the UK Dynamics subsidiary was put into administration. The subsidiary's reported results show a loss before tax of £1.3m (2019: loss of £14.8m). The UK Dynamics business had, despite several restructurings, continued to be cash consumptive, with long deal cycles and high operating costs. Following its administration, we have maintained relationships with UK Dynamics customers using K3 Own IP and now use channel partners as the route to market in the UK for K3|fashion and K3|pebblestone, as we do in non-UK territories.

DISCONTINUED ACTIVITIES – STARCOM TECHNOLOGIES LIMITED

In September 2020, the Board embarked on a programme to explore options to sell Starcom Technologies Limited ("Starcom"), our managed services unit, since managed services was not seen as a strategic growth area. Starcom was therefore classified as an 'available for sale' asset as at 30 November 2020 and it has been accounted for in discontinued activities.

Starcom's total external revenue for the year ended 30 November 2020 was £9.5m (2019: £9.3m) and the unit generated a profit before taxation of £0.8m (2019: £1.0m). In February 2021, the unit was sold for £14.7m including £0.5m of cash on the balance sheet. The management team and staff of Starcom have transferred with the sale of the business together with its 280 customers. Under the terms of a services agreement Starcom will continue to provide K3 and its customers with managed services for at least three years.

EARNINGS PER SHARE AND DIVIDENDS

Adjusted loss per share was[*6] 4.8p (2019: adjusted profit per share[*6] 2.6p). Loss per share was 49.3p (2019: 36.0p).

No dividend will be declared for the year ended 30 November 2020 (2019: nil).

TAXATION

There was a tax benefit for the financial year of £0.3m (2019: £0.9m charge) comprising a charge of £0.3m (2019: £0.6m) for current taxation and a benefit of £0.6m (2019: £0.3m charge) for deferred taxation, of which £0.2m (2019: £0.3m) related to the amortisation of intangible assets.

[*] *See note 29 on page 120 for further details*

The loss before taxation was driven by the large impairment charge which is non-tax deductible. The Group's tax rate is sensitive to the geographical mix of its profits and losses and with the growth of the non-UK business, overseas tax is increasing. The effective tax rate for the year is 1.3% (2019: (6.4%). The effective tax rate is determined as the tax expense/(credit) divided by the accounting profit/(loss) before tax.

BALANCE SHEET

As a result of the Group's strategic focus moving away from older POS products and towards the new own IP products, particularly the K3|imagine platform, as well as reduced expectations for future sales in mature business components, an impairment charge of £16.9m was recognised in the year. This consisted of a £12.8m impairment of Goodwill and a £1.5m impairment of IP and Customer Relationships, relating to older POS products and the Sage unit, and a £2.6m impairment of historical development costs.

The assets, and associated liabilities, for Starcom have been classified as held for sale as at 30 November 2020 with a net asset value of £3.3m.

Additions to development costs were £4.5m compared to £4.1m in 2019, driven by the focus on development of K3|imagine. Amortisation of development costs was £2.5m (2019: £2.9m). An impairment loss of £2.6m was recognised against the development costs of older products. The amortisation charge on acquired intangible assets was £1.8m (2019: £2.5m).

Trade and other receivables were £12.2m (2019: £20.7m). Included within the 2019 balance was £5.9m for UK Dynamics, and £1.7m for Starcom. The remaining £0.9m reduction compared to 2019 is due to better credit control management. Trade and other payables were £19.1m (2019: £25.0m). Included within the 2019 balance was £5.1m for UK Dynamics and £3.0m for Starcom, so underlying trade payables have increased by £2.2m, of which HMRC coronavirus deferrals were £2.0m.

The net debt[*5] position at 30 November 2020 was £1.9m and comprised £0.8m of bank net cash and a shareholder loan of £2.7m. £0.3m of the total shareholder loan value of £3.0m is recognised in equity as a fair value adjustment for the associated warrants, which were issued alongside the loan, at 30 November 2020. This will be amortised as a finance expense in 2021. Net debt[*5] at the same point in 2019 amounted to £2.4m and was entirely bank net debt.

CASH FLOW

The net cash from continuing operating activities was £8.2m (2019: £5.8m). The net change in working capital from trade and other receivables and trade and other payables was £4.1m inflow (2019: £0.3m outflow). The main drivers for these movements were the release of balances related to UK Dynamics along with better credit control and invoicing procedures.

Investing activities increased to £5.2m (2019: £4.7m) with the focus on the development of the K3|imagine platform. The purchase of property, plant and equipment also included IT equipment to run managed services and IFRS 16 right to use asset additions.

Robert Price
Chief Financial Officer
29 March 2021

1.6 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	How the Board engaged
Shareholders 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. The Company proactively engages in dialogue with shareholders. The Chief Executive Officer and Chief Financial Officer regularly meet with institutional shareholders and analysts, including after the announcement of full-year and half-year results.	In March 2020, the Company consulted with key shareholders in relation to the financing of the Company, in association with the Company's bankers, which resulted in the agreement for an aggregate £3.0m shareholder loan from two key shareholders. At the same time, the Group's loss-making UK Dynamics business entered administration. Whilst a difficult decision, this process supported the Group's long-term strategic direction to focus on own-IP and recurring software revenues for the benefit of its members as a whole. The Directors also decided to suspend dividend payments for the financial year, to preserve cash and to support continued investment own-IP, in line with the long-term strategic direction of the Group. After review of product and business strategy, including the global environment and a decision to stop proactively marketing some older products, we have taken a non-cash impairment of £16.9m on intangible assets relating primarily to the Sage business and older products within the UK and Europe.

Stakeholder	How the Board engaged
Employees 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.	The annual K3 People Survey – which aims to understand how our people feel about the organisation and identify areas of improvement - had its second run during September 2020. The results indicated improvements in all rating areas on the previous year and the Board now has deeper insight into which areas to focus on to improve life at K3 for our people.
Customers and Business Partners Customer satisfaction is of critical importance to K3. 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. The Group also runs customer forums to feedback on, and in to, product roadmap; to ensure strategic product management and development to meet long term customer needs, market trends and requirements. The Group also supplies and deploys its own software solutions through its international network of reselling and implementation partners, which forms an important element of the Group's route-to-market strategy.	During the financial period, in February 2020, the Group carried out a Group-wide customer satisfaction survey, to gauge customer feedback and seek to drive improvements in customer experience and engagement. The results of the survey prompted several actions, including the restructuring of the Group's support and business development functions, under a unified customer engagement team. The Group also continued its focus on supporting its network of reselling partners, further strengthening its strategic alliances with two major international systems integrators, appointing its first non-K3 partners in the UK for its K3|fashion and K3|pebblestone products, and adding its first pilot partner for the Group's K3|imagine product.
Suppliers With part of the Group a reseller of software, including Microsoft, SYSPRO and Sage, K3's relationships with strategic software partners are important to the success of the business.	During the financial period, the Group, in respect of its K3|fashion and K3|pebblestone products, became a member of the Microsoft Inner Circle, recognising K3 as a leading Microsoft partner, and was invited to participate in the Microsoft Partner Advisory Council (ISV PAC).

2.1 BOARD OF DIRECTORS

Tom Crawford

(Non-executive Chairman) age 52

Tom was appointed Non-executive Chairman on 28 October 2020. 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 recently, to 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.

Marco Vergani

(Chief Executive Officer) age 57

Marco was appointed CEO and elected to the Board on 30 March 2021. Marco has over 30 years' experience in technology, principally in commercial sales, including in the UK, Europe, the Far East, and USA. He has wide sector experience, which includes retail, consumer, and e-commerce. A major part of his career was spent at IBM, the multi-national technology company, where he ran the Retail Store Solutions Division in Europe, Middle East, and Africa prior to joining the IBM Business Process Outsourcing division where he was promoted to Vice President of Sales for Europe. In 2014, he joined Digital River, the US-based global e-commerce, payments, and marketing services company becoming their Senior Vice President, Global Sales and Account Management. More recently, he was Chief Operating Officer at Qubit, the venture capitalist-backed personalisation technology company.

Robert David Price

(Chief Financial Officer) age 53

Robert was appointed to the Board on 5 July 2017 having joined the Group as CFO in October 2016. He has more than 20 years' experience in senior finance roles in technology and supply chain and has worked extensively in international markets. He was previously CFO of a pan European fintech start up and prior to that CFO/COO of the private equity backed distributor Enotria Wine Group. Between 2002 and 2008 he was at Carlsberg Breweries, latterly as CFO and Change Management Director of Carlsberg Italy. Robert qualified as a chartered accountant with Ernst & Young and holds an MBA from IMD, Lausanne.

Jonathan Paul Manley

(Non-executive) age 67

Jonathan became a Non-executive Director in December 2015. He has over 35 years' experience in IT, both as Chief Information Officer ("CIO") and as a Consultant. Previously Jonathan was IT Director for Harrods Ltd where he was leading its IT transformation. Before that, he was IT Director of Shared Services at the John Lewis Partnership (2012-2014) and Global CIO at Estee Lauder Companies, in New York (2006-2012). In his earlier career, he was Global CIO at LSG SkyChefs and Universal Music, and a Consulting Partner at Ernst & Young.

Per Johan Claesson

(non-executive) age 70

Johan was appointed a Director in March 2001. He is a Swedish national whose principal business interests are in property development and real estate and is a director of several listed companies. He has a controlling interest in and is chairman of Claesson and Anderzen AB ("C&A").

Oliver Scott

(Non-executive) age 53

Oliver joined the board as a Non-executive Director in February 2020. 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 ULS Technology PLC and was previously a non-executive Director of IQGeo Group plc, IDOX PLC and KBC Advanced Technologies plc prior to its takeover by Yokogawa.

2.2 DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 30 November 2020. The corporate governance statement on pages 28 to 33 also forms part of the Directors' report.

Review of Business

The Chairman's statement on pages 10 to 15 provides a review of the business, the Group's trading for the year ended 30 November 2020, key performance indicators and an indication of future developments.

Research and Development

During the year, the Group carried out development work of which £4.5m (2019: £4.1m) was capitalised. Development related to the Group's own IP including the K3|imagine platform.

Result and Dividend

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

The Group's results for the year are set out in the Consolidated Income Statement on page 53. The Company has applied FRS 101: Reduced Disclosure Framework to the Company accounts for the year ended 30 November 2020.

The directors do not propose a dividend (2019: 0p per share). No interim dividend was paid during either period.

Directors

The directors who served during the year were as follows:

T Crawford	(from 28 October 2020)
M Vergani	(from 30 March 2021)
R D Price	
PJ Claesson	
O Scott	(from 14 February 2020)
J P Manley	
A Valdimarsson	(resigned 4 March 2021)
P G Morland	(resigned 29 May 2020)
S Darling	(resigned 29 May 2020)

Mr PJ Claesson and Mr R D Price retire by rotation and offer themselves for re-election at the AGM.

Mr S Darling and Mr P G Morland resigned with effect from the AGM on 29 May 2020, and Mr A Valdimarsson resigned with effect from 4 March 2021.

Mr O Scott was appointed to the Board on 14 February 2020, Mr T Crawford was appointed to the Board on 28 October 2020 and Mr M Vergani was appointed to the Board on 30 March 2021.

In accordance with the Company's current Articles of Association, Mr T Crawford will resign and offer himself for re-election at the AGM.

Director's Interest

Directors hold interests in the company's shares as follows:

	As at 30 November 2020 Number of shares	**As at 30 November 2019** Number of shares
PJ Claesson	9,828,923	9,828,923
T Crawford	nil	nil
M Vergani	nil	Nil
J P Manley	47,940	20,680
R D Price	60,154	54,728
A Valdimarsson	101,429	71,429
O Scott	10,421,191	10,034,591

Mr O Scott's interest in shares is by virtue of his position as a partner in Kestrel Partners LLP. Mr A Valdimarsson resigned as a director of the Company on 4 March 2021.

Mr PJ Claesson has interests in warrants for 25p ordinary shares held by companies associated with him as follows:

Company	**Number of warrants**	**Exercise price**
CA Fastigheter AB	400,000	123.5p
CA Fastigheter AB	600,000	25p

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. These warrants, and the CA Fastigheter AB 600,000 warrants, were granted in connection with the April 2020 shareholder loans.

Substantial Shareholdings

The company had been notified of the following interests in the ordinary share capital of the company at 29 March 2021.

Name of holder	**Number**	**Percentage Held**
Kestrel Partners	10,421,191	24.27%
PJ Claesson	9,828,923	22.89%
Canaccord Genuity	6,044,372	14.07%
Liontrust Asset Mngmt	4,649,199	10.83%
Richard Griffiths	4,902,750	11.42%

2.2 DIRECTORS' REPORT (continued)

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 is 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. This is achieved through regular web presentations by and newsletters from the Chief Executive Officer and informal discussions between management and other employees at a local level.

Directors' Indemnity Cover

All directors benefit from qualifying third-party indemnity provisions in place during the financial period 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 disruption arising from COVID-19 introduced additional uncertainty for the Group, but the Group was able to raise additional funding in the period, exceeded the forecast models with the Group generating a cash inflow of £3.7m in the year ending 30 November 2020. However, despite the positive cash generation, on 30 November 2020 the Group was in a net current liability position of £9.0m. This was a result of loan facilities of £6.8m due to expire on 31 March 2021 and a shareholder loan of £3.0m due for repayment by 30 June 2021.

The Group has prepared cashflow forecast for a period of at least 12 months from the date of approval of the financial statements which show that the Group will have reasonably significant headroom and be in compliance with covenants. 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 or breach covenants.

The forecast has been strengthened by key actions taken by the Board. On 26 February 2021, the Group agreed the sale of Starcom Technologies Limited ("Starcom"), our managed services unit, for £14.7m in cash. The sale generated over £10 million of profit on disposal and following the sale the Group moved into a net cash position. On 26 March 2021 we successfully agreed an extension to our Revolving Credit Facility with Barclays to March 2022 with an option to extend. In addition, we are in advanced discussions with shareholders to convert the £3.0m of shareholder loans to equity in the near future. These actions have put the Group in a net cash position as at 30 March 2021 and significantly reduced the Group's short-term liabilities.

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.

Financial Instruments Risks

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

Events after the reporting date

These are detailed in note 27 to the consolidated financial statements.

Auditors

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 BDO LLP as auditors for the ensuing year.

By order of the Board

Baltimore House
50 Kansas Avenue
Manchester
M50 2GL

T Crawford
Director
29 March 2021

2.3 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.

As Chairman of the Board, I am responsible for implementing corporate governance at the K3 Group, working with the other members of the board and the company secretary. 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-govenanance/corporate-governance-code-disclosures**, and below.

QCA Code Principle	K3 Application
1. Establish a strategy and business model which promote long-term value for shareholders	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 2 to 21 sets out the Board's strategy and business model to promote long-term value for shareholders.
2. Seek to understand and meet shareholder needs and expectations	K3 seeks to maintain good communication with shareholders. The executive Directors make presentations to institutional shareholders covering interim and full year results. The views of major shareholders are also obtained through direct face-to-face contact and analysts' or brokers' briefings. The Company also arranges investor presentations from time to time, 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.

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 pags 20 to 21
4.	Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board recognises its ultimate accountability for maintaining an effective system of internal control which is appropriate in relation to the scope, size, nature and risk within the Group's activities. The responsibility for managing risks on a day-to-day basis lies with the CEO and Senior Leadership Team. The principal business risks and the actions to mitigate the risks are included on pages 39 to 42. A description of the risk management adopted by the Board to address the risks highlighted, and in order to deliver on its strategy, is also included. 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 IP 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.

2.3 CORPORATE GOVERNANCE STATEMENT (continued)

QCA Code Principle	K3 Application
5. Maintain the board as a well-functioning, balanced team led by the chair	The Board comprises the non-executive Chairman, two executive directors and three non-executive Directors. Biographical details of the Board are included on pages 22 and 23. The roles of the Chairman and Chief Executive are distinct. 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. The only exception to this is the Chairman's participation in the 2020 LTIP, details of which are set out at page 36, but this is not regarded as compromising his independence. The Company currently has two independent non-executive directors (Mr T Crawford and Mr J P Manley), as recommended by the QCA Code. Mr J P Manley has previously provided additional consultancy services for the Company for which he has been paid a fee, in addition to his role as Non-executive Director, but this is not regarded as compromising his independence. Mr P J Claesson (Non-executive Director) is a significant shareholder and has been on the board for over 9 years and would therefore more likely not be regarded as independent in accordance with the Code. Mr O Scott is a founding partner of another significant shareholder, Kestrel Partners LLP, and, accordingly, Mr O Scott would also 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.

QCA Code Principle	K3 Application
5. continued	

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 17 occasions during the financial period. 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 period was as set out below.

