

17 July 2024
AIM: KBT



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

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

Interim results for the six months to 31 May 2024

Key Points

	H1 2024	H1 2023
Revenue from continuing operations	£15.5m	£20.3m
Gross profit	£9.9m	£12.4m
— <i>gross margin</i>	64%	61%
Adjusted operating loss	(£1.2m)	(£1.8m)
Loss before tax from continuing operations	(£2.7m)	(£2.9m)
Net cash	£2.0m	£2.9m
Reported loss per share	(6.6p)	(6.5p)
Adjusted loss per share from continuing operations	(4.3p)	(5.4p)

Financial

- Revenue decrease mainly reflected the sharply lower levels of activity at Global Accounts, as anticipated;
 - mitigating actions have supported gross profit margin at the unit.
- Adjusted operating loss improved significantly to £1.2m (2023: loss of £1.8m), reflecting cost reduction measures implemented in prior period and continued cost discipline to improve gross margin.
- Total annual recurring revenue ("ARR") was £24.9m (2023: £24.7m).
- Net cash at half-year end was strong at £2.0m despite exceptional reorganisation costs of £1.2m (2023: £0.4m).

Operational

- K3 Products division – growth from fashion and apparel offering ("Fashion portfolio") offset by expected revenue decline at Retail Solutions:
 - revenue of £6.4m (2023: £6.4m); gross profit of £5.1m (2023: £5.0m).
 - gross profit margin increased to 80% (2023: 78%), helped by Fashion portfolio growth
- Third-party Solutions division – performance significantly impacted by drop in activity at Global Accounts, with NexSys business unit performing robustly:
 - revenue of £9.1m (2023: £13.9m) and gross profit of £4.8m (2023: £7.4m),
 - gross profit margin of 52% (2022: 53%) – helped by cost actions.

Board Appointment

- Oliver Scott appointed as Chairman, with effect from today, with Tom Crawford, previously Executive Chairman, remaining as a Non-executive Director, as announced on 4 July 2024, together with the appointments of Eric Dodd as Chief Executive Officer and Lavinia Alderson as Chief Financial Officer.

Prospects

- Group's performance is typically weighted to H2, with significant earnings and cash inflows from:
 - annual software licence fee and maintenance and support contract renewals in Q4.
- Despite challenges, the Group remains on track to generate an improved adjusted operating performance in the current financial year and to perform in line with the Board's expectations for the current financial year.

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

"Interim results mainly reflect the anticipated reduction in activity at Global Accounts. This has been managed as effectively as possible and, despite the unit's performance, the Group's gross profit margin has been improved, cash generation increased, and the overall loss reduced. Net cash at the half-year end remained very healthy."

“The second half of the financial year is typically our stronger half, with significant cash inflows from software licence and maintenance and support contract renewals. Our priority is to deliver shareholder value while maintaining strong financial discipline. The Group remains on track to perform in line with our expectations for the current financial year.”

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CHIEF EXECUTIVE OFFICER'S STATEMENT

Overview

The new business unit structure established in the prior period, with responsibility and accountability decisively devolved to business unit heads, has further simplified the business and created the most appropriate platform for the Group, as the Board continues to focus on driving value for shareholders.

Strong financial discipline remained a major priority and we have further strengthened K3's financial position with actions to address overheads and to realign costs appropriately. Net cash at the period end stood at £2.0m despite exceptional reorganisation costs of £1.2m (2023: £0.4m).

Overall, the Group's performance was in line with management expectations at the start of the financial year. As expected, a much lower level of activity at Global Accounts significantly impacted the performance of the Third-party Solutions division and the Group. Nonetheless management actions taken in the second half of the last financial year and in this half were successful in mitigating some of the impact. The NexSys operation, which makes up the large majority of the Division's annual revenues performed robustly. It typically makes a substantial contribution in the second half of the year, and specifically in the final quarter of the financial year, when annual software licences and support and maintenance contracts are renewed across its large installed customer base. We are seeing encouraging demand for the product and the sales pipeline is very healthy.

