AIM: KBT
5 April 2022

K3 BUSINESS TECHNOLOGY GROUP PLC
("K3" or "the Group" or "the Company")

Provider of business-critical software solutions focused on fashion and apparel brands.

Final results for the 12 months to 30 November 2021

Key Points

Financial

	12 months to 30 November 2021	12 months to 30 November 2020
Revenue	£45.3	£43.8
Recurring or predictable revenue*2	75.0%	77.0%
K3 Products revenue (Note 2)	£16.3m	£15.9m
K3 Products revenue as percentage of total revenue*3	36.1%	36.2%
K3 Products gross profit (Note 2)	£12.2m	£12.6m
K3 Products gross profit as a percentage of total gross profit*4	45.6%	46.8%
Gross margin	59.3%	61.3%
Adjusted EBITDA*1	£4.4m	£4.0m
Loss before tax from continuing operations, including exceptional impairments**	£(7.8)m	£(20.8)m
Operating continuing cash flow normalized for Government coronavirus support	£3.2m	£4.1m
Net debt*5	£9.0m	£(1.9)m
Reported gain / (loss) per share	8.0p	(49.3)p
Adjusted (loss) / earnings per share for Continuing Activities*6	(13.6)p	(3.2)p
Gain/(Loss) from disposal of discontinued activities***	£11.9m	£0.0m

** exceptional impairments (all non-cash items) totalling £1.4m, (2020: £16.8m) which related to DdD, RSG and Walton. (see note 7)
*** Discontinued activities relate to Sage and Starcom Technologies Limited (see note 6 for further details)

Financial

- Revenue from continuing activities up 3% to £45.3m (2020: £43.8m)
  - recurring or predictable revenue[2] of £33.9m (2020: £33.7m)
  - strategic fashion products (within K3 Products) revenue up 16% to £5.0m (2020: £4.3m)
  - Third-party Solutions revenue of £28.9m (2020: £27.9m)
- Gross profit from continuing activities constant at £26.8m (2020: £26.8m)
  - strategic fashion products (within K3 Products) contributed £3.6m (2020: £3.2m)
  - Third-party Solutions contributed £14.6m (2020: £14.2m)
- Support/admin costs down by 2% to £22.3m (2020: £22.7m)
- Capitalised development down by £2.2m (48%) to £2.3m
- Adjusted EBIDTA up 8% to £4.4m (2020: £4.0m)
- Loss before taxation from Continuing Activities £(7.8)m (2020: £20.8m)
- Gain / loss after taxation from Discontinued Activities £12.3m profit (2020: loss £0.3m)
- Adjusted EPS loss (13.6)p (2020: loss (3.2)p) / Reported EPS profit 8.0p (2020: loss (49.3)p
- Net cash at 30 November 2021 of £9.0m (2020: net debt of £1.9m)

Operational

- New growth strategy established following appointment of Marco Vergani as CEO in March 2021
  - very good growth opportunities identified across all core activities
  - strong focus on fashion, apparel and related large retail brands, and the significant opportunity in Sustainability (supply chain traceability), Omni-channel and Business Insights

- Operations reorganised and new appointments made in line with growth plans
- Disposal of two non-core businesses, Starcom Managed Services unit and Sage business
  - strengthened balance sheet and supported business refocusing

- Significant growth in key market of strategic fashion and apparel IP with 16% increase in revenue; reflected major new customer wins and increased licence sales to existing customers
- Non-core legacy point of sales products remain in managed decline
- Third Party Solutions:
  - High level of renewal of SYSPRO software licences and support and maintenance contracts, 98% (2020: 97%). Strong order book for 2022, with increase in average size of new orders
  - Global Accounts continued to expand; roll-out of stores for Inter IKEA Concept franchisees in the Far East and in Central and South America is ongoing
- Post-period acquisition of Sustainability-focused software developer, ViJi, adds strategically important IP

Tom Crawford, Chairman of K3 Business Technology Group plc, said:

"This has been a transformational year for K3. Under our new CEO, Marco Vergani, we have established a clear and focused growth strategy, and made substantial organisational changes, including two disposals, which support our growth objectives. We have also simplified the way we present the business by creating two clear divisions of K3 Products and Third Party Solutions. The Group is now financially stronger and better placed to take advantage of the significant market opportunities we have identified across our core areas of activity."

"Our post year end acquisition of Sustainability-focused software developer ViJi is a signal of our ambitions to extend our existing solutions to address the exciting new opportunities we have identified."

"The Board is very pleased with the progress that has been has made, and the new financial year has started in line with our expectations."

Enquiries:

K3 Business Technology Group plc www.k3btg.com	Marco Vergani (CEO) Robert Price (CFO)	T: 0161 876 4498
finnCap Limited (NOMAD & Broker)	Julian Blunt/ James Thompson (Corporate Finance) Richard Chambers, Sunila De (Corpo Broking)	T: 020 7220 0500
KTZ Communications	Katie Tzouliadis/ Dan Maloney	T: 020 3178 6378

CHAIRMAN'S STATEMENT

Overview

I am very pleased to present the Group's annual results after my first full year as Chairman, having joined K3 at the end of October 2020. It has been a strategically significant year for the business, with a number of decisive decisions and actions taken, which set the Group on a firm course for future growth.

Marco Vergani, who was appointed Chief Executive Officer on 30 March 2021, has led a thorough re-evaluation of market strategy and operations. Together with the Board and senior management team, he has established a clear growth plan for K3's future development, including a roadmap for product development. He has also reallocated investment and made significant organisational changes that have strengthened the business and reduced costs.

The sale of our Starcom and Sage businesses during the year have not only allowed us to significantly strengthen our balance sheet but have also have reduced business complexity, prompting us to present the Group in a simpler way with just two division: K3 Products and Third Party Solutions.

As well as this, I am pleased to report that, in a challenging market, the Group's trading performance has remained resilient. Group revenue from continuing activities increased by 3% to £45.3m (2020: £43.6m), and adjusted EBITDA rose by 8% to £4.4m (2020: £4.0m). We benefitted from a strong end to the financial year, signing both new customers and renewals in the fashion and apparel sectors, core target markets for us. In addition, our manufacturing software solution renewals, which are strongly weighted to the final quarter of the financial year, remained very high, reflecting our depth of expertise and close customer relationships.

As a result of our actions, the Group is significantly better positioned, with a clear strategy and commercial goals. In January 2022, we made a strategically significant acquisition, ViJi, which has delivered valuable IP in Sustainability and specifically supply chain transparency, in line with our growth strategy.

Financial Results

Revenue from continuing operations for the 12 months ended 30 November 2021 was up 3% year-on year to £45.3m (2020: £43.8m). Recurring or predictable revenue accounted for 74.8% of total revenue at £33.9m (2020: 77.2%), with SaaS, maintenance and support contracts contributing £19.8m (2020: £20.3m) and strategic products of £2.6m (2020: £2.2m).

Group gross profit for the year was constant at £26.8m (2020: £26.8m), and gross margin was 59.2% (2020: 61.0%), which mainly reflected a change in the contribution from services.

Support/administrative expenses net of capitalised development cost reduced by 2% to £22.3m (2020: £22.7), with a further reduction of £2.2m in capitalised development, as a result of streamlining operations. Adjusted EBITDA[1] from continuing activities was up 8% to £4.4m (2020: £4.0m), aided by a reduction and redeployment of overhead resource. The loss before tax from continuing activities was £9.7m (2020: £20.9m) with 2020 including £16.8m of exceptional impairments.

The balance sheet has been transformed and is significantly stronger than a year ago. Net cash at 30 November 2021 amounted to £9.0m (31 November 2020: net debt of £1.9m), and Operating cashflow from Continuing Activities normalised for Government coronavirus support was £3.2m (2020: £4.1m).

Growth Strategy

After an in-depth analysis of K3's offering, expertise, domain strengths and market opportunities, we have developed a new strategic growth plan for the Group. It continues to focus on product-led, high-margin recurring revenue, as previously, but is now more tightly focused on certain target markets and sales execution.