Director	Board (17)	Remuneration (5)	Audit (2)	Nomination (3)
Mr T Crawford	2	1	n/a	n/a
J P Manley	14	5	2	3
Mr O Scott	13	4	1	3
R D Price	17	n/a	n/a	n/a
A Valdimarsson	17	n/a	n/a	n/a
P J Claesson	11	5	1	3
S Darling	12	2	2	n/a
P G Morland	10	2	2	n/a

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/corporate-governance-code-disclosures/**

All four non-executive directors are members of each committee.

2.3 CORPORATE GOVERNANCE STATEMENT (continued)

QCA Code Principle	K3 Application
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 22 and 23. Recommendations for appointments to the Board are the responsibility of the Nominations Committee. The Directors also have access to the Company's Nominated Advisor and Company Secretary, 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 first of which was carried out in February 2020. This has superseded what was previously a more informal evaluation approach. The review process assists the board in identifying any structural, procedural and/or individual development needs by reference to clear objectives and the results will inform improvement activities.
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 receipt of regular management reporting, which would, where appropriate, include any material issues relating to corporate culture and integrity and ethics, including any updates to or non-compliance with key internal ethics policies. 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.

QCA Code Principle	K3 Application
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	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 Senior Leadership Team. The Chairman of the Board is responsible for running the Board, and has overall responsibility for corporate governance, but with the support of the other Directors and the Company Secretary. Shareholder relations are primarily managed by the CEO and CFO. 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. Day to day management of the business is dealt with by the Chief Executive Officer who has a Senior Leadership Team reporting to him. The types of decisions which are to be taken by the Board are: • approval of the financial statements and plans for the Group; • approval of all shareholders' circulars and announcements; • the purchase or sale of any business or subsidiary; • any new borrowings, facilities and related guarantees; and • any asset purchase or lease, hire purchase facility or rental agreement over prescribed authority limits.
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Company communicates regularly with shareholders, as further described in relation to Code Principle 2 above. The Company maintains RNS details on its web-site at: http://www.k3btg.com/investor-centre/regulatory-news/regulatory-news/ These include notices, as well as results, of the most recent AGM, together with prior years' annual reports.

T Crawford
Director
29 March 2021

2.4 REMUNERATION COMMITTEE REPORT

Remuneration Committee Composition

During the period, the Remuneration Committee was chaired by Mr P G Morland and (from the date of Mr P G Morland's resignation on 29 May 2020) Mr O Scott and included the other non-executive directors. The CEO and CFO attend meetings of the Remuneration Committee by invitation.

Remuneration Committee Role and Duties

The Remuneration Committee reviews the remuneration and contractual arrangements of the executive directors. The remuneration of the Chairman and the non-executive directors is determined by the Board as a whole, based on a review of the current practices in other companies. The committee meets when necessary.

The salaries (and other remuneration) of the executive directors are determined after considering the best practice provisions and after a review of the performance of the individual. It is the aim to reward directors competitively; consideration is, therefore, given to the median remuneration paid to senior management of comparable public companies. No director is involved in deciding his own remuneration.

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

- the adoption of a new long-term incentive plan for senior management; and
- review and consideration of executive director remuneration.

Directors' Remuneration

Set out below is a summary of the total gross remuneration of directors who served during the financial period to 30 November 2020.

	Fees/basic salary	Fees/basic salary waived	Taxable bonuses	Annual contributions	Pension	**Total**	**Year ended 30 November 2019**
	£	£	£	£	£	**£**	£
Chairman							
S Darling*	19,583	(708)	-	-	775	**19,650**	**57,383**
T Crawford**	45,984	-	-	-	-	**45,984**	-
Executive							
A Valdimarsson	303,000	(24,267)	9,000	-	27,524	**315,257**	**339,000**
R D Price	179,000	(22,918)	10,429	-	15,597	**182,108**	**196,233**
Non-Executive							
PJ Claesson	25,000	12,500	-	-	-	**12,500**	**25,000**
PG Morland	15,000	-	-	-	750	**15,750**	**31,300**
JP Manley	50,833	(4,791)	-	-	-	**46,042**	**49,250**
O Scott***	23,879	(12,500)	-	-	-	**11,379**	-
Aggregate emoluments	662,279	(77,684)	19,429	-	44,646	**648,670**	**698,166**

*S Darling retired as Chairman of the Board with effect from 29 May 2020.

**T Crawford was appointed Chair of the Board with effect from 28 October 2020.

***O Scott was appointed non-executive with effect from 17 February 2020.

Included within the fees/ basic salary amount for Mr JP Manley was £nil (2019: £19,250) in relation to consultancy on the own IP positioning and development and for management of internal systems.

Included within the fees/ basic salary amount for Mr T Crawford was £41,068 (2019: £nil) in relation to strategic consultancy, which was provided prior to Mr T Crawford's appointment to the Board.

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

Directors' Pension Entitlements

The company makes contributions to defined contribution schemes for Mr A Valdimarsson, Mr RD Price and previously made such contributions for former directors Mr S Darling and Mr PG Morland.

Directors' Share Options and Warrants

Mr PJ Claesson has interests in warrants for 25p ordinary shares held by companies associated with him as follows:

Company	**Number of warrants**	**Exercise price**
CA Fastigheter AB	400,000	123.5p
CA Fastigheter AB	600,000	25p

2.4 REMUNERATION COMMITTEE REPORT (continued)

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. These warrants, and the CA Fastigheter AB 600,000 warrants, were granted in connection with the April 2020 shareholder loans.

1,100,000 options ("2020 LTIP Options") were granted to Mr A Valdimarsson, Mr R D Price and Mr T Crawford during the year ended 30 November 2020 under the terms of a new K3 Long Term Incentive Plan (the "2020 LTIP"). They are exercisable at a price of 25p per share, being nominal value.

The 2020 LTIP Options are subject to performance conditions based on the achievement of certain 60 day Volume Weighted Average Price ('VWAP') thresholds of K3 ordinary 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 2020 LTIP 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, the 2020 LTIP Options may be exercised as follows:

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

The 2020 LTIP Options will remain exercisable until the seventh anniversary of the original date of grant, at which point they will lapse.

It was a condition of the award of the 2020 LTIP Options that Mr A Valdimarsson and Mr R D Price waived and released their option awards under the Company's 2018 LTIP scheme.

Aggregate emoluments do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. Details of the options are as follows:

Name of Director	1 December 2019	Granted	Exercised	Lapsed	30 November 2020
A Valdimarsson	840,000	500,000	-	840,000	500,000
R D Price	550,000	300,000	-	550,000	300,000
T Crawford	-	300,000	-	-	300,000

All options are exercisable at a price of 25p.

The market price of the ordinary shares at 30 November 2020 was 117.5p and the range during the year was 64p to 154.5p.

There are no options outstanding or held by any of the directors, other than as set out above.

2.5 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 period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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.

2.6 EMISSIONS AND ENERGY CONSUMPTION

These disclosures are made in accordance with Streamlined Energy & Carbon Reporting guidelines. the GHG Protocol Corporate Accounting and Reporting Standard and the 2019 UK Government Environmental Reporting Guidelines and we have used the 2020 UK Government's Conversion Factors for Company Reporting.

The data included covers the FY20 financial year, and will form the base year for future comparison due to this being the first year that the Group has been subject to the SECR requirements.

We have measured our scope 1 and 2 emissions and included scope 3 emissions related to employee use of their own vehicles, where they claim mileage allowance (grey fleet). Although we are not regulated to include global emissions, to provide a more complete emissions statement, we have reported on our UK and Netherlands operations which account for 87% of our headcount as a voluntary measure.

The energy consumption for serviced offices, which do not have sub-meters, has been calculated using the kWh/m2 of a similar sized office.

The intensity ratio chosen was tCO2e per £ million turnover. This was chosen as it was deemed to be the best metric which could be constantly used over time and would best reflect changes in our energy consumption, but also reflect changes in our operations. As this is the first year of reporting, there is no figure available for the previous year.

Consumption in metric tonnes CO_2e	UK	Netherlands	**Total**
Gas (Scope 1)	60.5	8.9	**69.4**
Electricity (Scope 2)	55.7	79.4	**135.1**
Employee use of own vehicle (Scope 3)	145.5	-	**145.5**
Total consumption in metric tonnes CO_2e	261.7	88.3	**350.0**
Total energy usage in kWh	1,158,758	247,255	**1,406,013**

Efficiency ration

Consumption in metric tonnes CO_2e	UK	Netherlands	**Total**
Tonnes CO_2e per £'m turnover	13.05	3.70	**16.75**

Despite being our first year of SECR reporting, we do not believe FY20 to be a representative year for the K3 Group. COVID-19 restrictions worldwide have meant a reliance on homeworking since March 2020. This has reduced the use of our offices, and travel by our employees has all but halted which has resulted in lower emissions that we would have expected. Moving forward we therefore expect our emissions to increase as the COVID-19 restrictions begin to be lifted.

Having been through the SECR process for the first time, we have been able to identify sites which have a low level of energy efficiency, even considering the low office use during the year. It is our intention to look at each property individually to identify actions to improve both electricity and gas consumption on a site-by-site basis.

2.7 RISK MANAGEMENT

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

Description	Mitigation	Change
Coronavirus Coronavirus has had an impact on the Group's customer base and employees. Access to customers and prospect sites has been restricted impacting project implementation and lengthening deal cycles. Trading results and cash generated were consequently impacted.	The Group's customer base is geographically and vertically diverse and generates a portfolio benefit with some verticals and geographies performing well whilst others suffer. The Group has a high level of recurring and predictable revenue which reduces revenue volatility. At the start of the coronavirus pandemic the Group transitioned seamlessly to remote working, since employees were already skilled in remote cross geography team working. Large projects continued to be deployed well across the globe using remote teams. Additional capital, to give financial flexibility during the pandemic, was raised in April 2020 from existing Lenders and shareholders plus governmental tax deferral schemes were taken advantage of in several jurisdictions.	**Down**
Liquidity and Banking Facilities The Group has a bank Facilities Agreement that requires the Group to meet certain covenants throughout the term of the loans and the Group's forecasts indicate that the Group will remain within the set parameters.	The Group ensures it has the funds to meet its obligations or commitments under the Facilities Agreement by monitoring cash flow as part of its day-to-day control procedures and that appropriate facilities are available to be drawn upon when the need arises. The Group has been re-financed in March 2021 with a final maturity date of 31 March 2022 and at a lower level of indebtedness following the disposal of Starcom and associated cash proceeds.	**Down**

2.7 RISK MANAGEMENT (continued)

Description	Mitigation	Change
Group strategies and product management The Group has invested a significant amount of funds in the new K3|imagine platform including its suite of applications and other own IP. The risk is that the Group is unable to commercialise that investment due to market product fit, customer engagement, product stability or pricing. The Group has some legacy products and there is a risk that customers may move away from these.	The Group is re-evaluating market strategy in 2021 and will ensure that strategy, product, and business development is market led and market informed going forwards. The Group assesses the investment needed for each product at each point in its natural product lifecycle regarding ROI. Resourcing is regularly reviewed compared to development pipeline, deal closure and market needs. Pricing for new products is regularly assessed against internal and external benchmarks. The Group manages its legacy products with regard to replacement products, pricing and continuing support costs.	**Up**
Supplier Relationships 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 key Group supplier and software partners relationships are secured by commercial agreements and management participate in regular product, service, and strategy reviews with key suppliers and software partners.	**Flat**
Employees As a global software house, the Group is committed to attracting and retaining talent across the globe without which we would not be able to operate effectively.	The Group seeks to access global talent and has expanded its talent catchment with the opening of the Kuala Lumpur office. Competitive renumeration is offered together with the ability to participate in a global bonus scheme. Long-term incentive plans are in place to retain key executive talent.	**Up**

Description	Mitigation	Change
Credit risk 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 current economic environment. Coronavirus has only had a minor impact on credit risk so far.	The Group operates a centralised credit management function and assesses credit risk on an individual customer basis and with standardised contract terms. The shift to SaaS based products will structurally reduce the amounts on the sales ledger as customers move to smaller more regular payments and with the Group controlling the right to access software.	**Down**
Currency risk The Group's currency risk is primarily attributable to its trade receivables where certain customers are billed in Euros, and other currencies, where these are not the functional currency of the Group company. Most employees are paid in EUR or GBP.	Where possible the risk is hedged by amounts payable in those currencies. The Group's banking facilities allow for a blend in debt in EUR or GBP.	**Flat**
Brexit The Brexit deal agreed between the UK and the EU in December 2020 has given clarity to the future trading arrangements. The previous uncertainty in supply chain rules and governance was impacting customers' appetite to invest in new supply chain solutions. Furthermore, the Group GBP consolidated reported earnings would be impacted by any changes in revaluation of non-GBP earnings caused by currency movements	The Board has assessed the risk from Brexit regulation and does not believe that Brexit will have a material impact on the Group due to the in-country nature of implementations and that software deployment does not have physical logistics challenges. The agreement of a Brexit deal is expected to give the customer base clarity and is expected to open up deal opportunities for UK customers. The Group is able to ensure travel visa compliance by monitoring EU to UK travel, however with the increase in remote working, the need for travel has structurally reduced.	**Down**

2.7 RISK MANAGEMENT (continued)

Description	Mitigation	Change
Customer relationships The Group has a single customer ecosystem (including franchisees) which accounts for over 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.	Although represented by a single ecosystem, the customer, projects, and franchisees are spread across numerous territories and individual businesses around the world, mitigating the risk caused by geopolitical issues. The systems supplied by K3 are mission critical for the customer and franchisees. If the customer were to re-platform this would be an extremely lengthy and costly process for the ecosystem which reduces the risk of this happening in the short to medium term. K3 has two year rolling contracts with the lead customer providing K3 with revenue stability. The customer and franchisees have shown themselves to be extremely resilient in the face of disruption caused by coronavirus, with revenue increasing year on year.	**Flat**
Cyber security The cyber security landscape risk is increasing with attacks being led by increasingly sophisticated international organisations.	The Group has increased its cyber security resourcing and has a programme of training and IT infrastructure improvement projects. Security policies and incident response protocols are available on the intranet.	**Up**

2.8 AUDIT COMMITTEE REPORT

Audit Committee Composition

During the financial period, the Audit Committee was chaired by Mr S Darling and (from the date of Mr S Darling's resignation on 29 May 2020) Mr O Scott and included the other 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 period 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

The external auditor, BDO 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 BDO LLP at the next AGM.

2.8 AUDIT COMMITTEE REPORT (continued)

Auditors' remuneration

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

	Year ended 30 November 2020	Year ended 30 November 2019
	£'000	£'000
Audit services		
▪ Statutory audit of the company	**25**	25
▪ Statutory audit of the subsidiaries	**146**	141
Further assurance services:		
Tax services		
▪ Advisory services	-	-
▪ Overseas tax advice	-	-
Other services		
▪ Other services	**23**	6
	194	172

During the period, 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 39 to 42), 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.

3.1 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 2020 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the parent company balance sheet, the parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards 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, 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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

3.1 INDEPENDENT AUDITOR'S REPORT (continued)

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional 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) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	How we Addressed the Key Audit Matter in the Audit
The group has a number of different revenue streams, each of which has a different revenue recognition policy which increases the complexity of the application of the accounting standards. We focused on this area because the recognition of revenue for each component of a sale, when sold together under one contract with a customer, requires the application of judgement in the recognition of revenue between the components of the contract. In view of the judgements required to be made by management in this area we have determined that revenue recognition is a significant risk in the audit and hence a key audit matter. Refer to note 1 of the financial statements for details in relation to revenue recognition accounting policies.	• We considered and discussed the management prepared memo on how the business have continued to implement IFRS 15 in the year including application to new contracts and revenue streams. We considered whether the accounting treatment was in accordance with IFRS 15 for each revenue stream. • We tested a sample of revenue contracts, including all significant new contracts across the group, to assess whether the revenue had been correctly recognised in line with IFRS 15 and the Group's revenue recognition policy. For each significant new contract in our sample we examined the agreement to understand the contractual obligations, to understand the distinct deliverables within the contract and whether the entities have fulfilled the requirements of the contract and earned the right to consideration. • We confirmed appropriate cut-off had been applied at the year end to check revenue is recognised in the appropriate accounting period for each revenue stream by testing a sample of transactions to supporting documentation. • We tested a sample of cost of sales balances to check that the related revenue has been correctly recognised in the period. • We tested a sample of deferred and accrued income balances, agreeing to supporting documentation such as license delivery, employee timecards and maintenance purchase invoice, to check that these amounts have been recognised in the appropriate period. • We tested a sample of debtors and accrued income balances to post year end cash, invoice and to evidence of the services having been delivered to confirm their existence. **Key observations:** We consider the judgements that management have made are reasonable in respect of revenue recognition.