The performance of the K3 Products division benefited from our decision not to maintain the nascent K3 Viji product as a standalone offering but to incorporate its functionality into existing products for the fashion and apparel market ("Fashion portfolio"). The Fashion portfolio expanded software licences within its existing customer base. Recurring revenues have continued to grow, although deal closure has been slower than expected. The Retail Solutions unit saw some expected additional revenue decline, which affected its high-margin contribution.

K3's performance is significantly weighted to the second half of the year and we expect this to continue. The focus remains on gross margin and the cost base is now more appropriately positioned.

Financial Results

The Group's revenue for the six months ended 31 May 2023 decreased to £15.5m (2023: £20.3m). This was predominantly driven by a significantly lower revenue contribution from the Global Accounts operation. Gross profit was £9.9m (2023: £12.4m), reflecting the decrease in revenues. However, gross margin increased to 64% (2023: 61%), helped by measures to adjust the cost base to the new level of revenues and by improved chargeability across teams, especially at Global Accounts.

Adjusted administrative expenses decreased to £11.1m (2023: £14.1m), as we continued to concentrate on delivering value from development expenditure. This included depreciation and amortisation of £0.8m, which was significantly lower than in the prior period (2023: £2.1m) and reflected disciplined development expenditure and related impairments reported at 30 November 2023.

Adjusted operating profit/(loss)¹, which replaced adjusted EBITDA as a key performance measure last year as a better indicator for understanding underlying profitability and cash requirements, showed an improvement, with the loss reducing to £1.2m (2023: £1.8m).

The loss from operations was £2.5m (2023: loss of £2.7m). This was after £1.2m of reorganisation costs, £0.1m of smaller other one-off costs, and no share based payment charges (2023: £0.4m of reorganisation costs, and £0.5m of share-based payment charges).

The reported loss before tax from continuing operations was £2.8m (2023: loss of £2.9m). This was after net finance expenses of £0.2m (2023: £0.3m).

The adjusted loss per share from continuing operations was 4.3p (2023: loss of 5.4p) and excludes amortisation of development costs, capitalised development costs, exceptional reorganisation costs, acquisition costs and share based charges and is net of the related tax charge of £0.2m (2023: credit £0.2m). The reported loss per share, which includes profit from discontinued activities, was 6.6p (2023: 7.2p).

Balance sheet and cash flows

The Group balance sheet remains strong, with cash and cash equivalents of £3.2m (2023: £4.7m) and net cash of £2.0m (2023: £2.9m). K3 has banking facilities with Barclays, its long-standing banking relationship, which comprise a total facility of up to £3.0m, including an overdraft facility to support seasonal cash movements. This facility

agreement was extended in March 2024 on standard terms for a further two years until March 2026, with optional future renewals. At 31 May 2024, £1.25m was drawn (2023: £1.8m).

Group cash flow is weighted towards the second half of the financial year. This reflects the significant cash inflows that fall due in this period from annual software licence and maintenance and support contract renewals.

Cash outflow from operations was £5.8m (2023: £2.8m). Net cash used in investing activities decreased to £0.4m (2023: £0.8m) as a result of our continued disciplined approach to development expenditure as well as our actions to simplify the business. Spend on property, plant and equipment was minimal in the period (2023: £0.4m), and capitalised development expenditure was £0.4m (2023: £0.4m).

Business Strategy

The Board is focused on cash generation and shareholder value. This has driven our actions to simplify the Group and to concentrate on those software products and solutions that are differentiated in their markets and that provide a compelling return on investment for customers.

The K3 Products division provides the opportunity of higher-margin growth, which reflects the fact that its solutions are based on K3 intellectual property (“IP”). Our fashion and apparel products, particularly K3 Fashion, address a global opportunity and the route-to-market for these products is mainly via our business partner network. We are also working with Microsoft, which endorses K3 Fashion. The Retail Solutions unit, which generates a high gross profit margin, has a wide customer base of mainly smaller-to-medium-sized enterprises, and we are focused on providing effective customer support.

The NexSys operation generates a high-level of recurring revenue and strong cash flows. It is a well-established value-added reseller and systems integrator of SYSPRO enterprise resource planning (“ERP”) software, enriched with integrated modules and K3 IP, and backed by specialist support services. We are now targeting larger, higher-value projects in our existing UK markets of manufacturing and distribution. The Global Accounts business, which together with NexSys make up the Third-party Solutions division, provides specialist services to the overseas franchisees of the Inter IKEA Concept. While the expansion of IKEA stores by franchisees has slowed significantly over the last year, Global Accounts, continues to be a key support and services partner to franchisees.

