K3 capital group plc

ANNUAL REPORT 2019

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FINANCIAL OVERVIEW

GROUP REVENUE

2018	£16.5M
2019	£13.6M

EBITDA

2018	£7.4M
2019	£5.0M

NET CASH

2018	£7.5M
2019	£5.8M

EBITDA MARGIN*

2019
37%

2018
45%

EARNINGS PER SHARE

2019
9.43P

2018
14.10P

DIVIDEND PER SHARE

2019**
7.60P

2018
11.25P

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

** 2019 Dividend Per Share includes proposed Final Dividend


IAN
MATTIOLI
MBE
IAN MATTIOLI MBE | CHAIRMAN

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to report a satisfactory year of trading at K3 Capital Group plc and continued growth in the volume brands within the Group, demonstrated by a 5% increase in the volume of new client mandates and a 7% increase in the volume of completed transactions.

The trading period has seen significant increases in the volume of low to mid value transactions; however, it has equally seen a significant reduction in high value transactions.

As previously communicated, the continuing backdrop of economic and political uncertainty, particularly surrounding Brexit, has impacted the number of Corporate Finance transactions which have completed within the reporting period.

£13.6M GROUP REVENUE

£5.0M GROUP EBITDA

I can therefore report revenues of £13.6m (FY18: £16.5m) and EBITDA of £5.0m (FY18: £7.4m). I can also report a profit after tax of £4.0m (FY18: £6.0m).

Given the growth of the volume brands, it is pleasing to report that the Board has made significant progress in creating a more robust business model with a reduced reliance on larger mandates, and given the strong pipelines heading into the new financial year, I remain confident of making further progress and delivering on expectations for FY20.

Throughout the financial year, K3 continued to build capacity within its sales departments as well as refining its direct marketing approach. This has yielded a 16% increase in non-contingent fee income to £8.1m (FY18: £7.0m).

Due to various issues discussed later in this report, there has been a reduction of Transaction Fee income in the year to £5.4m. However, our KBS Corporate and Knightsbridge operations departments have had a successful trading period with record levels of Group transactions, 7% ahead of the comparative period. These departments have continued to grow as a direct result of investment into people, management and technology and we are delighted with the dedication of the team throughout the year who remain highly focussed on delivering successful outcomes for many clients.

THE UK'S MOST ACTIVE DEALMAKER H1 2019

RANK	ADVISOR	2019 DEALS
1	KBS Corporate	60
2	Redwoods Dowling Kerr	48
3	Deloitte	41
4	Grant Thornton	34
4	Bruce & Company Ltd	33
6	KPMG	32
7	PricewaterhouseCoopers	32
8	RSM Corporate Finance	26
9	Benchmark International	24
10	Kings	18

Source: Refinitiv Small Cap M&A Review - H1 2019

THOMSON REUTERS REFINITIV

Once again, we find ourselves excelling in national league tables, with Refinitiv (formerly Thomson Reuters) naming us as the most active dealmaker in the Small Cap Financial Advisory review for H1 2019 and 2018. Such accolades are testament to the dedication of the Board and employees in having the drive and determination to improve performance across the Group.

FINANCIALS

As reported, revenues for the year stood at £13.6m (FY18: £16.5m), and in line with reduced Group expectations announced in April 2019.

We can report an EBITDA of £5.0m (FY18: £7.4m) and an Operating Profit of £4.9m (FY18: £7.3m).

Net cash at the year end stands at £5.8m (FY18: £7.5m). It is pleasing to report that 'free cash' (as detailed in the CFO report) has risen to £3.1m (FY18: £2.2m).

Group net assets at FY19 were £7.2m (FY18: £8.3m) with current net assets standing at £3.1m (FY18: £4.2m). This is largely due to a reduction in cash balances as a result of the FY18 final dividend paid in October 18.

Year Ended 31 May 2019	2019 £'000	2018 £'000
EBITDA	**4,976**	7,386
Depreciation and amortisation of assets	**(103)**	(75)
Operating Profit	**4,873**	7,311
Finance income (costs)	**6**	4
Profit before taxation	**4,879**	7,315

As a result, the Board is recommending a final dividend payment of 4.0p per share. This results in a total dividend of 7.60p (FY18: 11.25p).

The Board remains committed to the dividend policy as set out on admission and as detailed in the Chief Financial Officer's report, whilst maintaining an appropriate level of dividend cover. If approved, the final dividend will be paid on 22 October 2019 to shareholders on the register at the close of business on 3 October 2019.

EBITDA MARGIN*	EARNINGS PER SHARE	DIVIDEND PER SHARE
2019 37%	2019 9.43P	2019** 7.60P
2018 45%	2018 14.10P	2018 11.25P

* EBITDA Margin is calculated as Operating Profit plus depreciation and amortisation, divided by revenue
** 2019 Dividend Per Share includes proposed Final Dividend

RECOMMENDING A FINAL DIVIDEND OF 4.0P PER SHARE

SUMMARY

Whilst the continuing economic and political uncertainty has led to a downturn in transactions within the Corporate Finance division in the reporting period, the Board is satisfied with the performance of the Group as a whole.

The Directors believe the Group has ended the financial year with a more robust business model which sees less reliance on larger transactions in order to achieve future market expectations. The Board remains positive for the outlook in FY20 due to significant pipelines and continued increases in major KPIs across the Group, as detailed in the CEO report.

IAN MATTIOLI MBE
Chairman
16 September 2019

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


JOHN
RIGBY
JOHN RIGBY | CHIEF EXECUTIVE OFFICER

CHIEF EXECUTIVE OFFICER'S REPORT

INTRODUCTION AND HIGHLIGHTS

The reporting period has been set against a backdrop of significant political and economic uncertainty, with the wider M&A market witnessing a slowdown in both value and volume of completed transactions. Despite these ongoing challenges I am pleased to report that within the period, the Group has experienced an increase in the number of both mandated clients and registered buyers, resulting in a rise in the volume of completed transactions.

As an innovative and disruptive player within the fragmented business and company sales marketplace, K3 Capital continued to outperform the general market, completing 57% more deals than any other advisor (Thomson Reuters Small Cap M&A Review 2018) to maintain its market leading position as the UK's most active deal maker. Amid the current uncertainty around Brexit negotiations, this success gives me a great deal of optimism, hinting at an even brighter future once there is more certainty in the market.

57% MORE DEALS THAN ANY OTHER ADVISOR

We have continued with the implementation of our growth strategy, predicated on effective use of data and industry leading marketing strategies supported by our own proprietary technology and delivered through our team of highly motivated and incentivised staff. The Group's performance is continually monitored through key performance indicators, including the volume and average value of mandates, completed transactions and average transaction fees.

The most pleasing result of FY19 comes from the fact that a growing percentage of Group revenue and therefore Group profits are being generated from within the volume brands of Knightsbridge and KBS Corporate. Whilst this revenue delivers lower margins than the higher value, lower volume Corporate Finance transactions, we see these revenue streams as more predictable and sustainable, therefore of higher quality due to them being derived from a high volume of lower value transactions.

The technological initiatives launched in the previous financial year have helped propel growth in FY19 and remain a key part of our ongoing growth strategy to attract both more sellers and more buyers to the Group. Continued investment in our people has led to increases in both capacity and skill sets, which leaves us well placed to leverage commercial advantage from our market leading position.

With the exception of our Corporate Finance division, the Group has continued to deliver our ongoing 'bigger and better' strategy, demonstrated by further increases in average retainer fees and transaction fees within the Knightsbridge and KBS Corporate divisions.

INCREASES IN BOTH AVERAGE RETAINER FEES AND TRANSACTION FEES WITHIN THE VOLUME BRANDS

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

Our marketing spend has increased in line with our strategy to mandate and transact 'bigger and better', higher value clients. The period has seen a 9% increase in marketing spend to £1.0m and has driven new client wins across KBS Corporate Finance, KBS Corporate and Knightsbridge, many of which we hope will convert into transaction fee income as we move into FY20.

SALES

During the prior financial year we repositioned the brand, launching Knightsbridge Commercial in order to focus on the more profitable commercial market, in addition to the 'retail' market, which Knightsbridge has traditionally served. FY19 has seen the new Knightsbridge Commercial brand gain significant traction. The recruitment of a further Regional Sales Manager, increasing the team to eight, has created additional sales capacity.

29% INCREASE IN THE NUMBER OF NEW CLIENT APPOINTMENTS

This has resulted in the number of new client appointments increasing by 29%, the value of retainer fee (non-contingent fee) quotes increasing by 121%, the number of new client mandates increasing by 20%, and the average non-contingent fee increasing by 37%, when compared to the prior year.

The new brand, investment into the team, and the above KPI improvements have led to a 51% increase in non-contingent fee income in this division.

51% INCREASE IN NON-CONTINGENT FEE INCOME

OPERATIONS

With the creation of Knightsbridge Commercial came a separate department to negotiate commercial transactions. Despite the time lag from mandate to completion, this department has already added significant value to the transaction fee income derived from the division, something which we very much see gaining further traction as we move into FY20 and beyond.

The growth across all operational KPIs included: monthly non-disclosure agreements increasing by 72%, monthly buyer meetings increasing by 28%, and monthly offers increasing by 18%. Due to the new commercial offering, the average transaction fee has increased by 15% against the prior year, a trend which we expect to continue going forwards.

The new commercial department and an improved client journey, combined with the above KPI improvements has seen a 17% increase in transaction fee income from the department.

SALES

The launch of Knightsbridge Commercial, coupled with the growth of the KBS Corporate regional sales team and the additional capacity this has created, has allowed the brand to increase its focus on the delivery of our 'bigger and better' strategy.

The ability to spend more time with clients in order to understand their objectives and exit strategy allows us to better tailor our service offering to the client's needs. This has resulted in an increase of 7% in the value of non-contingent fees quoted, and a further increase of 20% in the average non-contingent fee received, when compared to the prior year.

20% INCREASE IN THE AVERAGE FEE RECEIVED

As a result of the above, we have seen an 11% increase in non-contingent fee income within the brand.

11% INCREASE IN NON-CONTINGENT FEE INCOME

OPERATIONS

Our strategy of mandating higher value clients, combined with a significant uplift in the number of registered buyers, due to our investment into data, technology and buyer targeting, has continued to deliver increases in both the volume of transactions completed and the average fee relating to these transactions.

The investment in management, head count, data and systems has delivered some pleasing results across all major operational KPIs. These include monthly non-disclosure agreements (NDAs) received increasing by 40%, the number of monthly buyer meetings increasing by 36%, and the number of monthly offers received increasing by 38%, compared to FY18.

NDAS

BUYER MEETINGS

OFFERS

All of the above has resulted in Transaction Fee income increasing by 47%*, completing 22%* more transactions, and has seen the average transaction fee increase by 21%* compared to the prior year. We are confident that the investment will deliver further revenue growth and profitability in FY20.

TRANSACTION FEE INCOME*

+47%

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

KBS corporate finance

OPERATIONS

Despite our optimism during the year due to a number of significant transactions expected to close, FY19 has ultimately been a disappointing year for KBS Corporate Finance, resulting in a significant reduction in both the volume and value of completed transactions within the reporting period.