We see significant growth opportunities across all the Group's strategic products and third party solution activities over the next few years, with some areas offering greater commercial rewards, which we will reflect in our ongoing capital allocation plans. Growth in fashion, apparel, and related large retail brands is a particular focus for us. We already offer a powerful set of solutions to the fashion, apparel and designer sectors, which support core business processes, and believe there is a significant opportunity to assist brands in the key areas of Sustainability, Omni-channel and Business Insights.

We see opportunities to increase sales in other market segments, including manufacturing and distribution, where we have well-established third-party-based software solutions, capable of serving larger projects. Recurring revenue from these third-party solutions contribute significantly to the Group's profitability and cash flows, and are important contributors to investment in strategic software product development. Our Global Accounts activity, which is specialist services led, also has good growth potential well into the medium term internationally, and provides cross-selling opportunities for K3 Product.

K3's sector expertise and ERP heritage is being leveraged to pursue the growth opportunities we have identified, and our cloud-native K3 | imagine technology platform is a strategically important element. It is micro-service and API driven, in a 'headless' agnostic architecture with strong in-built integration capabilities. It therefore plays a key role in the easy adoption of our solutions.

We continue to support our legacy solutions, comprising mostly point-of-sale ("POS") products. However, we expect to see revenue from these POS solutions continue to decrease year-on-year.

We have significantly re-shaped the business this year. We disposed of two non-core businesses, selling Starcom (managed services) in February 2021 and our Sage reseller business in September 2021. This has streamlined K3, leaving it tightly focused on core solutions and chosen markets. It has also significantly strengthened the Group's year-end balance sheet, eliminating net debt.

Following these disposals, we have reorganised the Group into two primary segments, K3 Products, comprising solutions based on significant K3 intellectual property ("IP"), and Third-party Solutions, which includes our SYSPRO and Global Accounts activities.

People

In a challenging year, with the coronavirus pandemic still overshadowing work and personal life, our staff have shown great adaptability and dedication. They have innovated to overcome obstacles created by the pandemic situation, and we would like to thank them for their commitment and hard work during the year.

There were three Board changes in the financial year. In March 2021, as previously mentioned, Marco Vergani joined as Chief Executive Officer, and in September 2021, Per Johan Claesson, Non-executive Director retired from the Board, with Gabrielle Hase joining as Non-executive Director in his place. We also made a number of new senior executive appointments in the year. This has brought additional expertise, commercial drive and domain knowledge into the Group, and has strengthened our leadership teams.

Marco has over 30 years' experience in the technology industry and has worked in leadership roles in commercial sales across the UK, Europe, US and Asia. He has extensive experience of retail, fashion and direct-to-consumer sectors with a long and successful career at IBM.

Gabrielle Hase is a senior-level specialist in global ecommerce and has significant experience in advising on omni-channel growth strategies and digital transformation, in particular for fashion retailers.

We would like to reiterate our thanks to Per Johan Claesson, who retired from the Board after twenty years of service. He has been a very strong supporter of the business and made a considerable contribution over many years.

In addition, Jonathan Manley has decided not to stand for re-election at the AGM in May this year. Jonathan, who joined the Board in December 2015, plans to spend more time in the US, and felt the 2022 AGM was an appropriate time to retire from the Board. Jonathan has provided valuable support to the Group during his tenure, and we also reiterate our thanks to him. We will be commencing a recruitment process to appoint an independent non-executive director as successor to Jonathan.

Summary and Outlook

The Group has been significantly transformed this year. It is now financially and operationally stronger, with a clear growth strategy and stronger balance sheet.

Our focus is on growth cash generation and recurring income. The Group already generates substantial recurring income, but we intend to move more strongly towards SaaS-based revenues, in particular by driving the growth of our strategic products. Current SaaS, maintenance and support revenue generated by K3 totals approximately £20m, including a proportion generated by legacy products under managed decline. Third-party Solutions delivers highly visible and predictable income under framework contracts, worth approximately an additional £14m per annum.

We believe there is a substantial opportunity to exploit our existing expertise in the fashion, apparel and retail markets by expanding our offering to address unmet needs in Supply Chain Sustainability, Omni-channel and Business Insights. Brands are increasing their focus on Sustainability, prioritising environmental and ethical considerations concerns, and seeking greater transparency over their supply chains. Legislation is also driving a requirement for greater supply chain traceability. In addition, digital and physical sales channels typically require greater integration and unification, and next-generation analytics is another burgeoning area.

Our recent acquisition of ViJi, a software developer with innovative and proven Sustainability software solutions aiding fashion retailers, is an exciting development, and will help to accelerate our offering in this area.

K3 has made significant progress over the financial year, and a clear growth plan is now in place. We are continuing with initiatives to improve the operations. In an inflationary environment with some resourcing issues, we are also managing costs carefully.

Third Party Solutions is experiencing encouraging demand, and has secured contracts with larger UK manufacturing customers, and the expansion of IKEA franchisee stores in Asia and Latin America is continuing in line with schedules.

K3 Products is seeing positive signs of increased activity, with new clients signed and additional software licences taken by existing fashion customers. Its market position has been strengthened byK3's inclusion as an Independent Software Vendor (ISV) within the newly announced Microsoft Retail Cloud. Non-strategic products are being managed in line with expectations.

Cash balances are at planned levels and further supported by an extension to banking facilities, secured in this first quarter. The Board expects to make further progress with growth initiatives.

T Crawford
Chairman
5 April 2022

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

My priority on joining K3 in March 2021 was to conduct a thorough review of the Group. This included reviewing its markets, solutions, product portfolio, sales strategies and organisational structure. As a result of this exercise, we have established a new purpose, vision and growth strategy for K3. We have also made operational changes that support our new commercial objectives, including streamlining operations, upgrading certain systems and recruiting additional talent.

Retail Sector

The retail industry, particularly the fashion, design and apparel sectors, is experiencing fundamental transformation. Certain megatrends, including 'Unified Consumer Experience', 'Digitalisation', 'Personalisation', and 'Omni-channel' retailing, are at the forefront. They are driving changes in the way brands and retailers sell to and engage with customers. Retailers are working hard to enable consumers to choose products and make purchases in the most convenient way and to establish closer customer relationships and reinforce their brand values.

In addition, there are a number of even more profound trends, based on new and emerging societal priorities and values, which are altering consumer purchasing habits. A greater emphasis on environmental and ethical concerns is evident. Younger generations, in particular, are attracted to a digital experience of brands and increasingly model their tastes and preferences on the basis of social influence exercised via social media. Consumer lifestyle changes, including those driven by the coronavirus pandemic, are also shifting consumers' purchasing patterns and behaviours.

Understanding consumer motivation and behaviour remains a fundamental objective for all brands. However traditional classifications of consumers - by age, income, culture – are being superseded by more sophisticated AI-driven personalisation techniques. Nonetheless, while AI enables retailers to identify and leverage some consumer patterns, it still does not accurately predict individual behaviors, trends, and patterns or easily identify changes in the emotional dynamics between consumers and brands.

Traditional retailers, particularly in non-grocery industries - the so-called "horizontal" retailers - are adapting their models, image and branding as they react to these market trends. On the opposite side, "vertical" retailers, including direct-to-consumer brands, are growing. These include manufacturers and distributors now selling directly to the consumer, as well as online retailers, whose models provide greater commercial agility than traditional retailers.

Overall, the retail sector is contending with the need to micro-segment and to effect strategic and operational change more rapidly. Fashion retailers and direct-to-consumer brands are now seeking to shorten their supply lead times in order to be able to offer more frequent collections as well as to adapt more rapidly to sales trends. For example, pricing and promotion changes have to be executed more often and consumer data collected and analysed more frequently. These requirements are driving closer supply chain collaboration and, where possible, virtualisation.

While these changed dynamics constitute challenges for many consumer brands and retailers, they have also created fertile ground for new and existing brands, who have a clear understanding of the power of technology and digital channels to strengthen their reputation, image and market positioning, engage with consumers globally, and amplify sales.

A new Vision

We have identified compelling growth opportunities across all our core activities, with particularly exciting opportunities in fashion and apparel and related large retail and direct-to-consumer brands.

K3 Products – Strategic focus on Fashion & Apparel

K3 has a deep knowledge and experience of retail businesses, rooted in its delivery of Enterprise Resource Planning ("ERP") and Point of Sales ("POS") solutions.

