Final Results

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K3 Business Technology Group PLC
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K3 BUSINESS TECHNOLOGY GROUP PLC

("K3" or "the Group" or "the Company")

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

Audited final results for the year to 30 November 2024

Key Points

	FY 2024	**FY 2023** (re-presented)[2]	**Change**
Revenue from continuing operations	£23.2m	£31.3m	-26%
Recurring revenue (ARR)	£16.7m	£16.8m	-1%
Gross profit	£14.8m	£18.6m	-21%
- gross margin	64%	59%	+5ppt
Adjusted operating loss[1]	£(1.1)m	£(1.4)m	-18%
Loss before tax from continuing operations	£(2.8)m	£(2.3)m	+21%
Net cash[3]	£3.6m	£8.3m	n/a[3]
Reported loss per share from continuing operations	(5.4)p	(5.3)p	-0.1p
Adjusted loss per share for continuing operations	(3.4)p	(4.7)p	+1.3p

[1] Refer to glossary of terms on page 27 for these and other definitions throughout the document.

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

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

Financial

- Results in line with management expectations.
- Improved cash generation and continued cost discipline supported increased net cash balances at financial year-end of £8.9m (30 November 2023: £8.3m), which includes the businesses held for sale. Excluding the businesses held for sale, net cash at year-end was £3.6m.
- Total revenue from continuing operations of £23.2m (2023: re-presented £31.3m) mainly reflected decrease in revenue from Global Accounts, which was expected. Annual recurring revenue ("ARR") was consistent year-on-year at £16.7m, and total software ARR run rate as at year-end

increased by 3% to £11.8m (2023: re-presented £11.5m).

- Adjusted operating loss reduced to £(1.1)m (2023: re-presented £(1.4)m).
- Sale of NexSys Solutions Limited ("NexSys") agreed at close of financial year-end with disposal completed post year-end in January 2025 for £36.0m (gross cash):
    - acquired by SYSPRO, the global ERP software provider controlled by funds managed and/or advised by Advent International LP ("Advent"), the international software investor.
    - NexSys results are excluded from the Group's continuing operations.

Operational

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

Current Trading and Prospects

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

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

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

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

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

Enquiries:

K3 Business Technology Group plc www.k3btg.com	Oliver Scott, Chair Eric Dodd, Chief Executive Officer	T: c/o 020 3178 6378
Cavendish Capital Markets (NOMAD & Broker)	Julian Blunt/ Dan Hodkinson (Corporate Finance) Sunila De Silva (Corporate Broking)	T: 020 7220 0500
KTZ Communications	Katie Tzouliadis/ Robert Morton	T: 020 3178 6378

CHAIR AND CHIEF EXECUTIVE OFFICER'S REPORT

Overview

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

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

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

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

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

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

Operational review

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

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

K3 Products

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

- strategic products focused on fashion and apparel markets (the Fashion portfolio);

- solutions for the visitor attraction market; and other stand-alone point-of-sale retail solutions ("Retail Solutions").

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

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

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

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

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

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

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

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

Third-party Solutions

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

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

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

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

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

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

Group strategy

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

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

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

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

Board changes

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

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

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

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

Colleagues

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

Summary and Prospects

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

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

O Scott, Chair **E Dodd, Chief Executive Officer**

CHIEF FINANCIAL OFFICER REVIEW

Overview

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

Focus on value creation for shareholders

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

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

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

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

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

Key performance indicators

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

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

Income statement

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

Combined ARR from K3 Fashion and K3 Pebblestone increased by 3% year-on-year to £6.0m, helped by new customers and existing customer expansion.
Gross profit decreased by £3.8m or 21% to £14.8m (2023: re-presented £18.6m) as Global Accounts revenue declined by £7.7m. However, gross profit margin increased by 5 percentage points to 64%, reflecting the change in sales mix and divisional focus on gross margin improvement.