3.1 INDEPENDENT AUDITOR'S REPORT (continued)

Development costs	How we Addressed the Key Audit Matter in the Audit
All development expenditure that meets the criteria set out in the accounting standards must be capitalised as an asset and amortised over the assets useful economic life from the date the asset is available for use. Management are also required to consider the carrying value of all capitalised development costs, including those capitalised in previous periods, both with reference to the future cash flows expected to be generated from the assets and the reasonableness of the amortisation period assigned to the asset. We considered this to be a key audit matter due to the volume of expenditure in this area and the judgement involved in determining whether the criteria outlined above has been met. Refer to notes 1 and 14 of the financial statements for disclosure.	• We have agreed a sample of development costs capitalised by management to supporting documentation such as timecards, external invoices, etc. • For each project for which development expenditure has been capitalised we have obtained supporting evidence in relation to the future revenue to be generated from the development expenditure, including contracts evidencing sales of the software development undertaken. • We have tested a sample of the brought forward development costs to check that they remain supported by future cash flows. • We have reviewed the appropriateness of the impairment of development costs based on future cash flows, particularly having regard to the change in strategic and market focus and expectation for future sales. • We have considered the appropriateness of the amortisation period by comparison to market averages and a review of net book values supported by future cash flows. **Key observations:** We consider that management have appropriately capitalised directly attributable relevant costs in the current year and assessed the economic return of the projects and have recognised an appropriate impairment charge for previously capitalised development costs.

Carrying value of Intangibles and Goodwil	How we Addressed the Key Audit Matter in the Audit
Management are required to review the carrying value of goodwill and test it annually for impairment. Management exercise significant judgement in determining the underlying assumptions used in the impairment review; the assumptions include the discount rate used, the allocation of assets to cash generating units (CGU) and the future cash flows attributed to each CGU. We considered this to be a key audit matter due to the significant element of judgement involved in this assessment and the changes in the strategic focus of the business going forward have resulted in substantial impairment charges against goodwill and intangibles. Refer to notes 1, 14 and 15 of the financial statements for disclosure.	• We have challenged the calculations prepared by management in the impairment review. • We assessed the triggers for the required impairments and reviewed the strategic decisions made by management during the year in particular arising from the decision in the forecast period to cease investing in certain legacy products. • We have consulted with our internal valuation specialists to review the appropriateness of the discount rate applied. • We have assessed the reasonableness of the assumptions underlying management's assessment of goodwill, including the pipeline and cashflow forecasts for each CGU. • We considered whether managements CGU's were appropriate based on the planned future operation of the business. • We have compared actual results for year ended 30 November 2020 to the forecast results for FY 2021 and beyond. • We have performed sensitivity analysis for all CGUs on the discount rate and cashflow forecast. • We reviewed the disclosures in the financial statements (notes 14/15) for compliance with accounting standards requirements. **Key observations:** We consider the assumptions made by management in assessing the carrying value of intangibles and goodwill to be reasonable.

3.1 INDEPENDENT AUDITOR'S REPORT (continued)

Our application of materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£381,000 (2019: £395,000)
Basis for materiality	0.8% of revenue (0.5% of revenue), small increase reflects the risk profile of the business following changes in the year.
Rationale for the benchmark adopted	Revenue is the most stable and relevant measure for the users of the financial statements, the percentage determined was considered appropriate for a listed entity.

In considering individual account balances and classes of transactions we apply a lower level of materiality (performance materiality) in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at £266,700 (2019: £276,500), representing 70% of materiality.

Component materiality ranged from £235,000 to £140,000 (2019: £282,000 to £186,000). Parent company materiality was £155,000 (2019: £186,000), which was based on at 0.6% of its net assets. Performance materiality was set at 70% for components and the parent company.

We agreed with the audit committee that we would report to them all individual audit differences identified during the course of our audit in excess of £11,430 (2019: £11,850). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

Our group audit scope focused on the group's significant components, which are located in the UK and Netherlands, all of which were audited by group auditor.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts and transactions in the financial statements, our Group audit scope focused on the Group's significant components: the parent company and K3 Business Solutions BV. These two components, together with UK subsidiaries K3 Syspro Limited and K3 FDS Limited were subject to full scope audits by the group auditor. Three Irish subsidiaries were subject to detailed audit procedures covering all risk areas performed by the UK audit team. The insignificant components were subject to limited scope procedures performed by the group auditor or BDO Denmark for the DdD sub group. Group reporting instructions were provided to BDO Denmark to ensure matters of importance to the group audit were considered. In total these components account for 81% of the Group's revenue and 90% of the Group's net assets.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

3.1 INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 37 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

Julien Rye
Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK

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

3.2 CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 NOVEMBER 2020

	Notes	Year ended 30 November 2020 £'000	Year ended 30 November 2019 (restated^) £'000
Revenue	2	**48,819**	50,094
Cost of sales		**(20,110)**	(21,341)
Gross profit		**28,709**	28,753
Administrative expenses		**(48,402)**	(28,799)
Impairment losses on financial assets	3	**(122)**	115
Adjusted EBITDA	29	**3,965**	7,149
Depreciation and amortisation	12/13/14	**(4,500)**	(4,260)
Amortisation of acquired intangibles	14	**(1,471)**	(2,161)
Exceptional Impairment	15	**(16,855)**	-
Exceptional reorganisation costs	3	**(934)**	(362)
Exceptional customer settlement provision	16	**-**	(400)
Share-based payment (charge)/credit	10	**(20)**	103
(Loss)/profit from operations	3	**(19,815)**	69
Finance expense	6	**(1,124)**	(776)
Loss before taxation from continuing operations		**(20,939)**	(707)
Tax expense	7	**(7)**	(424)
Loss after taxation from continuing operations		**(20,946)**	(1,131)
Loss after taxation from discontinued operations	11	**(184)**	(14,316)
Loss for the year		**(21,130)**	(15,447)

^ The 2019 results have been restated to present UK Dynamics and Starcom Technologies Limited as discontinued operations. See Note 11 for further details.

All the loss for the year is attributable to equity shareholders of the parent.

Loss per share		Year ended 30 November 2020	Year ended 30 November 2019 (restated)
Basic	9	(49.3)p	(36.0)p
Diluted	9	(49.3)p	(36.0)p

The notes on pages 59 to 123 form part of these financial statements.

3.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 NOVEMBER 2020

	Year ended 30 November 2020 £'000	Year ended 30 November 2019 (restated) £'000
Loss for the year	**(21,130)**	**(15,447)**
Other comprehensive income		
Exchange differences on translation of foreign operations	1,065	(928)
Other comprehensive income	(20,065)	(16,375)
Total comprehensive expense for the year	**(20,065)**	**(16,375)**

All the total comprehensive 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 income/(expense) had a tax impact.

The notes on pages 59 to 123 form part of these financial statements.

3.4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 NOVEMBER 2020

	Notes	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	1,866	2,107
Right-of-use assets	13	2,719	4,058
Goodwill	14/15	26,132	40,467
Other intangible assets	14	10,271	14,422
Deferred tax assets	21	935	825
Total non-current assets		**41,923**	**61,879**
Current assets			
Trade and other receivables	16	12,195	20,746
Cash and cash equivalents		9,306	8,226
Assets classified as held for sale	11	6,899	-
Total current assets		**28,400**	**28,972**
Total assets		**70,323**	**90,851**
LIABILITIES			
Non-current liabilities			
Lease liabilities	22	1,735	2,507
Borrowings	18	-	6,262
Provisions	20	416	294
Deferred tax liabilities	21	889	1,115
Total non-current liabilities		**3,040**	**10,178**
Current liabilities			
Trade and other payables	17	19,145	25,008
Current tax liabilities		1,274	493
Lease liabilities	22	925	1,410
Borrowings	18	12,443	4,385
Provisions	20	9	120
Liabilities directly associated with assets classified as held for sale	11	3,572	-
Total current liabilities		**37,368**	**31,416**
Total liabilities		**40,408**	**41,594**

3.4 CONSOLIDATED STATEMENT OF FINANACIAL POSITION (continued)

	Notes	2020 £'000	2019 £'000
EQUITY			
Share capital	23	10,737	10,737
Share premium account		28,897	28,897
Other reserves		11,151	10,448
Translation reserve		2,623	1,558
Retained earnings		(23,493)	(2,383)
Total equity attributable to equity holders of the parent		**29,915**	**49,257**
Total equity and liabilities		**70,323**	**90,851**

The financial statements on pages 53 to 123 were approved and authorised for issue by the Board of Directors on 29 March 2021 and were signed on its behalf by:

RD Price
Director

The notes on pages 59 to 123 form part of these financial statements.

3.5 CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 NOVEMBER 2020

	Notes	Year ended 30 Nov 2020 £'000	Year ended 30 Nov 2020 £'000
Cash flows from operating activities			
Loss for the period		(21,130)	(15,447)
Adjustments for:			
Finance expense		1,137	856
Tax expense	7	(284)	931
Depreciation of property, plant and equipment	12	730	794
Impairment loss on property, plant and equipment	12	-	73
Depreciation of right-of-use assets	13	1,727	1,737
Amortisation of intangible assets and development expenditure	14	4,247	5,377
Impairment of intangible assets	14	16,855	12,062
Impairment of investments		-	98
Loss on sale of property, plant and equipment		254	-
Share-based payments credit/ (charge)	10	20	(103)
Loss on disposal of discontinued operations, net of tax		957	-
Increase in provisions	20	71	414
Decrease in trade and other receivables		6,680	3,629
Decrease in trade and other payables		(2,688)	(4,348)
Cash generated from operations		8,596	6,073
Income taxes		(364)	(191)
Net cash from operating activities		8,232	5,882
Cash flows from investing activities			
Development expenditure capitalised	14	(4,516)	(4,080)
Purchase of property, plant and equipment	12	(713)	(666)
Net cash used in investing activities		(5,229)	(4,746)
Cash flows from financing activities			
Proceeds from loans and borrowings		9,950	4,500
Repayment of loans and borrowings		(6,468)	(5,750)
Repayment of lease liabilities		(1,841)	(1,505)
Interest paid on lease liabilities		(308)	(347)
Finance expense paid		(590)	(385)
Dividends paid	8	-	(661)
Net cash from financing activities		743	(4,148)
Net change in cash and cash equivalents		3,746	(3,012)
Cash and cash equivalents at start of year	28	3,841	6,914
Exchange gains /(losses) on cash and cash equivalents		(21)	(61)
Cash and cash equivalents at end of year	28	7,566	3,841

The notes on pages 59 to 123 form part of these financial statements.

3.6 CONSOLIDATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 NOVEMBER 2020

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 30 November 2018		**10,737**	**28,897**	**10,448**	**2,486**	**13,828**	**66,396**
Changes in equity for year ended 30 November 2019							
Loss for the year		-	-	-	-	(15,447)	**(15,447)**
Other comprehensive income for the year		-	-	-	(928)	-	(928)
Total comprehensive income/(expense)		-	-	-	(928)	(15,447)	**(16,375)**
Share based reversal		-	-	-	-	(103)	**(103)**
Dividends to equity holders		-	-	-	-	(661)	**(661)**
At 30 November 2019		**10,737**	**28,897**	**10,448**	**1,558**	**(2,383)**	**49,257**
Changes in equity for year ended 30 November 2020							
Loss for the year		-	-	-	-	(21,130)	**(21,130)**
Other comprehensive income for the year		-	-	-	1,065	-	**1,065**
Total comprehensive income/(expense)		-	-	-	1,065	(21,130)	**(20,065)**
Share based reversal		-	-	-	-	20	**20**
Issue of warrants		-	-	703	-	-	**703**
At 30 November 2020		**10,737**	**28,897**	**11,151**	**2,623**	**(23,493)**	**29,915**

Own shares are held by a wholly owned subsidiary, K3 Business Technology Group Trustees Company Limited, as trustee of the group's employee share ownership plan. Own shares represent 47,067 (2019: 66,739) shares held under an employee share ownership plan which will be issued to the employees when they choose to withdraw them. The market value of these shares as at 30 November 2020 was £55,304 (2019: £103,445).

The notes on pages 59 to 123 form part of these financial statements.

3.7 NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES FOR THE GROUP FINANCIAL STATEMENTS

Statement of compliance

These group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The company financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS101"); these are presented on pages 124 to 133.

The financial statements have been prepared on the historical cost basis. 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 periods presented 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.

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

1. ACCOUNTING POLICIES FOR THE GROUP 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 disruption arising from COVID-19 introduced additional uncertainty for the Group, but the Group was able to raise additional funding in the period, exceeded the forecast models with the Group generating a cash inflow of £3.7m in the year ending 30 November 2020. However, despite the positive cash generation, on 30 November 2020 the Group was in a net current liability position of £9.0m. This was a result of loan facilities of £6.8m due to expire on 31 March 2021 and a shareholder loan of £3.0m due for repayment by 30 June 2021.

The Group has prepared cashflow forecast for a period of at least 12 months from the date of approval of the financial statements which show that the Group will have reasonable significant headroom and be in compliance with covenants. The forecast has undergone sensitivity analysis and stress testing and the Directors have concluded that there is no reasonable worst-case scenario that is likely which would mean the group would run out of cash or breach covenants.

The forecast has been strengthened by key actions taken by the Board. On 26 February 2021, the Group agreed the sale of Starcom Technologies Limited ("Starcom"), our managed services unit, for £14.7m in cash. The sale generated over £10 million of profit on disposal and following the sale the Group moved into a net cash position. On 26 March 2021 we successfully agreed an extension to our Revolving Credit Facility with Barclays to March 2022 with an option to extend. In addition, we are in advanced discussions with shareholders to convert the £3.0m of shareholder loans to equity in the near future. These actions have put the Group in a net cash position as at 29 March 2021 and significantly reduced the Group's short-term liabilities.

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.

Adoption of new and revised standards

New accounting standards adopted by the Group

The following IFRS have been adopted by the Group for the first time in these financial statements:

Amendments to References to the Conceptual Framework in IFRS Standards	The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Amendments to IFRS 3 Definition of a business	The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020. This has had no impact for the Group for the year ending 30 November 2020.

1. ACCOUNTING POLICIES FOR THE GROUP FINANCIAL STATEMENTS (continued)

Amendments to IAS 1 and IAS 8 Definition of material	The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale of Contribution of Assets between and Investor and it Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

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

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 at the acquisition date, 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 (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

1. ACCOUNTING POLICIES FOR THE GROUP FINANCIAL STATEMENTS (continued)

Business combinations (continued)

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.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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.

Goodwill

Goodwill is initially recognised and measured as set out opposite.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of 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 on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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.

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 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. K3 does not control the software after the contract and issue of access code, which is contemporaneous. There is an ongoing performance obligation to maintain the product to ensure the functionality continues to bolt onto Microsoft Dynamics products.
- K3 own IP on 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 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 IP is recognised at a point in time, on contract and issue of the license key which is contemporaneous.

K3 own IP 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.

1. ACCOUNTING POLICIES FOR THE GROUP FINANCIAL STATEMENTS (continued)

Services revenues

Services are linked to implementation and set up of own IP 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.

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 and support are 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 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 IP 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.

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. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

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

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

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

1. ACCOUNTING POLICIES FOR THE GROUP FINANCIAL STATEMENTS (continued)

Leases (continued)

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

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

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

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 period. 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 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 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 period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Dividends

Dividends are recognised when paid.

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.

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

1. ACCOUNTING POLICIES FOR THE GROUP FINANCIAL STATEMENTS (continued)

Property, plant and equipment (continued)

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 (see section related to critical estimates and judgements below).

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

Internally generated intangible assets (research and development costs)

Expenditure on research activities is recognised as an expense in the period 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. The estimated useful lives for development expenditure are estimated to be in a range of between three and seven years. Where the estimate useful life is more than five years, this reflects the judgement that there will be more substantial economic benefit flowing in the last five years of the period. 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 period 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 with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period 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.

1. ACCOUNTING POLICIES FOR THE GROUP FINANCIAL STATEMENTS (continued)

Financial instruments

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

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

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 period.
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.

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 periods, 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

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

1. ACCOUNTING POLICIES FOR THE GROUP 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 period. 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.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability

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.

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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.

Restoration 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.

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 issues 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 balance sheet 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.

1. ACCOUNTING POLICIES FOR THE GROUP FINANCIAL STATEMENTS (continued)

Warrants

Warrants issued which will be settled by the Group's own equity, and not by cash or another financial asset, are classified as equity instruments. The 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.

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 period. The balance sheets of overseas subsidiaries are translated using the closing period 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 period 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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors are of the opinion that there are no significant judgements to be disclosed except those over going concern which are disclosed in detail in the basis of preparation accounting policy in note 1. 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 15.

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 15. 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 15.

1. ACCOUNTING POLICIES FOR THE GROUP FINANCIAL STATEMENTS (continued)

Critical accounting estimates and judgements (continued)

Calculation of loss allowance

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

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

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

If the ECL rates on trade receivables between 61 and 90 days past due had been 50 per cent higher as of November 2020, the loss allowance on trade receivables would have been £2k (2019: £15k) higher.
If the ECL rates on trade receivables between 31 and 60 days past due had been 50 per cent higher as of November 2019, the loss allowance on trade receivables would have been £11k (2019: £15k) higher.