OPERATIONAL REVIEW

The Group’s results for the six months ended 31 May 2024 together with comparatives for 2023 are summarised in the tables below.

Six months ended 31 May	Revenue (£m)		Gross profit (£m)		Gross margin	
	2024	2023 restated	2024	2023 restated	2024	2023 restated
K3 Products	6.4	6.4	5.1	5.0	80%	78%
Third-party Solutions	9.1	13.9	4.8	7.4	52%	53%
Total	15.5	20.3	9.9	12.4	64%	61%

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 and apps (“Retail Solutions”).

£m	2024	2023 restated
Revenue	6.4	6.4
Gross profit	5.1	5.0
Gross profit margin (%)	80%	78%
Adjusted operating loss	1.3	3.5

The division's revenue was steady at £6.4m year-on-year (2023: £6.4m). The Fashion portfolio increased its contribution, however, this was offset by some further expected revenue decline at Retail Solutions, which provides software solutions for the visitor attraction market and point-of-sale retail products and apps.

Recurring revenue increased by 23% to £5.8m from £4.7m in the comparative period in the prior year. This uplift was driven by growth in revenues from the Fashion portfolio, and the increase also helped to drive the improvement in gross profit margin to 80% (2023: 78%). Gross profit for the period increased slightly to £5.1m (2023: £5.0m), and the adjusted operating loss reduced significantly to £1.3m (2023: loss of £3.5m).

As previously reported, we withdrew further investment in our standalone sustainability product for fashion retailers, K3 ViJi, after assessing our commercial priorities. Instead, we are integrating K3 ViJi's capabilities within K3 Fashion's existing corporate social responsibility functionalities. This decision has helped to result in meaningful savings and, along with other cost control actions, a more appropriate cost base.

Our Fashion portfolio, which includes K3 Fashion and K3 Pebblestone, increased annualised recurring revenue by 3% over the period to £5.9m. This included a software licence expansion with an existing customer secured last year, which is broadening its global footprint in the jewellery/watches retail sector. Net revenue retention was good, although deal closure has been somewhat slower than expected in our business partner network, which is the key route to market for our Fashion portfolio products. We believe that this reflects customer purchase phasing, with departmental solutions sometimes being bought at a later stage after the implementation of the initial core ERP.

The new team at Retail Solutions managed the revenue decline experienced in the period well, and Retail Solutions continues to contribute valuable high-margin income and strong net revenue retention of 105%.

Third-party Solutions

Third-party Solutions comprises two units:

- NexSys, a high-margin, value-added reseller and systems integrator of SYSPRO ERP enriched with K3 IP and partner modules. Its solutions address the needs of manufacturers and distributors, and have been typically 'on-premise'. Revenues are generated from implementations, software licence sales (including renewals), and maintenance and support contracts. With a long history of providing innovative ERP solutions for its chosen markets, NexSys has a large installed base of UK customers.
- Global Accounts, which provides specialist services and support, predominantly to the Inter IKEA Concept overseas franchisee network.

£m	2024	2023
Revenue	9.1	13.9
Gross profit	4.8	7.4
Gross margin %	52%	53%
Adjusted operating profit	1.0	3.0

The Division's revenue and profit performance were significantly affected by the sharply lower activity at Global Accounts. This unit provides specialist services to the overseas franchisees of the Inter IKEA Concept. The downturn in activity was anticipated, and continued the pattern experienced over the past year as overseas franchisees opened fewer stores and reduced investment.

Total revenue was down to £9.1m (2023: £13.9m) and gross profit was £4.8m (2023: £7.4m), with adjusted operating profit at £1.0m (2023: £3.0m). Gross margin was broadly maintained at 52% (2023: 53%), helped by the actions taken to adjust Global Accounts' resource base.

The lower-level of activity at Global Accounts is expected to continue in the short to medium term, and the current consulting resource reflects this. However, we remain highly committed to assisting franchisees with their support needs and responding to any new requirements.

