

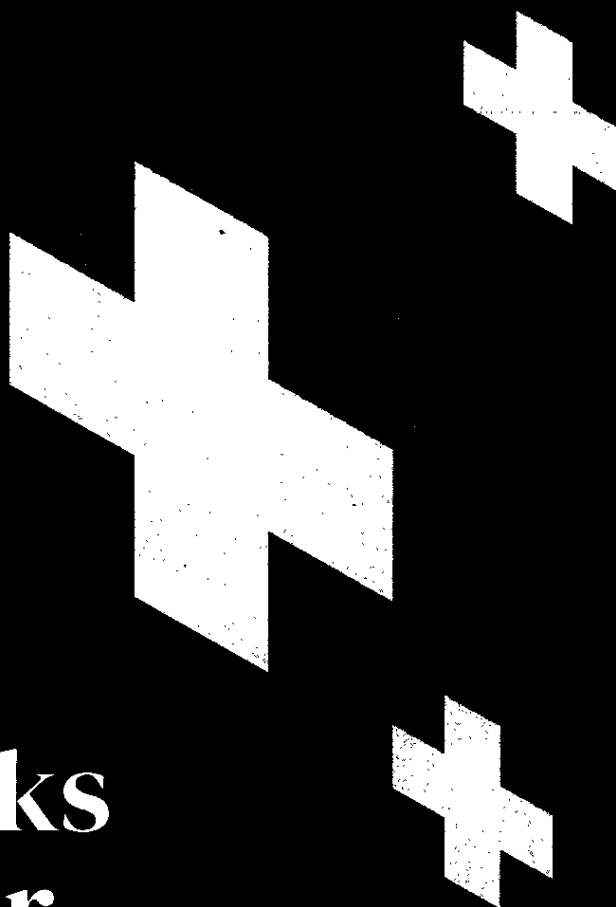
KIN+CARTA

# Building a world that works better for everyone

Kin and Carta plc

Annual Report and Accounts  
For the year ended 31 July 2021

Company number: 01552113



SATURDAY



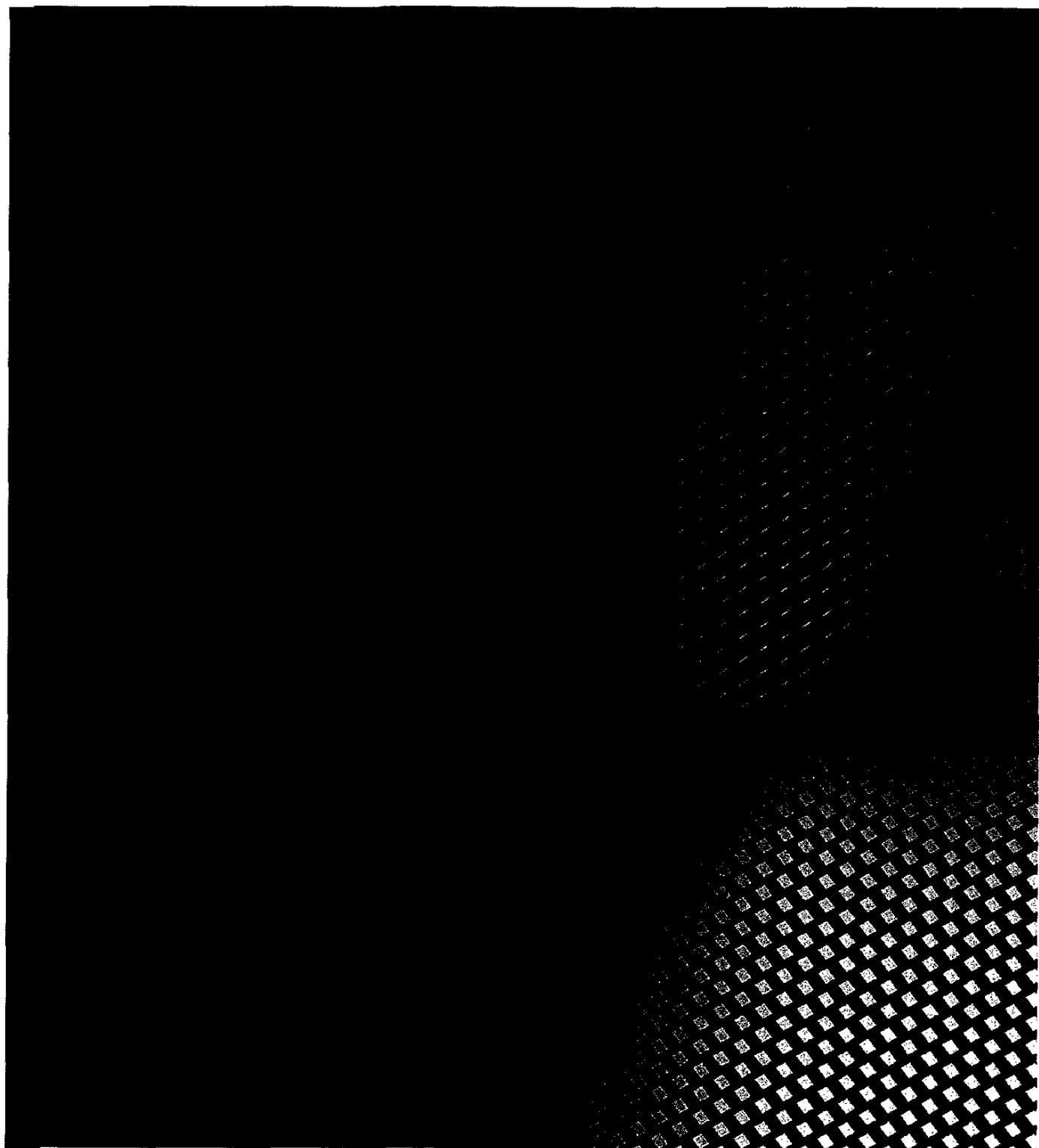
\*AB30155T\*

A09

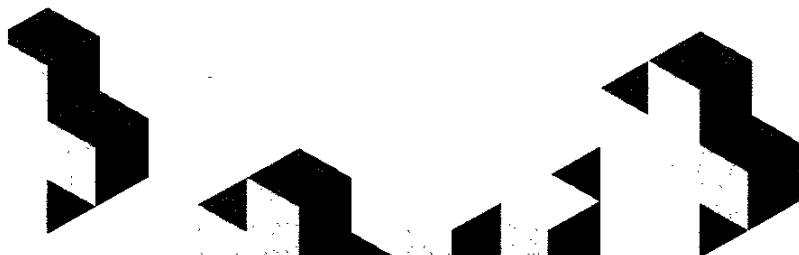
30/04/2022

#205

COMPANIES HOUSE



These are Kin + Carta's brand promises. Through these, we are committed to building platforms, products and services that make a difference, and we choose to use business as a force for good.



## What we do: Kin + Carta at a glance

---



See pages 04 and 05  
for more information



## Responsible Business

---



See pages 70 to 101  
for more information



## Case studies: How we build a world that works better for everyone

---



See pages 46 to 61 for  
more information



# Contents

<b>Overview</b>	
At a Glance	04
Highlights	06
Investment Case	08
Chairman's Statement	10
<b>Strategic Report</b>	
The Digital Transformation Industry	16
Business Model	20
What We Do	22
Partnerships	24
Growth	28
How We Do It: Our Kin and Culture	34
Our Strategic Priorities	38
Chief Executive Officer's Review	40
Case Studies	46
Key Performance Indicators	52
Chief Financial Officer's Review	56
Alternative Performance Measures	66
Being a Responsible Business (including Section 172 Statement)	70
Risk Management	102
Our Non-Financial Information Statement	111
<b>Governance</b>	
Board of Directors	118
Governance at a Glance	122
Corporate Governance Report	124
Audit Committee Report	134
Nomination Committee Report	142
Directors' Remuneration Report	146
Directors' Report	175
Statement of Directors' Responsibilities	179
<b>Financials</b>	
Independent Auditors' Report to the Members of Kin and Carta plc	182
Consolidated Income Statement	194
Consolidated Statement of Comprehensive Income	195
Consolidated Statement of Changes in Equity	196
Consolidated Balance Sheet	197
Consolidated Statement of Cash Flows	198
Notes to the Consolidated Financial Statements	199
Company Balance Sheet	256
Company Statement of Changes in Equity	257
Notes to the Company Financial Statements	258
Shareholder Information	269
Glossary	270

# At a Glance

**Kin + Carta is a technology, data and experience consultancy that believes in using business as a force for good. We are at the forefront of a new class of digitally native firms built to deliver Digital Transformation 2.0, and we choose to do so as a socially responsible business that champions inclusion, diversity, equality and sustainability.**

We focus on delivering connected outcomes for clients through innovation, modernisation, enablement and optimisation, including:

- helping the C-Suite better understand market shifts, and how products and services must evolve;
- utilising emerging technologies to create new products and platforms; and

- amplifying digital investments and experiences through modern marketing technology and data platforms.