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

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. The group's incremental borrowing rate is calculated by reference to borrowing rates applicable to the group's other borrowings/financial liabilities and then adjusted for the specifics of the lease and asset. For every 0.5% increase in the incremental borrowing rate the right of use asset and lease liability recognised would increase by approximately £300,000, conversely an equivalent reduction in the incremental borrowing rate would decrease the right of use asset and liability by approximately £300,000.

Lease term is ordinarily calculated by reference to the contractual terms of the group's leases. Management may change their estimates in respect of the term of any lease if the probability of an extension or termination option, within the lease contract, being exercised changes. As a result of any change in estimate of the lease term the group adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss. Further details are provided in note 13.

Prior period restatement

On 21 April 2020, the UK Dynamics subsidiary was put into administration and has been classified as a discontinued operation as it represented a major line of business for the Group. On 26 February 2021, the Group announced that it had completed a sale of the Starcom Technologies Limited and is classified as a disposal group held for sale and as a discontinued operation as it represented a major line of business of the Group. The 2019 comparatives have therefore been restated to present UK Dynamics and Starcom as discontinued operations. The prior period restatement is explained in note 11.

Government grants

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

2. REVENUE

	Year ended 30 November 2020	Year ended 30 November 2019 (restated)
	£'000	£'000
The group's revenue comprises:		
Software licence revenue	5,764	5,902
Services revenue*	17,821	18,508
Maintenance & support**	23,715	23,201
Hardware and other revenue	1,519	2,483
Revenue	**48,819**	**50,094**

* from installation, integration, and software development services.

**from software maintenance renewals, support contracts and software as a service ("SaaS").

3. LOSS FROM OPERATIONS

	Note	Year ended 30 November 2020 £'000	Year ended 30 November (restated) 2019 £'000
This has been arrived at after charging / (crediting):			
Staff costs	4	26,950	24,487
Government Furlough Scheme Grant		(229)	-
Depreciation of property, plant, and equipment	12	730	794
(Profit)/loss on disposal of fixed assets		(30)	-
Depreciation of right-of-use assets	13	1,727	1,737
Amortisation of acquired intangible assets	14	1,791	2,482
Amortisation of development costs	14	2,456	2,895
Exceptional impairment of Goodwill and Intangibles1	14/15	16,855	-
Exceptional reorganisation costs2		934	362
Exceptional customer settlement provisions		-	400
Loss allowance on trade receivables		122	(115)
Audit fees:			
-Audit services		171	166
-Non-audit services		23	6

1 The exceptional impairments arise from the value in use assessment as set out in notes 14 and 15.

2 During the year the Group continued to achieve operating efficiencies following on from the reorganisation programme of previous years. The total reorganisation costs, predominantly redundancy, were £0.9m (2019: £0.4m).

4. STAFF COSTS

	Year ended 30 November 2020 £'000	Year ended 30 November (restated) s2019 £'000
Staff costs (including directors) comprise:		
Wages and salaries	22,431	20,622
Short-term non-monetary benefits	61	62
Defined contribution pension cost	1,762	1,407
Share-based payment (credit)/ expense (see note 10)	20	(103)
Employers national insurance contributions and similar taxes	2,676	2,499
	26,950	24,487

Of the above staff costs, £4.2m (2019: £3.5m) has been capitalised within development costs (see note 14).

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

	Year ended 30 November 2020	Year ended 30 November (restated) 2019
	Number	Number
Consultants and programmers	353	306
Sales and distribution	58	62
Administration	62	86
	473	454

Directors and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the group, including the Directors of the company listed on page 24 and the divisional directors.

	Year ended 30 November 2020	Year ended 30 November (restated) 2019
	£'000	£'000
Key management personnel remuneration consists of:		
Remuneration	1,614	1,402
Company contributions to defined contribution pension schemes	76	113
Share-based payment expense (note 10)	20	-
Employers' national insurance contributions and similar taxes	101	110
	1,811	1,625

No share options were exercised during the year, hence there were no gains on exercise of share options (30 November 2019: £nil).

Included in the totals above is directors' remuneration:

	Year ended 30 November 2020	Year ended 30 November (restated) 2019
	Number	Number
Directors' remuneration consists of:		
Emoluments	604	647
Contributions to personal pension schemes	45	51
Total per remuneration report (page 35)	649	698
Employers national insurance contributions and similar taxes	31	35
	680	733

4. STAFF COSTS (continued)

Directors and key management personnel remuneration (continued)

	Year ended 30 November 2020	Year ended 30 November (restated) 2019
	Number	Number
Remuneration in respect of the highest paid director:		
Aggregate Emoluments	287	309
Pension contributions	28	30
	315	339

There were 4 directors in defined contribution pension schemes (2019: 4). 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

We have restated the 2019 segment information to remove the discontinued activities of UK Dynamics and Starcom Technologies Limited. In addition, we have restated 2019 in order to recognise the new segment, Global Accounts. During the past two financial years the group has moved to a more 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 IP sales. Reporting is now based on product K3 own IP, Global Accounts and 3rd party products revenue and gross margin. 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 2 to 21.

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 EBITDA*1. The segment results for the year ended 30 November 2020 and for the year ended 30 November 2019, reconciled to loss for the year.

*See note 29 on page 122 for further details

Year ended 30 November 2020

	K3 Own IP products £'000	Global Accounts £'000	3rd party products £'000	Central Costs £'000	Total £'000
Total segment revenue	20,100	19,479	16,146	458	56,183
Less Inter-segment revenue	(3,951)	(2,220)	(735)	(458)	(7,364)
Software licence revenue	3,248	718	1,798	-	5,764
Services revenue	1,169	13,472	3,180	-	17,821
Maintenance & support	10,308	3,045	10,362	-	23,715
Hardware and other revenue	1,424	24	71	-	1,519
External revenue	**16,149**	**17,259**	**15,411**	**-**	**48,819**
Cost of sales	(3,909)	(9,845)	(6,356)	-	(20,110)
Gross profit	12,240	7,414	9,055	-	28,709
Gross margin	75.8%	43.0%	58.8%	-	58.8%
Underlying administrative expenses[*7]	-	-	(24,744)	(24,744)	(24,744)
Adjusted EBITDA[*1] from continuing operations	**12,240**	**7,414**	**9,055**	**(24,744)**	**3,965**
Depreciation and amortisation	-	-	-	(4,500)	(4,500)
Amortisation of acquired intangibles	-	-	-	(1,471)	(1,471)
Exceptional impairment	-	-	-	(16,855)	(16,855)
Exceptional reorganisation costs	-	-	-	(934)	(934)
Exceptional customer settlement provision	-	-	-	-	-
Share-based payment (charge)/credit	-	-	-	(20)	(20)
Loss from operations	**12,240**	**7,414**	**9,055**	**(48,524)**	**(19,815)**
Finance expense	-	-	-	(1,124)	(1,124)
Loss before tax and discontinued operations	**12,240**	**7,414**	**9,055**	**(49,648)**	**(20,939)**
Tax expense	-	-	-	(7)	(7)
Loss from discontinued operations	-	-	-	(184)	(184)
Loss for the year	**12,240**	**7,414**	**9,055**	**(49,839)**	**(21,130)**

5. SEGMENT INFORMATION (continued)

	Year ended 30 November 2019 (restated^)				
	K3 Own IP products	Global Accounts	3rd party products	Central Costs	Total
	£'000	£'000	£'000	£'000	£'000
Total segment revenue	22,335	17,765	19,821	-	59,921
Less Inter-segment revenue	(4,459)	(2,037)	(3,331)	-	(9,827)
Software licence revenue	3,024	707	2,171	-	5,902
Services revenue	1,011	12,786	4,699	-	18,508
Maintenance & support	11,482	2,223	9,496	-	23,201
Hardware and other revenue	2,359	-	124	-	2,483
External revenue	**17,876**	**15,728**	**16,490**	**-**	**50,094**
Cost of sales	(5,233)	(9,574)	(6,534)	-	(21,341)
Gross profit	**12,643**	**6,154**	**9,956**	**-**	**28,753**
Gross margin	70.7%	39.1%	60.4%	-	57.4%
Underlying administrative expenses*7	-	-	-	(21,604)	(24,744
Adjusted EBITDA*1 from continuing operations	**12,643**	**6,154**	**9,956**	**(21,604)**	**7,149**
Depreciation and amortisation	-	-	-	(4,260)	(4,260)
Amortisation of acquired intangibles	-	-	-	(2,161)	(2,161)
Exceptional reorganisation costs	-	-	-	(362)	(362)
Exceptional customer settlement provision	-	-	-	(400)	(400)
Share-based payment (charge)/credit	-	-	-	103	103
Loss from operations	**12,643**	**6,154**	**9,956**	**(28,684)**	**69**
Finance expense	-	-	-	(776)	(776)
Loss before tax and discontinued operations	**12,643**	**6,154**	**9,956**	**(29,460)**	**(707)**
Tax expense	-	-	-	(424)	(424)
Loss from discontinued operations	-	-	-	(14,316)	(14,316)
Loss for the year	**12,643**	**6,154**	**9,956**	**(44,200)**	**(15,447)**

^ The 2019 segmentation has been restated to present UK Dynamics and Starcom Technologies Limited as discontinued operations (see Note 11 for further details) and to present the results based on the new segments of K3 Own IP, Global Accounts and 3rd party products.

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 on page 55. 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 32% (2019: 30%) of external Group revenue.

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 2020	Year ended 30 November 2019 (restated)	2020	2019
	£'000	£'000	£'000	£'000
United Kingdom	18,980	18,908	30,667	52,693
Netherlands	9,153	9,468	420	918
Ireland	1,245	1,737	10,861	8,243
Rest of Europe	10,110	11,000	(318)	(48)
Middle East	1,641	3,076	-	-
Asia	4,503	3,936	274	52
USA	1,017	1,003	19	21
Rest of World	2,170	966	-	-
	48,819	50,094	41,923	61,879
% of non-UK revenue	61%	61%		

External Revenue by Business Unit Geography
2020
External Revenue by Market

	Other UK	Non UK	Total
	£'000	£'000	£'000
Software Licence Revenue	2,430	3,334	5,764
Services Revenue	3,063	14,758	17,821
Maintenance & Support	12,781	10,934	23,715
Hardware and other Revenue	541	978	1,519
Total	**18,815**	**30,004**	**48,819**

5. SEGMENT INFORMATION (continued)

External Revenue by Business Unit Geography

	Software Licencing £'000	Services Revenue £'000	Maintenance & Support Revenue £'000	Hardware & Other Revenue £'000	Total £'000
United Kingdom	2,508	3,300	13,563	424	19,795
Netherlands	2,966	13,985	6,589	112	23,652
Ireland	16	375	534	71	996
Rest of Europe	274	161	3,029	912	4,376
	5,764	**17,821**	**23,715**	**1,519**	**48,819**

External Revenue by Revenue Recognition Category

	Software Licencing £'000	Services Revenue £'000	Maintenance & Support Revenue £'000	Hardware & Other Revenue £'000	Total £'000
Goods Transferred at a point in time	5,764	-	-	1,519	7,283
Services transferred at a point in time	-	17,821	7,881	-	25,702
Services transferred over time	-	-	15,834	-	15,834
Total	**5,764**	**17,821**	**23,715**	**1,519**	**48,819**

Revenue to be recognised in the future, related to agreed performance obligations that are unsatisfied or partially satisfied as at 30 November 2020, was as follows;

	2021 £'000	2022 £'000	Later £'000	Total £'000
Software Licence Revenue	226	226	324	776
Services Revenue	321	-	-	321
Maintenance & Support	5,066	-	-	5,066
Hardware and other Revenue	333	-	-	333
	5,946	226	324	6,496

2019
(restated)
External Revenue by Market

	Other UK £'000	Non UK £'000	Total £'000
Software Licence Revenue	2,406	3,496	5,902
Services Revenue	2,921	15,587	18,508
Maintenance & Support Revenue	11,063	12,138	23,201
Hardware and other Revenue	131	2,352	2,483
	16,521	**33,573**	**50,094**

External Revenue by Business Unit Geography

	Software Licencing £'000	Services Revenue £'000	Maintenance & Support Revenue £'000	Hardware & Other Revenue £'000	Total £'000
United Kingdom	2,648	2,931	11,605	128	17,312
Netherlands	2,715	14,771	8,057	144	25,687
Ireland	258	457	1,044	-	1,759
Rest of Europe	281	349	2,495	2,211	5,336
	5,902	**18,508**	**23,201**	**2,483**	**50,094**

External Revenue by Revenue Recognition Category

	Software Licencing £'000	Services Revenue £'000	Maintenance & Support Revenue £'000	Hardware & Other Revenue £'000	Total £'000
Goods Transferred at a point in time	5,902	-	-	2,483	8,385
Services transferred at a point in time	-	18,508	2,590	-	21,098
Services transferred over time	-	-	20,611	-	20,611
Total	**5,902**	**18,508**	**23,201**	**2,483**	**50,094**

5. SEGMENT INFORMATION (continued)

Revenue to be recognised in the future, related to agreed performance obligations that are unsatisfied or partially satisfied as at 30 November 2019, was as follows;

	2020	2021	Later	Total
	£'000	£'000	£'000	£'000
Software Licence Revenue				
Services Revenue	244	-	-	244
Maintenance & Support	8,928	-	-	8,928
Hardware and other Revenue	505	-	-	505
	9,677	-	-	9,677

Revenue recognised and included within contract assets can be reconciled as follows;

	2020
	£'000
At 1 December 2019	3,956
Transfers in the period from contract assets to trade receivables	(3,956)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	3,220
At 30 November 2020	3,220

Revenue recognised and included within contract liabilities can be reconciled as follows;

	2020
	£'000
At 1 December 2019	9,677
Amounts included in contract liabilities that was recognised as revenue during the period	(9,677)
Cash received in advance of performance and not recognised as revenue during the period	7,815
Reclassified as held for sale	(1,319)
At 30 November 2020	6,496

6. FINANCE INCOME AND EXPENSE

	Year ended 30 November 2020 £'000	Year ended 30 November 2019 (restated) £'000
Finance expense		
Bank borrowings	356	317
Interest expense on lease liabilities	272	344
Finance charges for warrants	375	-
Other finance costs	121	115
Net finance expense	1,124	776

7. TAX EXPENSE

	Year ended 30 November 2020 £'000	Year ended 30 November 2019 (restated) £'000
Current tax expense/(credit)		
Income tax of overseas operations on profits/(losses) for the period	397	532
Adjustment in respect of prior periods	(59)	92
Total current tax expense	338	624
Deferred tax income		
Origination and reversal of temporary differences	(622)	307
Total tax (credit)/expense in the current year	284	931
Income tax expense attributable to continuing operations	7	424
Income tax expense/(credit) attributable to discontinued operations	(291)	507
	(284)	931

7. TAX EXPENSE (continued)

The Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 30 November 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur, and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as a result deferred tax balances as at 30 November 2020 continue to be measured at 19%. If all the deferred tax was to reverse at the amended 25% rate the impact on the closing DT position would be to increase the net deferred tax asset by £57,000.

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

	Year ended 30 November 2020 £'000	%	Year ended 30 November 2019 £'000	%
Loss before taxation from continuing operations	(20,939)		(707)	
Loss before taxation from discontinued operations (note 11)	(475)		(13,809)	
(Loss)/profit before tax	(21,414)		(14,516)	
Expected tax charges based on the standard rate of corporation tax	(4,069)	19.0	(2,758)	19.0
Effects of:				
Items not deductible	3,508		2,611	
Adjustment to tax charge in respect of prior periods	(229)		103	
Differences between overseas tax rates	111		88	
Movements in temporary differences not recognised	435		809	
Effect of deferred tax rate difference	(40)		78	
Total tax expense in current period	**(365)**	**1.3**	**931**	**(6.4)**

Deferred tax recognised directly in equity was £nil (2019: £596,000 credit). Current tax recognised in equity was nil (2019: £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

	Year ended 30 November 2020 £'000	Year ended 30 November 2019 £'000
Final dividend of 0p (2019: 1.54p) per ordinary share proposed and paid during the period relating to the previous period's results	-	661

No dividend in respect of the year ended 30 November 2020 will be proposed.

9. (LOSS)/EARNINGS PER SHARE

	2020 Number of shares	2019 Number of shares
Denominator		
Weighted average number of shares used in basic and diluted EPS	42,899,598	42,879,926

Certain employee options and warrants have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of certain criteria that had not been met at the end of the year.

	Basic and diluted	
	Year ended 30 November 2020	Year ended 30 November 2019
Loss after tax from continuing operations	(20,946)	(1,131)
Loss after taxation from discontinued operations	(184)	(14,316)
Loss attributable to ordinary equity holders of the parent for basic and diluted earnings per share	(21,130)	(15,447)

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.