The NexSys business, which delivers and supports business-critical ERP solutions for manufacturers and distributors in the UK, performed robustly, with four new logos signed in the first half. The team trialled an annual licence fee model, which was received well, and has potential to contribute to future sales. The sales pipeline is very healthy and we expect further deal closures in the second half. NexSys will also benefit from software licence and maintenance and support contract renewal that fall due in the fourth quarter of the financial year. Renewals are expected to remain at their traditional high levels.

Central Costs

Our decision in the prior period to devolve more responsibility and accountability over resource allocation to our Business Unit heads, has helped to reduce overall costs. The unallocated Central Support costs, which include our PLC costs, were £1.0m (2023: £1.2m).

The Board and Staff

Today, we are pleased to announce the appointment of Oliver Scott as Chairman. This follows Tom Crawford's need to step down from his role as Executive Chairman given the current health condition of a close family member. Tom will remain on the K3 Board as a Non-executive Director and will continue to be closely involved with strategic initiatives. Oliver joined the Board in 2020 as a Non-executive Director and representative of Kestrel Partners LLP ("Kestrel"), which is a major shareholder in the Company.

As previously announced, Eric Dodd, formerly Chief Financial Officer, has been appointed as Chief Executive Officer while Lavinia Alderson, Group Corporate Finance Director has been appointed as Chief Financial Officer. Lavinia joined K3 in December 2020 and has significant commercial and financial experience. She was previously Finance Director of Concept Life Sciences, a leading scientific services group, and before that Head of Finance UK Support & Governance at Cape plc, the energy services company.

I would like to thank all our staff for their continuing hard work and dedication over the period.

Summary and Outlook

The Board has established a firm financial platform for the Group and the leadership teams across the units have clear objectives. While the trading environment remains challenging, in particular at Global Accounts, where we expect trading to remain subdued, we will continue to focus on the opportunity to drive higher-margin, recurring revenues and maintain good cash generation.

The second half of the financial year is typically our stronger half, with significant cash inflows from software licence and support and maintenance contract renewals. Our priority is shareholder value and the Group remains on track to perform in line with our expectations for the current financial year.

Eric Dodd
Chief Executive Officer

K3 Business Technology Group plc

Consolidated Income Statement

for the period ended 31 May 2024

	Unaudited 6 months to 31 May 2024 £'000	Unaudited 6 months to 31 May 2023 £'000	Audited 12 months to 30 November 2023 £'000
Revenue	15,468	20,267	43,779
Cost of sales	(5,612)	(7,917)	(16,639)
Gross profit	9,856	12,350	27,140
Adjusted administrative expenses	(11,046)	(14,011)	(25,523)
Impairment losses on financial assets	(45)	(107)	(354)
Adjusted operating (loss)/ profit	(1,235)	(1,768)	1,263
Exceptional impairment	-	-	(2,070)
Exceptional reorganization	(1,248)	(374)	(2,129)
Exceptional acquisition/disposal related credit/(costs)	(30)	-	406
Share-based payment credit/(charge)	-	(532)	1,126
Loss from operations	(2,513)	(2,674)	(1,404)
Finance expense	(245)	(266)	(417)
Loss before taxation from continuing operations	(2,758)	(2,940)	(1,821)
Tax expense	(163)	(245)	(564)
Loss after taxation from continuing operations	(2,921)	(3,185)	(2,385)
Profit after taxation from discontinued operations	—	317	—
Loss for the period/year	(2,921)	(2,868)	(2,385)

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

	Unaudited 6 months to 31 May 2024 £'000	Unaudited 6 months to 31 May 2023 £'000	Audited 12 months to 30 November 2023 £'000
Loss per share			
Basic and diluted	(6.6)p	(6.5)p	(5.4)p
Basic and undiluted from Continuing operations	(6.6)p	(7.2)p	(5.4)p

**Consolidated Statement of
Comprehensive Income
for the period ended 31 May 2024**

	Unaudited 6 months to 31 May 2024 £'000	Unaudited 6 months to 31 May 2023 £'000	Audited 12 months to 30 November 2023 £'000
Loss for the year	(2,921)	(2,868)	(2,385)
Other comprehensive income			
Exchange differences on translation of foreign operations	(72)	212	76
Other comprehensive income	(72)	212	76
Total comprehensive expense for the year	(2,993)	(2,656)	(2,309)

Total comprehensive expense is attributable to equity holders of the parent.