Headquartered in London and Chicago, our c. 1,600 engineers, strategists and designers combine to form a maker culture that serves the healthcare, financial services, B2B, consumer, agriculture and transportation sectors.

## Being a Responsible Business

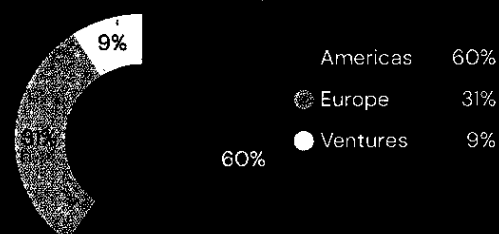
Kin + Carta is driven by the purpose to build a world that works better for everyone. This is being realised through a socially responsible lens, with B Corp certification already achieved in the Americas and Europe regions, and the goal of becoming the first B Corp listed on the London Stock Exchange. Our balance of people, profit and planet attracts some of the best digital talent in the world.



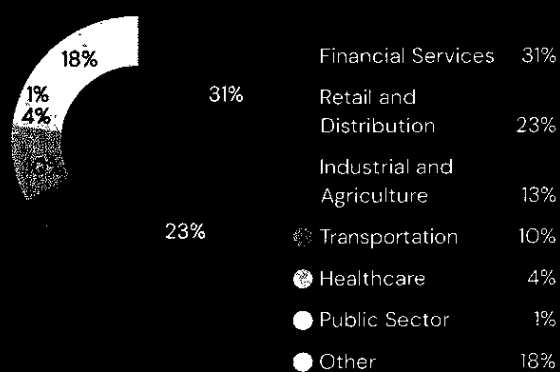
See pages 70 to 101 for  
**Being a Responsible  
Business**

Our revenue is primarily derived from the sale of our products and services, which are sold through a combination of direct sales and distribution channels. The following table provides a breakdown of our revenue by region and sector.

### Net revenue by region<sup>1</sup>



### Net revenue by sector<sup>1</sup>



<sup>1</sup> Continuing operations only. Continuing operations excludes the results of Incite, Hive and Pragma (note 8).

# Highlights

## Financial Highlights

### Continuing Operations<sup>2</sup>

Adjusted  
Net Revenue<sup>1, 4</sup>  
**£141.4m**  
+12%

Adjusted Basic  
Earnings Per Share<sup>4</sup>  
**6.1p**  
+70%

Adjusted  
Operating Profit<sup>4</sup>  
**£15.0m**  
+34%

Statutory (Loss)  
Before Tax  
**(£4.3m)**  
+88%

Adjusted Profit  
Before Tax<sup>4</sup>  
**£13.0m**  
+61%

Statutory Basic  
Loss Per Share  
**(3.0p)**  
+86%

### Continuing and Discontinued Operations

Adjusted  
Net Revenue<sup>1, 4</sup>  
**£156.2m**  
+7%

Adjusted Basic  
Earnings Per Share<sup>4</sup>  
**7.7p**  
+34%

Adjusted  
Operating Profit<sup>4</sup>  
**£18.5m**  
+24%

Statutory Profit  
Before Tax  
**£4.2m**  
+112%

Adjusted Profit  
Before Tax<sup>4</sup>  
**£16.3m**  
+40%

Statutory Basic  
Earnings Per Share  
**1.6p**  
-108%

<sup>1</sup> Adjusted net revenue excludes net revenue from Incite Singapore, following the decision to close the operation in FY20. Adjusted net revenue consists of the Group's continuing operations. See footnote 2.

<sup>2</sup> Continuing operations excludes the results of Incite Marketing Planning Limited, Incite New York LLC, The Health Hive (US) LLC, The Health Hive Group Limited and subsidiaries, and Pragma Consulting Limited. These businesses were disposed of by the Group, details of their disposal are in note 8.

<sup>3</sup> Like-for-like is defined as the results from continuing operations at constant currency and excluding inorganic results when comparing the current period to the prior period.

<sup>4</sup> Adjusted results exclude adjusting items to enhance understanding of the ongoing financial performance of the Group. Adjusting items comprise redundancies; restructuring costs; impairment or amortisation charges related to goodwill; tangible and intangible assets; acquisition costs; contingent consideration required to be treated as remuneration, and costs related to the Company's Defined Benefits Pension Scheme (note 7)

- Adjusted net revenue<sup>1</sup> from Continuing Operations<sup>2</sup> of £141.4 million (2020: £125.7 million); +12.5% for the year including Cascade Data Labs; +11.3% on a like-for-like<sup>3</sup> basis
- Net revenue growth accelerated in H2, with Americas recovering more quickly
  - Americas net revenue grew 23% to £85 million; H2 net revenue 55% higher than H1
  - Europe net revenue grew 1% to £44 million; H2 net revenue 28% higher than H1
- Record year-ending backlog of £71 million, up 50% compared to the prior year
- Adjusted profit before tax from Continuing Operations<sup>2</sup> of £13.0 million (2020: £8.1 million); includes H2 adjusted profit before tax of £10.0 million on business recovery and surging return to growth
- Statutory loss before tax from Continuing Operations<sup>2</sup> of £4.3 million (2020: loss of £36.3 million) driven by typical pension and acquisition related charges
- Net debt reduced to £19.2 million (2020: £31.6 million), resulting in a net debt to Adjusted EBITDA ratio of 1.0x
- Divested all but two of the non-core Ventures businesses in the last 13 months
  - Pragma in August 2020 and Hive in December 2020 for £12.6 million
  - Incite was divested in September 2021 for £18 million before adjustments for debt and working capital, and is reported as discontinued operations
- Two remaining Ventures businesses in advanced stages of divestment process

## Operational Highlights

Significant client wins include UK Government Home Office, Santander, The Economist, US Foods, Hewlett-Packard and Blue Cross Blue Shield

Volume and scale of client engagements with more than £1 million of annual net revenue increased to 30 clients in FY21, up from 19 in the prior year

Growth in the Partnerships Channel resulting in £21 million net revenue, up from £7 million last year

Acquired Cascade Data Labs in December 2020 and integrated successfully to expand Western US presence and launched a new data proposition

Launched five global service lines to serve the key needs of DX 2.0: Cloud + Platforms, Data + AI, Products + Services, Strategy + Innovation, and Managed Services

B Corp certification achieved for Americas and Europe

Kin and Carta plc on pathway to being the first listed business on the London Stock Exchange to become a certified B Corp

# Investment Case

01

The pandemic has accelerated investment.

Digital Transformation 2.0 is driving both increased budgets and the need for a new kind of outcome-focused technology consulting provider. Kin + Carta has positioned itself to capitalise on both of these opportunities.



See pages 16 to 19 for more information about **Digital Transformation 2.0**.

02

Kin + Carta has been built for this change, rather than scrambling to adapt to it.

Kin + Carta is a global technology, data and experience consultancy, structured as a platform business with strong cloud partnerships and nearshore delivery models. Growth will be sustained by a systematic multi-channel approach to demand generation and client growth, supported by organic and inorganic investment.



See pages 20 to 33 for more information about our **business model** and **growth strategy**.

03

We choose to use business as a force for good.

With great power comes great responsibility. We believe we are tasked with building the technical foundation for tomorrow's society, and we are doing so through a socially responsible lens of sustainability and inclusivity. This is not only the right thing to do, it is also helping Kin + Carta further differentiate in the battle for digital talent.



See pages 70 to 101 for more information about **how we have positive impact**.





**John Kerr**  
Chairman

## Chairman's Statement

### **A year of transition and growth**

Last year, I commented on the level of economic uncertainty and marketplace disruption. I also commented on the plan put in place by J Schwan, our Chief Executive Officer, and his leadership team to position the businesses to take advantage of the upturn whenever it would come. I told you that there were signs that the market was stabilising and that the Group was well positioned to support our clients as the market recovered. I am delighted to be able to report to you that the market has recovered significantly, and that the plan which the Chief Executive Officer and his team put in place has delivered strong performance. It has positioned us well to capture further growth in a market which is now growing strongly. It also enhanced our position during the year by sharpening our focus and extending our capabilities in new and important areas with the completion of the strategic acquisition of Cascade Data Labs. Given the uncertainties we faced, this is an outstanding position to have achieved and I want to highlight to you the commitments we made last year and the outcomes we delivered.