FY19 has seen a 60%* reduction in the volume of transactions, and an 87%* reduction in transaction fee income compared to FY18.

60% REDUCTION IN VOLUME OF TRANSACTIONS*

Whilst we do not believe that there is any one specific reason for these transactions not completing within the period, we are of the belief that the wider political and economic backdrop, and the uncertainty this has created within the UK, has resulted in the tightening of bank lending and a slowdown of private equity investment. This has led to some investment decisions being delayed until outcomes are better known, and has clearly had an impact on a buyer's propensity to complete a transaction in a timely manner; confidence in the market, after-all, is an integral factor in people's investment decisions.

We continue to receive interest from many UK and overseas investors, private equity, and trade acquirers, which, when coupled with our strong WIP (transactions in legal exclusivity), should underpin our forecasts into FY20 and beyond.

UK AND OVERSEAS INVESTORS, PRIVATE EQUITY, AND TRADE ACQUIRER INTEREST REMAINS STRONG

There are several positive and encouraging KPIs within the division, including a 33% increase in the total client mandates compared to the prior year. In line with our 'bigger and better' strategy across the Group, it is pleasing to note that KBS Corporate Finance has seen an 80% increase in clients achieving £3-5m trading profit, and a 67% increase in clients achieving over £5m trading profit.

33% INCREASE IN TOTAL CLIENT MANDATES

80% INCREASE IN CLIENTS ACHIEVING £3-5M TRADING PROFIT

67% INCREASE IN CLIENTS ACHIEVING £5M+ TRADING PROFIT

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

LOOKING AHEAD

Our Group strategy for FY20 is in line with our previously stated strategy of continuing to drive organic growth across the volume brands within the Group, combined with the ongoing delivery of our 'bigger and better' mantra. This further reduces the reliance on the Corporate Finance division delivering significant transactions within fixed accounting periods. The improved quality of earnings derived from the higher volume brands provides the Board with a more robust foundation from which to forecast future performance.

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

We feel that this transition is well underway, evidenced by the fact that a far greater proportion of revenue and profit in FY19 was created by the volume brands of the Group, and also that forecasts for FY20 and beyond contain a significantly reduced reliance on revenue and profit created through the KBS Corporate Finance division.

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

Our people remain at the core of our business. We continually strive to recruit high quality, experienced people and we have recently identified additional office space within our current business park in order to relocate the growing Knightsbridge brand. This will provide it with a further springboard to continue its growth strategy and provide KBS Corporate with additional office space within the existing unit.

The Company continues to look at potential bolt-on acquisitions that the Board believe would be additive to the overall product offering with a view to diversifying the Company's revenue streams.

A POSITIVE START

We have started the year positively with the Group trading in line with market expectations. The first quarter has already seen our KBS Corporate Finance team complete the same number of transactions and exceed the Transaction Fee income delivered during the entirety of FY19.

All three brands have brought forward strong WIP pipelines and whilst the timing and certainty of transactions are not guaranteed, we are excited by the prospects for the current financial year and beyond.

JOHN S RIGBY
Chief Executive Officer
16 September 2019


ANDREW
MELBOURNE
ANDREW MELBOURNE | CHIEF FINANCIAL OFFICER

CHIEF FINANCIAL OFFICER'S REPORT

INCOME STATEMENT

Group turnover for the year amounted to £13.6m (FY18: £16.5m). Previous investment into staff and technology continues to deliver growth and success from many areas of the Group.

Headcount has grown to 165 as at May 19 (May 18: 133), with additional resource being given to all departments in order to maintain the high levels of customer service we expect to deliver to our clients, both new and existing.

In addition to this, the development of owned intellectual property including KBS Globe (a bespoke CRM system), the Buyer Matching Engine (proprietary buyer outreach software), and the Mandate Portal (a secure platform for known investors to view opportunities) has led to increases in major KPIs in FY19, with the Group mandating 5% more clients, sourcing 49% more buyers (NDAs), and completing 7% more transactions than in the corresponding period of FY18.

The year has seen the continued growth and development of the volume brands within the Group, delivering what the Directors believe is a more robust platform for the growth plan ahead, with an ever-reducing reliance on high fee value transactions.

Due to the under performance of the Corporate Finance division against a challenging backdrop of economic and political uncertainty, EBITDA for FY19 closed on £5.0m (FY18: £7.4m), with a PAT result of £4.0m (FY18: £6.0m).

£13.6M GROUP REVENUE

£5.0M GROUP EBITDA

GROUP RETAINER FEE INCOME

Recognised retainer fee income (or non-contingent fee Income - see note 5) grew by 16% to £8.1m, representing a £1.1m increase on the previous year (FY18: £7.0m).

FY19 saw the adoption of IFRS15 which was an area heavily scrutinised by the Board prior to AIM listing. The revenue recognition policy for non-contingent fees was updated in FY17 to be consistent with IFRS15; therefore, there has been no impact on revenue following transition. The revenue recognition policy continues to see the recognised figures take into account the contractual nature of new client mandates, and spreads income throughout the life of a contract. As in previous years, sat behind this revenue recognition policy is 'banked' income. This 'banked' non-contingent fee income has risen to £8.5m in FY19, an increase of £1.3m from FY18 (£7.2m), demonstrating the ongoing success of the sales and marketing team.

This continued growth in fee income is driven by a combination of targeting and winning an increased quantity and quality of client mandates, in line with the 'bigger and better' mantra that has been in place for many years. The launch of 'Knightsbridge Commercial' has allowed the Knightsbridge team to move upstream, which in turn has allowed the KBS Corporate team to invest more time and focus on larger profit clients. This has driven significant growth in both fee income and, importantly, the pipeline of higher fee value mandates moving into the operational departments across the Group.

FY19 saw the average Group retainer fee increasing by 13%, and the total number of new client mandates raising by 5% compared to FY18.

13% AVERAGE GROUP RETAINER FEE

5% NEW CLIENT MANDATES

Following on from the FY18 report in which I was pleased to announce a larger footprint through an expanded national sales team, FY19 has seen this continue with the recruitment of additional regional sales staff to further increase capacity. On average, the teams are sitting approaching 600 new client appointments each month. With additions to the regional teams, we fully expect this capacity to increase going into FY20.

GROUP TRANSACTION FEE INCOME

Group Transaction Fee income (or contingent fee income) for FY19 was £5.4m, a frustrating decline on FY18 (£9.5m). The headline movement has come from the KBS Corporate Finance department, where no significant transactions (fees in excess of £0.5m) were concluded in the period.

Whilst the department has seen a number of transactions conclude in Q1 FY20, and carries forward a strong WIP pipeline, the FY19 under performance does underline the caution we have previously exercised in respect of the certainty and timing of these significant transactions.

The Board recognises this issue and has taken steps over recent years to de-risk the Group from the natural uncertainty of low volume/high value transactions, creating an internal department to address this. The 'CF Lite' team was created in FY17 with a view to taking KBS Corporate clients through an enhanced service. This team is tasked with handling transactions typically ranging from £2m to £10m+ of enterprise value.

Initially starting in FY17 with 3 employees, we have taken experienced deal leaders from KBS Corporate Sales and teamed up with experienced KBS Corporate Finance staff on specific transactions, in order to focus on delivering the 'bigger and better' mantra on the operational side. This department has grown to 10 employees in FY19 and has seen fee income grow from £1.0m over 12 transactions in FY17, to £2.6m of income and 21 transactions in FY19. This increasing volume-based approach allows the best of the Corporate department for sourcing buyers and marketing client opportunities, to combine with senior Corporate Finance resource to negotiate technical issues and enable clients to transact at higher levels – whilst still allowing the KBS Corporate Finance team to work on the progression of significant transactions.

This CF Lite team continues to grow in terms of mandate volumes and potential fee value, with FY19 seeing a 62% increase in the number of mandates within the team. The Board believes this provides a higher quality of earnings by delivering an increasing number of these mid-value transactions and a reduced reliance on large Corporate Finance clients.

Due to the nature of this CF Lite service, some clients are invoiced through KBS Corporate Sales Limited and some through KBS Corporate Finance Limited dependant on the level of service provided and the employees involved. FY19 saw 10 CF Lite clients and £1.9m of income invoiced through KBS Corporate Finance Limited (FY18: £0.3m, 3 transactions).

When adjusted for this CF Lite allocation, the KBS Corporate Finance team delivered £0.8m of fee income in FY19 (FY18: £6.3m), highlighting the issues around the certainty and timing of significant transactions.

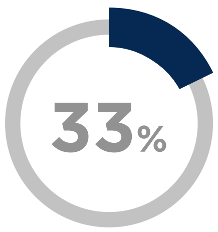
However, this allocation equally sees the KBS Corporate Sales team delivering £4.0m of fee income, a 48% increase on FY18 (£2.7m), delivering 22% more transactions than the prior year at a higher average fee.

Given the strength of our KPIs and WIP pipeline, the Board believes this income to be more sustainable and predictable, giving confidence into FY20 and beyond.

In respect of Knightsbridge, the commercial offering has started to gain traction. Transaction Fee income rose from £0.5m in FY18 to £0.6m – with the teams completing more transactions at higher average fees than the prior year, further demonstrating the positive transition to Knightsbridge Commercial.

MARKETING COSTS

Group marketing spend has increased by 9% in FY19 to £1.1m (FY18 £1.0m). We have made efficiencies and reallocated marketing spend to ensure we continue to increase the volume and quality of direct and digital marketing without overspending. Continued investment into 'high profit' and 'Tripletrack'™ mailings, utilising high quality, glossy marketing brochures and success stories to potential large clients, has seen further success with new Corporate Finance mandates won in the year – an increase of 33% on FY19.



INCREASE IN NEW CORPORATE FINANCE MANDATES (FY18 - FY19)

A reallocation of spend has also seen a heightened focus on our buyer contact strategy, playing a key role in sourcing buyers at all levels across the Group.

OVERHEAD COSTS

Overheads have reduced in FY19 to £7.6m, from £8.2m in FY18. To understand this, we can split these costs into two components. Overheads excluding wages have increased by 3% in the year, following on from the modest 2% increase in FY18. This again demonstrates the culture throughout the Group of driving value and continually monitoring costs to ensure efficiency in our spending.

The decrease in costs has therefore entirely come from Group wages, declining from £6.6m in FY18 to £6.0m in FY19. Despite the rise in headcount in the period, the remuneration culture within the Group has always been that of rewarding people based largely on performance.

The decline in transaction fee income has seen significantly less bonus paid out in FY19 to operational employees. In addition, with Group performance being below market expectations, many senior management and Directors have not qualified for bonus within the period. This is in contrast to FY18 when performance was significantly ahead of market expectations.

FY19 saw a total of £1.4m paid out in bonuses to all employees, a significant decline from £2.9m paid out in FY18. This statistic demonstrates the robust nature of the business model, as the Board recalibrate bonus structures across the business to align with market expectations annually. Therefore fixed payroll costs (excluding bonus) have risen to £4.6m (FY18: £3.7m) a 24% increase, matching the 24% increase in headcount.

As detailed in Note 3, IFRS16 is to be adopted in FY20, which will in essence result in operating lease costs falling below the EBITDA line. A full assessment has been carried out in respect of this and, whilst there is not likely to be a material change to the PBT of the Group, this will clearly have a positive impact on EBITDA and will be detailed in full on future annual reports.