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

**Consolidated Statement of Financial Position
as at 31 May 2024**

	Unaudited as at 31 May 2024 £'000	Unaudited as at 31 May 2023 £'000	Audited as at 30 November 2023 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	1,125	1,866	1,323
Right-of-use assets	817	738	1,025
Goodwill	24,784	25,000	24,911
Other intangible assets	1,478	2,422	1,533
Deferred tax assets	169	890	77
Total non-current assets	28,373	30,916	28,869
Current assets			
Stock	259	489	276
Trade and other receivables	6,804	11,136	7,555
Forward currency contracts	-	110	-
Cash and short-term deposits	3,233	4,672	8,304
Total current assets	10,296	16,407	16,135
Total assets	38,669	47,323	45,004
LIABILITIES			
Non-current liabilities			
Lease liabilities	45	33	37
Provisions	197	-	105
Deferred tax liabilities	169	1,079	91
Total non-current liabilities	411	1,112	233
Current liabilities			
Trade and other payables	11,500	12,143	15,946
Current tax liabilities	423	300	285
Lease liabilities	797	769	947
Borrowings	1,255	1,768	12
Provisions	-	798	305
Total current liabilities	13,975	15,778	17,495
Total liabilities	14,386	16,890	17,728
EQUITY			
Share capital	11,183	11,183	11,183
Share premium account	31,451	31,451	31,451
Other reserves	11,151	11,151	11,151
Translation reserve	1,611	1,819	1,683
Accumulated losses	(31,113)	(25,171)	(28,192)
Total equity attributable to equity holders of the parent	24,283	30,433	27,276
Total equity and liabilities	38,669	47,323	45,004

**Consolidated Statement of Cash Flows
for the period ended 31 May 2024**

	Unaudited as at 31 May 2024 £'000	Unaudited as at 31 May 2023 £'000	Audited as at 30 November 2023 £'000
Cash flows from operating activities			
Loss for the period	(2,921)	(2,868)	(2,385)
Adjustments for:			
Finance expense	245	266	417
Tax expense	163	245	564
Depreciation of property, plant and equipment	179	344	552
Impairment of property, plant and equipment	-	-	464
Depreciation of right-of-use assets	174	440	591
Amortisation of intangible assets and development expenditure	442	1,331	1,091
Impairment of intangible assets (including goodwill)	-	-	1,606
Loss on sale of property, plant and equipment	-	-	11
Share-based payments (credit)/charge	-	446	(969)
Net cash flow from provisions	(218)	(359)	(740)
Net cash flow from stock	17	-	208
Net cash flow from trade and other receivables	751	(1,669)	3,319
Net cash flow from trade and other payables	(4,597)	(843)	(1,104)
Cash generated from operations	(5,765)	(2,667)	3,625
Income taxes paid	(50)	(150)	(82)
Net cash from operating activities	(5,815)	(2,817)	3,543
Cash flows from investing activities			
Development expenditure capitalised	(348)	(352)	(734)
Acquisition of a subsidiary, net of cash acquired	-	-	(86)
Purchase of property, plant and equipment	(2)	(445)	(588)
Net cash from investing activities	(350)	(797)	(1,408)
Cash flows from financing activities			
Proceeds from loans and borrowings	1,243	1,783	3,500
Repayment of loans and borrowings	-	-	(3,536)
Repayment of lease liabilities	(137)	(541)	(708)
Interest paid on lease liabilities	(45)	(84)	(126)
Finance expense paid	(23)	(30)	(163)
Net cash from financing activities	1,038	1,128	(1,033)
Net change in cash and cash equivalents	(5,127)	(2,486)	1,102
Cash and cash equivalents at start of year	8,304	7,000	7,113
Exchange gain/(losses) on cash and cash equivalents	56	158	89
Cash and cash equivalents at end of year	3,233	4,672	8,304