We are especially grateful for the support of our shareholders during the past year and throughout the pandemic. Thank you.



When I wrote to you last year, we were still in the middle of the pandemic. The Group had experienced a difficult first half and was showing remarkable resilience but the outlook remained uncertain. I am delighted to be able to tell you that we not only weathered the storm but grew over 30% in the second half of the year, and have emerged more resilient and more ambitious than ever to get back on course as a growth company.

Last year, I explained that our goals from the beginning of the pandemic had been to continue to support our clients, to demonstrate our commitment to our people and their families, and to protect value for our shareholders by minimising the adverse impact of the significant market discontinuities it had created; whilst at the same time retaining critical capabilities for the future. We remained true to those goals throughout. In doing so, we were supported by the UK and US Government job retention schemes to help retain key talent. We and our people are very grateful for the support provided by both governments. We also chose to invest in key client relationships through the pandemic, and focus on retaining and growing the capabilities required for the future, which have positioned the Group well in the marketplace.

There have been some significant changes in the markets in which the Group operates. COVID-19 forced our clients to re-evaluate their digital strategies and accelerated the shift to digital and to the cloud, which created opportunities for the Group. This shift has also created a change in the market for talent and we will be making proposals at the AGM to introduce important updates to our employee incentivisation and retention mechanisms to help support improvements to our employee value proposition.

**// We have become an end-to-end digital transformation business offering capabilities in experience, technology and data."**

Last year, I told you about the cash preservation measures we had taken. Our people had accepted voluntary salary reductions of varying levels based on seniority. We are grateful to them for the sacrifices they made and we can confirm that we have now repaid those salary reductions. We also took the decision to withdraw the planned interim dividend and not to pay a year-end dividend to shareholders. We have since reviewed our capital allocation policy and have taken the decision that, going forward, in support of our growth company ambitions, we will direct our use of cash towards acquisitions and organic growth investments as a priority.

### Performance and focus

During the year, in addition to managing the operational challenges presented by the pandemic, the Group has maintained focus on its core strategy and has made good progress on key priorities:

1. **Focus** — under the leadership of our Chief Executive Officer, we have become an end-to-end digital transformation business offering capabilities in experience, technology and data. We can take clients on a journey from advice through to implementation and, if necessary, operate parts of their infrastructure on their behalf. We continue to invest in building market-leading capabilities, such as in cloud migration and in providing data insights, and we have further sharpened our focus since the end of the financial year by divesting Incite which didn't fit with our digital transformation focus. We also deepened capabilities in data during the year by acquiring Cascade Data Labs in Portland, Oregon, and by the subsequent creation of Kin + Carta Data Labs.



Read more about **What We Do** on pages 22 and 23



Read more about **Our Partnerships** on pages 24 to 27

## Chairman's Statement

Continued

2. **Geographic expansion** — the Group has presence in Europe, the Central, West and East Regions of the US, and a nearshore delivery centre in Argentina. We continue to build from those bases.
3. **Partnerships** — the Group has leading-edge capabilities in high-growth cloud transformation technologies offered by partners, such as Google and Microsoft. We communicated last year that we were investing in these partnerships. They have grown significantly resulting in £21 million net revenue, up from £7 million last year. We will continue to invest in these relationships and building related capabilities.

The Group returned to growth during the year to 31 July 2021. Following a first half of the year, when revenues declined significantly as clients responded to the pandemic, the second half of the year saw a return to growth delivered by the actions taken during the first half of the year and delivered adjusted net revenue growth for the year of 12.5%. The actions taken also helped drive growth in profitability, with a strong improvement in the second half of the year. The crisis isn't yet over but the signals are encouraging.

You will read elsewhere in the report about outstanding work being performed for blue-chip clients around the world where we are delivering leading-edge solutions partnering with Microsoft and Google. The quality of the solutions we are delivering in areas that are mission-critical for our clients demonstrates both the success of our strategy and how we have emerged stronger from the pandemic.

### Our people and our responsibilities to society

Kin + Carta is a people business. Our ability to attract and retain talented people is vital to our plans for future growth. We must be able to access the skills and capabilities which are highly valued by our clients, and scarce in the market. Therefore, we need to be an attractive employer for talent irrespective of gender, ethnicity, religion or sexual orientation.

Last year, I communicated our commitment to promoting inclusivity and equality of opportunity for all employees and job applicants. I also communicated our intent to be an anti-racist Group, not just in words but in action. To help deliver the change necessary, we implemented a strategy to improve Inclusion, Diversity, Equity and Awareness ("IDEA"), which led to a number of actions and outcomes:

- The representation of women has increased from an average of 35% to 39% across the Regions, and ethnic minorities in the US from 26% to 33%
- We have implemented changes to our policy for promoted posts to ensure that shortlists will include at least one member of an ethnic minority
- We addressed the gender pay gap and achieved pay equity of greater than 95% across the Regions

We aspire to meet the highest standards of social and environmental performance, public transparency and accountability to balance profit and purpose. Not only is it attractive to the talent we are trying to attract and retain that Kin + Carta is a purpose-led Company, but it is also the right thing for the business to do.

To support this intent, we have recently amended the Company's articles of association to include an objective to have a material positive impact on society and the environment, which was overwhelmingly supported by our shareholders, to reflect our responsibilities to our employees and to wider society. Examples of additional actions we have taken to demonstrate our broader responsibilities include:

- the introduction of responsible business policies, including a new Code of Ethics
- the introduction of an ethical and sustainable procurement policy
- the creation of local and global philanthropy committees to facilitate effective community and charitable engagement

The intention of the Board is for Kin and Carta plc to attain B Corp certification. This is a path on which we embarked three years ago, and it is very satisfying to note the progress that has been achieved. B Corp provides a framework for measurement of our performance in creating sustainable social change, and Kin + Carta will be subject to audit as part of the B Corp process. Kin + Carta aspires to be the first company listed on the London Stock Exchange to achieve B Corp status, and we invite others to join us.

### Governance and management

Your Board remains committed to maintaining high standards of corporate governance. It comprises five Non-Executive Directors (including me as Chairman), along with the Chief Executive Officer and Chief Financial Officer. We have implemented systems to ensure oversight of the business meets the standards expected

by our shareholders. During the year, we conducted a review of the effectiveness of the Board and its committees, and we are implementing the learnings from that process.

Helen Stevenson will retire from the Board at the AGM, having served nine years on the Board. During that time, she oversaw the transformation of the Group from its print legacy to a digital transformation business. We have much to thank Helen for, and we will miss her challenge and collaborative style. Maria Gordian is joining the Board as Non-Executive Director from 1 November 2021 and we look forward to working with her. She brings a unique set of skills and insights, and will make a significant contribution to helping the Group achieve its scaling ambitions.

### Looking forward

The Board will continue to hold the team accountable for delivering the strategic direction we have chosen — focus, geographic expansion and partnerships — and for outperforming the market. We have made good progress on all of these fronts in the past year.

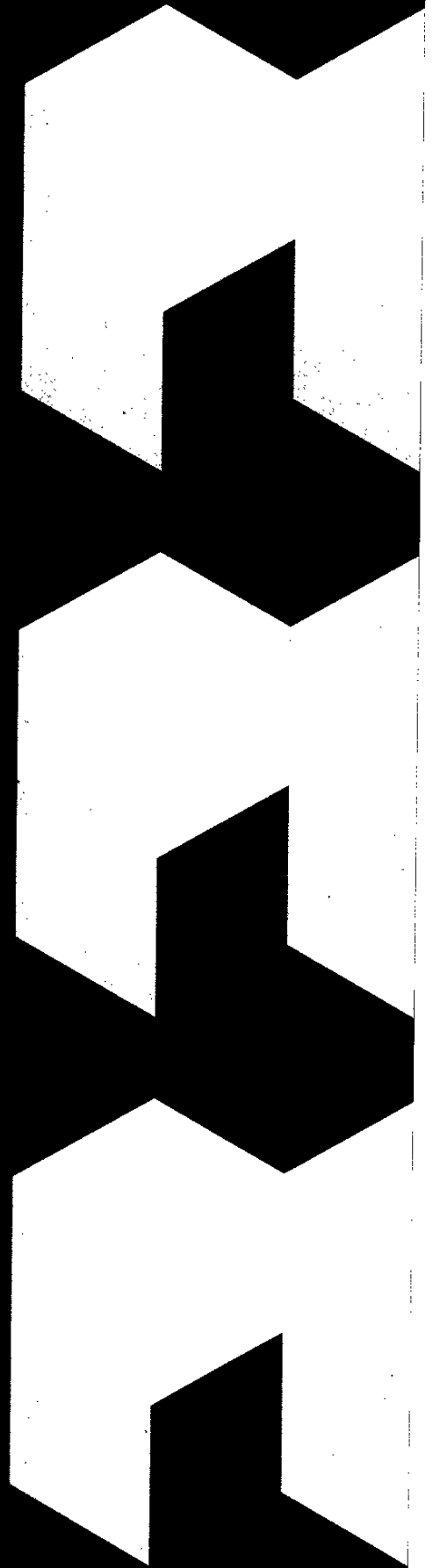
Kin + Carta has come through a very challenging period for our people, for our leadership and for the Group as a whole. But the Group has emerged stronger, more sharply focused and more resilient. It has returned to growth and is well positioned to continue that growth in the future.