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

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

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

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

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

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

Earnings Per Share

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

Dividends

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

Statement of Financial Position

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

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

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

Cash Flow

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

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

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

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

Summary and Prospects

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

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

Lavinia Alderson, Chief Financial Officer

K3 Business Technology Group plc
Consolidated income statement
for the year ended 30 November 2024

	Notes	**Year ended 30 November 2024**	**Year ended 30 November 2023** (re-presented^)
		£'000	**£'000**
Revenue	3	**23,217**	31,297
Cost of sales		**(8,446)**	(12,689)
Gross profit		**14,771**	18,608
Adjusted administrative expenses		**(15,735)**	(19,606)
Impairment losses on financial assets		**(148)**	(357)
Adjusted operating loss		**(1,112)**	(1,355)
Exceptional impairment		**-**	(72)

Exceptional reorganisation costs		**(1,441)**	(2,116)
Exceptional acquisition/disposal (costs)/credit		**(30)**	406
Share-based payment credit		**192**	1,126
Loss from operations	3	**(2,391)**	(2,011)
Finance expense		**(378)**	(282)
Loss before taxation from continuing operations		**(2,769)**	(2,293)
Tax credit/(charge)	4	**332**	(67)
Loss from the year from continuing operations		**(2,437)**	(2,360)
Profit/(loss) for the year from discontinued operations	5	**3,011**	(25)
Profit/(loss) for the year		**574**	(2,385)

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

Earnings/(loss) per share	**Year ended 30 November 2024**	**Year ended 30 November 2023** (re-presented)
Basic and diluted	1.3p	(5.3)p
Diluted	1.3p	(5.2)p
Basic from continuing operations	(5.4)p	(5.3)p

^ The 2023 results have been re-presented to show NexSys Solutions Limited and K3 Systems Support Limited as discontinued operations. See Note 5 for further details.

K3 Business Technology Group plc
Consolidated statement of comprehensive income
for the year ended 30 November 2024

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

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

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

K3 Business Technology Group plc
Consolidated statement of financial position
as at 30 November 2024

	Notes	2024	2023
		£'000	**£'000**
ASSETS			
Non-current assets			
Property, plant, and equipment		**967**	1,323
Right-of-use assets		**679**	1,025
Goodwill	6	**10,108**	24,911
Other intangible assets		**1,404**	1,533
Deferred tax assets		**145**	77
Total non-current assets		**13,303**	28,869
Current assets			
Stock		**154**	275
Trade and other receivables		**3,652**	7,556
Cash and short-term deposits		**3,643**	8,304
Assets classified as held for sale		**22,428**	-
Total current assets		**29,877**	16,135
Total assets		**43,180**	45,004
LIABILITIES			
Non-current liabilities			
Lease liabilities		**497**	646
Provisions		**622**	105
Deferred tax liabilities		**71**	91
Total non-current liabilities		**1,190**	842
Current liabilities			
Trade and other payables		**7,574**	15,946
Current tax liabilities		**130**	285
Lease liabilities		**179**	338
Borrowings		**1**	12
Provisions		**167**	305
Liabilities classified as held for sale		**6,595**	-
Total current liabilities		**14,646**	16,886
Total liabilities		**15,836**	17,728
EQUITY			
Share capital		**11,183**	11,183
Share premium account		**31,450**	31,450
Other reserves		**6,401**	11,151
Translation reserve		**1,370**	1,684
Accumulated losses		**(23,060)**	(28,192)
Total equity attributable to equity holders of the parent		**27,344**	27,276
Total equity and liabilities		**43,180**	45,004

K3 Business Technology Group plc
Consolidated statement of cash flows
for the year ended 30 November 2024

	Notes	Year ended 30-Nov 2024 £'000	Year ended 30-Nov 2023 £'000
Cash flows from operating activities			

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

K3 Business Technology Group plc
Consolidated statement of Changes in Equity
for the year ended 30 November 2024