We have significant expertise across all the core “Concept-to-Consumer" processes, which include product design, manufacturing, supply and returns, as well as all the intermediate steps. We also have a strong understanding of the challenges facing our customers and their changing priorities as a result of new technologies, new regulation, and changing consumer behaviour. The ongoing digital transformation affecting the sector is, in particular, driving a requirement for solutions that enable strong supply chain collaboration, a smarter and more integrated sales experience, as well as a shift to data led cloud-based Software as a Service (“SaaS”) solutions.

We believe that we have a particular opportunity to capitalise on our existing position and reputation in the fashion and apparel and related large retail markets. This includes brands that have an ambition to develop their direct-to-consumer sales.

We have encapsulated our new purpose and vision, with the phrase, ‘Transform retail for good’. The two key ideas of ‘transformation’ and ‘good’ summarise the direction of travel we are taking i.e. in providing solutions that will support necessary innovation and adaptation in core business processes, including in relation to environmental and ethical priorities.

The key growth areas we are focusing on are:

- Sustainability – especially supply chain traceability, as further evidenced by the March 2022 EU strategy for sustainable and circular textiles;
- Omni-channel and ‘unified inventory’ – in particular creating a seamless shopping experience for consumers as they engage digitally and physically with brands, from the discovery stage to checkout and returns; and
- Business Insight – enabling brands to extract actionable intelligence from the data collected through our products to optimise inventory, maximise profitability, reduce wastage and inefficiencies, and engage with consumers in a more personalised way.

We believe that we have a unique opportunity to closely integrate our ERP solutions, K3|fashion and K3| pebblestone, which are based on Microsoft, with K3|imagine, our ‘headless’ cloud commerce platform (which integrates readily with any IT infrastructure) so as to provide a comprehensive suite of solutions capable of supporting customer needs in these critical areas of their business.

We believe that this will provide us with a highly differentiated and compelling offering to mid-size enterprise fashion and apparel clients that need to replace old legacy systems and/or want to embrace modern and agile ways of supporting their core business processes, managing their sales and enhancing their engagement and brand with consumers. We also envisage a ‘land and expand’ strategy, where we win new clients with a particular product and then cross-sell other products, which offer broader end-to-end capabilities, optimisation and streamlined operations.

The recent acquisition of ViJi, the sustainability-focused software developer with a compelling suite of products addressing supply chain transparency, allows us to extend the existing Sustainability capabilities already provided by our fashion ERP solutions. Supply chain transparency is a burgeoning area that is increasingly regulated, and demand for end-to-end solutions is growing rapidly.

Third-party Solutions

SYSPRO

There is an increasing demand for digital transformation, smart manufacture and direct machine integration, as SYSPRO customers move away from first generation, monolithic ERPs or fragmented legacy applications, which are typically poorly integrated or siloed. This provides a significant growth opportunity for us, and we plan to expand our presence in the UK market. Our focus is on serving and delivering larger-scale implementations and transformation for customers in growth sectors.

We are also continuing to invest in our relationship with SYSPRO and in new software development that enriches the SYSPRO offering with our own modules, capabilities and add-ons. These include

‘CAD integration’, ‘warehouse management’, ‘shop floor labour control’ and ‘Making Tax Digital’. We also have an unrivalled unified, end-to-end support service that underpins our offering.

Global Accounts

Our Global Accounts business includes our relationship with Inter IKEA Systems B.V. (the owner and franchisor of the IKEA concept) and the Inter IKEA Concept franchisees. The backbone of our activity is the development of the core IKEA solution for franchisees and supporting franchisees with the IT infrastructure, integration and system enhancement that underpins all IKEA franchisee stores and back-office solutions.

Developing and delivering additional complementary new solutions, such as our ‘Mobile Goods Flow’ and ‘Self-ordering Kiosk’ applications, are important additional support functions that keep our relationships strong and K3 as the vendor of choice.

The continuing expansion of the IKEA Concept and stores into new territories is well-established. We expect further growth in new store openings in Latin America as well as additional expansion in Asia and Middle East.

Restructuring

Alongside this refocusing, we have restructured K3, selling two non-core businesses in the year, Starcom, the Managed Services unit, and the Sage reseller practice. This has significantly strengthened the Group’s financial position, generating total cash proceeds of £16.2m.

Following these disposals, and in line with our growth plans, we now report on two segments, K3 Products and Third-party Solutions, alongside central support costs as previously.

Organisational and operational changes

We made a number of changes to the organisation of the Group, reallocating resource and reporting lines and making some new appointments to align the business more effectively. In particular, we focused on the Group’s commercial functions.

We allocated additional resource to our strategic partnerships, which include Microsoft and channel partners responsible for reselling our fashion offerings. Our relationship with Microsoft remains close, and K3 has been nominated as part of Microsoft Retail Cloud, which is an important recognition of our products in the fashion and apparel sector. We also strengthened the new sales team for North America, which supports our ‘go-to-market' resource with Microsoft in this important region. We have sought to improve client support, increase cross-selling and upselling, and strengthen delivery processes and knowledge management practices.

Review of Performance

K3 Products

K3 Products are those software products and solutions that are powered by our own IP. K3 Products comprise:

- Strategic products focused on the fashion and apparel markets, including K3|fashion, K3|imagine retail solutions and K3|pebblestone;
- solutions for the visitor attraction market, integration products and manufacture solutions; and
- stand-alone point solutions, mainly our legacy point-of-sale (“POS”) products.

£m	2021	2020*
Revenue	**16.3**	15.9
Gross profit	**12.2**	12.6
Gross margin %	**74.9%**	79.3%
Underlying admin / support costs	**(12.2)**	(14.1)

EBITDA pre capitalised development	**(0.0)**	(1.5)
Capitalised development	**2.3**	4.1
Adjusted EBITDA	**2.3**	2.6

**restated*

Total revenue increased by 3% to £16.3m (2020: £15.9m), with very good growth in the strategic fashion products where revenue increased by 16% year-on-year. As expected, the revenue contribution from legacy POS business continued to decline, partially offsetting growth elsewhere. This also impacted gross profit and gross margin, although gross margin remained high at 74.9%. We reduced underlying administration and support costs, and EBITDA before capitalised development costs improved by £1.5m to a breakeven position, with a more focused deployment of development resource. Adjusted EBITDA was £2.3m. (2020: £2.6m).

New orders for fashion and apparel product increased, with £3.1m of contracts closed for K3|fashion and K3|pebblestone (2020: £2.2m) after a strong end to the financial year. New orders included a number of new customers wins, as well as increased licence sales to existing customers. New customers included a Swedish clothing brand for children, a German e-commerce fashion and homeware brand, and a Scandinavian designer brand.

We remain confident about prospects for our fashion products, which are sold primarily via selected Microsoft business partners. Microsoft's global endorsement as its recommended 'add-on' solution for the fashion and apparel vertical continues to underline the quality of our products.

We believe that there are very good growth opportunities in the USA for our fashion products, and we have increased our sales resource there to three executives (2020:1). We have also strengthened our channel partner management team, bringing in new talent to help drive channel sales.

Own-IP solutions for visitor attractions, integration products and manufacture solutions performed in line with management expectations. The UK visitor attractions segment was heavily hit by the coronavirus pandemic but, with the lifting of restrictions during the summer, has been recovering strongly. We have significantly upgraded our offering, with an enhanced reservation engine and improved online ticketing capability, and are planning to release shortly a refreshed user-interface.

After the financial year end, in January 2022, we made a strategic purchase of intellectual property, acquiring ViJi, an innovative French software developer. ViJI is wholly focused on enabling fashion retailers to trace and authenticate more easily the environmental and social credentials of their supply chains. It has developed fully scalable software solutions, covering the collection, verification and renewal of supplier certifications, as well as a consumer-facing component that enables fashion retailers to provide ethical and environmental information on their products.

ViJi's exciting new products are entirely complementary to K3's existing offering and align with our plans to create a suite of products that address sustainability and in particular supply chain transparency. We will integrate the solutions with the sustainability features in our fashion products. As forthcoming sustainability-related legislation comes into effect both in Europe and the USA, we believe that our solutions will be well-positioned for the fashion and apparel markets.