EBITDA

EBITDA for the period is £5.0m (FY18: £7.4m), with an EBITDA margin of 37% (FY18: 45%). This movement in EBITDA margin is predominantly caused by the reduction in the volume of significant transactions within the Corporate Finance brand.

TAXATION

The effective tax rate is 18.5% which is marginally lower than the prior year (FY18: 18.6%).

EARNINGS PER SHARE

Based on the closing 42.2m shares in circulation, the basic earnings per share (see note 13) was 9.43p for the year (FY18: 14.10p).

EBITDA MARGIN	EARNINGS PER SHARE	DIVIDEND PER SHARE
37%	9.43p	7.60p

STATEMENT OF FINANCIAL POSITION

CASH

The Group cash balances have declined during the period due to previously stated dividend policy of paying approximately 80% of profit after tax. The year ends with £5.8m of cash (FY18: £7.5m).

The Group business model continues to be highly cash generative with non-contingent fee income typically being paid in advance of services, although is recognised in the accounts over a period of time. Due to the month end processing of wages, and bonus payments being made after receipt of income, this leaves minimal requirement for working capital in the business.

There have been no exceptional cash items in the period.

As noted in previous reports, whilst a £5.8m cash balance appears high for a Group with minimal working capital requirement, once a provision for corporation tax, VAT and PAYE (£1.0m), and a provision for a final dividend (£1.7m) are taken into account, this leaves a free balance of £3.1m (FY18: £2.2m), approximately 4 months' total overheads, which the Directors feel is sufficient liquidity for the Group.

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

- Significant decrease in other taxation and social security due to quantum of year end bonuses for the Group processed in May 18 payroll vs May 19 payroll
- Trade receivables/payables are subject to the timing of transactions and recognised income around the reporting date (see notes 17 & 20)
- Contract liabilities continues to grow in line with non-contingent fee income to underpin future turnover (see note 22)

RISKS AND UNCERTAINTIES

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

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

Mitigation:
Subsequent to the AIM floatation, key members of staff were granted share options as part of an LTIP as an incentive to retain talent within the Group. This was widened within the previous financial year under an additional scheme to bring a total of 30 employees into the schemes at the end of FY19. The performance periods under these schemes commenced 1 June 2017 and 1 December 2017, and both run for 3-year cycles. There are currently 1,627,123 shares granted to staff under the scheme (note 28).

In addition, K3 Capital Group has continued to search for employee wellbeing incentives and during the year has established a Death In Service policy for all members of staff, a Healthcare Plan and Employee Discount Scheme. The year has also seen a full review and transfer of pension provider to give employees a wider choice of investments, security and visibility of their savings. This, combined with regular social events, team incentives and rewards, is deemed to be sufficient for improving and maintaining the attractiveness of employment within the Group; however, Directors regularly review opportunities to improve.

Risk: Supply
The AIM floatation process uncovered some initial weaknesses in contractual terms with clients and suppliers alike.

Mitigation:
Prior to AIM listing, a full review was carried out of all suppliers. Where some suppliers had informal arrangements due to trading history, the Group now has contractual terms to formalise arrangements. Any non-limited supplier is requested to confirm their status as a UK tax payer and provide a Unique Taxpayer Reference on each invoice submitted. In addition to this, all new suppliers are checked to ensure trading names, addresses, VAT registration and bank details are all correct before placing an order. A revised supplier risk policy and CCO policy is expected in FY20.

In respect of clients, a review of the standard terms of engagement was carried out by our legal partners, with changes made to support the Group position and update for current UK legislation on matters such as data protection.

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

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

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

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

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

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

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

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

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

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

Mitigation:
Over the course of FY19, there have been various promotions to management, and additional roles created to ensure appropriate supervision of staff and continued high quality service delivery. Further to this, a new unit on the existing business park has been identified which is expected for FY20. This will allow Knightsbridge to have its own premises and give room for expansion, whilst at the same time making space for the rest of the Group to expand in the current Head Office.

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

Mitigation:
For the FY18 Group insurance renewal, a full market exercise was carried out with a number of brokers to ensure that all policies are fit for purpose and all relevant policies were in place. This market exercise confirmed that all policies were indeed correct, and helped keep premium rises to a minimum.

A similar exercise was carried out for the FY19 renewal, which saw a number of providers changed in order to maintain appropriate levels of coverage without huge rises in premiums.

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

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

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

SHAREHOLDERS' DIVIDEND

The Board is recommending a final dividend of 4.00 pence per ordinary share payable to shareholders on the register at 27 September 2019.

The final dividend, together with the January interim dividend of 3.60p, gives an indicative total dividend of 7.60 pence per share for the year (FY18: 11.25 pence).

On admission, the Board outlined an intention to pay approximately 80% of the Group's post tax profits for the year weighted 1/3 on interim results and 2/3 on final results. The 7.60p dividend represents 80.6% of the Group's post tax profits for the year.

Going forward, the Board expects to maintain its dividend policy as set out on admission.

REVIEW OF DISTRIBUTABLE RESERVES AND RECTIFICATION OF PRIOR DIVIDEND (THE RELEVANT DIVIDEND)

During the FY19 audit process, the Board has been made aware of certain technical issues relating to the levels of distributable reserves within the Company and the payment of the interim dividend by the parent company to our shareholders in February 2019 ('the Relevant Dividend').

K3's Group structure is that the trading subsidiaries generate profits for the Group and, from time to time, such reserves are distributed to K3 Capital Group plc as the parent entity. K3 Capital Group plc is itself a non-trading holding company. Throughout this period at all times, K3 Capital Group plc had adequate distributable reserves at Company level from current relevant management accounts to enable payment of the Relevant Dividend, following interim inter-company dividends declared and documented in the period.

However, a review by our auditors has uncovered a technical irregularity. At the time of the Relevant Dividend, the last published accounts at Company level for K3 Capital Group plc were the FY18 results, which detailed £4.3m of distributable reserves. The final dividend paid in October 2018 of £3.5m, when combined with the Relevant Dividend paid in February 2019 of £1.5m, saw distributions exceed the level stated in the last published accounts at Company level. To be clear, the Company did have sufficient distributable reserves which were shown in the latest relevant management accounts when declaring and paying the Relevant Dividend (in the spirit of the Companies Act 2006). However, the Board was not aware that the Companies Act 2006 required the publication of interim accounts to demonstrate the sufficiency of distributable reserves at Company level if this could not be shown by reference to the last filed accounts.

We have undertaken a series of procedural steps in order to rectify this issue and put the Company and its subsidiaries in the position whereby all reserves are periodically distributed up to K3 Capital Group plc (subject to due compliance with the Companies Act 2006 in each case). The effect of this will be that in respect of dividends from FY19 onwards the Company will publish interim accounts for the Company (as well as the Group) in order to support any interim dividends, or final dividends, which cannot be justified by reference only to the filed annual accounts of the Company.

Now we are aware of this issue, in addition to the Relevant Dividend, whilst the Group has more than sufficient reserves on a consolidated basis, the FY19 final accounts will also not show sufficient reserves at Company level to allow the proposed FY19 final dividend.

In order to remedy both of these issues, we will file interim accounts at Company level for K3 Capital Group plc as at 30 November 2018, and as at 30 August 2019, both of which demonstrate sufficient funds were/are available to allow the Relevant Dividend and proposed FY19 final dividend respectively.

In addition to this, new resolutions will be put to shareholders at the forthcoming Annual General Meeting to be held on 18 October 2019 which, if passed, would put all potentially affected parties, in so far as possible, in the position they were always intended to have been, had the Relevant Dividend been paid in accordance with the requirements of the Companies Act 2006. Full details are included in the circular and notice of Annual General Meeting to be sent to shareholders as set out at page 81 of this document.

SHARE PRICE

The K3 Capital Group plc share price closed the financial year at 135.5 pence (31 May 18: 318.0 pence).

GOING CONCERN

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

STRATEGIC REPORT

The Strategic Report on pages 4 to 21 was approved by the Board of Directors on 16 September 2019 and signed on its behalf by:

ANDREW MELBOURNE
Chief Financial Officer
16 September 2019


COMPANY SALES SPECIALIST

BOARD OF DIRECTORS

IAN MATTIOLI MBE
NON-EXECUTIVE CHAIRMAN

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

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

JOHN RIGBY
CHIEF EXECUTIVE OFFICER

John joined the Group in 2000 following a career in commercial and corporate banking. John has over 18 years of operational, sales and commercial management experience within the sector and developed the national sales infrastructure of the Group. John became Managing Director of the Group in 2010 and has been responsible for driving growth and is integral in the development of the low cost, process driven delivery platform.

ANDREW MELBOURNE FCMA
CHIEF FINANCIAL OFFICER

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

TONY FORD FCA
EXECUTIVE VICE-CHAIRMAN

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

STUART LEES FCA
EXECUTIVE DIRECTOR

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

MARTIN ROBINSON FCA
NON-EXECUTIVE DIRECTOR

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

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Group for the year ended 31 May 2019.

The directors who served the Company during the year and to the date of this report were as follows:

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

ATTENDANCE AT MEETINGS

	Board	Audit	Remuneration	Nomination
I T Mattioli	6/6	2/2	1/1	2/2
W M Robinson	6/6	2/2	1/1	2/2
S Lees	6/6	-	-	-
A J Ford	6/6	-	-	-
J S Rigby	6/6	-	-	-
A R Melbourne	6/6	-	-	-

TIME COMMITMENTS OF DIRECTORS

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

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

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

DIRECTORS INTERESTS

List of Directors interests is as follows:

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Business risks and uncertainties are included within the Chief Financial Officer's Report on pages 19 to 21 and financial risks are set out in notes 4 and 27 to the financial statements.

DIRECTORS' REMUNERATION

Directors' remuneration payable in year ended 31 May 2019:

£000	Salary & Fees	Benefits in Kind	Bonus payable in respect of FY19	Pension Contributions	Total FY19	Total FY18
I T Mattioli	74	-	-	-	74	74
A J Ford	160	-	-	1	161	521
J S Rigby	240	2	-	1	243	397
A R Melbourne	90	9	-	1	100	153
S Lees	41	-	-	-	41	101
W M Robinson	34	-	-	-	34	24
Total	639	11	-	3	653	1,270

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

RESULT AND DIVIDEND

The Groups results for the year are set out in the Consolidated Statement of Comprehensive Income on page 40

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

EMPLOYEES

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

As a Company, we value the following:

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

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

POLITICAL DONATIONS

There were no political donations in either FY19 or FY18

SHARE CAPITAL AND SHARE STRUCTURE

Details of the share capital, together with details of the movements in the share capital during the year, are shown in note 24 to the accounts.

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

SHARE OPTIONS

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

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

Return over the 3 year period.

At May 2019, there were a total of 30 current employees (18% of May 2019 Group employees) participating in the Option Plans with a combined grant equivalent to 3.71% of the enlarged share capital of the Group.

Prior to Admission, it was the intention of Directors to open a Save As You Earn share scheme, however a subsequent investigation of employee appetite and administration costs delivered the conclusion it was not appropriate at this time to open the scheme. This was reviewed in the FY18 and FY19 financial years, whilst costs have been reduced, appetite was still not sufficient to justify the costs. This will continue to be reviewed periodically.