**John Kerr**  
Chairman

26 October 2021



# Strategic Report



The Digital Transformation Industry	16
Business Model	20
What We Do	22
Partnerships	24
Growth	28
How We Do It: Our Kin and Culture	34
Our Strategic Priorities	38
Chief Executive Officer's Review	40
Case Studies	46
Key Performance Indicators	52
Chief Financial Officer's Review	56
Alternative Performance Measures	66
Being a Responsible Business (including Section 172 Statement)	70
Risk Management	102
Our Non-Financial Information Statement	111

# The Digital Transformation Industry

Foundations for change

The advent of digital transformation marks the greatest reassessment of how we work, communicate and live our lives since the Industrial Revolution. COVID-19 has intensified both the need and the speed of transformation, with businesses and society adapting to enforced behavioural change in the scramble to respond.



The increasing demand for digital transformation



“Cloud-based digital transformation is going to be a US\$100 trillion business in the next ten years according to the World Economic Forum.”

Brent Combest  
General Manager, One Commercial Partner at Microsoft

“The cloud market should be worth US\$500 billion by 2023, which means there’s an astronomical opportunity for Kin + Carta. While we grew 46% year-on-year, we see our top partners growing even more than that.”

Rob Harper  
Director of ISV and Channel Sales at Google Cloud

the world's largest and most influential companies. The survey also found that 62% of CEOs have a management initiative or transformation programme to make the business more digital — Gartner<sup>4</sup>.

These findings highlight the importance of digital transformation for businesses. As the world becomes increasingly digital, businesses must adapt to remain competitive. This means investing in digital technologies and talent, and implementing effective digital strategies. The survey results show that businesses are already taking steps in this direction, but there is still much work to be done. For example, only 41% of decision makers believe accelerating the shift to digital business is their most critical priority — Forrester<sup>2</sup>.

Technology consulting and outsourcing services will grow by 6.3% in 2021 — Forrester<sup>3</sup>.

Overall, the survey results suggest that digital transformation is a top priority for businesses, and that there is significant potential for growth in this area. Businesses that invest in digital technologies and talent, and implement effective digital strategies, will be well-positioned to succeed in the digital economy.

**41%**  
of decision makers believe  
accelerating the shift to  
digital business is their  
most critical priority —  
Forrester<sup>2</sup>

Technology consulting  
and outsourcing services  
will grow by  
**6.3%**  
in 2021 — Forrester<sup>3</sup>

**62%**  
of CEOs have a  
management initiative or  
transformation programme  
to make the business more  
digital — Gartner<sup>4</sup>

1. Smarter with Gartner, "Gartner Top 10 Strategic Predictions for 2021 and Beyond" 21 October 2021 ([gartner.com/smarterwithgartner/gartner-top-10-strategic-predictions-for-2021-and-beyond](https://gartner.com/smarterwithgartner/gartner-top-10-strategic-predictions-for-2021-and-beyond)).

2. Forrester's Business Technographics: Business and Technology Services Survey, 2020.

3. Forrester Global Tech Market Outlook for 2021 to 2022.

4. Gartner, "Effective Digital Business Transformation Starts With an Industry Vision", Jorge Lopez, refreshed 4 August 2021, published 17 April 2020.

Gartner disclaimer:

GARTNER is a registered trademark and service mark of Gartner, Inc. and/or its affiliates in the U.S. and internationally, and is used herein with permission. All rights reserved.

# The Digital Transformation Industry

Continued

## Industry-wide requirements

While speed and investment have accelerated, the core requirements have remained consistent.

### Businesses must:

Rethink their approach to **products**; creating new, digitally native products and services, modernising legacy systems, adopting cloud-based infrastructure and eradicating restrictive technical debt.

Reassess the value of **data**; democratising access, increasing insight and nurturing a 'data as a product' mindset to maximise value.

Reconsider connected **experiences**; timely, intelligent and enjoyable experiences, enabled by connected data and technology for both the end-user consumers, and the enterprise teams who create it.

Success requires an evolution of business behaviours and processes. There is an inherently human enabler to digital transformation. Outcomes are optimised when a business adopts greater agility, nurtures key partnerships and embraces the communication transparency required for inclusive change management.





## Key digital transformation outcomes

### Innovation

New digital products. New digital platforms. New digital services. The creation of new features the world has never seen.

### Modernisation

The re-engineering of mission-critical data and technology stacks to increase agility, efficiency and speed to value.

### Enablement

Our ability to teach our clients how to own their transformation, giving them the tools, platforms and specialist teams to scale.

### Optimisation

The always-on, data-driven experimentation and continuous improvement of existing products, platforms and services through value-driven managed services.



# Business Model

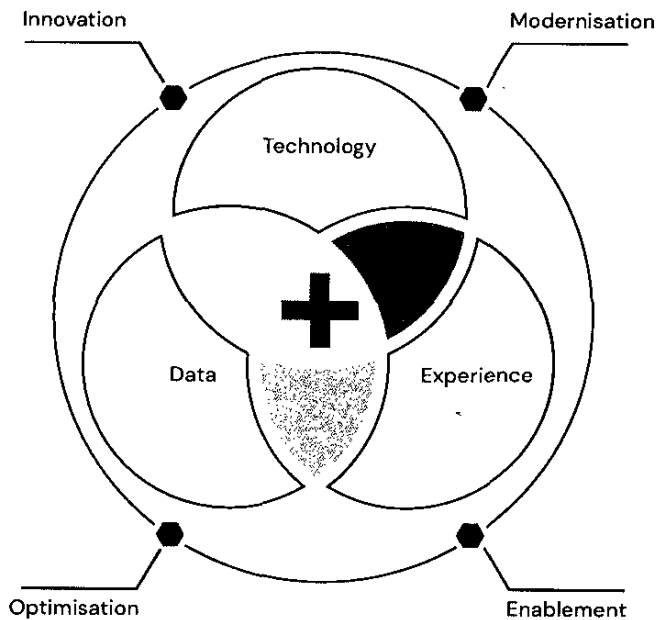
## Why

As demand for transformative digital services accelerates Kin + Carta are ...

Building a world that works better for everyone

## What

Serving the three critical domains and four key outcomes of digital transformation.



See pages 22 and 23 for **What We Do**

## How

We believe that we are tasked with building the technical foundation for tomorrow's society, and we choose to do so through a socially responsible lens of accessibility, inclusivity and sustainability.

## Partnerships

Partnering with the technology businesses that are shaping future-tense infrastructure



**Microsoft**

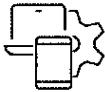
**Google Cloud**

**aws**


 See pages 24 to 27 for more information

## Growth


Scaling a global business through four growth levers




Services



Sectors

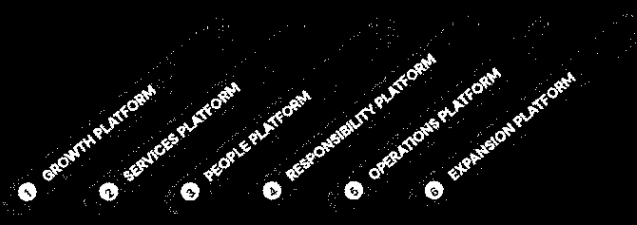


Partners



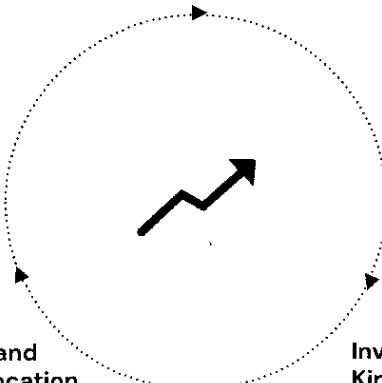
Territories

Enabled by 'The Carta' connected platforms




Enhanced by strategic M&A

**Implement the Carta**



**Launch and grow a location**

**Invest in our Kin and our Carta**

 See pages 28 to 33 for more information on Growth

Certified



This company meets the highest standards of social and environmental impact

Corporation

Kin + Carta Americas businesses: Kin and Carta US and its Argentinian subsidiary, Solstice Mobile Argentina Srl, B Corp Certified.