Third-party Solutions

Third-party Solutions comprises our SYSPRO and Global Accounts units, which both resell third-party solutions. These are typically 'on-premise', and revenues are generated from implementation, software licence renewals, and ongoing maintenance and support contracts.

£m	**2021**	**2020***
Revenue	**28.9**	27.9
Gross profit	**14.6**	14.2
Gross margin %	**50.4%**	51.1%
Underlying admin / support costs	**(6.6)**	(6.8)
EBITDA pre capitalised development	**8.0**	7.4

Capitalised development	**0.0**	0.1
Adjusted EBITDA	**8.0**	7.5
		restated

Total revenue increased by 4% to £28.9m (2020: 27.9m) and adjusted EBITDA increased by 7% to £8.0m (2020: £7.5m).

Our UK manufacturing customer base, which largely comprises SYSPRO customers, delivered a resilient performance in the pandemic environment, with customers proceeding with new software installations. We secured a good level of new SYSPRO business in the year, and were successful in targeting larger, more complex projects. As a result, the average size of new orders has increased significantly, and we have a strong services order book for 2022. We plan to increase our resource to support the opportunities we have created.

Software licence and maintenance and support contract renewals across the SYSPRO customer base remained very high at c.98% (2020: 97%). Most of these renewals take place in the final quarter of the financial year, and generate substantial cash inflows.

Internationally, our Third-party Solutions business mainly comprises Global Accounts and, in particular, the Inter IKEA Concept franchisee network, and this business performed well. We are supporting a significant expansion of IKEA franchisee stores in Central and South America. Reflecting this, we increased our Far East off-shoring resource earlier in the year, which caused a reduction in our services gross margin. Activity levels are expected to remain high over the new financial year, and we have plans to substantially increase the size of our delivery teams for Global Accounts. While there has been a shortage of available skilled resources, we expect the situation to normalise over the year. We were also pleased to support Global Account customers with some of our new K3 applications, including 'Mobile Goods Flow' and the integration of our 'Self-ordering Kiosk' application into IKEA store restaurants.

Central costs

Central Support costs include our central IT, finance, legal, HR, insurance, marketing and PLC costs, which are not allocated to revenue generation. These decreased slightly to £5.9m from £6.1m in 2020 following some efficiency drives

Summary

It has been a transformational year for K3. We have taken major steps forward in repositioning the business for long-term, sustainable profitable growth and cash generation. We believe that we are establishing an organisation that is more commercially-driven and customer-focused, as well as more agile. Our emphasis is on ensuring that the business is "market-product-price-fit" driven and provides an excellent customer service. We have clearly defined growth plans for the future and have identified very good growth opportunities across our fashion and apparel activities and in our SYSPRO and Global Accounts operations.

Marco Vergani

Chief Executive Officer

5 April 2022

FINANCIAL REVIEW

Overview

These financial statements are for the financial year ended 31 November 2021.

It should be noted that the comparatives for the prior financial year consolidated income statement have been restated. This followed the classification of the Sage practice as a discontinued activity after its disposal in September 2021. The Starcom Managed Services unit, which was disposed of in February 2021, was already classified as an asset held for sale as at 30 November 2020 and presented within discontinued operations. The 2020 comparatives have therefore been restated to present Sage as part of the discontinued operations in order to provide comparability.

The Group's reported segments are now 'K3 Products' and 'Third party Solutions', with central support costs reported separately as previously. This aligns segmental reporting with the Group's growth strategy and the disposals of the Sage and Starcom businesses.

The Directors consider the key performance indicators by which they measure the performance of the Group by division to be:

- revenue;
- recurring or predictable revenue[*2];
- gross profit; and
- gross margin
- Adjusted EBITDA

The Group's results for the year end to 30 November 2021, together with comparatives for the same period in 2020, are summarised in the tables below. K3's intellectual property as a percentage of total gross profit is also highlighted below.

Continuing activities	**Revenue**	
£m	**2021**	**2020***
Revenue	**45.3**	**43.8**
- recurring or predictable revenue[2]	**33.9**	**33.7**
- Strategic SaaS, maintenance, and support	**2.6**	**2.2**
Gross profit	**26.8**	**26.8**
Gross margin percentage	**59.2%**	**61.3%**
Underlying support / admin costs	**(24.7)**	**(26.9)**
Capitalised development costs	**2.3**	**4.2**
Adjusted EBITDA	**4.4**	**4.0**

**restated*

	2021	2020
K3 products gross profit as a percentage of total gross profit[*4]	**45.6%**	46.9%

K3 generated revenue of £45.3m, which was 3% ahead of the prior financial year. This growth was slightly offset by the expected decline in revenue from legacy product. .

The key metric of adjusted earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA") increased by 8% to £4.4m (2020: £4.0m), with Gross Profit flat on 2020 and a reduction in underlying support / admin costs. Gross margins reduced to 59.2%, (2020: 61.3%) due upfront investment in Third Party Solution Services teams.

Administrative expenses

£m	2021	2020*
Support/ administration costs net of capitalised development costs	**22.3**	22.7
Depreciation & amortization	**6.8**	4.4
Amortization of acquired intangibles	**0.5**	1.5
Exceptional costs impairment & reorganisation	**3.1**	17.8
Share based payments	**0.4**	0.0
Total	**33.1**	46.4

Support/administration costs net of capitalised development costs [*7] reduced by 2% to £22.3m (2020: £22.7). This followed a decision to reduce non-revenue generating resource and redirect this investment in new customer-facing staff.

Depreciation and amortization costs increased in line with a change in amortization period for capitalised development costs from five–seven years to three years. Exceptional costs in 2021 related to the funding of redundancy costs to support the reduction in support / administration costs and onerous contracts following the Starcom disposal. The significantly higher exceptional costs in 2020 included the impairment of goodwill and capitalised development costs of £16.8m.

Discontinued activities

On the 28 February 2021, the Group disposed of its Starcom Managed Services unit for £13.3m. The unit had already been classified as an 'available for sale' asset as at 30 November 2020 and had been accounted for in discontinued activities in 2020 reported results.

Starcom's total external revenue for the three months to 28 February 2021 was £2.3m (12 months to 30 November 2020: £9.5m) and it generated a profit before taxation of £9.5m (12 months to 30 November 2020: £1.1m) including profit on disposal of £9.3m.

On 1 October 2021, the Group disposed of its Sage business for £1.5m. This business generated external revenue for the 10 months to 30 September 2021 of £4.0m and a profit before tax of £2.6m including the £2.6m gain on the sale of trade and negative net assets (12 months to 30 November 2020: revenues of £5.1m and loss before tax of £0.1m).

In April 2020, the UK Dynamics subsidiary was put into administration. The subsidiary has no reported results for 2021. It showed a loss after tax of £3.4m in 2020 results.

Earnings per share

Reported gain per share was 8.0p (2020: Loss 49.3p). The Group's adjusted loss per share for Continuing Activities was[*6] (13.6)p (2020: adjusted loss per share[*6] 42.4p).

Dividends

No dividend will be declared for the year ended 30 November 2021 (2020: nil).

Taxation

£m	2021	2020
Net VAT	**2.8**	3.3
Corporation tax	**0.8**	0.5
Employer social security contributions	**3.2**	3.2
Total	**6.8**	7.0
% of revenue	**15.0%**	14.1%

Employer social security contribution amounted to £3.2m (2020: £3.2m) reflecting the number of people in the Group. Aggregated corporation tax charges, employee taxes and net VAT totalled £6.6m (2020: £7.0m).

During the previous financial year, we received governmental support during the early part of the coronavirus pandemic. We deferred £2.7m of PAYE and VAT payments as at 30 November 2020, which we subsequently repaid in full by 30 November 2021.

There was a corporation tax charge for the financial year of £0.8m (2020: £0.3m credit). This comprised a charge for current taxation of £0.6m (2020: £0.3m) relating to the non UK businesses and a charge for deferred taxation of £0.2m (2020: £0.6m benefit).

Balance Sheet

The Balance Sheet has altered significantly since last year following the disposal of two units and the associated pay down of Bank Facilities and the conversion to equity of the £3m shareholder loans. The Starcom business was disposed of in 2021, however, its assets and associated liabilities had already been classified as held for sale as at 30 November 2020, with Starcom's net asset value at that date standing at £3.3m. The Sage business was also disposed of during 2021, and this consequently reduced non-current assets by £nil, current assets by £0.2m and current liabilities by £0.8m.