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

HEALTH, SAFETY AND THE ENVIRONMENT

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

CORPORATE GOVERNANCE

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

The Board believes that it complies with the principles of the QCA Code within a corporate governance framework which is proportional to the size, risks and operations of the business, and is in line with the Group's values. Further details are set out on page 32.

THE BOARD

The Board comprises a Non-Executive Chairman, four Executive Directors and one Non-Executive Director. Their names and biographical details are set out on pages 22 and 23. The Board considers the Non-Executive Director, WM Robinson, to be independent. The posts of Chairman and Chief Executive are held by different individuals. The Chairman is responsible for the Board and the Chief Executive for the operating performance of the Group.

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

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by I T Mattioli, its other member is W M Robinson. The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the Non-executive Directors of the Company are set by the Board. Details of directors' remuneration are set out in the directors' report on page 26.

AUDIT COMMITTEE

The Audit Committee is chaired by W M Robinson, its other member is I T Mattioli.

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

NOMINATIONS COMMITTEE

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

SCHEME INTERESTS AND OUTSTANDING SHARE AWARDS

Director	Description	Options Granted during the Year	Outstanding interest at 31 May 2019	Outstanding interest at 31 May 2018
Andrew Melbourne	LTIP Option	0	325,531	325,531

The above Share Option scheme has a performance period which commenced on 1 June 2017.

SUMMARY OF DIRECTORS INTERESTS IN THE COMPANY

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

Director	Class of Share	Shareholding at end of Year	Shareholding at start of Year
I T Mattoili	Ordinary	634,622	637,825
A J Ford	Ordinary	6,347,895	7,597,895
J S Rigby	Ordinary	7,597,895	7,597,895
A R Melbourne	Ordinary	464,802	464,802
S Lees	Ordinary	688,125	800,000
W M Robinson	Ordinary	36,900	36,900

AUDITORS

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

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

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

FUTURE DEVELOPMENTS

The Board intends to continue to persue its business strategies as outlined in the strategic report on pages 7 to 22.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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

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

By order of the Board

A R MELBOURNE FCMA
Company Secretary
16 September 2019

OUR ADVISORS

OUR ADVIS0RS

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

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

Solicitors:
TLT LLP
3 Hardman Square
Manchester
M3 3EB

Nominated Advisor and Broker:
finnCap Ltd
60 New Broad Street
London
EC2M 1JJ

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

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

Registered Number:
06102618

CORPORATE GOVERNANCE STATEMENT

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

The QCA Code states that corporate governance is fundamentally about culture. Throughout FY19, K3 Capital Group has continued to promote a healthy and proactive ethos ensuring that all stakeholders are at the forefront of decision making. Further detail surrounding this can be found on the K3 Capital website www.k3capitalgroupplc.com

ROLES & RESPONSIBILITIES

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

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

EXECUTIVE & NON-EXECUTIVE DIRECTORS

K3 Capital Group plc has an independent Non-Executive Director (NED) whose responsibility is to provide scrutiny and direction of the performance of the Executive Directors. The NED also chairs the Audit committee and is a member of both the Remuneration and Nomination committees.

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

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

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

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

2. SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

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

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

EMPLOYEES

- Regular meetings take place with staff groups to share Group strategy and seek feedback.
- Staff surveys are often conducted throughout K3. Recent surveys include 'ones to watch best companies' and another as part of the Investors in People accreditation. Survey results are interpreted and discussed by Directors and strategies implemented to further enhance staff engagement and welfare.
- As previously outlined, in order to motivate and retain employees, the Group currently has 30 members of staff enrolled in the LTIP (18%).

CLIENTS

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

SUPPLIERS

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

OUR COMMUNITY

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

ENVIRONMENT

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

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

- The Group risk register is maintained by the Board and senior management team.
- Risk is a fixed item on the management team agenda
- The register is subject to a bi-monthly review.
- Risks and uncertainties are disclosed in the Strategic Review within the Chief Financial Officer's report on pages 16 to 22.

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

- The Board is led by our Non-Executive Chairman, Ian Mattioli.
- The Board includes an independent Non-Executive Director, Martin Robinson, who has significant experience of public and private directorships.
- The Board currently has three sub-committees: the Audit Committee, the Nominations Committee and the Remuneration Committee, which are chaired by either Ian Mattioli or Martin Robinson. Details of the number of meetings held and attendance by Directors are noted in the Directors' Report on pages 26 to 30.
- Non-Executive Directors communicate directly with Executive Directors and senior management between formal Board meetings. The Board met 6 times in the year. In addition, the Board held strategy days to review growth opportunities and priorities across the medium to longer term. Directors are expected to attend all meetings of the Board, and of the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfill their duties as Directors.

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

- The current K3 Board has adequate sector, financial and plc experience.
- Between them, the Executive Directors have many decades of experience in the company sales industry. Biographies on all Directors, giving details of their experience and roles on the Board, are shown on pages 24 and 25.
- With the support of our Nominated Advisor, Auditors and other advisors, the Board training and development needs are maintained.

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

- Whilst the Board performance is considered to be good, historically there has not been a formal evaluation of the Board.
- The Board was reviewed prior to listing in 2017 and is continually monitored; this can be demonstrated by the appointment of Martin Robinson as Non Executive Director in July 2017, with Stuart Lees becoming an Executive Director.
- The Remuneration Committee evaluates Executive Director performance alongside remuneration and reward.
- With regards to financial performance, the Auditors meet with the Audit Committee (comprising the Non-Executive Directors) biannually and beyond the audit report, to comment on the systems, procedures and efficacy of management.

- A rigorous recruitment process is undertaken for new Directors prior to their proposal and election. In terms of re-election, their performance is reconsidered prior to them being proposed, to ensure they remain effective in their role and that they retain their independence.
- Re-election is considered by the shareholders at the AGM at which shareholders have the opportunity to approve Board membership. Each Board member is elected for a period of three years on a rolling cycle. At each AGM, at least two members of the existing Board would need to be re-elected. Succession planning for the Board is an ongoing topic of discussion.

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

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

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

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

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

- Communications with shareholders are explained in point (2) above.
- In addition to the interim and full year investor roadshows, regular meetings and phone calls are held with analysts, retail investor groups and prospective investors.
- In addition, the plc website contains information about the business activities, access to all RNS announcements and copies of the Report and Accounts.
- The work of the Audit, Nominations and Remuneration Committees is described on pages 28 and 29.
- The plc website also includes historical announcements.
- K3 undertake Capital Markets days when required and senior management are available to provide any additional information surrounding the marketing, data and operations functions of the Group.

CORPORATE SOCIAL RESPONSIBILITY

COMMUNITY AND CHARITABLE WORK

Throughout FY19, K3 Capital Group plc supported a number of local charities and community groups. Directors and staff alike came together on numerous occasions to raise money for great causes. K3 Capital Group often matches the sums raised by staff so employees are encouraged and empowered to set up fundraising initiatives knowing that their contributions will be further enhanced.

ROYAL BOLTON HOSPITAL.

At Christmas the Group embarked on the charity campaign to give something back to the community, a cause which is close to the hearts of many K3 employees.

The K3 team visited the hospital to donate 119 presents to the children's ward, which will go a long way to cheering up those who unfortunately had to spend the holiday period in hospital.

Alongside running a very successful toy appeal, the team at K3 have also held a fund raiser to make a cash donation to the hospital. A number of raffles were held, with prizes including a holiday to Alicante, a signed Manchester United football, and vouchers, amongst other prizes.

Employees also participated in fancy dress competitions and quizzes to raise money, which was great fun for all involved. We are pleased to report the final total raised was over £6,000, something which will drastically improve the quality of care provided to the children on the ward for years to come.

Jayne Monaghan, Ward Manager, commenting on the donation by K3 said, "A generous contribution like this will definitely make a difference. Even though they are unable to be with their families at home, the children will not be forgotten and can still celebrate. We are very thankful and grateful for what K3 Capital have done for the children."

OTHER CAUSES

Bolton Hospice is a charity close to the hearts of many K3 employees; the staff regularly organise fundraising events in order to contribute to the amazing work that they do.

Bolton Hospice aims to improve the lives of people whose illness may not be curable. They help people to live as actively as possible after diagnosis to the end of their lives, however long that might be, placing the highest value on respect and choice.

Their consultant-led team of doctors, nurses and other professional staff provide expert care and support for local people with terminal or life-limiting illnesses and their families, in the hospice and at home. They not only take care of patients' physical needs, but consider their emotional, spiritual and social needs too and support families and close friends, both during illness and in bereavement.

The hospice is an independent charity mainly funded by the people of Bolton. To continue providing free care and support they need to raise £4 million a year through donations, fundraising and gifts in wills.

Other local charities and organisations have also benefited from the fundraising efforts of our employees, including, Bolton Futsal Club, Bury & Elton Swimming Club, Mian Mian Celtic and Turton School.

INDEPENDENT AUDITOR'S REPORT

OPINION

We have audited the financial statements of K3 Capital Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.
The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

KEY AUDIT MATTERS

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

Key audit matter	How we addressed the Key Audit Matter in the Audit
Refer to the Accounting Policies, Note 4 and Note 5. Total Group revenue is £13.6m (2018 - £16.5m). The Group's significant revenue streams are: • retainer fees of £8.1m (2018: £7.0m) typically paid by clients upon commencement of a contract with the Group, which is deferred and recognised as revenue over the period in which the initially specified services are provided	In respect of both revenue streams, we reviewed a sample of customer contracts and agreements to determine the service being delivered by the Group. In addition, we checked that the accounting policy for the two separate elements of revenue has been appropriately applied, by undertaking the following audit procedures in relation to revenue: • interrogated the system to identify any manual journals made to revenue to ascertain if any were outside the normal course of business, as well as reviewing the nominal ledger revenue accounts for unusual activity and corroborated to evidence to ensure appropriate;

• transaction fees of £5.4m (2018: £9.5m) payable upon the completion of a transaction The directors are required to estimate the period over which services linked to the retainer fee are to be provided and accordingly recognise revenue based on that estimate. This leads to the contract liabilities at period ends, which the directors assess for reasonableness based on the stage of completion of services at that point in time. Revenue on the transaction fee element of the contract is only recognised when the performance conditions have been met and the group has the right to consideration, which is on completion of the transaction. In accordance with the auditing standards and in view of the judgements and estimates involved above, as well as management being in a position to be able to override controls, we have presumed a risk of fraud and misstatement within this area.	• performed substantive testing, on a sample basis, of transaction fee revenue across the year to provide evidence for the completeness, occurrence and accuracy of recorded transactions by agreeing to completion per Companies House and cash receipt; • performed detailed cut off procedures to test transaction fee income by agreeing a sample of transaction fees around the year end to originating documentation to provide evidence that transactions were recorded in the correct financial period; • a test of control was performed for retainer fees over the cash reconciliation performed by management in which agreement to signed contracts is evidenced. This ensures the completeness of cash receipts received for the inception of the Group's retainer services; • performed detailed testing over a sample of retainer arrangements, through verification to signed contracts and recalculation of the amounts recognised as revenue in the year and deferred at year end to confirm they are appropriate. This was with reference to evidencing key service delivery milestones and checking that management's revenue recognition policy estimates are accurate in line with work performed; • performed detailed cut-off testing for a sample selected around the year end to ensure that retainer fees are recorded in the correct period. This involved corroborating key delivery milestone completion dates to evidence external from the accounting software; • for a sample of credit notes raised in the financial year and post year end we have obtained an understanding to what services they relate and to whether accounted for in the correct financial period; and • reviewed the year end contract liabilities balance for completeness and accuracy by re-performing the release calculation and corroborating inputs of the calculation to supporting evidence. Key observations: Based on the procedures we performed, we noted no material instances of inappropriate revenue recognition.