Kin + Carta Europe, B Corp Certified.



See pages 70 to 101 for more information on **Being a Responsible Business**

# What We Do

**Kin + Carta is an industry driver and definer of Digital Transformation 2.0. We are a digitally native consultancy operating at the intersection of technology, data and experience to drive what we call 'connected outcomes' for our clients.**

## The domains we serve

**Technology, data and experience.**

The combination of these three critical domains of Digital Transformation 2.0 gives Kin + Carta a powerful ability to leverage their intersections as value multipliers in the pursuit of outcomes-based enterprise transformation.

## The outcomes we create

Linking these domains drives connected outcomes for our clients across the full lifecycle of product and platform ecosystems.

Typically there are four types of outcome that we deliver for our clients: **Innovation, Modernisation, Enablement and Optimisation.**

## Innovation

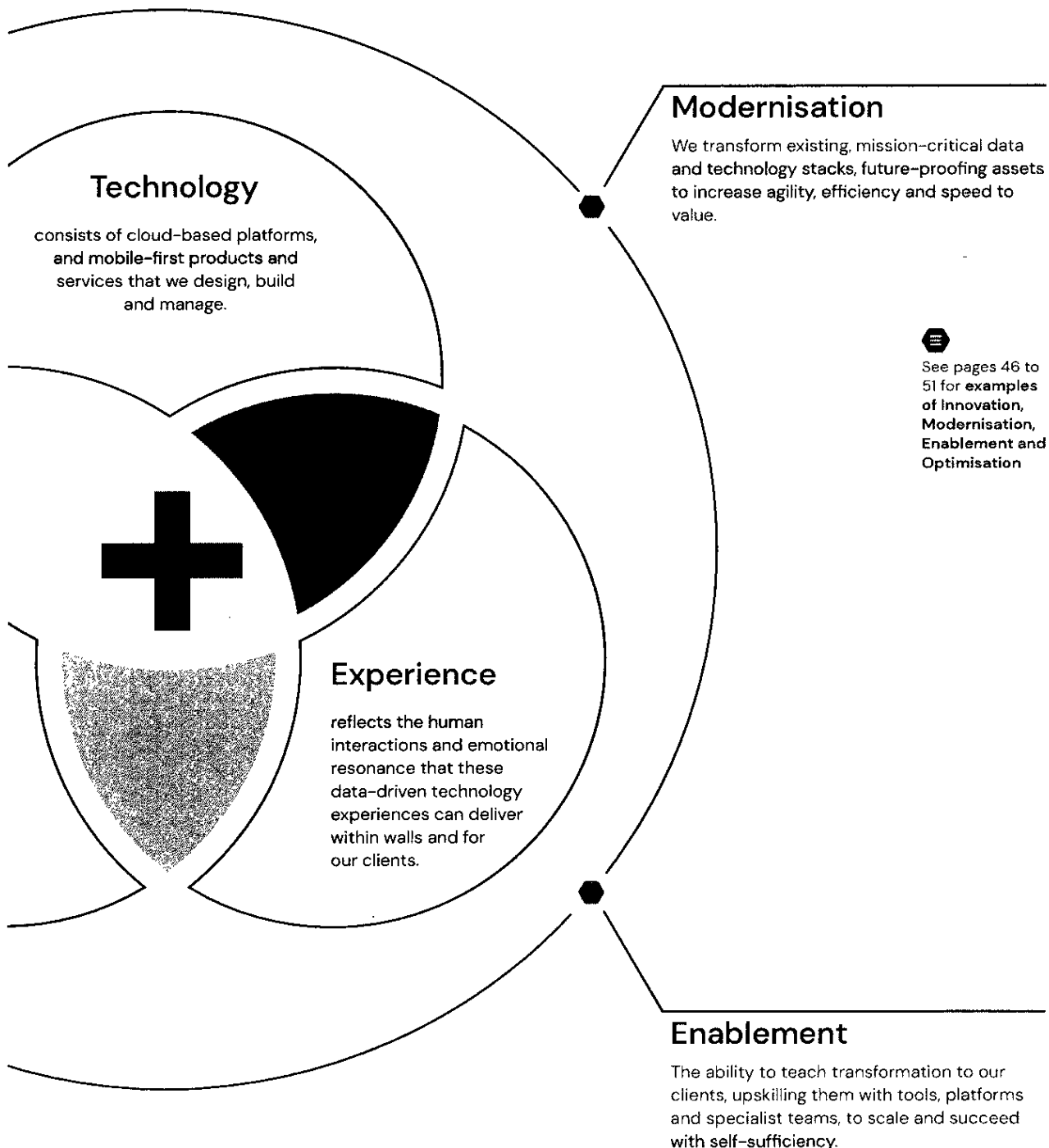
New digital products. New digital platforms. New digital services. The creation of new features the world has never seen.

## Data

is an asset that flows through our clients' systems, which we intelligently leverage to build competitive advantage for them.

## Optimisation

Always-on, data-driven experimentation and continuous improvement of existing products, platforms and services, through managed services that catalyse better opportunities and outcomes.



## Partnerships

# Our Partners

In 2019, we created the Partnerships channel, part of our Growth Platform, as an engine to unlock and accelerate the revenue opportunity that can be gained by partnering with some of the world's largest and fastest-scaling technology organisations.

### Our partner strategy and how we operate

Our partnerships can be categorised into three areas:

1. **Platform Partners:** Microsoft, Google Cloud and AWS — these are the public clouds that our clients want us to build their products in, and with.
2. **Product Partners:** Optimizely, Confluent, commercetools, Contentstack and Contentful — these are the products our clients want us to implement, integrate and provide services around, often in the cloud.
3. **Technical and Referral Partners:** VMware, Avaya, Genesys and many more — these are the technical tools we use to create our solutions for our clients.

Our focus since establishing the Partnerships channel has been primarily on scaling our relationship with Microsoft and Google Cloud by aligning our Product Partner Strategy with them, and growing our certification and practices to continue building our opportunities together.

We work with our partners to build a world that works better for everyone and operate with responsibility at the core of our partner relationships.



See page 93 for  
Being a Responsible  
Business: Our  
Partners

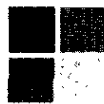


See page 113 for  
information on our  
Environmental and  
Social Risk Policy for  
Client and Partner  
Engagements

increase in cloud  
consumptions in  
the past 12 months

increase in net  
new revenue from  
Partnerships in  
12 months

of net revenue  
as a result of the  
services to our  
Partnerships



# Microsoft



**Kin + Carta helps Microsoft connect technology strategy to the business — empowering our customers in their path to digital success. Businesses like Kin + Carta are critical to our partner growth strategy.”**

**Tyler Bryson**

**Corporate Vice President, Microsoft US One Commercial Partner**

As a result of our strong partnership with Microsoft, this past year we have seen our revenue related to Microsoft work increase six times. We have moved to Managed Partner status in both the US and the UK; becoming one of a limited number of partners that receive ongoing dedicated resources and investment from Microsoft to support scaling together in 2021/2022.

Kin + Carta is proud to be a Microsoft Gold Partner in five competencies, and Microsoft Silver Partner in two competencies, directly correlated to our core service lines. This recognition reflects our deep technical expertise, and ability to leverage Microsoft's proven frameworks and tools to deliver world-class solutions.

Microsoft Cloud for Sustainability is a set of tooling and processes that runs on Microsoft Azure, as well as hybrid and multi-cloud environments. The technology offers a centralised means of measuring, understanding and making informed decisions about carbon emissions. Furthermore, it allows companies to set and track sustainability goals, and take measurable actions. Kin + Carta and Microsoft are committed to sustainability and, as a result, we are able to provide our clients with a current state assessment of the sustainability of their software platforms, cloud partnerships or overall business outcomes and strategies. We work directly with our clients to design a set of key activities and measurable targets to advance their sustainability, lower their carbon footprint as an organisation and deliver against their bespoke roadmap.