A sharper focus on product development cost spend meant additions to development costs were £2.3m compared to £4.5m in 2020, with 90% of this invested in development of fashion and apparel products. Following a review of the Group's accounting policies and the resultant decision to reduce the amortization period to three years from five to seven years, amortisation of development costs increased to £5.1m (2020: £2.5m).

Within working capital, Trade and other receivables amounted to £10.6m (2020: £10.6m) with K3 maintaining ownership of the Sage receivables following the disposal and with the increase on last year driven by an increase of services revenue. Trade and other payables totalled £14.4m (2020: £18.0m) with 2020 including £2.7m relating to governmental tax deferrals schemes).

The Group's net cash[*5] position has significantly strengthened. At the financial year end, it stood at £9.0m (2020: net debt of £1.9m). This material improvement was underpinned by the disposal proceeds of Starcom (£13.3m) and Sage (£1.5m), as well as the conversion to equity of the £3.0m shareholder loan.

After the financial year end, the Group's facilities agreement with Barclays was extended for another year until the next renewal review in March 2023.

Cash flow

Cash generated from Operations was £0.9m (2020: £8.6m) for the Group which included both Discontinued Activities and Government coronavirus support programmes in which the Group delayed payments in FY20 and paid them in FY21. The table beneath shows the normalisation for the Government coronavirus support payments and for Discontinued operations. Operating cash flow from Continuing Activities normalized for Government coronavirus support is £3.2m (2020: £4.1m), the main difference driven by some slower moving sales ledger balances in FY21, which are now unwinding. The FY20 exceptional income of £2.5m was associated with the Dynamics administration.

£m	2021	2020
Net cash from operating activities	0.9	8.6
Total		
- Add back Sage outflows	0.2	0.2
- Add back Starcom inflows	(0.6)	(1.1)
Add back Dynamics outflow	-	1.6

Government coronavirus tax support paid/ (deferred)	2.7	(2.7)
Exceptional income	-	(2.5)
Operating cash flow from Continuing Activities normalised for Government coronavirus support	3.2	4.1

Income taxes paid increased to £1.4m (2020: £0.4m) due increasing taxable profits being made in non UK tax regimes.

Investing Activities included the disposal proceeds of the Starcom and Sage businesses of £13.3m and £1.5m respectively. A sharper focus on the development cost base reduced the amount of capitalised development expenditure capitalised £2.3m (2020: £4.5m).

Within Financing Activities, following the high level of Starcom and Sage disposal proceeds, these funds were used to pay down the Bank Facilities of £6.8m. In addition, Net Debt was reduced by the non cash debt to equity conversion of the £3m shareholder loan. Interest expenses paid also increased despite the lower debt levels due to £0.6m interest costs associated with the shareholder loan conversion.

Robert Price
Chief Financial Officer

5 April 2022

Consolidated income statement
for the year ended 30 November 2021

	Notes	**Year ended 30 November 2021 £'000**	**Year ended 30 November 2020 (restated) £'000**
Revenue	2	45,267	43,762
Cost of sales		(18,432)	(16,926)
Gross profit		26,835	26,836
Administrative expenses		(33,106)	(46,435)
Impairment losses on financial assets		(118)	(62)
Adjusted EBITDA		4,357	4,034
Depreciation and amortisation		(6,797)	(4,446)
Amortisation of acquired intangibles		(518)	(1,471)
Exceptional Impairment	7	(1,421)	(16,855)
Exceptional reorganisation costs		(1,570)	(902)
Share-based payment charge		(440)	(20)
(Loss)/profit from operations		(6,389)	(19,660)
Finance expense		(1,433)	(1,193)
Loss before taxation from continuing operations		(7,822)	(20,853)
Tax expense	3	(939)	(22)
Loss after taxation from continuing operations		(8,761)	(20,875)
Loss after taxation from discontinued operations	6	12,292	(255)
Profit / (loss) for the year		**3,531**	**(21,130)**

^ The 2020 results have been restated to present Sage within the discontinued operations. See Note 6 for further details.

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

Gain / (Loss) per share		**Year ended 30 November 2021**	**Year ended 30 November 2020 (restated)**
Basic and diluted	9	8.0p	(49.3)p
Basic and diluted from Continuing operations	9	(19.9)p	(48.8)p

	Year ended 30 November 2021	Year ended 30 November 2020 (restated))
	£'000	**£'000**
Profit / (loss) for the year	**3,531**	**(21,130)**
Other comprehensive (loss) / income		
Exchange differences on translation of foreign operations	(1,085)	1,065
Other comprehensive (loss)	(1,085)	1,065
Total comprehensive expense / (loss) for the year	**2,446**	**(20,065)**

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/(loss) had a tax impact.

Consolidated statement of financial position
as at 30 November 2021

	2021 £'000	2020 £'000
ASSETS		
Non-current assets		
Property, plant, and equipment	1,551	1,866
Right-of-use assets	1,709	2,719
Goodwill	24,772	26,132
Other intangible assets	6,648	10,271
Deferred tax assets	1,010	935
Total non-current assets	**35,690**	**41,923**
Current assets		
Stock	467	452
Trade and other receivables	10,605	10,616
Cash and cash equivalents	9,146	9,306
Assets in disposal groups classified as held for sale	-	6,899
Total current assets	**20,218**	**27,273**
Total assets	**55,908**	**69,196**
LIABILITIES		
Non-current liabilities		
Lease Liabilities	135	1,735
Provisions	1,129	416
Deferred tax liabilities	1,288	889
Total non-current liabilities	b	3,040
Current liabilities		
Trade and other payables	14,456	18,018
Current tax liabilities	509	1,274
Lease liabilities	1,623	925
Borrowings	113	12,443
Provisions	854	9
Liabilities directly associated with assets classified as held for sale	-	3,572
Total current liabilities	**17,555**	**36,241**
Total liabilities	**20,107**	**39,281**
EQUITY		
Share capital	11,183	10,737
Share premium account	31,451	28,897
Other reserves	11,151	11,151
Translation reserve	1,538	2,623
Retained earnings	(19,522)	(23,493)
Total equity attributable to equity holders of the parent	**35,801**	**29,915**
Total equity and liabilities	**55,908**	**69,196**

Consolidated Cash Flow Statement
for the year ended 30 November 2021

	Notes	Year ended 30-Nov 2021 £'000	Year ended 30-Nov 2020 £'000
Cash flows from operating activities			
Profit/ (loss) for the period		3,531	(21,130)
Adjustments for:			
Finance expense		1,448	1,137
Tax expense / (credit)		829	(284)
Depreciation of property, plant, and equipment		591	730
Depreciation of right-of-use assets		963	1,727
Amortisation of intangible assets and development expenditure		5,639	4,247
Impairment of intangible assets		1,421	16,855
Loss on sale of property, plant, and equipment		466	254
Share-based payments credit		440	20
(Profit) / loss on disposal of discontinued operations		(11,893)	957
Increase in provisions		1,558	71
(increase) / decrease in trade and other receivables		(242)	6,680
Decrease in trade and other payables		(3,896)	(2,668)
Cash generated from operations		855	8,596
Income taxes paid		(1,362)	(364)
Net cash from operating activities		(507)	8,232
Cash flows from investing activities			
Development expenditure capitalised		(3,024)	(4,516)
Proceeds from disposal of operations net of cash balances in disposal unit	6	14,763	-
Purchase of property, plant, and equipment		(623)	(713)
Net cash generated from / (used in) investing activities		11,116	(5,229)
Cash flows from financing activities			
Proceeds from loans and borrowings		4,800	9,950
Repayment of loans and borrowings		(11,571)	(6,468)
Repayment of lease liabilities		(1,187)	(1,841)
Interest paid on lease liabilities		(202)	(308)
Finance expense paid		(673)	(590)
Net cash from financing activities		(8,833)	743
Net change in cash and cash equivalents		**1,776**	3,746
Cash and cash equivalents at start of year		7,566	3,841
Exchange losses on cash and cash equivalents		(309)	(21)
Cash and cash equivalents at end of year		**9,033**	7,566

Consolidated statement of Changes in Equity

for the year ended 30 November 2021

	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
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 payment	-	-	-	-	20	**20**
Issue of warrants	-	-	703	-	-	**703**
At 30 November 2020	**10,737**	**28,897**	**11,151**	**2,623**	**(23,493)**	**29,915**
Changes in equity for year ended 30 November 2021						
Profit for the year	-	-	-	-	3,531	**3,531**
Other comprehensive loss for the year	-	-	-	(1,085)	-	**(1,085)**
Total comprehensive income/(expense)	-	-	-	(1,085)	3,531	**2,446**
Share-based payment	-	-	-	-	440	**440**
Issue of shares	446	2,554	-	-	-	**3,000**
At 30 November 2021	**11,183**	**31,451**	**11,151**	**1,538**	**(19,522)**	**35,801**

1 Basis of preparation

Statement of compliance

These group financial statements have been prepared in accordance with UK endorsed IFRS in conformity with the requirements of the Companies Act 2006 ("IFRS"). The company financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS101").