OUR APPLICATION OF MATERIALITY

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

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

Group materiality	£240,000 (2018: £230,000)
Basis for materiality	5% of profit before tax (2018: 3% profit before tax on a 3 year average)
Rationale for the benchmark adopted	Pre-tax profit is determined to be a stable basis of assessing business performance and is considered to be a significant determinant of performance used by shareholders. A 3 year average basis, after adjusting for AIM listing fees incurred in 2017 which were considered exceptional costs, was utilised in 2018 given the significant growth in profit before tax in the three year period 2016 – 2018. For 2019 we have utilised profit before tax for 2019 only to reflect the decrease in this measure in the current year.

In considering individual account balances and classes of transactions we apply a lower level of materiality (performance materiality) in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at £182,000 (2018: £172,000), representing 75% (2018: 75%) of materiality. The performance materiality threshold was selected based on the expected low level of misstatements and the relatively low number of accounts that are subject to management estimation.

INDEPENDENT AUDITOR'S REPORT

Component materiality ranged from £97,000 to £158,000 (2018: £92,000 to £172,500) with a similar restriction of 75% for performance materiality (2018: 75%). Parent Company materiality was £93,000 (2018: £165,000). We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £7,000 (2018: £11,500). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level.
The Group manages its operations from one location in the UK, and has common financial systems, processes and controls covering all significant components. The audit of all significant components was performed by the Group audit team.

In assessing the risk of material misstatement in the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, our Group audit scope focused on the Group's significant components: KBS Corporate Sales Limited, KBS Corporate Finance Limited and Knightsbridge Business Sales Limited, which were subject to a full scope audit. Together with the Parent Company and its Group consolidation, which was also subject to a full scope audit, these components represent the principal business units of the Group and account for 100% of the Group's revenue, 100% of the Group's profit before tax and 98.1% of the Group's net assets.

The Group's newly formed subsidiary KBS Capital Markets Limited has not traded in the year and was subject to limited scope procedures only performed by the Group audit team.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS OF WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

USE OF OUR REPORT

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

Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
16th September 2019

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

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2019

Year Ended 31 May 2019	Note	2019 £'000	2018 £'000
Revenue	5	**13,564**	**16,485**
Distribution Costs		**(1,065)**	**(979)**
Administrative expenses		**(7,626)**	**(8,195)**
EBITDA **(before exceptional costs)**		**4,976**	7,386
Depreciation of tangible assets		**(87)**	(69)
Amortisation of intangible assets		**(16)**	(6)
Operating Profit	7	**4,873**	7,311
Finance income		**6**	9
Finance costs	11	**-**	(5)
Profit before taxation		**4,879**	7,315
Taxation	12	**(901)**	(1,362)
Profit and total other comprehensive income for the financial year		**3,978**	5,953
Attributable to the owners of the Company		**3,978**	5,953
Earnings per share:	13		
Basic and Diluted EPS		**£0.09**	£0.14

All the activities of the Group are from continuing operations

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MAY 2019

31 May 2019	Note	2019 £000	2018 £000
ASSETS			
Non-current assets			
Intangible assets	14	**4,065**	3,992
Property, plant and equipment	15	**88**	102
Total non-current assets		**4,153**	4,094
Current assets			
Trade and other receivables	17	**443**	199
Other assets	19	**380**	337
Cash and cash equivalents		**5,753**	7,522
Total current assets		**6,176**	8,058
TOTAL ASSETS		**10,329**	12,152
Current liabilities			
Trade and other payables	20	**1,130**	1,589
Current tax liabilities	21	**288**	849
Contract liabilities	22	**1,645**	1,416
Total current liabilities		**3,063**	3,854
Non-current liabilities			
Deferred tax liabilities	23	**35**	23
Total non-current liabilities		**35**	23
TOTAL LIABILITIES		**3,098**	3,877
NET ASSETS		**7,231**	8,275
EQUITY			
Equity attributable to owners of the Company:			
Issued capital and share premium	24	**2,413**	2,413
Share option reserve		**75**	32
Retained Earnings		**4,743**	5,830
TOTAL EQUITY		**7,231**	8,275

These financial statements were approved by the board of directors and authorised for issue on 16 September 2019 and are signed on behalf of the board by:

ANDREW MELBOURNE FCMA
Company Secretary
16 September 2019

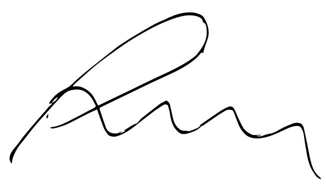
COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MAY 2019

K3 Capital Group plc (06102618) - 31 May	Note	2019 £000	2018 £000
ASSETS			
Non-current assets			
Intangible assets	14	**1,100**	**1,100**
Investments	16	**5,667**	**5,667**
Total non-current assets		**6,767**	**6,767**
Current assets			
Trade and other receivables	17	**8**	**24**
Other financial assets	18	**-**	**2,231**
Other assets	19	**24**	**68**
Cash at bank and in hand		**126**	**109**
Total current assets		**158**	**2,432**
TOTAL ASSETS		**6,925**	**9,199**
Current liabilities			
Trade and other payables	20	**3,181**	**2,423**
Total current liabilities		**3,181**	**2,423**
NET ASSETS		**3,744**	**6,776**
EQUITY			
Equity attributable to owners of the Company:			
Issued capital and share premium	24	**2,413**	**2,413**
Share-based payments reserve		**75**	**32**
Retained Earnings		**1,256**	**4,331**
TOTAL EQUITY		**3,744**	**6,776**

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

The profit for the financial year of the parent company was £1,990,000 (2018: £3,958,000)

These financial statements were approved by the board of directors and authorised for issue on 16 September 2019, and are signed on behalf of the board by:



ANDREW MELBOURNE FCMA

Company Secretary

16 September 2019

Registered number 06102618

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2019

Year Ended 31 May 2019	Share capital	Share premium	Share option reserve	Retained earnings	Total
	£000	£000	£000	£000	£000
Balance at 1 June 2017	422	1,991	-	2,937	**5,350**
Profit and total comprehensive income for the year	-	-	-	5,953	**5,953**
Transactions with owners					
Share Based Payments	-	-	32	-	**32**
Dividends	-	-	-	(3,060)	**(3,060)**
Balance at 31 May 2018	422	1,991	32	5,830	**8,275**
Profit and total comprehensive income for the year	-	-	-	3,978	**3,978**
Transactions with owners					
Share based payments	-	-	43	-	**43**
Dividends	-	-	-	(5,065)	**(5,065)**
As at 31 May 2019	422	1,991	75	4,743	**7,231**

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2019

Year Ended 31 May 2019	Share capital	Share premium	Share option reserve	Retained earnings	Total
	£000	£000		£000	£000
Balance at 1 June 2017	422	1,991	-	3,433	**5,846**
Profit and total comprehensive income for the year	-	-	-	3,958	**3,958**
Transactions with owners:					
Share Based Payment	-	-	32	-	**32**
Dividends	-	-	-	(3,060)	**(3,060)**
Balance At 31 May 2018	422	1,991	32	4,331	**6,776**
Profit and total comprehensive income for the year	-	-	-	1,990	**1,990**
Transactions with owners:					
Share-based payments	-	-	43	-	**43**
Dividends	-	-	-	(5,065)	**(5,065)**
At 31 May 2019	422	1,991	75	1,256	**3,744**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2019

Year Ended 31 May 2019	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit for the financial year		**3,978**	5,953
Adjustments for:			
Depreciation and amortisation	7	**103**	75
Finance income		**(6)**	(9)
Finance costs	11	**-**	5
Income tax expense	13	**901**	1,362
Expense recognised in respect of equity-settled share-based payments		**43**	32
		5,019	7,418
Movement in working capital:			
Decrease / (Increase) in trade and other receivables	17	**155**	(94)
(Increase) in other assets	19	**(43)**	(51)
(Decrease) / Increase in trade and other payables	20	**(459)**	536
Increase in contract liabilities	22	**229**	279
Cash generated from operations		**4,901**	8,088
Finance costs paid		**-**	(5)
Finance income received		**6**	9
Income taxes paid		**(1,450)**	(835)
Net cash from operating activities		**3,457**	7,257
Investing activities			
Purchase of property, plant and equipment	15	**(72)**	(25)
Purchase of intangible assets	15	**(89)**	(20)
Net Cash used in investing activities		**(161)**	(45)
Financing activities			
Repayment of bank borrowings		**-**	(431)
Dividends paid to owners of the Company	30	**(5,065)**	(3,060)
Net cash used in financing activities		**(5,065)**	(3,491)
Net (Decrease) / increase in cash and cash equivalents		**(1,769)**	3,721
Cash and cash equivalents at beginning of year		**7,522**	3,801
Cash and equivalents at end of year		**5,753**	7,522

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2019

Year Ended 31 May 2019	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit for the financial year		**1,990**	3,958
Adjustments for:			
Income from shares in Group undertakings		**(3,000)**	(5,500)
Finance costs		**-**	4
Investment income		**-**	(5)
Expense recognised in respect of equity-settled share based payments		**43**	32
		(967)	(1,511)
Movement in working capital:			
Increase in trade and other receivables	17	**16**	(6)
Increase in other assets	19	**44**	(49)
Increase in trade and other payables	20	**(351)**	269
Cash used in operations		**(1,258)**	(1,297)
Finance costs paid		**-**	(4)
Net cash used in operating activities		**(1,258)**	(1,301)
Investing activities			
Interest received		**-**	5
Net cash outflow on acquisition of subsidiaries		**-**	(70)
Net Cash used in investing activities		**-**	(65)
Financing activities			
Dividends received from Group undertakings		**3,000**	5,500
Settlement of amounts due from / (to) related parties	18	**2,231**	(1,385)
Increase in amounts owed to Group undertakings	25	**1,109**	-
Repayment of bank borrowings		**-**	(431)
Amounts loaned from Group undertakings		**-**	826
Dividends paid to owners of the Company	30	**(5,065)**	(3,060)
Net cash used in financing activities		**1,275**	1,450
Net increase in cash and cash equivalents		**17**	84
Cash and cash equivalents at beginning of year		**109**	25
Cash and equivalents at end of year		**126**	109

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019

1. General Information

K3 Capital Group PLC (formerly K3 Capital Group Limited) is incorporated in England and Wales under the Companies Act, listed on the Alternative Investment Market, with the registered number 06102618. The address of the registered office is KBS House, 5 Springfield Court, Summerfield Road, Bolton, BL3 2NT.