9. (LOSS)/EARNINGS PER SHARE (continued)

	Basic and diluted before other tiems	
	Year ended 30 November 2020	Year ended 30 November 2019 (restated)
Profit/(loss) after tax from continuing operations	(20,946)	(1,131)
Add back Other Items:		
Amortisation of acquired intangibles	1,471	2,161
Exceptional reorganisation costs	934	362
Exceptional impairment costs	16,855	-
Exceptional settlement provision	-	400
Shared-based payment charge	20	(103)
Tax charge related to Other Items	(405)	(558)
(Loss)/profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations before other items	(2,071)	1,131

	Year ended 30 November 2020	Year ended 30 November 2019 (restated)
Profit/(loss) per share		
Basic and diluted earnings/(loss) per share	(49.3)	(36.0)
Basic and diluted earnings/(loss) per share from continuing operations	(48.8)	(2.6)
Adjusted earnings per share		
Basic and diluted earnings/(loss) per share from continuing operations before other items	(4.8)	2.6

10. SHARE-BASED PAYMENTS

As disclosed in note 23, K3 Business Technology Group plc operates an equity-settled share-based remuneration scheme for employees: the K3 Long Term Incentive Plan ("LTIP") for certain senior management including executive directors. On 13 November 2020, the Remuneration Committee granted 1,800,000 new options under the terms of a new K3 Long Term Incentive Plan Option Scheme ("2020 LTIP Options"). As a condition of this award the option awards under the 2018 scheme for those participants were waived and released. The 2020 LTIP Options are subject to performance conditions based on the achievement of certain 60-day Volume Weighted Average Price ('VWAP') thresholds of K3 ordinary 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 group also operates a Save As You Earn ("SAYE") scheme for employees.

	2020 Weighted exercise price (pence)	options (number)	2019 Weighted exercise price (pence)	options (number
Outstanding at beginning of the year	34.6	3,255,522	35.4	3,005,522
Granted during the year	25.0	1,800,000	25.0	350,000
Exercised during the year	-	-	-	-
Lapsed during the year	34.6	(3,225,983)	25.0	(100,000)
Outstanding at the end of the year	25.0	1,829,539	34.6	3,255,522

Of the above share options outstanding at the end of the year nil (2019: nil) are exercisable at 31 December 2020. No options had vested or were exercisable at the end of either period. The options outstanding at 31 December 2020 had a weighted average price of LTIP:25p, SAYE 295.5p (2019: LTIP 25p, SAYE 295.5p) and their weighted average contractual life was 6.95 years (2019 8.46 years). In the year nil (2019: nil) options were exercised.

The assumptions used in the models used to calculate the fair value of the LTIP options granted in the year are as follows:

	2020 LTIP award (13 November 2020)
Share price (on date of official grant)	114p
Exercise price	25p
Expected volatility	2.39%
Actual life	4 years
Risk free rate	(0.69)%
Dividend yield	1.40%
Model used	Black Scholes
Expected percentage options exercised versus granted at date of grants	100%

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

	Year ended 30 November 2020 £'000	Year ended 30 November 2019 £'000
Equity-settled schemes	20	(103)

In 2019 the accumulated charge for the K3 Long Term Incentive Plan was reversed as it was concluded that the conditions for vesting would not be met. On 13 November 2020, the Remuneration Committee granted 1,800,000 new options to certain Persons Discharging Managerial Responsibilities ("PDMRs") for which a charge of £20k has been recognised in 2020.

The group did not enter into any share-based payment transactions with parties, other than employees, during the current or previous period other than warrants issued as part of the shareholder loans received (see note 24).

11. DISCONTINUED OPERATIONS

On 21 April 2020, the UK Dynamics subsidiary was put into administration and has been classified as a discontinued operation as it represented a major line of business for the Group. No assets or liabilities relating to UK Dynamics were held by the Group at 30 November 2020.

The results of the UK Dynamics business for the year up to its administration are presented below.

	Year ended 30 November 2020 £'000	Year ended 30 November 2019 £'000
Revenue	3,789	18,974
Cost of sales	(3,533)	(13,351)
Gross profit	256	5,623
Administrative expenses	(1,375)	(7,238)
Impairment losses on financial assets	-	(974)
Loss from operations	(1,119)	(2,589)
Finance income/(expense)	60	(63)
Loss before taxation from discontinued operations before group costs	(1,059)	(2,652)
Impairment of UK Dynamics Goodwill	-	(12,188)
Cost incurred with the disposal of UK Dynamics	(229)	-
Loss before taxation from discontinued operations	(1,288)	(14,840)
Tax credit/(expense)	269	(381)
Loss for the year from discontinued operations	**(1,019)**	**(15,221)**

	2020	2019
Basic and diluted loss per share from discontinued operations	(2.4)	(35.5)

The net cashflows incurred by UK Dynamics are as follows:

	Year ended 30 November 2020 £'000	Year ended 30 November 2019 £'000
Operating	(1,603)	452
Financing	(15)	(5)
Net cash inflow/(outflow)	(1,618)	447

On 26 February 2021, the Group announced that it had completed a sale of the Starcom business for consideration of £14.7m. At 30 November 2020 Starcom is classified as a disposal group held for sale and as a discontinued operation as it represented 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 Starcom business for the year are presented below:

	Year ended 30 November 2020 £'000	Year ended 30 November 2019 £'000
Total Revenue	10,229	10,025
Less inter-segment revenue	(710)	(681)
External revenue	9,519	9,344
Cost of sales	(3,966)	(3,684)
Gross profit	5,553	5,660
Administrative expenses	(4,320)	(4,280)
Impairment losses on financial assets	(25)	(12)
Amortisation of acquired intangibles	(322)	(322)
Profit from operations	886	1,046
Finance expense	(73)	(15)
Profit after taxation from discontinued operations	813	1,031
Tax credit/(expense)	22	(126)
Profit for the year from discontinued operations	**835**	**905**

	2020	2019
Basic and diluted loss per share from discontinued operations	1.9	2.1

11. DISCOUNTINUED OPERATIONS (continued)

The major classes of assets and liabilities of the Starcom business classified as held for sale as at 30 November 2020 are as follows:

The results of the UK Dynamics business for the year up to its administration are presented below.

	2020
	£'000
Property, plant, and equipment	237
Right-of-use assets	332
Goodwill	2,373
Other intangible assets	690
Deferred tax assets	136
Trade and other receivables	1,871
Cash and cash equivalents	1,260
Assets classified as held for sale	**6,899**
Trade and other payables	(3,196)
Provisions	(60)
Lease liabilities	(316)
Liabilities directly associated with assets classified as held for sale	**(3,572)**
Net Assets directly associated with disposal group	**3,327**

The net cashflows incurred by Starcom are as follows:

	Year ended 30 November 2020	Year ended 30 November 2019
	£'000	£'000
Operating	1,096	(53)
Investing	(155)	(266)
Financing	(133)	(214)
Net cash inflow/(outflow)	808	(533)

The total loss per share from discontinued activities was:

	2020	2019
Basic and diluted loss per share from discontinued operations	(0.5)	(33.4)

12. PROPERTY, PLANT AND EQUIPMENT

	Long leasehold land and buildings £'000	Leasehold improvements £'000	Plant, fixtures and equipment £'000	Total £'000
Cost				
At 30 November 2018	750	47	6,952	**7,749**
Additions	-	-	666	**666**
Effect of movements in foreign exchange rate	-	-	(92)	**(92)**
At 30 November 2019	750	47	7,526	**8,323**
Additions	-	-	712	**712**
Disposals	-	-	(1,186)	**(1,186)**
Reclassified at held for sale	-	-	(1,648)	**(1,648)**
Effect of movements in foreign exchange rate	-	-	95	**95**
At 30 November 2020	**750**	**47**	**5,499**	**6,296**
Accumulated depreciation				
At 30 November 2018	117	47	5,259	**5,423**
Depreciation charge	10	-	784	**794**
Impairment loss	-	-	73	**73**
Effect of movements in foreign exchange rate	-	-	(74)	**(74)**
At 30 November 2019	127	47	6,042	**6,216**
Depreciation charge	10	-	720	**730**
Disposals	-	-	(1,183)	**(1,183)**
Reclassified at held for sale	-	-	(1,412)	**(1,412)**
Effect of movements in foreign exchange rate	-	-	79	**79**
At 30 November 2020	**137**	**47**	**4,246**	**4,430**
Net book value				
At 30 November 2018	633	-	1,693	2,326
At 30 November 2019	623	-	1,484	2,107
At 30 November 2020	**613**	**-**	**1,253**	**1,866**

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.

13. RIGHT-OF-USE ASSETS

	Buildings	Equipment and motor vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 December 2018	3,798	972	4,770
Additions	610	415	1,025
At 30 November 2019	4,408	1,387	5,795
Additions	254	646	900
Disposals	(280)	(36)	(316)
Reclassified at held for sale	(550)	(217)	(767)
At 30 November 2020	**3,832**	**1,780**	**5,612**
Accumulated depreciation			
At 1 December 2018	-	-	-
Depreciation charge	1,208	529	1,737
At 30 November 2019	1,208	529	1,737
Depreciation charge	1,075	652	1,727
Disposals	(47)	(20)	(67)
Reclassified at held for sale	(270)	(165)	(435)
Effect of movements in foreign exchange rate	(35)	(34)	(69)
At 30 November 2020	**1,931**	**962**	**2,893**
Net book value			
At 30 November 2019	3,200	858	4,058
At 30 November 2020	**1,901**	**818**	**2,719**

The Group leases several assets including buildings, motor vehicles and equipment. The average lease term is 2.1 years (2019: 2.1 years).

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

Amounts recognised in profit and loss

	2020	2019
	£'000	£'000
Depreciation expense on right-of-use assets	1,727	1,737
Interest expense on lease liabilities	304	347

14. INTANGIBLE ASSETS

	Goodwill	Development costs	Contractual and non-contractual customer relationships	Distribution agreements	Intellectual property rights	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At November 2018	51,187	23,333	24,099	10,557	4,310	**113,486**
Additions	-	4,080	-	-	-	**4,080**
Effect of movements in foreign exchange rate	(669)	-	(230)	-	(128)	**(1,027)**
At 30 November 2019	50,518	27,413	23,869	10,557	4,182	**116,539**
Additions	-	4,516	-	-	-	**4,516**
Disposals	(10,051)	-	-	-	-	**(10,051)**
Reclassified at held for sale	(2,373)	-	(1,734)	-	-	**(4,107)**
Effect of movements in foreign exchange rate	797	21	298	202	154	**1,472**
At 30 November 2020	**38,891**	**31,950**	**22,433**	**10,759**	**4,335**	**108,369**
Accumulated amortisation						
At 30 November 2018	-	13,448	18,009	10,557	2,101	**44,115**
Amortisation charge	-	2,895	1,955	-	527	**5,377**
Impairment	10,051	1,356	655	-	-	**12,062**
Effect of movements in foreign exchange rate	-	339	(172)	-	(71)	**96**
At 30 November 2019	10,051	18,038	20,447	10,557	2,557	**61,650**
Amortisation charge		2,456	1,296	-	495	**4,247**
Disposals	(10,051)	-				**(10,051)**
Impairment	12,759	2,585	356	-	1,155	**16,855**
Reclassified at held for sale			(1,044)			**(1,044)**
Effect of movements in foreign exchange rate	-	(235)	246	202	96	**309**
At 30 November 2020	**12,759**	**22,844**	**21,301**	**10,759**	**4,303**	**71,966**
Net book value						
At 30 November 2018	51,187	9,885	6,090	-	2,209	69,371
At 30 November 2019	40,467	9,375	3,422	-	1,625	54,889
At 30 November 2020	**26,132**	**9,106**	**1,132**	**-**	**33**	**36,403**

14. INTANGIBLE ASSETS (continued)

All intangible assets, other than goodwill which has an indefinite life, have a useful economic life of between 3 and 10 years. The remaining useful life of development costs is between 1 and 6 years, for contractual and non-contractual customer relationships is between 0 and 8 years and for intellectual property rights is between 0 and 4 years. The 2020 £2.6m impairment of Development costs relates to older technology assets held by our Growth IP CGU (2019 £2.9m impairment related to assets held by UK Dynamics).

15. 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 carry value of goodwill in respect of all CGUs is set out below. These are fully supported by either value in use calculations in the year or the fair value less cost to sell for CGUs held for sale.

	Goodwill carrying amount	
	2020	2019
	£'000	£'000
DdD Retail	-	4,812
Global Accounts*	9,729	9,247
Integrated Business Solutions (IBS)	771	770
IP	-	396
Retail Systems Group (RSG)	-	1,707
Sage	-	4,556
SSL and Starcom**	400	2,905
Syspro	13,677	13,680
Unisoft	-	839
Walton	1,555	1,555
	26,132	40,467

*In 2019 this CGU was named Dynamics International but following the administration of UK Dynamics, and the strategic focus now on own IP this has been renamed as Global Accounts.

**In 2019 this CGU was named hosting and managed services but has been renamed as SSL and Starcom in order to reflect the divestment away from this market.

The Group tests goodwill and the associated intangible assets and property, plant, and equipment of CGUs annually for impairment, or more frequently if there are indications that an impairment may be required.

The movement within the SSL and Starcom CGU relates wholly to Starcom Technologies Limited. Starcom Technologies Limited is classified as held for sale at 30 November 2020. The carrying value of Goodwill of £2,505k is fully supported by the fair value less costs to sell based on agreed sales proceeds. The fair value measurement is based on agreed enterprise value for the business as per the completed sale on 26 February 2021.

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 Board 3-year plan starting in the 2021, 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 (1.5%) is then made for a further two years.

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 Board 3-year plan starting in the 2021, 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 (1.5%) is then made for a further two years.

The pre-tax cash flow forecasts used the following key assumptions:

- DdD Retail, RSG and Walton – these CGUs relate to older products and the forecasts for DdD Retail and RSG have a year-on-year attrition of revenue by 10% in FY22 and FY23 as the Group's decision to cease investing in these products with a plan to transitioning customers, wherever possible, to the K3|imagine platform. Walton has no revenue growth in FY22 and FY23. From FY24 we are assuming no revenue from these legacy products with a plan to migrate to the K3|imagine platform
- Sage, Syspro, IBS and Unisoft – no revenue growth with gross margin maintained at current rates.
- Own IP – as this is where the Group's strategy is focused, strong growth rates of 124% to 57% over the next three years from a low base
- Global Accounts – revenue growing by 43.8% over the 5-year forecast period with gross margin maintained at current performance

15. GOODWILL AND IMPAIRMENT (continued)

The rate used to discount the forecast pre-tax cash flows is 12.1% (2019: 13.6%) and represents the Directors' current best estimates of the weighted average cost of capital ("WACC"). The Directors consider that there are no material differences in the WACC for different CGUs.

Having calculated the value in use, the following impairments, against goodwill and other intangible assets, have been recognised along with any remaining headroom:

	Impairment				Headroom
	Goodwill	Other Intangibles	Development Costs	Total	
	£'000	£'000	£'000	£'000	£'000
DdD Retail	(5,064)	(1,105)	-	**(6,169)**	-
Global Accounts	-	-	-	-	43,494
Integrated Business Solutions (IBS)	-	-	-	-	225
IP	(416)	-	(2,585)	**(3,001)**	90
Retail Systems Group (RSG)	(1,707)	(242)	-	**(1,949)**	-
Sage	(4,690)	(164)	-	**(4,854)**	-
SSL and Starcom	-	-	-	-	-
Syspro	-	-	-	-	12,938
Unisoft	(882)	-	-	**(882)**	-
Walton	-	-	-	-	55
	(12,759)	(1,511)	(2,585)	**(16,855)**	56,802

The impairments have been recognised in the reportable segments as follows:

	Impairment			
	Goodwill	Other Intangibles	Development Costs	Total
	£'000	£'000	£'000	£'000
Own IP	(8,069)	(1,347)	(2,585)	**(12,001)**
Global Accounts	-	-	-	-
Third-party products	(4,690)	(164)	-	**(4,854)**
	(12,759)	(1,511)	(2,585)	**(16,855)**

16. TRADE AND OTHER RECEIVABLES

	2020	2019
	£'000	£'000
Trade receivables	8,268	16,407
Loss allowance	(1,329)	(1,889)
Trade receivables – net	6,939	14,518
Current taxes	-	-
Other receivables	177	186
Contract assets	3,220	3,955
Prepayments and stock	1,859	2,087
	12,195	20,746

The fair value of trade and other receivables approximates to book value at 30 November 2020 and 30 November 2019.

Of the above, trade receivables of £nil (2019: £nil) and contract assets of £1.8m (2019: £1.89m) are due after more than one year.

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 c.2,400 customers at the period end spread across various industries, although predominantly in the retail, manufacturing, and distribution sectors. The Group has one customer relationship that accounts for over 32% of total Group revenue but the relationships 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.