Consolidated Statement of Changes in Equity
for the period ended 31 May 2024

	Share capital £'000	Share premium £'000	Other reserves £'000	Translation reserve £'000	Accumulated losses £'000	Total equity £'000
At 30 November 2021	11,183	31,451	11,151	1,538	(19,522)	35,801
Prior period restatement	–	–	–	–	(1,879)	(1,879)
At 30 November 2021 – Restated	11,183	31,451	11,151	1,538	(21,401)	33,922
Changes in equity for year ended 30 November 2022						
Loss for the year	–	–	–	–	(4,188)	(4,188)
Other comprehensive income for the year	–	–	–	69	–	69
Total comprehensive income/(expense)	–	–	–	69	(4,188)	(4,119)
Share-based payment	–	–	–	–	751	751
At 30 November 2022 – Restated	11,183	31,451	11,151	1,607	(24,838)	30,554
Changes in equity for year ended 30 November 2023						
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	31,451	11,151	1,683	(28,192)	27,276
Changes in equity for year ended 30 November 2023						
Loss for the year	–	–	–	–	(2,921)	(2,921)
Other comprehensive income for the year	–	–	–	(72)	–	(72)
Total comprehensive income/(expense)	–	–	–	(72)	(2,921)	(2,993)
At 31 May 2024	11,183	31,451	11,151	1,611	(31,113)	24,283

1 Segment information

Six months ended 31 May 2024 (unaudited)

	K3 Products	Third-party Solutions	Central Costs	Total
	£'000	£'000	£'000	£'000
External revenue	6,391	9,077	-	15,468
Cost of sales	(1,286)	(4,326)	-	(5,612)
Gross profit	5,105	4,751	-	9,856
Gross margin	80%	52%	-	64%
Adjusted administrative expenses	(6,369)	(3,717)	(1,005)	(11,091)
Adjusted operating profit/(loss)	(1,264)	1,034	(1,005)	(1,235)
Exceptional impairment	-	-	-	-
Exceptional reorganisation costs	-	-	(1,248)	(1,248)
Acquisition/disposal credit/(costs)	-	-	(30)	(30)
Share-based payment credit/(charge)	-	-	-	-
(Loss)/profit from operations	(1,264)	1,034	(2,283)	(2,513)
Finance expense	-	-	(245)	(245)
(Loss)/profit before tax and discontinued operations	(1,264)	1,034	(2,528)	(2,758)
Tax expense	-	-	(163)	(163)
Profit/(loss) from discontinued operations	-	-	-	-
Loss for the year	(1,264)	1,034	(2,691)	(2,921)

Six months ended 31 May 2023 (Restated) (unaudited)

	K3 Products	Third-party Solutions	Central Costs	Total
	£'000	£'000	£'000	£'000
External revenue	6,379	13,888	-	20,267
Cost of sales	(1,391)	(6,526)	-	(7,917)
Gross profit	4,988	7,362	-	12,350
Gross margin	78%	53%	-	61%
Adjusted administrative expenses	(8,462)	(4,406)	(1,250)	(14,118)
Adjusted operating profit/(loss)	(3,474)	2,956	(1,250)	(1,768)
Exceptional impairment	-	-	-	-
Exceptional reorganisation costs	-	-	(374)	(374)
Acquisition/disposal credit/(costs)	-	-	-	-
Share-based payment credit/(charge)	-	-	(532)	(532)
(Loss)/profit from operations	(3,474)	2,956	(2,156)	(2,674)
Finance expense	-	-	(266)	(266)
(Loss)/profit before tax and discontinued operations	(3,474)	2,956	(2,422)	(2,940)
Tax expense	-	-	(245)	(245)
Profit from discontinued operations	-	-	317	317
(Loss)/profit for the year	(3,474)	2,956	(2,350)	(2,868)

1 Segment information (continued)

Year ended 30 November 2023 (audited)