The principal activity of K3 Capital Group PLC is to act as Business Sales Specialists.

2. Presentation of financial statements

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

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

3. Basis of preparation

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

Basis of consolidation

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

Subsidiary undertakings acquired are included using the acquisition method of accounting. Under this method the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows included the results and cash flows of subsidiaries from the date of acquisition and to the date of sale outside the Group in the case of disposals of subsidiaries.
Where the company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

New standards, amendments to and interpretations to published standard

New standards that the Group has adopted in the annual financial statements for the year ended 31 May 2019 are:

IFRS 9 Financial Instruments (IFRS 9); and

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 9 has impacted the way in which the group accounts for certain financial assets and financial liabilities. The standard has introduced an expected credit loss model, when assessing impairment of financial assets. Historically, the directors would have considered trade receivables to be potentially impaired if they were not settled within the credit terms stated on the invoice. The expected credit loss methodology is forward looking and requires the calculation of an expected credit loss of which will arise in the future. The K3 Capital group has a low value of trade receivables and the application of IFRS 9 has not had a material impact.

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9, the classification of financial assets is based both on the business model of which the asset is held and the contractual cashflow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL) IFRS 9 had no effect on the classification of financial instruments held by the group.

Intercompany loans are considered in line with the general approach, under IFRS 9. This involves taking into account all available relevant information about the subsidiary undertakings current and expected operating performance and cash flow. The group has chosen not to restate comparatives on adoption of IFRS 9 as there has been no material impact on the calculation of the impairment provision under the expected loss model. As a result of this, there has been no adjustment recorded in respect of the IFRS 9 transition in opening equity at 1 June 2018.

In respect of IFRS 15 the directors had pre-determined at the date of the float of the company on the AIM market that IFRS 15 would have no material impact on revenue recognition as the revenue recognition policy adopted at the time met the requirements of both IAS 18 and IFRS 15. This assessment has been subject to ongoing review. In determining that the impact of adopting IFRS 15 would not be material to the group the directors have made the following judgements:

- The performance obligation of recognising contingent fee revenue is the completion of a successful transaction. Under IAS 18 income recognition for contingent fees was on the basis that the income was virtually certain, which would only be known on completion of a corporate finance transaction. The directors determine that the revenue recognition criteria have not changed.
- There is one performance obligation within Transaction Fee income. There are multiple services involved in a retainer, such as providing marketing documents in respect of the business for sale. These services are not individually distinct. The service provided creates a bespoke asset for the customer, of which has no alternative use. K3 Capital Group are also entitled to payment, for the work carried out on these retainers, to date. Under IAS 18 where services are provided under a contract, income was recognised by reference to the level of contract progression. As a result, the Directors have determined the revenue recognition under IFRS 15 for Retainer Fee income is not materially different to that under IAS 18.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

As a result the only noticeable change has been to provide more extensive disclosures for the group's revenue transactions and to amend reference to deferred revenue to contract liabilities on the face of the statement of financial position and in the notes.
Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the annual financial statements are not expected to impact the group as they are either not relevant to the group's activities or require accounting which is consistent with the group's current accounting policies.

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

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these is:
IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019)

The group has progressed its projects dealing with the implementation of this key new accounting standard and is able to provide the following information regarding their likely impact:

IFRS 16 Leases

Adoption of IFRS 16 will result in the group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Board has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on balance sheet as at 1 June 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date. At 31 May 2019 operating lease commitments amounted to £522,000 (see note 29), which is not expected to be materially different to the amount which is expected to be disclosed at 1 June 2019. The effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately £1.4 million being recognised on 1 June 2019. The Board have decided that early terminations or extensions to leases are unlikely at this stage. There is no impact on the parent Company on the adoption of IFRS 16.

Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost, which for the year ended 31 May 2019 was approximately £0.3 million had IFRS 16 been early adopted.

Other

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2019

Going Concern

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

After making enquiries, the Directors consider that the Group has adequate resources and committed borrowing facilities to continue in operational existence for the foreseeable future. Consequently, they have adopted the going concern basis in preparing the financial statements.

Revenue Recognition

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

The Group recognises revenue from the following major sources:

- Non-contingent fees arising from customers for professional advice
- Transaction fees arising from business sales arranged by the group companies

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

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

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

The transaction price is determined at inception of the contract. The transaction price is allocated to the performance obligation in line with the stage of completion of the retainer.

There is one performance obligation within Transaction Fee income. This obligation is the completion of a Transaction as defined in K3 terms of business, being the transfer of shares or assets from a client to a 3rd party, with fees settled from the sale proceeds. No contract liabilities arise with transaction fee income, and there is no variable consideration. Further detail on revenue recognition policies is provided in the critical accounting estimates section in note 4.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

Employee Benefits

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

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

Operating Profit

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

EBITDA

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

Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the full period of the lease. Any lease incentives are spread on a straight line basis over the full period of the lease.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition related costs are expensed as incurred and included in administrative expenses.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

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

Other Intangible Assets

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

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

Website and software costs	-	33% straight line

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

Property, Plant and Equipment

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

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

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

Investments

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

Financial Instruments

Under IFRS 9, the classification of financial assets is based both on the business model of which the asset is held and the contractual cashflow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost,

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

(ii) fair value through other comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL) IFRS 9 had no effect on the classification of financial instruments held by the group.

Financial assets

Initial recognition and measurement

The Group's financial assets include cash and cash equivalents, trade and other receivables that arise from the business operations, as well as non-derivative other financial assets.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities and equity components

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

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

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

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

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

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

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

Non-financial assets

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

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

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

Income Tax

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

Share Capital

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

Dividends

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

Events After the Balance Sheet Date

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

Related Parties

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

Contingent Liabilities and Contingent Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

Exceptional Items

Exceptional items are disclosed separately in the financial statements in order to provide further understanding of the financial performance of the entity. They are material items of income or expense that have been shown separately because of their nature or amount.

Share-based payment

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

4. Critical Accounting Estimates and Sources of Estimation Uncertainty

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

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

Revenue recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

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

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

A contingent fee ("transaction fee") is payable upon the completion of a transaction. Judgement is applied in regards to the number of performance obligations. There is one performance obligation, the sale of shares or assets to a third party. This fee is typically a percentage of the transaction value and therefore varies by client. Revenue on the transaction fee element of the contract is only recognised when the performance obligation has been satisfied, at completion of the transaction.

Assessing Goodwill for potential impairment

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

5. Revenue

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

Revenue Year Ended 31 May 2019	2019 £000	2018 £000
KBS Corporate Sales Limited	**8,693**	8,319
KBS Corporate Finance Limited	**2,671**	6,589
Knightsbridge Business Sales Limited	**2,200**	1,577
	13,564	16,485

A further breakdown of revenue by type is shown below:

Revenue Year Ended 31 May 2019	2019 £000	2018 £000
Non-contingent fees	**8,130**	6,965
Transaction fees	**5,434**	9,520
	13,564	16,485

The Group's revenue is recognised when performance obligations are satisfied, further details of which are included in the accounting policies. As a result contract liabilities arise when performance obligations have not been met details of which are included in note 22. The contract liabilities from 31 May 2018 have been fully recognised in the reported revenues for the year end 31 May 2019 due to the satisfaction of the associated performance obligation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

6. Segment Information

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

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

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

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

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

7. Operating Profit

Operating profit or loss is stated after charging:

Year Ended 31 May 2019	2019	2018
	£000	£000
Amortisation of intangibles - website costs	**16**	6
Depreciation of owned assets	**86**	69
Auditor remuneration	**31**	30
Equity - settled share based payments expenses	**43**	32
Operating lease charge	**235**	192

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

8. Auditors Remuneration

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

Year Ended 31 May 2019	2019 £000	2018 £000
BDO LLP		
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual accounts	**31**	30
Total Auditors Remuneration	**31**	30

No non-audit services were provided.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

9. Employee Benefit Expense

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

Year Ended 31 May 2019	2019 No.	2018 No.
Management	**10**	9
Sales	**71**	57
Marketing / Administration	**72**	55
	153	121

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

Year Ended 31 May 2019	2019 £000	2018 £000
Wages, salaries, bonuses & benefits in kind	**5,416**	5,907
Share-based payments	**43**	32
Social security costs	**526**	670
Other pension costs	**54**	24
	6,039	6,633

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

Year Ended 31 May 2019	2019 £000	2018 £000
Wages, salaries, bonuses & benefits in kind	**651**	1,035
Share-based payments	**43**	32
Social security costs	**82**	113
Other pension costs	**3**	2
	779	1,182

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

Year Ended 31 May 2019	2019 No.	2018 No.
Management	**7**	6

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

10. Directors' and Key Management Remuneration

Group

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

Year Ended 31 May 2019	2019	2018
Group	£000	£000
Wages, salaries, bonuses & benefits in kind	**1,072**	1,267
Share-based payments	**43**	6
Social security costs	**139**	167
Other pension costs	**7**	3
	1,261	1,443

Remuneration of highest paid director in respect of qualifying services:

Year Ended 31 May 2019	2019	2018
Group	£000	£000
Wages, salaries, bonuses & benefits in kind	**242**	520
Social security costs	**32**	71
Other pension costs	**1**	1
	275	592

Company

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

Year Ended 31 May 2019	2019	2018
	£000	£000
Wages, salaries, bonuses & benefits in kind	**651**	1,035
Share-based payments	**8**	6
Social security costs	**82**	113
Other pension costs	**3**	2
	744	1,156

The directors are considered to be key management personnel.
In FY19 there were 6 Directors in defined contribution pension schemes (FY18: 6)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

Remuneration of highest paid director in respect of qualifying services:

Year Ended 31 May 2019	2019 £000	2018 £000
Wages, salaries, bonuses & benefits in kind	**242**	520
Social security costs	**32**	71
Other pension costs	**1**	1
	275	592

11. Finance costs

Year Ended 31 May 2019	2019 £000	2018 £000
Interest on bank loans	**-**	5
	-	5

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

12. Tax on Profit

Major components of tax expense

Year Ended 31 May 2019	2019 £000	2018 £000
Current tax:		
UK current tax expense	**889**	1,379
Adjustments in respect of prior periods	**-**	(8)
Total current tax	**889**	1,371
Deferred tax:		
Origination and reversal of timing differences (note 26)	**12**	(8)
Impact of change in tax rate	**-**	(1)
Tax on profit	**901**	1,362

Reconciliation of tax expense

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

Reconciliation of tax expense Year Ended 31 May 2019	2019 £000	2018 £000
Profit on ordinary activities before taxation	**4,879**	**7,315**
Profit on ordinary activities by rate of tax	**927**	**1,390**
Adjustment in respect of prior periods	**-**	**(8)**
Effect of expenses not deductible for tax purposes	**3**	**11**
Effect of capital allowances and depreciation	**-**	**(2)**
Effect of research and development relief	**(29)**	**(29)**
Tax on profit	**901**	**1,362**

Changes Affecting Future Tax Rates

In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 19 per cent, with effect from 1 April 2017, and to 18 per cent, with effect from 1 April 2020. This rate was subsequently revised downwards to 17 per cent, with effect from 1 April 2020 in the 2016 Budget. These changes were substantially enacted on 26 October 2015 and 6 September 2016 respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