16. TRADE AND OTHER RECEIVABLES (continued)

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

	2020 £'000	2019 £'000
Pound Sterling	3,616	11,171
Euro	7,869	8,584
Other	710	991
	12,195	20,746

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 2020	Trade Receivables and Contract Assets receivables – days past due					
	Not past due £'000	<30 £'000	31-60 £'000	61-90 £'000	>90 days £'000	Total £'000
Expected credit loss rate	0.3%	0.8%	2.6%	2.4%	80.2%	11.6%
Estimated total gross carrying amount at default	7,159	1,749	829	169	1,582	11,488
Lifetime ECL	(21)	(14)	(22)	(4)	(1,268)	(1,329)
						10,159
					Trade receivables - net	6,939
					Contract Assets	3,220
					Total	**10,159**

Trade Receivables and Contract Assets receivables – days past due

30 November 2019	Not past due	<30	31-60	61-90	>90 days	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Expected credit loss rate	1.7%	2.3%	2.9%	5.0%	78.1%	9.3%
Estimated total gross carrying amount at default	12,892	3,790	1,131	602	1,947	20,362
Lifetime ECL	(217)	(88)	(33)	(30)	(1,521)	(1,889)
						18,473
					Trade receivables - net	14,518
					Contract Assets	3,955
					Total	**18,473**

Movements on the group provision for impairment of trade receivables are as follows:

	2020	2019
	£'000	£'000
At beginning of year	1,889	1,075
Prior year adjustment arising from IFRS 9 implementation	-	926
Restated brought forward balance	1,889	2,001
Provided during the period	149	470
Exceptional provision provided during the period	-	400
Utilised during the period	(398)	(690)
Unused amounts released	(311)	(292)
At end of year	1,329	1,889

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

	2020 £'000	2019 £'000
Trade payables	2,376	4,645
Other payables	1,222	1,630
Accruals	4,269	5,016
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	7,867	11,291
Other tax and social security taxes	4,782	4,040
Contract liabilities	6,496	9,677
	19,145	25,008

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 balance sheet, book value approximates to fair value at 30 November 2020 and 30 November 2019.

18. BORROWINGS

	2020 £'000	2019 £'000
Non-current		
Bank loans (secured)	-	6,262
	-	6,262
Current		
Bank overdrafts (secured)	3,000	4,385
Bank loans (secured)	6,771	-
Shareholder loans (unsecured)	2,672	-
	12,443	4,385
Total borrowings	12,443	10,647

The Group's bank overdrafts are secured by cross guarantees and debentures (fixed and floating charges over the assets of all the Group companies). The Group's bankers have a formal right to set-off and provide a net overdraft facility across the Group of £250,000 (2019: £2,000,000) on 31 March 2020 the group secured £3.0m of loans from its two major shareholders, Kestrel Partners LLP ("Kestrel") and Johan Claesson, also a non-executive director. Kestrel and Johan Claesson (together "the Lenders") are providing an unsecured term loan of £3.0m until 30 June 2021 ("Shareholder Loan"). The Shareholder Loan is split equally between the two Lenders. Mr Claesson provided his part of the loan via his associated company, CA Fastigheter AB and Kestrel's loan is provided via its discretionary clients.

The main terms of the Shareholder Loan are as follows:

- unsecured and subordinated to all indebtedness with Barclays.
- 8.0% annual coupon, with interest rolling up on a quarterly basis; and
- 1 warrant issued for every £2.50 of Shareholder Loan. Warrants are over ordinary shares of 25p each are transferrable, have a 10-year duration and a strike price of 25p. We are in advanced discussions with shareholders to convert the £3.0m of shareholder loans to equity in the near future.

	Currency	Nominal rate %	Year of maturity	Security
Secured bank loan	GBP	2.1% - 6.00 % over LIBOR	2021	See below
Unsecured shareholder loan	GBP	8.00%	2021	N/A

Bank borrowings of £6.8m (2019: £6.3m long term liabilities) are included in short term liabilities. The Facilities include a monthly draw down and a multi-currency overdraft facility. Shareholder loans of £3.0m (2019: £nil) are included in short term liabilities.

Maturity analysis of borrowings:

	2020 £'000	2019 £'000
In less than one year	12,443	4,385
In more than one year but not more than two years	-	6,262
	12,443	10,647

18. BORROWING (continued)

Bank borrowings

The bank loans are secured by a fixed charge over the Group's leasehold property and floating charges over the remaining assets of the Group.

The Group has undrawn committed banking facilities available at 30 November 2020 of £6.2m (2019: £3.7m) for which all conditions have been met. It is a revolving loan facility on which interest is charged at a floating rate linked to LIBOR. For the purposes of reporting, fair value is equivalent to the carrying value of the borrowings.
The currency profile of the group's loans and borrowings is as follows:

	2020	2019
	£'000	£'000
Pound sterling	8,621	5,931
Euro	3,822	4,716
	12,443	10,647

19. FINANCIAL INSTRUMENTS

Risk Management

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

- Market risk
- Liquidity risk
- 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 periods in the group's exposure to financial instrument risks, its objectives, policies, and processes for managing those risks or methods used to measure them.

Principal financial instruments

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

- Trade receivables.
- Cash at bank.
- Trade and other payables.
- Floating-rate bank loans and overdrafts.
- Loans from related parties.

Market 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 £3.0m. The fixed rate applicable on lease liabilities is 6%.

Bank debt totalling £6.8m (2019: £6.3m) is held under floating rates linked to quarterly LIBOR.

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.

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.

The group maintains a syndicated revolving loan facility with Barclays to manage any unexpected short-term cash shortfalls. The facilities from the Group's bankers require the Group to meet certain covenants throughout the term of the loans with which the Group was compliant during the year and the Group's forecasts indicate that it will remain within the set parameters.

The principal terms of the group's borrowings are set out in note 18.

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.

	2020	2019
	£'000	£'000
Total equity	29,915	49,257
Less: amounts in translation reserve	(2,623)	(1,558)
	27,292	47,699

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.

The directors consider that interest rates are likely to remain low and unlikely to increase. A small increase of 0.1% movement in the interest rate could be reasonably possible as at the reporting date and would cause additional annual interest charges of £10k, assuming the Banking Facility is fully drawn.

The group's foreign exchange risk is dependent on the movement in the Euro to sterling exchange rate. The directors consider a 3% movement in the Euro rate to be reasonably possible as at the reporting date. The effect of a 3% strengthening or weakening in the Euro against sterling at the balance sheet date on the Euro denominated debt would be immaterial.

Financial Instruments by category

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

As at 30 November 2020	Notes	Amortised cost	At FVTPL	Total
		£'000	£'000	£'000
Assets				
Trade and other receivables:				
Trade receivables	16	6,939	-	6,939
Other non-derivative financial assets	16	177	-	177
Contract assets	16	3,220	-	3,220
Cash and cash equivalents		9,306	-	9,306
Assets classified as held for sale	11	3,131	-	3,131
Total assets		22,773	-	22,773
Liabilities				
Borrowings:				
Current	18/22	(13,368)	-	(13,368)
Non-current	18/22	(1,735)	-	(1,735)
Trade and other payables:			-	-
Trade payables	17	(2,376)	-	(2,376)
Other non-derivative financial liabilities	17	(5,491)	-	(5,491)
Liabilities directly associated with assets classified as held for sale	11	(3,195)	-	(3,195)
Total liabilities		(26,165)	-	(26,165)
		(3,392)	-	(3,392)

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 2019	Notes	Amortised cost	At FVTPL	Total
		£'000	£'000	£'000
Assets				
Trade and other receivables:				
Trade receivables	16	14,518	-	14,518
Other non-derivative financial assets	16	186	-	186
Contract assets	16	3,955	-	3,955
Cash and cash equivalents		8,226	-	8,226
Total assets		26,885	-	26,885
Liabilities				
Borrowings:				
Current	18/22	(5,795)	-	(5,795)
Non-current	18/22	(8,769)	-	(8,769)
Trade and other payables:			-	-
Trade payables	17	(4,645)	-	(4,645)
Other non-derivative financial liabilities	17	(6,646)	-	(6,646)
Total liabilities		(25,855)	-	(25,855)
		1,030	-	1,030

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

20. DILAPIDATION PROVISION

	Non-Current	Current	Total
	£'000	£'000	£'000
As at 30 November 2019	294	120	414
Additions	44	-	44
Interest	27	-	27
Transfer from Current to Non-Current	111	(111)	-
Reclassified as Held for Sale	(60)	-	(60)
At 30 November 2020	416	9	425

21. DEFERRED TAX

	2020 £'000	2019 £'000
Deferred tax assets		
Continuing operations	935	825
Disposal group held for sale (Note 11)	136	-
Deferred tax liabilities		
Continuing operations	(889)	(1,115)
	182	(290)

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

£000's	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Plant & Equipment	535	265	-	-	535	265
Other temporary differences	493	519	-	-	493	519
Business combinations	43	41	(889)	(1,115)	(846)	(1,074)
Deferred tax assets / (liabilities)	1,071	825	(889)	(1,115)	182	(290)

Movement in deferred tax during the year

£000's	1 December 2019	Recognised in income	Disposal	30 November 2020
Plant & Equipment	265	355	(85)	535
Other temporary differences	519	39	(65)	493
Business combinations	(1,074)	228	-	(846)
Deferred tax assets / (liabilities)	(290)	622	(150)	182

The Group have not recognised a deferred tax asset on £1.4m (2019: £1.9m) of tax losses and short-term timing differences carried forward due to uncertainties over recovery.

No deferred tax liability is recognised on temporary differences of £15k (2019: £nil) 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

	2020	2019
	£'000	£'000
Analysed as:		
Non-current	1,735	2,507
Current	925	1,410
	2,660	3,917

	2020	2019
	£'000	£'000
Maturity analysis		
Year 1	925	1,410
Years 2 to 5	1,516	2,007
Onwards	219	500
	2,660	3,917

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, Euros, Singapore Dollars or Icelandic Krona.

23. SHARE CAPITAL

	Issued and fully paid			
	2020		2019	
	Number	£'000	Number	£'000
Ordinary shares of 25p each				
At beginning of the year	42,946,665	10,737	42,946,665	10,737
At end of the year	42,946,665	10,737	42,946,665	10,737

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.

	2020	2019
	Number	Number
Own shares held	47,067	66,739

Own shares are held by a subsidiary undertaking, K3 Business Technology Group Trustees Company Limited, as trustee of the group's employee share ownership plan. 500,000 warrants for ordinary shares of 25p each were issued to CA Fastigheter AB during 2007 in recognition of the reduction in its security following the increase in borrowings from the bank to fund the acquisition of McGuffie Brunton Limited. The warrants were exercisable at 123.5p and until the date on which the loan to CA Fastigheter AB was repaid upon meeting the following conditions: 300,000 of the warrants were exercisable when the company's share price stands at £2.50; 100,000 were exercisable when it stands at £3.25; 100,000 had no conditions attached to them. The 100,000 warrants with no conditions attached to them were exercised on 4 July 2017. The remaining warrants remain outstanding at the same exercise price and upon the same company share prices but following conversion of the loan due to CA Fastigheter AB into equity, the terms were amended such that the warrants are now exercisable until 5 July 2022. This has had no impact on the diluted earnings per share.

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 shareholders loans. The warrants are split as follows:

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

The warrants are over ordinary shares of 25p, are transferrable with a strike price of 25p and expire on 31 March 2030. At 30 November 2020 none of these warrants had been exercised.

23. SHARE CAPITAL (continued)

217,497 options were under the SAYE 2016 scheme (no options granted during the either the year ended 30 November 2020, or the year ended 30 November 2019). None of these options have been exercised during either period. At 30 November 2020 there was 29,539 outstanding options under the SAYE 2016 scheme.

On 13 November 2020, the Remuneration Committee granted 1,800,000 new options to certain Persons Discharging Managerial Responsibilities ("PDMRs") under the terms of a new K3 Long Term Incentive Plan Option Scheme ("2020 LTIP Options"). As a condition of this award the option awards under the 2018 scheme for those participants were waived and released.

The 2020 LTIP Options are subject to performance conditions based on the achievement of certain 60-day Volume Weighted Average Price ('VWAP') thresholds of K3 ordinary 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 2020 LTIP Options vest based on the following performance targets:

- 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, the LTIP Options may be exercised as follows:

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

The LTIP Options will remain exercisable until the seventh anniversary of the original date of grant, at which point they will lapse.

24. WARRANTS

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 shareholders loans. The warrants are split as follows:

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

At the issue date the fair value, net of exercise price, of each warrant was £0.59. The total value of the warrants at 31 March 2020 was £703,320 and was deducted from the value of the Shareholder loans. This value is amortised on a straight-line basis over the life of the Shareholder loans up to 30 June 2021 and recognised as a finance expense.

The assumptions used in the models used to calculate the fair value of the LTIP options granted in the year are as follows:

	Warrants 31 March 2020
Share price (on date of official grant)	86p
Exercise price	25p
Expected volatility	2.38%
Actual life	1.25 years
Risk free rate	(1.29)%
Dividend yield	1.40%
Model used	Black Scholes
Expected percentage warrants exercised versus issued	100%

25. 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 2020 are £2.2m (2019: £2.3m) of which £0.5m (2019: £0.9m) has been recognised within discontinued operations.

26. RELATED PARTY TRANSACTIONS

Details of directors and key management compensation are given in the Remuneration Report on pages 34 to 36.

Included within the fees/basic salary amount for Mr T Crawford was £34,223 (2019: £nil) in relation to consultancy services to evaluate the K3 strategy and provide advice and support to the CEO on execution and commercialisation. The balance owed to T Crawford at 30 November 2020 was £nil (2019: £nil)

Included within the fees/ basic salary amount for Mr JP Manley was £nil (2019: £19,250) in relation to consultancy on the own IP positioning and development and for management of internal systems. The balance owed to JP Manley at 30 November 2020 was £nil (2019: 12k).

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 £12k (2019: £nil) and the balance owed to Kestrel at 30 November 2020 was £nil (2019: £nil).

26. RELATED PARTY TRANSACTIONS (continued)

Other than their remuneration and participation in the group's share option schemes, there are no transactions with key management personnel. Other related party transactions are as follows:

500,000 warrants for ordinary shares of 25p each were issued to CA Fastigheter AB during 2007 in recognition of the reduction in its security following the increase in borrowings from the bank to fund the acquisition of McGuffie Brunton Limited. The warrants were exercisable at £1.235 and until the loan was repaid upon meeting the following conditions: 300,000 of the warrants were exercisable when the company's share price stands at £2.50, 100,000 are exercisable when it stands at £3.25; 100,000 had no conditions attached to them. The 100,000 warrants with no conditions attached to them were exercised on 4 July 2017. The remaining warrants remain outstanding at the same exercise price and upon the same company share prices but, following conversion of the loan into equity, the terms were amended such that the warrants are now exercisable until 5 July 2022.

On 31 March 2020 the group secured £3.0m of loans from its two major shareholders, Kestrel Partners LLP and Johan Claesson, also a non-executive director. Kestrel and Johan Claesson are providing an unsecured term loan of £3.0m until 30 June 2021 ("Shareholder Loan"). The Shareholder Loan is split equally between the two Lenders. Mr Claesson provided his part of the loan via his associated company, CA Fastigheter AB and Kestrel's loan is provided via its discretionary clients. See Note 18 for the terms of the Shareholder Loan.

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 shareholders loans. The warrants are split as follows:

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

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

27. EVENTS AFTER THE REPORTING DATE

On 26 February 2021 K3 announced the sale of its managed services unit, Starcom Technologies Limited ("Starcom"), to Node4 Ltd, the UK-based infrastructure and services company backed by private equity investment firm, Bowmark Capital. The total consideration for the disposal was £14.7 million, including £0.5m cash on the balance sheet, paid entirely in cash on completion. The transaction generated a significant profit on disposal, in excess of £10 million, which will be accounted for as an exceptional contribution to results in the current financial year to 30 November 2021.

On 26 March 2021 we successfully agreed an extension to our Revolving Credit Facility with Barclays, with a facility of £3.5m, to March 2022 with an option to extend.

28. NOTES TO THE CASH FLOW STATEMENT

Cash and cash equivalents

	2020 £'000	2019 £'000
Cash and bank balances available on demand	9,306	8,226
Bank overdrafts	(3,000)	(4,385)
Cash at bank and on hand – Held for Sale	1,260	-
	7,566	3,841

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 period 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, motor vehicles and equipment during the year amounting to £900k were financed by new leases.