## Product Partnerships

### Optimizely



Aligning our Optimizely partnership with Microsoft has helped expand our footprint globally and elevate our profile. As the Digital Experience Platform market demand continues to grow, Optimizely continues to invest in their platform via acquisition and an assertive product roadmap. As a result, Optimizely is continually recognised for the strength of its products in analyst reports, competing for market share and mind share in the enterprise client space. We expect to see continued growth with our long-standing partnership over the next 12 months as we further expand our reach in both regions and mutual partnership with Microsoft.

## Partnerships — Our Partners

Continued

### Google Cloud



**Kin + Carta covers the entire spectrum of what an ideal partner looks like: raw technical talent to deliver an innovative solution, strategic and product-centric mindset to building a new consumer-facing application, while keeping the customer and end result front and centre."**

Aaron Hanlon

**Customer Engineering Manager, Retail Vertical at Google Cloud**

Google Cloud continues to grow at significant pace. Due to our strengthened partnership with Google Cloud, this past year alone we have seen our revenue related to Google Cloud Platform ("GCP") work increase three times. When it comes to strategic GCP offerings, such as Application Modernisation and Development and Contact Centre AI ("CCAI"), Google Cloud identifies Kin + Carta as an important partner in the US and UK markets.

We have created numerous offerings to add value to our clients and GCP partnership. For example, this year we developed an industry solution around both B2B and B2C commerce, in partnership with Google Cloud and commercetools, addressing a perceived gap in the commerce market. We have also developed a Landing Zone for clients' first Cloud Workloads on GCP to take advantage of Google's rapid client acquisition strategy.

Kin + Carta is one of Google Cloud's Premier Partners. This is a reflection of our teams' ability to maintain the highest standards of knowledge, support and ingenuity when working with Google Cloud products.

### Product Partnerships

#### Confluent



**CONFLUENT**

Our early partnership with the rapidly scaling business Confluent created an impactful success story in the data and event streaming market. By combining both Google Cloud and Confluent together to co-market and generate demand, we have managed to secure significant joint wins this year with existing and new clients alike.

#### commercetools



**commercetools**

The MACH (Microservices, API, Cloud, Headless) revolution has evolved and commercetools has quickly been identified as a leader and pioneer in the space. By combining commercetools' recent addition to the Google Marketplace with our services, we have created a joint accelerator for organisations that are seeking more control over their customers' commerce experiences.





Our partnership relationship with AWS has begun evolving this past year and will continue to be a strategic focus as we move into 2021/2022, with many of our largest clients already on the cloud platform. We've also qualified as an AWS Public Sector partner in the UK, specifically in the not-for-profit and government areas, and we have three AWS-badged competencies in IoT, Mobile and Serverless.

## Product Partnerships

### Contentful



Contentful is also a part of the MACH movement, but in the content space. With early partnerships in the west of the US, and the UK, we have met the rising demand for Contentful services as our clients have scaled in the last quarter of the year. We have earned more than ten Contentful certifications and won more than three deals with Contentful, earning the status of a Gold Contentful partner – one of only 12 worldwide.

### Contentstack



Contentstack is a key new content partner for Kin + Carta that has supported our Connected Commerce proposition. Recently, Contentstack spoke at the UK Future of Commerce event, alongside commercetools and Google, where we saw a range of high-quality executive leaders. We expect to see great things from our partnership in the next 12 months.

## Growth

# Our Platforms: The Carta

### Our platforms

Kin + Carta deploys a series of interconnected strategic platforms that drive connection, innovation and efficiency. We call this suite of platforms 'The Carta'.

The Carta is a critical scaling enabler and a central component of our organic and inorganic growth strategies.

Platform	Value created
<b>Growth Platform</b> Our global marketing, demand generation and partnership function, driving Kin + Carta's market position and penetration among target client audiences and industry sectors.	<b>For clients:</b> Trusted, outcome-based relationships. <b>For partners:</b> Increased value through mutually beneficial value exchange. <b>For shareholders:</b> A systematic approach to driving organic net revenue growth.
<b>Services Platform</b> The innovation, go-to-market and scaling of critical digital transformation services enabled by a global operating model that drives value and champions craft.	<b>For clients:</b> Specialist, connected, domain and sector leadership. <b>For our people:</b> Borderless craft opportunities and increased leadership paths. <b>For shareholders:</b> Increasing market differentiation and improving gross margins.
<b>People Platform</b> Industry-leading employee value proposition and experience, clear career paths with learning and development #foreveryone.	<b>For clients:</b> The best digital talent in the market. <b>For our people:</b> Continuous learning and development with clear career paths in a diverse and inclusive business. <b>For communities:</b> Diverse recruitment for under-represented communities. <b>For shareholders:</b> The specialist talent to scale the business globally.
<b>Responsibility Platform</b> Initiatives focused on supporting an inclusive, accessible and sustainable business, with positive impact for stakeholders, communities and wider society.	<b>For clients:</b> A progressive environmental, social and corporate governance ("ESG") partner that reflects their values and commitments. <b>For our people:</b> Increased employee engagement and belonging, critical as a talent attractor. <b>For communities:</b> Supporting responsible business and positive impact initiatives. <b>For shareholders:</b> Substantiation of Kin + Carta's sustainable investment credentials.
<b>Operations Platform</b> An integrated approach to our shared service functions, including legal, finance, HR operations, Connective Digital Services (IT) and business intelligence, to streamline operations.	<b>For our executive:</b> Integrated commercial and operational data to drive informed decision making. <b>For all commercial partners:</b> Increasing efficiency of business relations. <b>For acquisitions:</b> A critical enabler of M&A evaluation, diligence and integration. <b>For shareholders:</b> Reducing risk and increasing operating margins.
<b>Expansion Platform</b> Identify, acquire and integrate key strategic targets.	<b>For acquisitions:</b> Positive acquisition experience and value-adding integration. <b>For shareholders:</b> Value generation through inorganic growth.

## The Carta

Platforms that enable transformational scale

- 1 **GROWTH PLATFORM**  
Demand generation, partnerships, marketing
- 2 **SERVICES PLATFORM**  
Global service lines, service offerings, practices
- 3 **PEOPLE PLATFORM**  
Employee experience, value proposition, learning
- 4 **RESPONSIBILITY PLATFORM**  
ESG, IDEA, B Corp, responsible business
- 5 **OPERATIONS PLATFORM**  
Legal, finance, HR Operations, IT, business intelligence
- 6 **EXPANSION PLATFORM**  
M&A identification, diligence, acquisition, integration



## Growth

# Our Growth Strategy and Acquisitions

### Organic growth

We have four key levers of organic growth (the strategic scaling of existing capabilities and client relationships).

#### Partners

We collaborate with some of the world's largest and fastest-scaling technology organisations. Kin + Carta teams leverage our partners' established technology, access new solutions as they come to market and create new applications to serve client or sector needs. Partner relationships are managed by a dedicated Partnerships team and built on a mutual value exchange where revenue opportunities are nurtured and exchanged by both parties.



See pages 24 to 27 for further information on our **Partners**

### Services

Our core services are organised in a globally consistent portfolio of service lines shaped to deliver client outcomes. Each service line contains connected service offerings with specialist domain and sector leadership.

Service offerings are delivered by multiple practices; a cross-disciplinary approach that allows clients to access the best and brightest experts in their fields.

For our staff, the service lines structure creates greater leadership opportunities and provides dual "craft" and "go-to-market" career paths within a borderless organisation, where our best minds are free to consider our clients' problems. Collaboration enables our employees to learn from their colleagues' knowledge and grow; even hyper-specialists can learn new skills.

### Territories

We continue to expand our organic footprint.

In the past year, we have built and opened new nearshore delivery facilities in South Eastern Europe (Greece) and South America (Colombia), plus a commercial growth hub in Northern Europe (Amsterdam) to attract and win new clients.

We will continue to look for territorial expansion in the US and key European markets.

### Sectors

The strategic targeting of key verticals allows us to talk directly to industry sectors where Kin + Carta have considerable experience, or those with the greatest need for transformative services. We will continue to drive value from sectors where we are already strong, and expand footprint and services in other target verticals in which we can bring speed to value.

#### Strategic sectors

- Financial Services
- Consumer
- B2B
- Transportation
- Healthcare

#### Emerging sectors

- Public Sector
- Energy

### Inorganic growth

Our inorganic growth strategy, supported by a designated Kin + Carta Expansion Platform, seeks to identify, acquire and integrate businesses that deliver regional expansion, capability tuck-ins and large-scale transformative deals.