13. Earnings per Share

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

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

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

	2019 £000	2018 £000
Net profit attributable to equity holders of the Company	**3,978**	5,953
Initial weighted average of ordinary shares	**42,210,526**	42,210,526
Basic earnings per share	**9.43p**	14.10p

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

	2019 £000	2018 £000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**42,210,526**	42,210,526
Dilutive effect of share options	**142,322**	595,501
Dilutive weighted average number of ordinary shares	**42,352,848**	42,806,027
Diluted earnings per share	**9.39p**	13.91p

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

14. Intangible Assets

Group

Year Ended 31 May 2019	Goodwill £000	Website and software Costs £000	Total £000
Cost			
At 1 June 2017	5,812	90	**5,902**
Additions	-	20	**20**
At 31 May 2018	5,812	110	**5,922**
Additions	-	89	**89**
At 31 May 2019	5,812	199	**6,011**
Amortisation			
At 1 June 2017	1,885	39	**1,924**
Charge for the year	-	6	**6**
At 31 May 2018	1,885	45	**1,930**
Charge for the year	-	16	**16**
At 31 May 2019	1,885	61	**1,946**
Carrying amount			
At 31 May 2019	3,927	138	**4,065**
At 31 May 2018	3,927	65	**3,992**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

Company

	Goodwill £000
Cost	
At 31 May 2018 and May 2019	**1,100**
Carrying amount	
At 31 May 2019	**1,100**
At 31 May 2018	**1,100**

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

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

	31 May 2019	31 May 2018
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond approved forecast period	**2%**	2%
Pre-tax discount rate	**15%**	15%

Management has estimated the discount rate taking account of the way the market would assess specific risks inherent within the Group's estimated future cash-flows.

The growth rates used in the value in use calculation reflect the long term economic growth rates in the UK.
No impairment was identified and furthermore, a reasonably possible change in the assumptions applied would not result in any impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

15. Tangible Assets

Group

	Long Lease-hold property £000	Fixtures and fittings £000	Equipment £000	Total £000
Cost				
At 1 June 2017	12	98	98	**208**
Additions	22	-	3	**25**
At 31 May 2018	34	98	101	**233**
Additions	-	39	33	**72**
At 31 May 2019	34	137	134	**305**
Depreciation				
At 1 June 2017	3	20	39	**62**
Charge for the year	8	33	28	**69**
Disposals				
At 31 May 2018	11	53	67	**131**
Charge for the year	11	43	32	**86**
At 31 May 2019	22	96	99	**217**
Carrying amount				
At 31 May 2019	12	41	35	**88**
At 31 May 2018	23	45	34	**102**

The Company has no tangible assets

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

16. Investments

The Group has no investments.

Company

	Shares in group undertakings £000
Cost	
At 31 May 2018 and 2019	**5,667**
Impairment	
At 1 Jun 2017, 31 May 2018 and 31 May 2019	**-**
Carrying amount	
At 1 Jun 2018	**5,667**
At 1 Jun 2019	**5,667**

Subsidiaries, associates and other investments

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

Year Ended 31 May 2018	Class of Share	Percentage of shares held
Subsidiary undertakings		
KBS Corporate Sales Limited	Ordinary shares	100
KBS Corporate Finance Limited	Ordinary shares	100
Knightsbridge Business Sales Limited	Ordinary shares	100
KBS Capital Markets Limited	Ordinary shares	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

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

During 2018 the Company established a new subsidiary, KBS Capital Markets Limited, by subscribing for 100% of the equity for £70,000. This is an FCA regulated entity established with a view to broadening the Group service offering by allowing the provision of advice on AIM listings and minority share sales.

17. Trade and Other Receivables

Year Ended 31 May 2019	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade receivables	**43**	199	-	-
Allowance for doubtful debts	**-**	-	**-**	-
	43	199	**-**	-
Other receivables	**-**	-	**8**	24
	43	199	**8**	24

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

18. Other Financial Assets

Year Ended 31 May 2019	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Amounts owed by Group undertakings	**-**	-	**-**	2,231
	-	-	**-**	2,231

The amounts owed by group undertakings are stated at the undiscounted amount as the amounts were repayable on demand. No interest is charged on the balances.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

19. Other Assets

Year Ended 31 May 2019	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Prepayments and contract assets	**380**	337	**24**	68

20. Trade and Other Payables

Year Ended 31 May 2019	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade payables	**112**	291	**3**	111
Amounts due to Group undertakings	**-**	-	**3,095**	1,986
Accruals	**293**	365	**53**	71
Other taxation and social security	**690**	926	**26**	255
Other payables	**35**	7	**4**	-
	1,130	1,589	**3,181**	2,423

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

21. Current Tax Liabilities

Year Ended 31 May 2019	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Corporation tax payable	**288**	849	**-**	-

22. Contract Liabilities

Year Ended 31 May 2019	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Arising from client contracts	**1,645**	1,416	**-**	-

The contract liabilities arises from the non-contingent contracts provided to certain customers in respect of providing services including business marketing and research to these clients. Revenue is recognised in accordance with services provided within contract terms. All contract liabilities as at 31 May 2019 will be recognised within revenue in full in the next financial year.

23. Deferred Tax Liability

Year Ended 31 May 2019	Group	Company
	£000	£000
Liability at 1 June 2017	**(32)**	-
Charge for the year	**9**	-
Liability at 31 May 2018	**(23)**	-
Credit for the year	**(12)**	-
Liability at 31 May 2019	**(35)**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

24. Share Capital

Allotted, called up and fully paid

Year Ended 31 May 2019	2019		2018	
Group	No.	£000	No.	£000
Amounts presented in equity:				
Ordinary shares	**42,210,526**	**422**	42,210,526	422
	42,210,526	**422**	42,210,526	422

25. Financial Instruments

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

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

Year Ended 31 May 2019	Group	
	2019	2018
	£000	£000
Financial assets measured at amortised cost		
Trade receivables	**43**	199
Cash and cash equivalents	**5,753**	7,522
Total financial assets	**5,796**	7,721
Financial liabilities measured at amortised cost		
Trade and other payables	**440**	663
Total financial liabilities	**440**	663
Total financial instruments	**5,356**	7,058

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

Year Ended 31 May 2019	Company	
	2019	2018
	£000	£000
Financial assets measured at amortised cost		
Amounts owed by Group undertakings	**-**	2,231
Trade and other receivables	**32**	92
Cash and cash equivalents	**126**	109
Total financial assets	**158**	2,432
Financial liabilities measured at amortised cost		
Trade and other payables	**86**	437
Amounts owed by Group undertakings	**3,095**	1,986
Total financial liabilities	**3,181**	2,423
Total financial instruments	**(3,023)**	9

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

Capital management

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

Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

Ageing analysis

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

Year Ended 31 May 2019	Group	
	2019	2018
	£000	£000
Current	**28**	**193**
Up to 30 days	**10**	**6**
30 to 60 days	**1**	**-**
60 days and older	**4**	**-**
	43	**199**
Bad debt provision	**-**	**-**
	43	**199**

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

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

Year Ended 31 May 2019	Group	
	2019	2018
	£000	£000
Net trade receivables	**43**	199
Cash and cash equivalents	**5,753**	7,522
	5,796	7,721

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

Fair values

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

Interest rate risk

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

Interest rate sensitivity

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

Market risk

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

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

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

Foreign currency exchange risks

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

Liquidity risks

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

26. Share-based payments

Employee share option plan of the Company

Details of the employee share option plan of the Company

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

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

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

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

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

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

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

The share-based payment expense recognised in respect of employee services received during the year ended 31 May 2019 was £43,000 (2018: £32,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

Movements in share options in the year

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

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		£		£
Balance at beginning of year	**1,735,633**	**1.22**	1,193,611	0.95
Granted during the year	**-**		552,022	1.81
Forfeited during the year	**(108,510)**	**0.95**	(10,000)	1.81
	1,627,123	**1.24**	1,735,633	1.22

All outstanding options are currently vesting, such that no options were exercisable at 31 May 2019.

Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of £1.24 (2018: £1.22) and a weighted average remaining contractual life of 2,966 days (2018:3,325).

27. Related Party Transactions

Group

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

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

	2019	2018
	£000	£000
Rent	**99**	95

Company

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

28. Dividends

Year Ended 31 May 2019	2019 £000	2018 £000
Dividends paid on equity shares		
Ordinary shares	**5,065**	3,060
Total	**5,065**	3,060
Dividend per share (unadjusted)	**2019**	2018
Ordinary shares	**12.00p**	7.25p
Dividend per share (adjusted)	**2019**	2018
Ordinary shares	**12.00p**	7.25p

29. Commitments

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

Year Ended 31 May 2019	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Not later than 1 year	**238**	220	**-**	-
Later than 1 year and not later than 5 years	**284**	411	**-**	-
	522	631	**-**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019 (CONTINUED)

30. Audit exemption statement

Under section 479A of the Companies Act 2006 the Group's subsidiaries, listed below, are claiming exemption from audit. The parent undertaking, K3 Capital Group plc, registered number 06102618, guarantees all outstanding liabilities to which each subsidiary company is subject at the end of the financial year (being the year ended 31 May 2019 for each company listed below). The guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.

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

31. Controlling party

In the opinion of the directors, the Group has no overall controlling party.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the third Annual General Meeting of K3 Capital Group plc (Company) will be held at TLT LLP's Manchester office, 3 Hardman Square, Manchester M3 3EB on Friday 18 October 2019 at 11.00am.

You will be asked to consider and vote on the Resolutions below. Resolutions 1 to 8 will be proposed as Ordinary Resolutions and Resolutions 9 and 10 will be proposed as Special Resolutions.

ORDINARY BUSINESS

Resolution 1 – To receive the Company's annual accounts for the year ended 31 May 2019 together with the directors' report and auditor's report on those accounts.

Resolution 2 – To declare a final dividend in the sum of 4.00 pence per Ordinary Share for the year ended 31 May 2019.

Resolution 3 – To re-appoint Martin Robinson as a non-executive director of the Company.

Resolution 4 – To re-appoint John Rigby as a director of the Company.

Resolution 5 – To receive the Report on Directors' Remuneration as set out in the Company's annual report and accounts for the year ended 31 May 2019.

Resolution 6 – To re-appoint BDO LLP as the Company's auditor to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting at which accounts are laid before the Company.

Resolution 7 – To authorise the directors to determine the auditor's remuneration.

Resolution 8 – That:

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

(a) up to an aggregate nominal amount of £140,701.75 (such amount to be reduced by the nominal amount allotted or granted under paragraph (b) below in excess of such sum); and

(b) comprising equity securities (as defined in Section 560 of the Act) up to an aggregate nominal amount of £281,403.50 (including within such limit any shares allotted or rights granted under paragraph (a) above) in connection with an offer by way of a rights issue as follows:

(i) to holders of ordinary shares of 1 pence each in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings; and

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

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

8.2. this authority shall expire on the earlier of the date 15 months from the passing of this Resolution 8 or the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution 8 (whichever is the earlier) save that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares or rights to subscribe for or to convert any security into shares in the Company to be allotted after the authority ends and the Board may allot shares or rights to subscribe for or to convert any security into shares in the Company under any such offer or agreement as if the authority had not expired; and

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

SPECIAL BUSINESS

Resolution 9

9.1. That subject to the passing of Resolution 8 above, the Board be authorised to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by that Resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, provided that such authority shall be limited to:

9.1(a)the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but, in the case of the authority granted under Resolution 8.1(b)(ii), by way of a rights issue only):

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

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

9.1(b) the allotment of equity securities or sale of treasury shares (otherwise than pursuant to Clause 9.1(a) of this Resolution) to any person up to an aggregate nominal amount of £21,105.26.