The financial information has been prepared under the historical cost convention except for derivative financial instruments which are stated at their fair value.

Whilst the financial information included in this Preliminary Results Announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The Group's statutory financial statements for the year ended 30 November 2021, from which the financial information presented in this announcement has been extracted, were prepared using the accounting policies disclosed in the principal accounting policies set out in the Group's Annual Report. These policies have been consistently applied to all years presented.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

This statement of Final Results does not constitute the Company's statutory accounts for the years ended 30 November 2021 and 30 November 2020 within the meaning of Section 435 of the Companies Act 2006 but is derived from those statutory accounts.

The Group's statutory accounts for the year ended 30 November 2020 have been filed with the Registrar of Companies, and those for 2021 will be delivered following the Company's Annual General Meeting. The Auditor has reported on the statutory accounts for 2021 and 2020. Their report for 2021 was (i) unqualified, (ii) did not contain any material uncertainties and (iii) did not contain statements under Sections 498 (2) or 498 (3) of the Companies Act 2006 in relation to the financial statements.

Going Concern

The Group closely reviews its funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. The Group has extended its current Banking Facilities arrangements with its long term Bank, Barclays, for a further year to 31 March 2023.

The capital structure of the Group has materially changed in the last year with the disposal of the Starcom and Sage businesses for a combined £16.2m and the conversion of a £3.0m shareholder loans to equity. The Group therefore ended the year ended 30 November 2021 with a Net Cash position of £9.0m compared to a Net Debt position of £1.9m the previous year end.

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 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.

Key Accounting policies for the group financial statements

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For impairment testing, goodwill is allocated to each of the Group's subsidiaries or cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent 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 bolt on own software IP (Intellectual Property) that adds incremental vertical functionality and bolts onto Microsoft Dynamics products and that is either sold directly to customer or via a channel partner. 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 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 license revenue:
Software licenses for 3rd party products are recognised at a point in time, on contract and issue of the initial license key which is contemporaneous.

K3 bolt on own software IP is recognised at a point in time, on contract and issue of the license key which is contemporaneous.

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

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

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

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

Allocation of transaction price:

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

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 7.

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 7. 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 7.

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 rates on trade receivables between 61 and 90 days past due had been 50 per cent higher as of November 2021, the loss allowance on trade receivables would have been £16k (2020: £2k) higher.
If the ECL rates on trade receivables between 31 and 60 days past due had been 50 per cent higher as of November 2021, the loss allowance on trade receivables would have been £4k (2020: £11k) 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.

Prior period restatements

On 20 September 2021, the Group announced the trade and asset sale of its Sage business CGU to Pinnacle Computing (Support) Limited. On 26 February 2021, the Group announced that it had completed a share sale of Starcom Technologies Limited. Starcom Technologies Limited had been classified as a disposal group held for sale at 30 November 2020 and presented as a discontinued operation. The 2020 comparatives have therefore been restated to present Sage as part of the discontinued operations in order to provide comparability.
One further presentational adjustment was made in the statement of financial position, to the 2020 comparatives, to reflect a correction to the IFRS15 treatment of certain Trade Receivable / Contract Liability (Deferred Income) balances. The impact of this was to remove £1.1m of Trade Receivables and Contract Liability balances as these balances related to invoices raised in advance for work performed after 30 November 2020. There was no impact on Profit/Loss, Net Assets or Cashflows.

2 Segment information

We have restated the 2020 segment information to remove the discontinued activities of Sage, to be presented as discontinued alongside those of UK Dynamics and Starcom which were shown as discontinued in 2020. The group operates a streamlined organisation with management resource and central services focused on working across the group in a more unified manner to increase the strategic focus on the level of our own product sales. Reporting is based on product split between K3 own products and Third-party reseller activities across revenue and gross margin. This has changed from the prior year reported disclosures which was based on three segments of K3 own IP, Global Accounts and Third Party products. We have now merged Global Accounts and Third Party Products into Third Party Solutions. Overheads and administrative expenses are included as a central cost given resource works across these three segments. The activities and products and services of the operating segments are detailed in the Strategic Report on pages 9 to 12.

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 2021 and for the year ended 30 November 2020, reconciled to loss for the year.

Year ended 30 November 2021

		K3 Products £'000	Third-party Solutions £'000	Central Costs £'000	Total £'000
Total segment revenue		21,216	31,401	-	52,617
Less: Inter-segment revenue		(4,887)	(2,463)	-	(7,350)
Software licence revenue		3,678	2,963	-	6,642
Services revenue		1,310	16,014	-	17,325
Maintenance & support		10,000	9,868	-	19,867
Hardware and other revenue		1,341	93	-	1,433
External revenue		**16,329**	**28,938**	**-**	**45,267**
Cost of sales		(4,091)	(14,341)	-	(18,432)
Gross profit		**12,238**	**14,597**	**-**	**26,835**
Gross margin		74.9%	50.4%	-	59.3%
Underlying administrative expenses*7		(9,922)	(6,629)	(5,927)	(22,478)
Adjusted EBITDA*1 from continuing operations		**2,316**	**7,968**	**(5,927)**	**4,357**
Depreciation and amortisation		-	-	(6,797)	(6,797)
Amortisation of acquired intangibles		-	-	(518)	(518)
Exceptional impairment		-	-	(1,421)	(1,421)
Exceptional reorganisation costs		-	-	(1,605)	(1,605)
Acquisition gains		-	-	35	35
Share-based payment charge		-	-	(440)	(440)
Profit / (Loss) from operations		**2,316**	**7,968**	**(16,673)**	**(6,389)**
Finance expense		-	-	(1,433)	(1,433)
Profit / (Loss) before tax and discontinued operations		**2,316**	**7,968**	**(18,106)**	**(7,822)**
Tax expense		-	-	(939)	(939)
Profit from discontinued operations	**11**	-	-	12,292	12,292
Profit / (Loss) for the year		**2,316**	**7,968**	**(6,753)**	**3,531**

Year ended 30 November 2020 *(restated^)*

	K3 Products £'000	Third-party Solutions £'000	Central Costs £'000	Total £'000
Total segment revenue	20,001	30,984	-	50,985
Less: Inter-segment revenue	(4,143)	(3,080)	-	(7,224)
Software licence revenue	3,303	1,896	-	5,200
Services revenue	1,184	15,535	-	16,719
Maintenance & support	10,031	10,301	-	20,331
Hardware and other revenue	1,340	172	-	1,512
External revenue	**15,858**	**27,904**	**-**	**43,762**
Cost of sales	(3,282)	(13,644)	-	(16,926)
Gross profit	**12,576**	**14,260**	**-**	**26,836**
Gross margin	79.3%	51.1%	-	61.3%
Underlying administrative expenses*7	(9,972)	(6,741)	(6,089)	(22,802)
Adjusted EBITDA*1 from continuing operations	**2,604**	**7,519**	**(6,089)**	**4,034**
Depreciation and amortisation	-	-	(4,446)	(4,446)
Amortisation of acquired intangibles	-	-	(1,471)	(1,471)
Exceptional impairment	-	-	(16,855)	(16,855)
Exceptional reorganisation costs	-	-	(902)	(902)
Share based payment charge / (credit)	-	-	(20)	(20)
Profit / (Loss) from operations	**2,604**	**7,519**	**(29,783)**	**(19,660)**
Finance expense	-	-	(1,193)	(1,193)
Profit / (Loss) before tax and discontinued operations	**2,604**	**7,519**	**(30,976)**	**(20,853)**
Tax expense	-	-	(22)	(22)
Loss from discontinued operations	-	-	(255)	(255)
Profit / (Loss) for the year	**2,604**	**7,519**	**(31,253)**	**(21,130)**