Successful integration is critical to value enhancement. Our core collection of platforms — The Carta — doubles as a playbook of shared services to attract and integrate target acquisitions quickly and efficiently into Kin + Carta.

The benefits of that integration — unlocking faster, more profitable growth — can in turn be reinvested into the ongoing evolution and development of the key elements of The Carta, as well as our people.

## Our strategy for acquisitions and targeting new areas

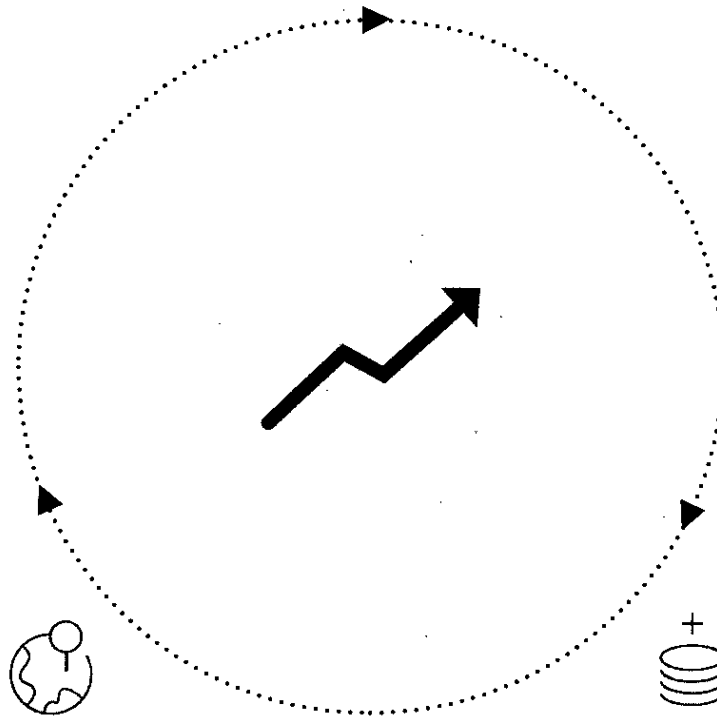
The Carta, as well as being a series of shared service platforms, is also a playbook to attract and integrate target acquisitions quickly and efficiently into Kin + Carta. The benefits of that integration – unlocking faster, more profitable growth – can in turn be invested in the ongoing evolution and development of the key elements of The Carta. This is the Kin + Carta flywheel, which accelerates growth and amplifies the value The Carta creates for stakeholders, ultimately supporting long-term sustainable success.

## The Flywheel



### Implement The Carta

The platforms that allow transformational scale: Growth, Services, People, Responsibility, Operations and Expansion. In the US, we've embedded dedicated growth teams by territory and Talent Acquisition into our People Platform. In Europe, we focused on integrated Sales and Employee Experience teams first.



### Launch and grow a location

Unlock a new geographic market of target clients through acquisition. Our priority in the US is growing our footprint in the Southeast territory, as well as expanding our nearshore delivery capabilities in Latin America.

### Invest in our Kin and our Carta

Utilise the returns from the location to invest in our people by enhancing The Carta, bringing new propositions to market and targeting new locations.

**KIN+ CARTA**

## **Growth – Our Growth Strategy and Acquisitions**

Continued

### **Acquisitions and expansion during the past year**

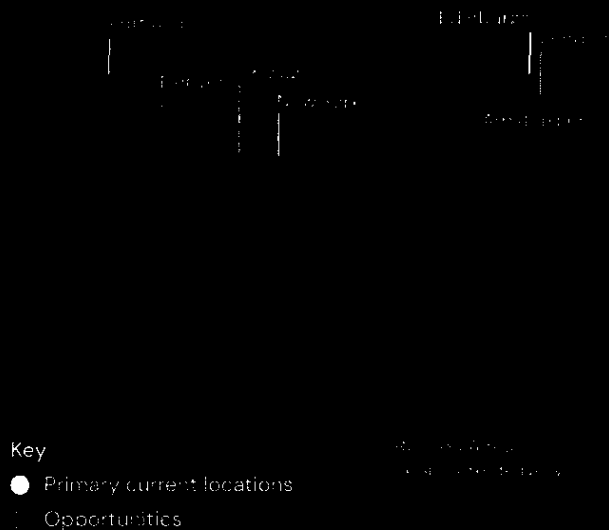
The territories that Kin + Carta serve continue to expand. The Americas saw investment in the Northwest through acquisition in Portland, Oregon, and grew new South American nearshore delivery capabilities in Colombia to complement our established Buenos Aires production base. Europe grew beyond the UK base to include a Northern European growth hub in Amsterdam and a delivery centre in Athens, Greece.



See pages 40 to 45 of the **Chief Executive Officer's Review** for further information on our growth strategy and acquisitions



**KIN+ CARTA**



**“**Joining Kin + Carta has enabled us to expand our client portfolio, scale our processes and leverage the platforms of The Carta. We’re well positioned to shape our data practice moving forward to best serve the dynamic needs of the market.”



**Greg Holiat**  
Executive Managing Director, Cascade Data Labs

## How We Do It

# Our Kin and Culture

An important part of the Kin + Carta difference is how we do what we do

### Our Kin and Culture

We align our purpose, values, strategy and culture for the good of our staff, clients and communities, by consciously connecting Kin + Carta's values with promises that contextualise those commitments in our everyday business.

This ensures their combined strength delivers a connected global mindset; one consistent thread throughout our business, regardless of practice, territory or region.

## Our Values

### Connectivity

Our connections are the enabler that allow us to build and to transform; to be more than the sum of our parts.

A connective mindset never stops learning; it brings the right mind to the problem, and acts as a multiplier to the outcome.

### Inner Courage

Every single day

This is the value that strengthens us to believe in better, and be brave enough to recognise that change starts from within.

### Empathy in Action

If empathy can be passive, and altruism self-serving, compassion is active.

It is our decision to do something, to stand for something and make a positive impact that defines us.



## Our Promises

### Connective

#### Connection drives transformation

This is our 'how', our value multiplier, and how we create better business outcomes for our clients.

Our blended model draws on data, technology and experience specialists to create the four connected outcomes of innovation, modernisation, enablement and optimisation.

This isn't by chance.

Unlike many of our competitors, our structures and platforms are designed to deploy borderless connections for the benefit of our clients, rather than a dependency on clients to nurture alliances and share knowledge between holding-group business units.

At the heart of Kin + Carta is a maker culture where showing beats saying, code beats charts and building is a mindset, not a phase.

A connected world. No dead ends. No full stops.

Kin + Carta was founded with a unifying perspective; the more connected we are, the stronger we are. This is our first value: **Connection**.

### Adaptive

#### Adaptability drives resilience

Innovate at the speed of demand. Build technology ecosystems that scale. Democratise data to release value.

Making these choices together allows us to navigate complex new tech frontiers without losing touch of what makes an everyday difference:

Easier.

Faster.

Connected.

Our empowered teams value agility, craft, quality and effectiveness. We challenge by being open to the idea that there may be another way, not a blinkered belief that our way is the only way.

Progress advances further than petulance, collaboration is a baseline and momentum is measurable.

To deliver our pathfinder promise at a global scale, we partner with the brands that are building the infrastructure of tomorrow, today.

In parallel, we build and acquire new capabilities, technologies and locations, enabled by The Carta, a platform ecosystem that drives scalable growth and invests back into our Kin.

Better doesn't stand still.

To think differently; to take our clients by the hand and lead them into the unknown, we have to show **Courage**.

### Responsible

#### Responsible business matters

We believe that business should be used as a force for good.

Today's digital platforms, products and experiences need to be designed and built with a moral compass at the centre.

Inclusion and Diversity isn't a programme, it's an imperative and a competitive advantage.

Everyone has the right to be themselves and to bring themselves, to be respected equally for who they are. To live, work, and enjoy a safe and nurturing community that values and supports them. Everyone.

Our work must be as inclusive as our workplaces, and our workplaces must be as diverse as the communities they exist within.

We have to hold ourselves to account.

Kin + Carta Americas and Kin + Carta Europe are certified B Corps, meeting the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

The ability to see beyond our own lived experiences and recognise those of others is at the heart of our final Kin + Carta value, **Compassion**.