Adjusted cash generated from operations

Cash flows from operations include acquisition costs, exceptional costs, and exceptional income. The adjusted cash generated from operations has been computed because the directors consider it more useful to shareholders and investors in assessing the underlying operating cash flow of the Group. The adjusted cash generated from operations is calculated as follows:

	Year ended 30 November 2020 £'000	Year ended 30 November 2019 £'000
Cash generated from operating activities	8,232	5,882
Add:		
Exceptional reorganisation costs	934	362
Adjusted cash generated from operations	9,166	6,244

29. NOTES TO THE STRATEGIC REPORT

*1 Adjusted EBITDA – is the loss from continuing activities adjusted to exclude depreciation and amortisation of development costs £4.5m (2019: £4.3m), amortisation of acquired intangibles £1.5m (2019: £2.2m), exceptional impairment costs £16.9m (2019: £nil), exceptional reorganisation costs £0.9m (2019: £0.4m), exceptional customer settlement provisions £nil (2019: £0.4m) and share-based charges £0.1m (2019: £0.1m credit)

*2 Recurring or predictable revenue – Contracted support, maintenance and services revenues with a frame agreement of 2 years or more, as % of total revenue

*3 Own IP revenue as a percentage of total revenue – Own IP revenue (which includes initial and annual software licences), £16.1m (2019: £17.9m), as a percentage of total Group revenue, £48.8m (2019: £50.1m)

*4 Own IP gross profit as a percentage of total gross profit - Own IP gross profit, £12.2m (2019: 12.6m), as a percentage of total Group gross profit, £28.7m (2019: £28.8m)

*5 Net debt comprises Bank Loans, Shareholder Loans and Overdrafts less Cash and cash equivalents, including Cash and cash equivalents held for sale.

*6 Adjusted loss/earnings per share – basic loss per share from continuing operations adjusted to exclude amortisation of acquired intangibles £1.5m (2019: £2.2m), exceptional impairment costs £16.9m (2019: £nil), exceptional reorganisation costs £0.9m (2019: £0.4m), exceptional customer settlement provisions £nil (2019: £0.4m) and share-based charges £0.1m (2019: £0.1m credit) net of the related tax charge £0.4m (2019: £0.6m).

*7 Underlying support/admin costs – administrative expenses adjusted to exclude adjusted to exclude depreciation and amortisation of development costs £4.5m (2019: £4.3m), amortisation of acquired intangibles £1.5m (2019: £2.2m), exceptional impairment costs £16.9m (2019: £nil), exceptional reorganisation costs £0.9m (2019: £0.4m), exceptional customer settlement provisions £nil (2019: £0.4m) and share-based charges £0.1m (2019: £0.1m credit).

30. 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	UK	100%
K3 Business Technology Group Trustees Company Limited	UK	100%
K3 FDS Limited	UK	100%
K3 Syspro Limited	UK	100%
K3 Systems Support Limited	UK	100%
Retail Systems Group Limited	UK	100%
Starcom Technologies Limited	UK	100%
FDS Technology Systems Limited	Ireland	100%
Integrated Manufacturing Software Limited	Ireland	100%
K3 Business Technologies Ireland Limited	Ireland	100%
K3 Business Solutions BV	Netherlands	100%
K3 Software Solutions BV	Netherlands	100%
K3 Solutions BV	Netherlands	100%
K3 Business Solutions Pte Limited	Singapore	100%
K3 Business Solutions SDN BHD	Malaysia	100%
K3 Business Solutions ehf	Iceland	100%
K3 Software Solutions LLC	USA	100%
DdD Retail A/S	Denmark	100%
DdD Retail Norway A/S	Norway	100%
DdD Retail Germany AG	Germany	100%
Detalj Data i Sverige AB	Sweden	100%

The principal activity of all the above subsidiary undertakings is the supply of computer software and consultancy except for the following: Starcom Technologies Limited which is a hosting and managed services provider; 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 6 of the company financial statements.

30. SUBSIDARIES (continued)

The registered office for all the UK companies is Baltimore House, 50 Kansas Avenue, Manchester, M50 2GL. The registered office for all the Irish companies is Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland. The registered offices for the other overseas subsidiaries are:

Name	Registered Office
K3 Business Solutions BV	Gildeweg 9b, 2632 BD Nootdorp, The Netherlands
K3 Software Solutions BV	Gildeweg 9b, 2632 BD Nootdorp, The Netherlands
K3 Solutions BV	Cartografenweg 6, 5141 MT Waalwijk, The Netherlands
K3 Business Solutions Pte Limited	133 New Bridge Road, #10-09 Chinatown Point, Singapore 059413
K3 Business Solutions SDN BHD	First Avenue, One Utama, 47800 Petaling Jaya, Kuala Lumpur, Malaysia
K3 Business Solutions ehf	Austurstræt 12, 101 Reykjavik , Iceland
K3 Software Solutions LLC	33S 6th St., Suite 4200, Minneapolis MN 55402, USA
DdD Retail A/S	Theilgaards Allé 2, 4600 Køge, Denmark
DdD Retail Norway A/S	195, Stensarmen 4, 3112, Tonsberg, Norway
DdD Retail Germany AG	Weilstrasse 41, 89143 Balubeuren, Germany
Detalj Data i Sverige AB	Vallhal Park, Stjernsvards Alle 52, 262 74 Angelholm, Sweden

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
Clarita Support Limited	UK	100%
Colne Investments Limited	UK	100%
Fashion Cloud Software.com, LLC	USA	100%
FDS Holdco Limited	UK	100%
Fifth Dimension Systems Limited	UK	100%
Intelligent Solutions Consultancy Limited	UK	100%
K3 AX Limited	UK	100%
K3 Business Systems Holdco Limited	UK	100%
K3 FD Systems Limited	UK	100%
K3 Global Products Limited	UK	100%
K3 Hosting Limited	UK	100%
K3 Information Engineering Limited	UK	100%
K3 Information Services Limited	UK	100%
K3 International Support Services Limited	Ireland	100%
K3 Landsteinar Limited	UK	100%
K3 Managed Services Holdco Limited	UK	100%
K3 Partner Network (International) Limited	Ireland	100%
K3 Retail and Business Solutions Holdco Limited	UK	100%
Merac Limited	UK	100%
Retail Computer Maintenance Limited	UK	100%
Retail Technology Limited	UK	100%
Sense Enterprise Solutions Limited	UK	100%
Shine Marketing UK Limited	UK	100%
Syspro (UK) Limited	UK	100%
Syspro Europe Limited	UK	100%
Syspro Limited	UK	100%
K3 Holdings BV	Netherlands	100%
K3 Managed Services Inc	USA	100%
Retail Support International ApS	Denmark	100%

3.8 COMPANY BALANCE SHEET

FOR THE YEAR ENDED 30 NOVEMBER 2020
REGISTERED NUMBER: 2641001

	Notes	2020	2019
		£'000	£'000
Fixed assets			
Tangible assets	5	563	459
Investments	6	29,348	41,251
		29,911	41,710
Current assets			
Debtors	7	18,851	18,254
Cash at bank and in hand		351	-
Deferred tax	10	98	31
		19,300	18,285
Creditors: Amounts falling due within one year	8	(21,512)	(11,677)
Net current assets		(2,212)	6,608
Creditors: Amounts falling due after more than one year	9	-	(6,262)
Net assets		27,699	42,056
Capital and reserves			
Called-up share capital	11	10,737	10,737
Share premium account		28,897	28,897
Other reserve		11,027	10,324
Profit and loss account		(22,962)	(7,902)
Equity shareholders' funds		27,699	42,056

As permitted under section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

The loss for the year dealt with in the financial statements of the parent company was £15,040,000 (2019: £26,623,000).

The financial statements on pages 124 to 133 were approved and authorised for issue by the board of directors on 29 March 2021 and signed on its behalf by:

RD Price
Director

The notes on pages 126 to 133 form part of these financial statements.

3.9 COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
At 30 November 2018	10,737	28,897	10,324	19,485	69,443
Changes in equity for year ended 30 November 2019					
Loss for the year	-	-	-	(26,623)	(26,623)
Total comprehensive expense	-	-	-	(26,623)	(26,623)
Share based payment	-	-	-	(103)	(103)
Dividends paid to equity holders	-	-	-	(661)	(661)
At 30 November 2019	10,737	28,897	10,324	(7,902)	42,056
Changes in equity for year ended 30 November 2020					
Loss for the year	-	-	-	(15,040)	(15,040)
Total comprehensive expense	-	-	-	(15,040)	(15,040)
Share based payment	-	-	-	(20)	(20)
Issue of warrants	-	-	703	-	703
At 30 November 2020	10,737	28,897	11,027	(22,962)	27,699

Of the above reserves, the directors only consider the profit and loss account to be distributable. The dividends paid in the previous year were voted and approved when the company had sufficient distributable reserves based on published accounts at the time.

Own shares are held by a wholly owned subsidiary, K3 Business Technology Group Trustees Company Limited, as trustee of the group's employee share ownership plan. Own shares represent 47,067 (2019: 66,739) shares held under an employee share ownership plan which will be issued to the employees when they choose to withdraw them. The market value of these shares as at 30 November 2020 was £55,304 (2019: £103,445).

The notes on pages 126 to 133 form part of these financial statements.

3.10 NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES FOR THE COMPANY FINANCIAL STATEMENTS

The principal accounting policies are summarised below where they differ from those in the consolidated financial statements on pages 59 to 123. They have all been applied consistently throughout the current year and the preceding period.

Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS 101").

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted by the company are set out below.

In preparing these financial statements, the company has 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

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 company's statement of financial position when the 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 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 period. 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.

2. PROFIT/(LOSS) FROM OPERATIONS

	Notes	2020	2019
		£'000	£'000
This has been arrived at after charging / (crediting):			
Staff costs	3	4,326	2,577
Depreciation of property, plant, and equipment	5	174	128
Exceptional impairment of Dynamics UK		-	25,550
Exceptional impairment of RSG		598	-
Exceptional impairment of FDS		10,339	-
Exceptional impairment of K3 Holdings BV		967	-
Exceptional reorganisation costs		(1,950)	20
Foreign exchange (income)/costs		(237)	335

3. STAFF NUMBERS

The average monthly number of employees (including executive directors) was:

	2020 Number	2019 Number
Consultants and programmers	22	-
Sales and distribution	8	-
Administration	25	35
	55	35

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	3,417	2,125
Social security costs	425	242
Other pension costs (see note 12)	343	167
Share-based payment costs	20	(103)
Short term non-monetary benefits	121	146
	4,326	2,577

4. DIRECTORS' REMUNERATION, INTERESTS AND TRANSACTIONS

Directors' remuneration is disclosed in note 4 to the consolidated financial statements.

Directors' share options are disclosed in the Remuneration Report on pages 34 to 36.

5. TANGIBLE FIXED ASSETS

	Plant, office equipment and fixtures £'000
Cost	
At 1 December 2018	554
Additions	168
At 1 December 2019	722
Additions	278
At 30 November 2020	1,000
Depreciation	
At 1 December 2018	135
Depreciation charge	128
At 1 December 2019	263
Depreciation charge	174
At 30 November 2020	437
Net book value	
At 30 November 2020	563
At 30 November 2019	459
At 30 November 2018	419

6. FIXED ASSET INVESTMENTS

	2020	2019
	£'000	£'000
Subsidiary undertakings	29,348	41,251

The trading subsidiaries of K3 Business Technology Group plc are disclosed in note 30 to the consolidated financial statements. All subsidiary undertakings are wholly owned, and all shares consist of ordinary shares only.

	Cost of investment	Total
	£'000	£'000
Cost		
At 1 December 2019	41,251	41,251
Impairments	(11,903)	(11,903)
At 30 November 2019	29,348	29,348
Net book value		
At 30 November 2020	29,348	29,348
At 30 November 2019	41,251	41,251

The impairment relates to the impairment of various business units' details of which can be found in note 15 of the consolidated financial statements.

Under section 479A of the Companies Act 2006 the Group's subsidiaries, listed below, are claiming exemption from audit. The parent undertaking, K3 Business Technology Group plc, registered number 02641001, guarantees all outstanding liabilities to which each subsidiary is subject at the end of the financial year (being the year ended 30 November 2020 for each company listed below). The guarantee is enforceable against the parent undertaking by any person to whom the subsidiary undertaking is liable in respect of those liabilities.

Colne Investments Limited	03563989
K3 BTG Limited	06338304
K3 Systems Support Limited	08497112
Retail Systems Group Limited	01763900

7. DEBTORS

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	18,271	17,902
Trade debtors	63	-
Other debtors	4	24
Taxation and social security	-	119
Prepayments	513	209
	18,851	18,254

Interest is charged on amount owed by subsidiary undertakings at 3.75% (2019: 4.25%) which is deemed to be a market rate. The company impaired £2,251k on the inter company receivables from Unisoft and K3 FDS (2019: £18,550k from K3 Business Technologies Limited and Colne Investments Limited) .

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£'000	£'000
Bank loans (secured)	6,771	-
Shareholder loans (unsecured) (see note 18 in the Group financial statements)	2,672	-
Bank loans and overdrafts	787	890
Trade creditors	315	308
Amounts owed to subsidiary undertakings	8,777	9,628
Taxation and social security	962	-
Other creditors	276	417
Accruals	952	434
	21,512	11,677

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the group.

Interest is charged on amount owed to subsidiary undertakings at 3.75% (2018: 4.25%) which is deemed to be a market rate.

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

At the year end, other borrowings were repayable as follows:

	2020 £'000	2019 £'000
Bank loans (secured) (see note 18 in the Group financial statements)	-	6,262
Bank loans		
On demand or within one year	-	-
Between one and two years	-	6,262
	-	6,262

10. DEFERRED TAXATION

	2020 £'000	2019 £'000
Accelerated capital allowances	74	(9)
Other timing differences	24	40
Deferred tax asset	98	31

The movements in deferred tax assets (liabilities) during the year are:

	Accelerated capital allowances £'000	Other timing differences £'000	Total £'000
At 1 December 2019	(9)	40	31
Charged to profit and loss	83	(16)	67
At 30 November 2020	74	24	98

The company has no unrecognised tax losses in either period. The deferred tax assets have been recognised as they are expected to be recoverable against future taxable profits.

11. CALLED-UP SHARE CAPITAL

	2020 £'000	2019 £'000
Allotted, called-up and fully-paid		
42,946,665 ordinary shares of 25p each (2019: 42,946,665)	10,737	10,737

See note 23 to the consolidated financial statements for details of the movements in called-up share capital and of outstanding warrants.

12. SHARE-BASED PAYMENT

K3 Business Technology Group plc operates an equity-settled share-based renumeration scheme for employees: the K3 Long Term Incentive Plan ("LTIP") for certain senior management including executive directors, and a Save As You Earn (SAYE) scheme for employees. See note 10 to the consolidated financial statements for details regarding share-based payments.

13. PENSION ARRANGEMENTS

The Company operates a defined contribution scheme and makes contributions to personal pension schemes of certain senior employees and directors for which the total pension cost charge for the year amounted to £343,000 (2019: £167,000).

14. RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in note 26 to the consolidated financial statements. There were no other transactions with related parties during the year.

15. CONTINGENT LIABILITY

The Company has entered into a cross-guarantee with fellow group undertakings in relation to liabilities with Barclays Bank plc. At the period end the liabilities covered by the guarantee totalled £9,771,000 (2019: £10,647,000) of which £7,558,000 (2019: £7,153,000) is included within the Company's accounts.

3.11 NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your shares in K3 Business Technology Group plc (the "Company"), please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

COVID-19 and AGM proceedings

In light of the UK Government's responses to the COVID-19 outbreak, which currently includes restrictions on all non-essential travel and gatherings of more than six people, the Company is adopting the following annual general meeting arrangements in order to ensure that the health and safety of our shareholders, directors, employees and other key stakeholders is protected:

- In accordance with the Company's articles of association, the quorum necessary to constitute the annual general meeting is two members in person or proxy, therefore two members will be in attendance to form the quorum and conduct the business of the meeting.
- The annual general meeting will only address the formal matters contained in this Notice of Annual General Meeting.
- Attendance by additional shareholders is not considered as "essential for work purposes" and so would not be permitted under the Stay-at-Home Measures. Shareholders may not attend in person and will be refused entry to the annual general meeting given the Stay-at-Home Measures.
- There will be no form of broadcast, website, videoconference or dial in for the annual general meeting for all shareholders due to complexity and cost.
- All shareholders are urged to appoint the Chairman of the meeting as their proxy, with voting instructions. Please refer to the Notes to this Notice of Annual General Meeting for more information regarding proxy voting. It is emphasised that any forms of proxy being returned via a postal service should be submitted as soon as possible to allow for any delays to or suspensions of postal services in the United Kingdom as a result of measures being implemented by the Government of the United Kingdom.
- Please note that as shareholders will not be able to attend this year's annual general meeting the Company is proposing to allow shareholders the opportunity to raise any issues or concerns arising from the business proposed to be conducted at the meeting. Appropriate questions on the business of the meeting should be emailed to companysecretarial@k3btg.com before close of business on 17 May 2021. The Company may not be able to provide an answer if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

- In order to ensure a more accurate reflection of the views of shareholders and ensure that your proxy votes are recognised, voting on all resolutions to be proposed at the annual general meeting will be by way of a poll as permitted by the Company's articles of association. Resolutions 1 to 8 are proposed as ordinary resolutions. An ordinary resolution will be passed on a poll if it is passed by shareholders representing a simple majority of the total voting rights of shareholders who (being entitled to do so) vote at the annual general meeting. Resolutions 9 to 11 are proposed as special resolutions. A special resolution will be passed on a poll if it is passed by a majority of shareholders representing not less than 75% of the total voting rights of shareholders who (being entitled to do so) vote at the annual general meeting.