^ The 2020 segmentation has been restated to present Sage as discontinued operations alongside those of, UK Dynamics and Starcom which were shown as discontinued operations in 2020 (see Note 11 for further details) and to present the results based on the product segments of K3 Products and Third-party reseller 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 42. 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 43% (2020: 41%) 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 2021 £000	**Year ended 30 November 2020 £000**	**2021 £000**	**2020 (restated) £000**
United Kingdom	15,648	14,347	30,606	31,142
Netherlands	7,978	9,170	180	420
Ireland	1,157	1,250	5,941	10,861
Rest of Europe	7,575	9,676	(1,570)	(318)
Middle East	1,887	1,641	-	-
Asia	7,494	4,503	304	274
USA	506	1,005	19	19
Rest of World	3,020	2,171	-	-
	45,267	43,762	**35,480**	43,399
% of non-UK revenue	65%	67%		

External revenue by Business Unit Geography

2021

External Revenue by Market

	UK £'000	**Non-UK £'000**	**Total £'000**
Software Licence Revenue	1,734	4,908	**6,642**
Services Revenue	2,648	14,676	**17,324**
Maintenance & Support	10,664	9,204	**19,867**
Hardware and other Revenue	628	806	**1,433**
Total	**15,674**	**29,593**	**45,267**

External revenue by business unit geography

2021	**Software Licencing £'000**	**Services Revenue £'000**	**Maintenance & support Revenue £'000**	**Hardware & Other Revenue £'000**	**Total £'000**
United Kingdom	1,596	2,783	10,623	627	**15,629**
Netherlands	4,389	14,149	6,069	57	**24,664**
Ireland	107	176	569	50	**902**
Rest of Europe	550	216	2,607	700	**4,072**
Total	**6,642**	**17,324**	**19,867**	**1,433**	**45,267**

External Revenue by revenue recognition category

2021	Software Licencing £'000	Services Revenue £'000	Maintenance & support Revenue £'000	Hardware & Other Revenue £'000	Total £'000
Goods Transferred at a point in time	6,642	-	-	1,432	**8,074**
Services transferred at a point in time	-	17,324	9,880	2	**27,206**
Services transferred over time	-	-	9,987	-	**9,987**
Total	**6,642**	**17,324**	**19,867**	**1,433**	**45,267**

Revenue to be recognised in the future, related to agreed performance obligations that are unsatisfied or partially satisfied as at 30 November 2021, was as follows

	2022 £'000	2023 £'000	Later £'000	Total £'000
Software Licence Revenue	328	-	-	328
Services Revenue	93	-	-	93
Maintenance & Support	4,073	-	-	4,073
Hardware and other Revenue	4	-	-	4
Total	**4,499**	**--**	**-**	**4,499**

2020

External Revenue by Market

	UK £'000	Non-UK £'000	Total £'000
Software Licence Revenue	1,833	3,367	5,200
Services Revenue	2,044	14,675	16,719
Maintenance & Support Revenue	9,913	10,418	20,331
Hardware and other Revenue	370	1,142	1,512
Total	14,160	29,602	43,762

External Revenue by business unit geography

	Software Licencing £'000	Services Revenue £'000	Maintenance & support Revenue £'000	Hardware & Other Revenue £'000	Total £'000
United Kingdom	2,089	2,168	10,562	417	15,238
Netherlands	2,781	14,248	6,480	112	23,621
Ireland	55	141	260	71	528
Rest of Europe	274	161	3,029	912	4,376
Total	5,200	16,719	20,331	1,512	43,762

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	5,200	-	-	1,512	6,712
Services transferred at a point in time	-	16,558	5,718	-	22,276
Services transferred over time	-	161	14,613	-	14,774
Total	5,200	16,719	20,331	1,512	43,762

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
Total	5,946	226	324	6,496

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

	2021 £'000
At 1 December 2020	3,220
Transfers in the period from contract assets to trade receivables	(3,220)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	3,077
At 30 November 2021	**3,077**

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

	2021 £'000
At 1 December 2020 restated	5,369
Amounts included in contract liabilities that was recognised as revenue during the period	(5,369)
Cash received in advance of performance and not recognised as revenue during the period	3,364
At 30 November 2021	**3,364**

3 Tax expense / (charge)

	2021 £'000	2020 restated £'000
Current tax expense/(credit)		
Income tax of overseas operations on profits/(losses) for the period	676	397
Adjustment in respect of prior periods	(80)	(59)
Total current tax expense	596	338
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	233	(622)
Total deferred tax expense/(credit)	233	(622)
Total tax expense/(credit) in the current year	**829**	(284)

Income tax expense/(credit) attributable to continuing operations	939	22
Income tax (credit) attributable to discontinued operations	(110)	(306)
	829	(284)

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023 and this rate was enacted on 10 June 2021. Deferred tax balances as at 30 November 2021 have been measured at 25%.

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:

	2021 £'000	**%**	**2020 restated £'000**	**%**
Loss before taxation from continuing operations	(7,822)		(20,853)	
Profit before taxation from discontinued operations (note 11)	12,182		1,149	
Profit/(loss) before tax	4,360		(19,704)	
Expected tax charge/(credit) based on the standard rate of corporation tax	828	19.0	(3,744)	19.0
Effects of:				
Items not deductible for tax purposes	504		3,161	
Non-taxable gain on disposal of shares	(2,274)		-	
Adjustment to tax charge in respect of prior periods	(180)		(226)	
Differences between overseas tax rates	571		110	
Group relief not paid for	154		-	
Super-deduction	(11)		-	
Movements in temporary differences not recognised	1,184		435	
Effect of deferred tax rate difference	54		(40)	
Total tax expense / (credit) in current period	**829**	**39.4**	(304)	19

Deferred tax recognised directly in equity was £nil (2020: £nil). Current tax recognised in equity was £nil (2020: £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.

4 Dividends

No dividend in respect of the year ended 30 November 2021 will be proposed (2020: nil).

5 (Loss)/earnings per share

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

	2021 Number of shares	**2020 Number of shares**
Denominator		
Weighted average number of shares used in basic and diluted EPS	44,090,074	42,899,598

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	
	2021	**2020**
Loss after tax from continuing operations	(8,761)	(20,875)
Profit/(loss) after taxation from discontinued operations	12,292	(255)

Profit / (Loss) attributable to ordinary equity holders of the parent for basic and diluted earnings per share	3,531	(21,130)

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

	Basic and diluted before Other items	
	2021	**2020**
Loss after tax from continuing operations	(8,761)	(20,875)
Add back other Items:		
Amortisation of acquired intangibles	518	1,471
Exceptional reorganisation costs	1,605	902
Exceptional impairment costs	1,421	16,855
Shared-based payment charge	440	20
Tax charge related to Other Items	(1,207)	255
(Loss)/profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations before other items	(5,984)	(1,372)

	2021	**2020 restated**
Profit/(loss) per share		
Basic and diluted earnings/(loss) per share	8.0	(49.3)
Basic and diluted earnings/(loss) per share from continuing operations	(19.9)	(48.8)
Basic and diluted earnings/(loss) per share from discontinued operations	27.9	(0.5)
Adjusted earnings per share		
Basic and diluted earnings/(loss) per share from continuing operations before other items	(13.6)	(3.2)

6 Discontinued operations

On 26 February 2021 the Group announced that a sale of the Starcom business for consideration of £14.7m had been approved and completed. Starcom had already been classified as a discontinued operation in the prior year as it represented a major line of business for the Group.