	Share capital £'000	**Share premium £'000**	**Other reserves £'000**	**Translation reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
At 30 November 2022	**11,183**	**31,450**	**11,151**	**1,608**	**(24,838)**	**30,554**
Loss for the year	-	-	-	-	(2,385)	**(2,385)**
Other comprehensive income for the year	-	-	-	76	-	**76**
Total comprehensive income/(expense)	-	-	-	76	(2,385)	**(2,309)**
Share-based payment	-	-	-	-	(969)	**(969)**
At 30 November 2023	**11,183**	**31,450**	**11,151**	**1,684**	(28,192)	**27,276**
Profit for the year	-	-	-	-	574	**574**
Other comprehensive expense for the year	-	-	-	(314)	-	**(314)**
Total comprehensive (expense)/income	-	-	-	(314)	574	**260**
Share-based payment	-	-	-	-	(192)	**(192)**
Other reserves reclassification^	-	-	(4,750)	-	4,750	**-**

At 30 November 2024	**11,183**	**31,450**	**6,401**	**1,370**	(23,060)	**27,344**

^ *Nature and purpose of other reserves:*

Merger relief reserve

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

Other reserve

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

NOTES

1 Basis of preparation

Statement of compliance

The Group financial statements from which this statement of Final Results is extracted have been prepared in accordance with UK endorsed IFRS in conformity with the requirements of the Companies Act 2006 ("IFRS") ("UK Adopted internal accounting standards").

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

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

The Group's statutory financial statements for the year ended 30 November 2024, from which the financial information presented in this announcement has been extracted, were prepared using the accounting policies disclosed in the principal accounting policies set out in the Group's Annual Report. These policies have been consistently applied to all years presented.

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

This statement of Final Results does not constitute the Company's statutory accounts for the years ended 30 November 2024 and 30 November 2023 within the meaning of Section 435 of the Companies Act 2006 but is derived from those statutory accounts.

The Group's statutory accounts for the year ended 30 November 2023 have been filed with the Registrar of Companies, and those for 2024 will be delivered following the Company's Annual General Meeting. The Auditor has reported on the statutory accounts for 2024 and 2023. Their report for 2024 was (i) unqualified, (ii) did not contain any material uncertainties and (iii) did not contain statements under Sections 498 (2) or 498 (3) of the Companies Act 2006 in relation to the financial statements.

Going Concern

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

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

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

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

2 Key Accounting policies for the Group financial statements

Goodwill

Goodwill is initially recognised and measured as set out above.

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

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

Revenue recognition

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

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

Software licence revenue:

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

K3 bolt on own software IP is recognised over time.

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

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

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

Maintenance and Support:
Maintenance refers to the maintenance of the products and ensuring a right to upgrade whilst Support refers to ongoing customer support including for example help desk access.
3rd party products maintenance is provided by the product's author. K3 has no performance obligation and this is sold through K3 for a margin. Revenue is recognised for the term of the contract at a point in time when the contract is signed. Support of 3rd party products is provided by K3 over time over the term of the contract.

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

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

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

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

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

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

Impairment of goodwill and other intangibles

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires an entity to estimate the future cash flows expected to arise from the cash generating unit. It also requires judgement as to a suitable discount rate in order to calculate present value, i.e., the Directors' current best estimate of the weighted average cost of capital ("WACC").

Other intangibles are assessed annually for impairment as well as when triggers of impairment arise. An impairment review has been performed at the reporting date.

Recoverability of investments in subsidiaries held by the Parent

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

Capitalised development expenditure and subsequent amortisation

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

3 Segment information

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

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

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

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

(Loss)/profit before tax	**(533)**	**2,424**	**(4,660)**	**(2,769)**
Tax expense	-	-	332	332
(Loss)/profit for the year from continuing operations	**(533)**	**2,424**	**(4,328)**	**(2,437)**
Profit from discontinued operations				**3,011**
Profit for the year				**574**