The UK Government may change current restrictions or implement further measures relating to the holding of general meetings prior to the annual general meeting. Any changes to the annual general meeting (including the arrangements outlined above) will be made available on the Company's website and by means of the Regulatory Information Service.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the Company will be held at the Company's offices at Baltimore House, 50 Kansas Avenue, Manchester M50 2GL on Wednesday 19 May 2021 at 10:30 am at which the following business will be transacted.

You will be asked to consider and vote on the resolutions below. Resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 to 11 will be proposed as special resolutions.

Ordinary Resolutions

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive, consider and adopt the annual accounts for the period ended 30 November 2020, together with the directors' and auditors' reports on those accounts.

2. To re-elect Mr P J Claesson as a director of the Company in accordance with Articles 22.5 and 22.6 of the articles of association.

3. To re-elect Mr R D Price as a director of the Company in accordance with Articles 22.5 and 22.6 of the articles of association.

4. To elect Mr T Crawford as a director of the Company (in accordance with Articles 22.5 and 22.6 of the articles of association) who was appointed by the Board since the last annual general meeting.

5. To elect Mr M Vergani as a director of the Company (in accordance with Articles 22.5 and 22.6 of the articles of association) who was appointed by the Board since the last annual general meeting.

6. To re-appoint BDO LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Company.

3.11 NOTICE OF ANNUAL GENERAL MEETING (continued)

7. To authorise the directors of the Company to determine the auditor's remuneration.

8. That the directors of the Company be and they are generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act"), to exercise all powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £3,727,698 provided that this authority shall unless previously revoked, renewed or varied by the Company in general meeting expire five years from the date of this resolution or if earlier, the date of the next annual general meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the directors of the Company may allot shares or grant Rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for all previous unexercised authorities conferred upon the directors pursuant to section 551 of the Act, but without prejudice to the allotment of any shares or the grant of any Rights already made or to be made pursuant to such authorities.

Special Resolutions

To consider and, if thought fit, pass the following resolutions, which will be proposed as special resolutions:

Disapplication of pre-emption rights

9. That subject to and conditional on the passing of resolution 8 above, the directors of the Company be and they are empowered pursuant to section 570 and 573 of the Act to allot equity securities (as defined in section 560(1) of the Act) for cash pursuant to the authority conferred by resolution 8 above and/or to sell ordinary shares held by the Company as treasury shares as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:

9.1. the allotment of equity securities in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares and to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

9.2. the allotment of equity securities or sale of treasury shares (otherwise than pursuant to sub-paragraph 9.1 above) up to an aggregate nominal amount of £559,155

and, unless previously renewed, revoked or varied by the Company in general meeting, the authority granted by this resolution shall expire on 19 August 2022, or if earlier the date of the next annual general meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors of the Company may allot equity securities and/or sell equity securities held as treasury shares in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Authority to Repurchase Ordinary Shares

10. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Shares"), provided that:

    (a) the maximum aggregate number of Shares authorised to be purchased is 4,473,238;

    (b) the minimum price (exclusive of expenses) which may be paid for a Share is 25 pence;

    (c) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share for the five business days immediately preceding the day on which that Share is purchased and (ii) the higher of the price of the last independent trade and the highest then current independent bid for any number of the Shares on the Alternative Investment Market of the London Stock Exchange;

    (d) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2022 or, if earlier, on the expiry of 15 months from the date of passing of this resolution unless such authority is renewed prior to such time; and

    (e) the Company may make one or more contracts to purchase Shares under this authority before the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares in pursuance of any such contract.

Amendment to the Articles of Association regarding Non-Executive Director Remuneration

11. That the articles of association in the form produced at the meeting and initialled by the Chairman of the meeting for the purposes of identification be adopted as the new articles of association of the Company in substitution for and to the exclusion of, the existing articles of association.

Registered Office

K3 Business Technology Group plc
Baltimore House
50 Kansas Avenue
Manchester M50 2GL

23 April 2021

By order of the Board

K Curry
Company Secretary

3.11 NOTICE OF ANNUAL GENERAL MEETING (continued)

Explanatory Note to the Resolutions proposed in the Notice of the Annual General Meeting

Please refer to notes 9 to 24 relating to entitlement to attend and vote at the meeting and the appointment of proxies.

1. Resolution 1- The Directors are required to present to shareholders at the annual general meeting the Annual Report and Accounts for the financial year ended 30 November 2020 together with the Director's and Auditor's reports on such accounts.

2. Resolutions 2 and 3- In compliance with Article 22.5 of the Company's current articles of association any non-executive director who has held office for nine years or more shall retire at each annual general meeting. Accordingly, Mr P J Claesson will retire at the 2021 annual general meeting. In addition, in compliance with Article 22.5, any director who has not been appointed or re-appointed at either of the two previous annual general meetings shall retire at the 2021 annual general meeting. Accordingly, Mr R D Price will also retire at the 2021 annual general meeting. Mr P J Claesson and Mr R D Price will each offer themselves for re-election as a director at the 2021 annual general meeting and they are recommended by the Board for re-election. Mr P J Claesson was originally appointed as a non-executive director of the Company in March 2001. Mr R D Price was originally appointed as a director of the Company in July 2017. Biographical details of Mr P J Claesson and Mr R D Price are available on the Company's website at https://www.k3btg.com/investor-centre/the-executive-board/.

3. Resolutions 4 and 5 - In compliance with Article 22.5 of the Company's current articles of association any director appointed by the board since the previous annual general meeting shall retire at the annual general meeting of the Company next following his appointment. Mr T Crawford was appointed by the Board as a director of the Company in October 2020 and Mr M Vergani was appointed by the Board as a director of the Company on 30 March 2020. Accordingly, Mr T Crawford and Mr M Vergani will each retire and offer himself for re-election as a director at the 2021 annual general meeting and they are recommended by the Board for re-election. Biographical details of Mr T Crawford and Mr M Vergani are available on the Company's website at https://www.k3btg.com/investor-centre/the-executive-board/.

4. Resolutions 6 and 7- The Company is required at each general meeting at which accounts are presented to appoint auditors to hold office until the next such meeting. BDO LLP have indicated their willingness to continue in office. Accordingly, Resolution 6 reappoints BDO LLP as the Auditor of the Company and Resolution 7 authorises the Directors to fix their remuneration.

5. Resolution 8 would empower the directors to allot shares for any reason in accordance with Section 551 of the Act up to an aggregate nominal amount of £3,727,698 representing approximately one-third of the issued share capital of the Company at the date of the notice of annual general meeting. This resolution complies with the Investment Association Share Capital Management Guidelines issued in July 2016. As at close of business on the date of the notice of annual general meeting the Company did not hold any treasury shares. The authority granted by this resolution will expire five years from the date of the resolution or if earlier, on the conclusion of next year's annual general meeting.

6. Resolution 9 (proposed as a special resolution) would empower the directors pursuant to the authority to allot granted by resolution 8 to allot equity securities (as defined by section 560 of the Act) for cash or sell treasury shares other than to existing shareholders pro rata to their existing holdings. Such power would be limited to the situations referred to in sub-paragraphs 9.1 and 9.2 of that resolution. Sub-paragraph 9.1 refers to rights issues and similar issues, where difficulties arise in offering relevant securities to certain overseas shareholders or where fractional entitlements arise. Sub-paragraph 9.2 permits allotments for cash (other than rights issues or similar) of ordinary shares or sale of treasury shares up to an aggregate nominal amount of £559,155 representing approximately one-twentieth of the issued ordinary share capital of the Company at the date of the notice of annual general meeting. The resolution is proposed so as to give the directors greater flexibility to take advantage of business opportunities as they arise. The directors have no present intention of exercising the authority. The power granted by this resolution will expire on 19 August 2022, or if earlier on the conclusion of next year's annual general meeting.

   This resolution is in line with guidance issued by the Investment Association and the Pre-Emption Group Statement of Principles (as updated in March 2015).

7. Resolution 10 seeks authority for the Company to make market purchases of its own ordinary shares and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase up to 4,473,238 of its ordinary shares, representing approximately 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at the date of the notice of annual general meeting. The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire on the earlier of the Company's 2022 annual general meeting and the date 15 months after the resolution.

   The directors will only exercise the authority to purchase ordinary shares where they consider that such purchases will be in the best interests of shareholders generally and will result in an increase in earnings per ordinary share.

   The Company may either cancel any shares it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them).

8. Resolution 11 proposes the adoption of new articles of association (the “New Articles”) in substitution for the Company's existing articles of association. The only proposed change to the current articles of association is to amend the annual cap on the remuneration of non-executive Directors in Article 21 of the articles of association from £200,000 plus RPI to £300,000 plus RPI (see Article 21). The new articles of association as proposed to be adopted pursuant to resolution 11 will take effect from the conclusion of the annual general meeting.

   A copy of the Company's existing articles of association and the New Articles will be available for inspection during normal business hours (excluding Saturdays, Sundays and bank holidays) at the Company's registered office from the date of this notice of meeting until the close of the meeting, subject to restrictions in place for COVID-19 safety in accordance with UK Government guidelines. The proposed New Articles will also be available for inspection at the annual general meeting at least 15 minutes prior to the start of the meeting and up until the close of the meeting, subject to restrictions in place for COVID-19 safety in accordance with UK Government guidelines.

3.11 NOTICE OF ANNUAL GENERAL MEETING (continued)

Notes to the Notice of Annual General Meeting

Entitlement to attend and vote

9. On a show of hands every shareholder present in person has one vote and on a poll every shareholder has one vote for each share held by him. The necessary quorum at this meeting is two members present in person or by proxy and entitled to vote upon the business to be transacted.

10. The Company specifies that only those members registered on the Company's register of members at:

    - close of business on 17 May 2021; or,

    - if this Meeting is adjourned, at close of business on the day two days prior to the adjourned meeting (excluding non-business days),

shall be entitled to attend and vote at the Meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Issued shares and total voting rights

11. As at close of business on the date of the notice of annual general meeting, the Company's issued share capital comprised 44,732,379 ordinary shares of 25 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at close of business on the date of the notice of annual general meeting is 44,732,379.

Documents on display

12. The following documents will be available for inspection at Baltimore House, 50 Kansas Avenue, Manchester M50 2GL from the date of the notice of the annual general meeting until the time of the Meeting and for at least 15 minutes prior to the Meeting and during the Meeting, subject to restrictions in place for COVID-19 safety in accordance with UK Government guidelines:

    - Copies of the service contracts of executive directors of the Company.
    - Copies of the letters of appointment of the non-executive directors of the Company.
    - A copy of the proposed New Articles, together with a copy of the existing articles of association of the Company.

Appointment of proxies

13. If you are a member of the Company at the time set out in note 10 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

14. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chair of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chair) and give your instructions directly to them.

15. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please complete new proxy forms for each proxy appointed and list the details of each proxy on a separate form. Please indicate in the box next to the proxy's name the number of shares in relation to which he/she is authorised to act as your proxy. Failure to specify the number of shares to which a proxy appointment relates or specifying a number in excess of those held by the Member will result in the proxy appointment being invalid. Please also indicate by selecting the box provided if the proxy instruction is one of multiple instructions being given.

16. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

    Members can

    - Register their proxy appointment electronically (see note 17).
    - If a CREST member, register their proxy appointment by utilising the CREST electronic proxy appointment service (see note 18).
    - Request a hard copy form of proxy directly from the registrars, Link Group on Tel: 0371 664 0300 (see note 19).

Proxy voting using the Registrar's share portal

17. You may also submit your proxy vote electronically using the Share Portal service at www.signalshares.com. If not already registered for the Share Portal, you will need your Investor Code as shown on a recent dividend tax voucher or recent share certificate. For an electronic proxy vote to be valid, your appointment must be received by no later than 10.30 am on 17th May 2021.

CREST proxy voting (uncertificated shareholders)

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

    (b) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited (formerly CRESTCo's) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuers' agent (ID RA10) by the latest time for receipt of proxy appointments specified in this notice or, in the event of an adjourned meeting, 48 hours before the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to

3.11 NOTICE OF ANNUAL GENERAL MEETING (continued)

retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy using hard copy proxy form

19. The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote.

    To appoint a proxy using the proxy form, the form must be:

    - completed and signed;
    - sent to Link Group, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL or delivered to Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL (multiple forms should be returned in the same envelope); and
    - received by Link Group no later than 10.30 am on 17 May 2021.

    In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

    Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

    Calls to Link Group are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

Appointment of proxy by joint members

20. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

21. To change your proxy instructions simply submit a new proxy appointment using the method set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

    Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Group on 0371 664 0300. Calls to Link Group are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

    If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which of more than one valid proxy appointment was deposited or delivered last in time, none of them shall be treated as valid in respect of the share(s) to which they relate.

Termination of proxy appointments

22. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Group, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by Link Group, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL no later than 10.30 am on 17 May 2021.

    Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

23. A corporation which is a shareholder can appoint one or more representatives who may exercise, on its behalf, all its powers as a shareholder provided that no more than one corporate representative exercises power over the same share.

24. Notwithstanding the information contained in notes 9 to 23 above and the rights of shareholders set out in the Act and the Company's articles of association, the Directors' strong recommendation is that shareholders do not attend the annual general meeting in person this year and, instead, submit proxy votes appointing the Chair of the annual general meeting as your proxy as set out in this notice of annual general meeting. Moreover, the Directors would like to reiterate that, if any shareholder (or other proxy appointed by a shareholder other than the Chair of annual general meeting) does, nonetheless, travel to attend the meeting in person, it is highly likely that they will be denied access to it based on the prevailing circumstances and, as a result, will not be able to participate in the business to be transacted at the annual general meeting.

3.11 NOTICE OF ANNUAL GENERAL MEETING (continued)

Enquiring about your shareholding

If you want to ask, or need information, about your shareholding, please contact our registrar, Link Group, on 0371 664 0300. Calls to Link Group are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Alternatively, if you have internet access, you can access the shareholder portal at www.signalshares.com where you can, amongst other things, view details of your shareholding, set up or amend a dividend mandate and update your address details.

Electronic communications

You can elect to receive shareholder communications electronically by writing to our registrar, Link Group, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL. Alternatively, if you have internet access, you can access the shareholder portal at www.signalshares.com where you can elect to receive shareholder communications electronically. This will save on printing and distribution costs, creating environmental benefits. When you register, you will be sent a notification to say when shareholder communications are available on our website and you will be provided with a link to that information.

3.12 COMPANY INFORMATION

Registered Office

Baltimore House
50 Kansas Avenue
Manchester
M50 2GL

Company Website

www.k3btg.com

Directors

T Crawford (Chairman)
M Vergani
R D Price
P J Claesson (non-executive)
J P Manley (non-executive)
O Scott (non- executive)

Company Secretary

K J Curry

Country of Incorporation of Parent Company

England and Wales

Company Number

2641001

Legal Form

Public limited company

Advisors

Legal advisors to the Group

Squire Patton Boggs LLP
No1 Spinningfields
1 Hardman Square
Manchester
M3 3EB

DWF LLP
1 Scott Place
2 Hardman Street
Manchester
M3 3AA

Nominated Advisor

finnCap Limited
Cardinal Place
60 New Broad Street
London
EC2M 1JJ

Auditors

BDO LLP
3 Hardman Street
Spinningfields
Manchester
M3 3AT

Accountants

Beever and Struthers
St George's House
215-219 Chester Road
Manchester
M15 4JE

Bankers

Barclays Bank plc
1st Floor
3 Hardman Street
Spinningfields
Manchester
M3 3HF

Registrars

Link Group
Unit 10
Central Square
29 Wellington Street
Leeds
LS1 4DL

Financial PR

KTZ Communications
No.1 Cornhill
London
EC3V 3ND

K3 has been at the forefront of the retail technology industry for the last 30 years. As a leading supplier of software solutions, we have serviced countless clients across the globe.

We blend our own IP with third-party solutions and leverage the flexibility of our future-facing K3|Imagine platform to create an indispensable end-to-end IT infrastructure for businesses of all sizes.

K3|Imagine is a flexible, adaptable and extensible foundation from which our customers can holistically build and integrate boundless areas of connected interaction, intelligence and services.

In a world full of uncertainty, K3 provides an absolute resolution to today's biggest challenges and empowers businesses to be ready for the now.

We are truly fundamental to a healthy business.

To find out more, visit www.k3btg.com

k3 business technologies

K3 Business Technology Group plc
Baltimore House,
50 Kansas Avenue,
Manchester, M50 2GL