	K3 Products	Third-party Solutions	Central Costs	Total
	£'000	£'000	£'000	£'000
External revenue	13,085	30,694	-	43,779
Cost of sales	(2,728)	(13,911)	-	(16,639)
Gross profit	10,357	16,783	-	27,140
Gross margin	79.15%	54.68%	-	61.99%
Adjusted administrative expenses	(15,187)	(8,475)	(2,215)	(25,877)
Adjusted operating profit/(loss)	(4,830)	8,308	(2,215)	1,263
Exceptional impairment	-	-	(2,070)	(2,070)
Exceptional reorganisation costs	-	-	(2,129)	(2,129)
Acquisition/disposal credit/(costs)	-	-	406	406
Share-based payment credit/(charge)	-	-	1,126	1,126
(Loss)/profit from operations	(4,830)	8,308	(4,882)	(1,404)
Finance expense	-	-	(417)	(417)
(Loss)/profit before tax and discontinued operations	(4,830)	8,308	(5,299)	(1,821)
Tax expense	-	-	(564)	(564)
Profit/(loss) from discontinued operations	-	-	-	-
(Loss)/profit for the year	(4,830)	8,308	(5,863)	(2,385)

2 General information

K3 Business Technology Group Plc is incorporated in England and Wales under the Companies Act (listed on AIM, a market operated by the London Stock Exchange Plc) with the registered number 2641001. The address of the registered office is Baltimore House, 50 Kansas Avenue, Manchester M50 2GL.

The interim condensed consolidated financial statements comprise the company and its subsidiaries, "the Group".

Basis of preparation and Going Concern

The financial information set out in this Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 November 2023, prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The interim financial information has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") and on the same basis and using the same accounting policies as used in the financial statements for the year ended 30 November 2023.

The financial information has not been prepared (and is not required to be prepared) in accordance with IAS 34. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of this financial information.

The Interim Report has not been audited or reviewed in accordance with the International Standard on Review Engagement 2410 issued by the Auditing Practices Board.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing this financial information.

3 Significant events

As disclosed in our Annual Report and Accounts for FY2023, in March 2024, the Group agreed an extension to its Current Revolving Credit Facility with Barclays for £2.75m until 31 March 2026.

4 (Loss)/earnings per share

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

	Unaudited as at 31 May 2024 £'000	Unaudited as at 31 May 2023 £'000	Audited as at 30 November 2023 £'000
<i>Denominator</i>			
Weighted average number of shares used in basic and diluted EPS	44,090,074	44,090,074	44,090,074

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

	Unaudited as at 31 May 2024 £'000	Unaudited as at 31 May 2023 £'000	Audited as at 30 November 2023 £'000
Loss after tax from continuing operations	(2,921)	(3,185)	(2,385)
Profit after tax from discontinued operations	-	317	-
(Loss)/profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share	(2,921)	(2,868)	(2,385)

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

	Unaudited as at 31 May 2024 £'000	Unaudited as at 31 May 2023 £'000	Audited as at 30 November 2023 £'000
Loss after tax from continuing operations	(2,921)	(3,185)	(2,385)
Add back Other Items:			
Exceptional reorganisation costs	1,248	374	2,129
Exceptional impairment costs	-	-	2,070
Acquisition/disposal related (credit)/costs	30	-	(406)
Shared-based payment charge	-	532	(1,126)
Tax (credit)/charge related to Other Items	(243)	(112)	175
(Loss)/profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share from continuing operations before other items	(1,886)	(2,391)	457

	Unaudited as at 31 May 2024 £'000	Unaudited as at 31 May 2023 £'000	Audited as at 30 November 2023 £'000
Loss per share			
Basic and diluted loss per share	(6.6)	(6.5)	(5.4)
Basic and diluted (loss)/profit per share from continuing operations	(6.6)	(7.2)	(5.4)
Adjusted loss per share			
Basic and diluted loss per share from continuing operations before other items	(4.3)	(5.4)	1.0

5 Loans and borrowings

	Unaudited as at 31 May 2024 £'000	Unaudited as at 31 May 2023 £'000	Audited as at 30 November 2023 £'000
Current			
Bank overdrafts (secured)	-	-	-
Bank loans (secured)	1,255	1,768	12
	1,255	1,768	12

6 Non-statutory information

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

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

- 1 Adjusted 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).
- 2 Recurring revenue – contracted support, maintenance and annual licences.
- 3 Adjusted loss/earnings per share – basic profit/(loss) per share from continuing operations adjusted to exclude exceptional impairment costs, exceptional re-organisation costs and exceptional acquisition costs/(income) and share-based payment charges/(credit), net of the related tax charge.
- 4 Cash outflow – calculated as the change in cash and cash equivalents balances between two balance sheet dates.