The authority granted by this Resolution 9 shall expire on the earlier of the date 15 months from the passing of this Resolution 9 or the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution 9

NOTICE OF ANNUAL GENERAL MEETING

(whichever is the earlier) save that such authority shall extend to the making before such expiry of an offer or arrangement that would, or might, require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of that offer or arrangement as if the authority conferred hereby had not expired.

9.2. That subject to the passing of Resolution 8, the directors be authorised in addition to any authority granted under Clause 9.1 of this Resolution 9 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority conferred by Resolution 8 and/or to sell ordinary shares held by the Company as treasury shares as if section 561 of the CA 2006 did not apply to any such allotment or sale, provided that such authority shall be:

(a) limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £21,105.26; and

(b) used only for the purpose of financing (or refinancing, if the authority is to be used within 6 months after the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

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

9.3. The Resolutions in Clause 9.1 and Clause 9.2 revoke and replace all unexercised powers previously granted to the directors to allot equity securities or sell treasury shares as if section 561 of the CA 2006 did not apply but without prejudice to any allotment of equity securities or sale of treasury shares already made or agreed to be made pursuant to such authorities.

Resolution 10

10.1. That in relation to the interim cash dividend of 3.60 pence per share paid by the Company on 15 February 2019 (the Relevant Dividend):

(a) the appropriation of distributable profits of the Company (as shown in the audited financial statements of the Company for the year ended 31 May 2019) to the payment of the interim cash dividend of 3.60 pence per share paid on 15 February 2019 be and is hereby authorised and confirmed by reference to the same record date as the original accounting entry for such dividend;

(b) any and all claims which the Company has or may have arising out of or in connection with the payment of the Relevant Dividend against its current and former shareholders who appeared on the register of shareholders on the record date for the Relevant Dividend, (or the personal representatives and their successors in title (as appropriate) of a shareholder's estate if he or she is deceased) be entered into by the Company in the form produced to the Annual General Meeting and initialled by the Chairman for the purposes of identification and any Director in the presence of a witness, any two Directors or any Director and the Company Secretary be authorised to execute the same as a deed poll for and on behalf of the Company;

(c) any and all claims which the Company has or may have against each of its Directors and former Directors or the personal representatives and their successors in title (as appropriate) of his or her estate if such Director or former Director is deceased, arising out of or in connection with the approval, declaration or payment of the Relevant Dividend be waived and released and that a deed of release in favour of each of such Directors and former Directors (or the personal representatives and their successors in title of his or her estate if such Director or former Director is deceased), be entered into by the company in the form produced to the Annual General Meeting and initialled by the Chairman for purposes of identification and any Director in the presence of a witness, any two Directors or any Director and the Company Secretary be authorised to execute the same as a deed poll for and on behalf of the Company;

(d) any distribution involved in the giving of the release referred to in paragraph 10.1(b) above in relation to the Relevant Dividend be made out of the relevant distributable profits of the Company appropriated to the Relevant Dividend by reference to a record date identical to the record date for each Relevant Dividend; and

(e) any and all restrictions contained in Articles 95.1 and/or 96.1 of the Articles in relation to the ability of any Director to vote and be counted in the quorum in respect of meetings of Directors (or any committee of the Directors) be suspended for the purposes of this resolution 10 (the Relevant Distribution Resolution) and the decisions of the Directors (or of any committee of the Directors) resulting in the proposals contained in the Relevant Distribution Resolution being put to the Company in general meeting, be and are hereby ratified and confirmed.

By Order of the Board

ANDREW MELBOURNE FCMA
Company Secretary
16 September 2019

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

NOTICE OF ANNUAL GENERAL MEETING

NOTES

1. Appointment of proxies

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

2. CREST proxy voting

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by our Registrars, Computershare Investor Services (ID 3RA50) by 11.00am on 16 October 2019 (excluding non-working days). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instruction to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

3. Return date for proxies

To be effective a proxy form must be deposited with the Registrar to the Company not less than 48 hours before the time fixed for the meeting i.e. by 11.00am on 16 October 2019.

4. Documents available for inspection

Copies of service contracts of the directors of the Company, together with the draft deed of release referred to in Resolutions 10.1 (b) and 10.1 (c) may be inspected at the registered office of the Company, at all times during normal business hours and at the place of the Annual General Meeting for a period of 15 minutes immediately prior to the Annual General Meeting until its conclusion.

5. Record date for voting

Only members whose names appear on the register of members of the Company at the close of business on 16 October 2019 at 5.30pm or, if the AGM is adjourned, at close of business on the day two days prior to the adjourned meeting (excluding any part of the day that is not a working day) shall be entitled to attend the Annual General Meeting either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast at the Annual General Meeting. Changes to the register after the close of business on the relevant data shall be disregarded in determining the rights of any person to attend or vote at the meeting or any adjourned meeting.

6 . Voting by corporate representatives

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

7. Information Rights

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

8. Shareholders rights & proxies

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

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Company.

9. Shareholder's right to ask questions

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

10. Copy of Notice available on website

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

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

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

12. Electronic address restrictions

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

13. Total voting rights

As at 16 September 2019 (being the last practicable date prior to the printing of this Notice) the Company's issued share capital consisted of 42,210,526 ordinary shares, carrying one vote each. No shares were held in treasury by the Company. Therefore the total voting rights in the Company as at 16 September 2019 are 42,210,526.

14. Explanatory notes

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

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES TO THE NOTICE OF MEETING

Notice of the third annual general meeting of K3 Capital Group plc (Company) to be held at TLT LLP's Manchester office, 3 Hardman Square, Manchester M3 3EB on Friday 18 October 2019 at 11.00am is set out at pages 83 to 86. The directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole; accordingly the Company's board of directors will be voting in favour of them and unanimously recommends that all shareholders do so as well.

Resolutions 1 to 8 are ordinary resolutions; this means that for each of those resolutions to be passed, more than half of the votes cast must be cast in favour.

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

Resolution 2 – final dividend
The directors are recommending a final dividend of 4.00 pence per share for the year ended 31 May 2019. Subject to approval being given, the final dividend is expected to be paid on 22 October 2019 to shareholders on the register at the close of business on 26 September 2019 (ex div date).

Resolutions 3 and 4 – appointment or reappointment of directors
Each of Martin Robinson and John Rigby will be retiring automatically from the office of director at the meeting; this is because in the case of each of those directors, they are required to submit themselves for retirement in accordance with the articles. Both being eligible, they are seeking re-appointment by the Company's shareholders.

Both of these individuals are seeking re-appointment and their brief biographical details are on page 24 to 25.

Resolution 5 – report on Directors' Remuneration
The shareholders will be asked to cast an advisory vote on the Report on Directors' Remuneration as set out in the Company's annual report and accounts for the year ended 31 May 2019. Since Resolution 5 is an advisory resolution only, it does not affect the remuneration paid to any director.

Resolution 6 – re-appointment of auditors
An auditor is required to be appointed for each financial year of the Company. BDO LLP, the Company's current auditor, has agreed to serve for the current financial year and its re-appointment is therefore being proposed.

Resolution 7 – auditor's remuneration
In accordance with normal practice, the directors are asking for your authority to determine the auditor's remuneration.

Resolution 8 - renewal of authority to allot shares
This resolution effectively seeks renewal of the directors' existing authority to allot shares and grant rights. Paragraph (a) of this resolution would give the directors the authority to allot shares or grant rights to subscribe for, or to convert any securities into, shares up to an aggregate nominal amount equal to £140,701.75 – this amount represents approximately one-third of the Company's issued share capital as at 16 September 2019 (but would be reduced by the nominal amount of any shares allotted or rights granted under paragraph (b) of this resolution in excess of £140,701.75).

In line with guidance issued by the Investment Association, paragraph (b) of this resolution would give the directors authority to allot shares or grant rights to subscribe for, or to convert any securities into, shares in connection with a rights issue in favour of shareholders up to an aggregate nominal amount equal to £281,403.50, as reduced by the nominal amount of any shares allotted or rights granted under paragraph (a) of this resolution - this amount (before any reduction) represents approximately two-thirds of the Company's issued share capital as at 16 September 2019. Therefore the maximum nominal amount of shares and rights that may be allotted or granted under this resolution is £281,403.50.

The authorities sought under paragraphs (a) and (b) of this resolution will expire at the end of next year's annual general meeting or on the date 15 months from the date of passing of the resolution, if earlier. The directors have no present intention of exercising either of the authorities sought under this resolution other than in respect of any one or more of the Company's share schemes. However, it is considered prudent to maintain the flexibility that this authority provides. As at the date of the notice, no shares are held by the Company in treasury.

Resolutions 9 and 10 are special resolutions; this means each of these resolutions to be passed, at least three-quarters of the votes cast must be cast in favour.

Resolution 9 - dis-application of pre-emption rights
This resolution effectively seeks renewal of the directors' existing power to allot shares (or sell any shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their

NOTICE OF ANNUAL GENERAL MEETING

existing shareholdings. This authority would be limited to allotments or sales of up to an aggregate nominal amount of £21,105.26:

a) in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the directors otherwise consider necessary; and

b) in connection with financing or refinancing of a specific transaction.

This aggregate nominal amount represents approximately 5% of the Company's issued share capital as at 9 September 2019. The power sought under this resolution will expire at the end of next year's annual general meeting (or, if earlier, the date 15 months from the passing of the resolution).

Resolution 10

As explained in the Directors' report on page 22 of the 2019 Annual Report and Accounts, following the identification of a technical irregularity regarding the timing of intra-group movements of reserves and the payment of the 2019 interim dividend by the Company, this dividend was paid at a time when the relevant accounts of the Company for the purposes of the Companies Act 2006 did not show sufficient distributable reserves. Sufficient reserves were available within the Group and the Company following the declaration of intra-group dividends to the Company by its subsidiaries, but separate interim accounts of the Company were not prepared and filed contemporaneously to show that those reserves were available at Company level. This resolution asks shareholders to approve the appropriation of the historic profits of the Company to the dividend payment concerned and to release the current and former shareholders and directors from any claim by the Company for repayment of the interim dividend. The purpose of the resolution is to put the shareholders and directors into the position in which they were always intended to be.

ATTENDING THE MEETING, WHAT TO BRING

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

ACCESSIBILITY

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

SHAREHOLDER ENQUIRIES

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

HOW TO GET THERE

BY CAR

Postcode for Sat Nav: M3 3EB

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

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

3 Hardman Square is the building facing Bagel Nash.

BY TRAIN

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

BY BUS

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

BY TRAM

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

GLOSSARY OF TERMS

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

K3 capital
group plc

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SUMMERFIELD ROAD
BOLTON
BL3 2NT

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