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

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

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

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

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

External revenue by end-customer geography

	External revenue		**Non-current assets**	
	Year ended 30 November 2024	**Year ended 30 November 2023** (represented)	**2024**	**2023**
	£'000	**£'000**	**£'000**	**£'000**
United Kingdom	**3,999**	4,755	**12,203**	21,911
Netherlands	**4,349**	5,761	**1,039**	5,913
Ireland	**26**	44	**-**	-
Rest of Europe	**6,891**	7,466	**55**	974
Middle East	**1,896**	2,142	**-**	-
Asia	**3,220**	6,195	**(3)**	68
USA	**575**	98	**9**	3

Rest of World	**2,261**	4,836	**-**	-
	23,217	31,297	**13,303**	28,869
% of non-UK revenue	**83%**	85%		

External revenue by business unit geography

	Year ended 30 November 2024 £'000	Year ended 30 November 2023 (represented) £'000
United Kingdom	**4,917**	4,338
Netherlands	**15,776**	23,657
Ireland	**-**	727
Rest of Europe	**2,524**	2,575
Rest of World	**-**	-
Total	**23,217**	31,297
% of non-UK revenue	**79%**	86%

4 Tax credit/(charge)

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

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

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

5 Discontinued operations held for sale

Total disposals

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

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

	2024	2023
Basic earnings/(loss) per share from discontinued operations	**6.7p**	(0.1p)

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

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

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

NexSys Solutions Limited ("NexSys")

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

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

	2024	2023
	£'000	£'000

External revenue	**12,048**	12,131
Cost of sales	**(3,710)**	(3,921)
Gross profit	**8,338**	8,210
Administrative expenses	**(5,194)**	(5,617)
Exceptional impairment	**-**	(1,998)
Exceptional reorganisation costs	**(62)**	(14)
Profit from operations	**3,082**	581
Finance expense	**(19)**	(135)
Profit before taxation from discontinued operations	**3,063**	446
Tax expense	**(53)**	(491)
Profit/(loss) for the year from discontinued operations	**3,010**	(45)

	2024	**2023**
Basic earnings/(loss) per share from discontinued operations	**6.7p**	(0.1p)

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

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

The net cashflows incurred by NexSys are as follows:

	2024	**2023**
	£'000	**£'000**
Operating	2,154	(221)
Investing	-	-
Financing	(20)	(151)
Net cash inflow/(outflow)	2,134	(372)

K3 Systems Support Limited ("SSL")

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

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

	2024	**2023**
	£'000	**£'000**
External revenue	**433**	351
Cost of sales	**(34)**	(29)
Gross profit	**399**	322
Administrative expenses	**(394)**	(299)
Impairment losses on financial assets	**1**	3
Profit from operations	**6**	26

Finance expense	**-**	-
Profit before taxation from discontinued operations	**6**	26
Tax expense	**(5)**	(6)
Profit for the year from discontinued operations	**1**	20

	2024	2023
Basic earnings per share from discontinued operations	**0.0p**	0.0p

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

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

The net cashflows incurred by SSL are as follows:

	2024	2023
	£'000	£'000
Operating	**152**	26
Investing	**-**	-
Financing	**-**	-
Net cash inflow/(outflow)	**152**	26

6 Goodwill and impairment

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

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

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

Goodwill carrying amount	**2024**
	£'000
Global Accounts	**9,011**
Walton	**1,097**
	10,108

Goodwill carrying amount	**2023**
	£'000
NexSys and Integrated Business Solutions (IBS)	14,448
Global Accounts	9,366
Walton	1,097
	24,911

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

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

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

7 Notes to the cash flow statement

Cash and cash equivalents

Goodwill carrying amount	2024	2023
	£'000	£'000
Cash and cash equivalents	3,643	8,304
Bank overdrafts	-	-
Cash and bank excluding held for sale operations	3,643	8,304
Cash and cash equivalents - held for sale	5,246	-
Cash and bank including held for sale operations	8,889	8,304

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

Non-cash transactions

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

Reconciliation of financial liabilities

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

8 Events after the reporting date

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

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

Glossary of terms

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

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

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

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

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

'**FY**' means financial year.

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

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

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

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

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

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