The post tax gain on disposal of the Starcom business was determined as follows:

	2021 £'000	**2020 £'000**
Cash consideration received	14,474	-
Total consideration received	**14,747**	-
Cash disposed of	(1,375)	-
Net cash inflow on disposal of discontinued operations	**13,372**	-
Net assets disposed (other than cash)		
Property, plant and equipment	(199)	-
Intangibles	(3,015)	-
Right of use asset	(454)	-
Trade and other receivables	(2,404)	-
Trade and other payables	1,958	-

	(4,114)	-
Pre-tax gain on disposal of discontinued operations	9,258	-
Related tax expense	-	-
Gain on disposal of discontinued operations	**9,258**	-

Trade and other payables includes an onerous contract provision of £1,125k relating to higher than market pricing on the 3 year post completion service agreement with the buyer.

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

	2021 £'000	**2020 restated £'000**
Total Revenue	2,309	10,229
Less inter-segment revenue	-	(710)
External revenue	2,309	9,519
Cost of sales	(845)	(3,966)
Gross profit	1,464	5,553
Administrative expenses	(1,011)	(3,998)
Impairment losses on financial assets	-	(25)
Amortisation of acquired intangibles	(107)	(322)
Profit from operations	346	1,208
Profit on disposal	9,258	-
Finance credit/(expense)	9	(73)
Profit before taxation from discontinued operations	**9,613**	1,135
Tax credit including on gain on asset held for sale	110	22
Profit for the year from discontinued operations	**9,723**	1,157

	2021	**2020 restated**
Basic and diluted profit per share from discontinued operations	22.0	2.7

The major classes of assets and liabilities of the Starcom business classified as held for sale as at 30 November 2021 are as follows:

	2021 £'000	**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:

	2021 £'000	2020 £'000
Operating	628	1,096
Investing	(129)	(155)
Financing	(157)	(133)
Net cash inflow	**342**	808

On the 20 September 2021, the Group disposed of the customers and employees of its Sage business to Pinnacle Computing (Support) Ltd for £1.68m.

Formal completion occurred in early October 2021, following a TUPE consultation process in respect of the transfer to Pinnacle of the employees, and the disposal consideration was subject to a downward adjustment of £0.2m in respect of restructuring costs that Pinnacle undertook immediately following completion. The Group maintained ownership of the sales ledger at Completion which was £0.1m at the 30 November 2021.

The post tax gain on disposal of the Sage business was determined as follows:

	2021 £'000	2020 £'000
Cash consideration received	1,475	-
Total consideration received	**1,475**	-
Cash disposed of	-	-
Net cash inflow on disposal of discontinued operations	**1,475**	-
Net assets disposed (other than cash)		
Trade and other receivables	682	-
Trade and other payables	478	-
	1,160	-
Pre-tax gain on disposal of discontinued operations	2,635	-
Related tax expense	-	-
Gain on disposal of discontinued operations	**2,635**	-

Trade and other payables includes the release of working capital accruals no longer payable following the disposal of the business.

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

	2021 £'000	2020 £'000
External revenue	4,011	5,057
Cost of sales	(2,437)	(3,184)
Gross profit	1,574	1,873
Administrative expenses	(1,641)	(1,967)
Impairment losses on financial assets	31	(60)
Profit from operations	(36)	(154)
Profit on disposal	2,629	-

Finance (expense)/credit	(24)	69
Profit after taxation from discontinued operations	2,569	(85)
Tax credit /(charge) including on gain on asset held for sale	-	14
Profit/(loss) for the year from discontinued operations	**2,569**	**(71)**

	2021	2020
Basic and diluted profit per share from discontinued operations	5.8	0.2

The amounts included in the consolidated cashflows related to the Sage business are as follows:

	2021 £'000	2020 £'000
Operating	(230)	(197)
Investing	1,475	-
Financing	(24)	69
Net cash inflow/(outflow)	1,221	(128)

7 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 carrying 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	
	2021 £'000	**2020 £'000**
Global Accounts	9,227	9,729
Integrated Business Solutions (IBS)	771	771
SSL and Starcom	-	400
Syspro	13,677	13,677
Walton	1,097	1,555
	24,772	**26,132**

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 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, IBS, Unisoft and Walton – these CGUs relate to older products and the forecasts for DdD Retail 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. From FY24 we are assuming no revenue from these legacy products with a plan to migrate to the K3|imagine platform.
- Syspro – growth rates of 21.4% to 13.2% over the next three years.
- RSG – revenue decline rates decreasing from (35.7%) to (7.5%) over the next three years.
- K3 products – as this is where the Group's strategy is focused, strong growth rates of 123% to 58% over the next three years from a low base
- Global Accounts – revenue growing by 47.3% over the 5-year forecast period with gross margin maintained at current performance

The rate used to discount the forecast pre-tax cash flows is 13.4% (2020: 12.1%) 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:

	Goodwill	**Other Intangibles**	**Development Costs**	**Total**	**(Impairment) / Headroom**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Global Accounts / IKEA	9,200	-	14	**9,214**	72,909
Integrated Business Solutions (IBS)	800	-	-	**800**	324
Syspro	13,700	-	546	**14,246**	8,081
Walton	1,072	-	4	**1,076**	-
	24,772	-	564	**25,336**	81,314

The impairments have been recognised in the reportable segments as follows relating to DDD, RSG and Walton:

		Impairment		
	Goodwill	**Other Intangibles**	**Development Costs**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
K3 products	(857)	(564)	-	**(1,421)**
Global Accounts	-	-	-	**-**
Third-party products	-	-	-	**-**
	(857)	(564)	-	**(1,421)**

8 Events after the reporting date

On the 11th February 2022 the Group agreed an extension to its Current Revolving Credit Facility with Barclays for £3.5m until 31 March 2023.

On the 27th January 2022, K3 acquired the French sustainability start up, ViJi SAS. ViJi's products enable brands to trace and authenticate more easily and reliably the environmental and social credentials of their supply chains. This includes the collection, verification and renewals of supplier certifications. The software also has a consumer-facing component, enabling the digital communication of information on the ethical history of items, including materials, manufacturing processes and sustainability.

ViJi generated revenue of 0.03m EUR and an EBITDA loss of 0.24m EUR in the year ended 31 December 2021. Its net assets at that date stood at 0.1m EUR. The acquisition has been agreed for an initial cash consideration of

0.35m EUR in the first year, with further cash consideration, capped at 0.7m EUR, due over the next two years, dependent on the attainment of annual recurring revenue performance targets. An estimate of the allocation of intangible assets is £0.1m of contracted customer relationships and £0.2m goodwill.

On 9 February 2022, the Group granted a further 80,000 Market Priced Share Options and a further 175,000 new Nominal Priced Options to certain PDMRs. Note 10 sets out the terms of those options.

Jonathan Manley (non-executive director) retires by rotation at the 2022 AGM and, with plans to spend more time in the US, has decided not to offer himself for re-election. Jonathan will therefore resign from the Board at the 2022 AGM.

9 Non-statutory information

The Group uses a variety of alternative performance measures, which are non-IFRS, to assess the performance of its operations. The Group considers these performance measures to provide useful historical financial information to help investors evaluate the underlying performance of the business.

These measures, as described below, are used to improve the comparability of information between reporting periods and geographical units, to adjust for exceptional items or to adjust for businesses identified as discontinued to provide information on the ongoing activities of the Group. This also reflects how the business is managed and measured on a day-to-day basis.

*1 Adjusted EBITDA – is the loss from continuing activities adjusted to exclude depreciation and amortisation of development costs), amortisation of acquired intangibles exceptional impairment costs exceptional reorganisation costs exceptional customer settlement provisions and share-based charges.

*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 K3 Product revenue as a percentage of total Group revenue

*4 K3 products gross profit as a percentage of total gross profit

*5 Net debt comprises Bank Loans, Shareholder Loans and Overdrafts less Cash and cash equivalents, including Cash and cash equivalents held for sale. It excludes any liabilities associated with Right of Use Assets under IFRS16.

*6 Adjusted loss/earnings per share – basic loss per share from continuing operations adjusted to exclude amortisation of acquired intangibles, exceptional impairment costs, exceptional reorganisation costs, and share-based charges net of the related tax charge

*7 Underlying support/admin costs – administrative expenses adjusted to exclude depreciation and amortisation of development costs, amortisation of acquired intangibles, exceptional impairment costs exceptional reorganisation costs and share-based charges.