## How We Do It – Our Kin and Culture

Continued

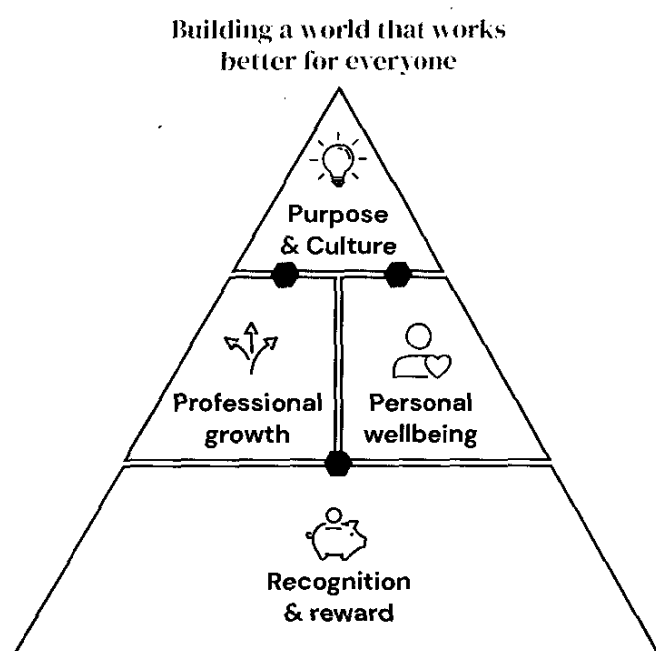
### Aligning Purpose, Values, Strategy and Culture

To ensure our people understand our purpose and strategic priorities, and how our culture is integral to successfully fulfilling them, we hold annual Kin + Carta-wide 'All Hands' meetings. The meetings focus on connecting the dots between what our people do, and the values they demonstrate, with the strategic direction of the business.

Our Executive Directors and senior leadership team also provide Kin + Carta-wide video or written e-briefings on key topics at pertinent times to keep our people informed of significant strategic developments, how those developments support our purpose of building a world that works better for everyone, and how they reflect our values of connection, courage and compassion.

This year, we have worked to develop and introduce our Employee Value Proposition ("EVP"), strengthening the connection between our purpose, values, strategy and culture, and crystallising the value we aspire to bring to our people. With our mantra "Connecting curious minds" at its heart, our EVP comprises four key building blocks. The ultimate goal is to connect our people with our purpose through opportunities for professional growth, whilst ensuring personal wellbeing.

A focus on connecting curious minds means that our EVP centres around creation of a continuous learning culture, leading to ongoing talent development, which, in turn, helps us deliver against our strategic goals and our purpose. Examples of how we are embedding this for our people include:



- junior talent accelerator programmes that sees junior talent hired into the business and led through an intensive training programme;
- launching multiple learning paths for our more experienced people;
- providing opportunities for employees to work on meaningful projects that support their continued development;
- running partner certification programmes in Google, Microsoft, Amazon and commercetools;
- Lunch and Learn sessions to support the continued development of cutting-edge technical skills; and
- leadership development in various forms including leadership team coaching, our women's leadership accelerator programme and unconscious bias training for all people leaders.

## Monitoring Culture

We monitor culture to understand behaviours and sentiment throughout Kin + Carta and provide an opportunity to address any misalignment with the intended culture. Our mechanisms for monitoring culture include:

- undertaking half-yearly employee engagement surveys that generate employee Net Promoter Scores ("eNPS"), measuring employee loyalty, engagement and how likely they are to recommend us as a great place to work. eNPS is one of our core key performance indicators; for more information see page 54;
- sending pulse surveys to our teams at frequent intervals to ensure we are receiving regular feedback and provide opportunities to share ideas of how we can improve the working environment; and
- considering public feedback on social media and review platforms, such as Glassdoor.

Additionally, we take great pride in receiving company awards that showcase our successes in areas, such as workplace and culture, and technical areas, such as product and service development.



# Our Strategic Priorities

Our strategic priorities are centred on The Carta, a collection of centralised shared services, technologies and capabilities that will drive our growth efficiently while streamlining the integration of new acquisitions into our business.



## Growth

### Description

Our global marketing, demand generation and partnership function, driving Kin + Carta's market position and penetration among target client audiences and industry sectors.

### Progress this year

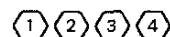
The continued maturity of our Partnerships channel saw new business revenue increase from £7 million to £21 million within the year, with a key focus on our cloud partners Google and Microsoft, while activating the most progressive Product Partners that sit within their ecosystems.

Our industry sector strategic focus matured our positions in Financial Services, Consumer, B2B, Transportation and Healthcare, while developing emerging specialisms in Public Sector and Energy.

### Focus for 2022

We expect that the Public Sector will be our next break-out area and are investing in Kin with Public Sector experience to complement our existing growth teams.

### Link to KPIs



### Link to risks



## Services

### Description

The innovation, go-to-market and scaling of critical digital transformation services enabled by a global operating model that drives value and champions craft.

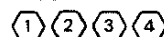
### Progress this year

We have evolved our global operating model to facilitate scale with a highly relevant suite of DX Service Lines across the areas of Cloud + Platforms, Data + AI, Products + Services, Strategy + Innovation, and Managed Services. These Service Lines are delivered by specialist Practices within which our Kin learn and grow their crafts.

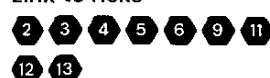
### Focus for 2022

The launch and global activation of a partner-aligned Managed Services service line, bringing recurring revenue and a valuable bridge to further production opportunities.

### Link to KPIs



### Link to risks



## People

### Description

Industry-leading employee value proposition and experience, clear career paths with learning and development #foreveryone.

### Progress this year

We introduced the Kin + Carta Employee Value Proposition ("EVP"), achieving ten employer awards, including Consulting Magazine's 'Best large companies to work for', and Fast Company's 'Best workplaces for innovators'.

Having initiated a pay equity analysis in 2021 and implemented an initial path to pay parity, we have a secondary phase under way to ensure pay equity principles are incorporated into promotions and recruitment.

### Focus for 2022

Establish the Kin + Carta Accelerator as a learning and development platform for our existing Kin, and an entry point into our organisation for diverse junior talent.

### Link to KPIs



### Link to risks



## KPIs:

- 1 Adjusted net revenue growth
- 2 Adjusted operating profit margin
- 3 Net revenue predictability
- 4 Number of £1 million clients
- 5 Employee net promoter score
- 6 Mean gender pay gap

## Risks:

- 1 Pandemic shocks
- 2 Economy and volatility
- 3 Growth
- 4 Scalability
- 5 Assimilation and integration
- 6 Services demand
- 7 Client concentration
- 8 Laws and regulations
- 9 Our people
- 10 Brand and culture
- 11 Data protection
- 12 Cybersecurity and systems
- 13 Financing
- 14 Legacy Defined Benefit Pension Scheme



## Responsibility

### Description

Initiatives focused on supporting an inclusive, accessible and sustainable business, with positive impact for stakeholders, communities and wider society.

### Progress this year

We launched our new strategic plan and programme for Inclusion, Diversity, Equity and Awareness ("IDEA"). Over the year, we increased our gender diversity across all regions by 3.5ppt and our minority representation in the US by 7ppt.

We achieved B Corp certification in our Americas region in January 2021. We submitted our B Corp application for our Europe region, which led to certification being awarded in October 2021.

Following the amendment to the articles of association of Kin and Carta plc in September 2021, which included a commitment to a triple bottom line approach to business, seeking to ensure that decision making incorporates due consideration for people, profit and the planet. We are seeking B Corp certification for Kin and Carta plc in our financial year ending in 2022.

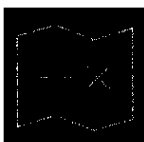
### Focus for 2022

Measure inclusivity, accessibility, and sustainability in all Service Lines, ensuring responsible client work is delivered through sustainable methods.

### Link to KPIs



### Link to risks



## Operations

### Description

An integrated approach to our shared service functions, including legal, finance, HR operations, Connective Digital Services (IT) and business intelligence, to streamline operations.

### Progress this year

We built and rolled out an integrated strategic vision and plan for the Operations Platform, with the new Operations Platform leadership team now meeting fortnightly.

### Focus for 2022

The increased digital maturity of our global Operations Platform to increase business insight, drive operational efficiency, and act as a critical enabler in the integration of future acquisitions.

### Link to KPIs



### Link to risks



## Expansion

### Description

The identification, acquisition and integration of target businesses and territorial expansion.

### Progress this year

We have scaled our expansion platform and the territories that Kin + Carta serve continue to expand. The Americas saw investment in the Northwest through acquisition in Portland, Oregon, and initiated new South American nearshore delivery capabilities in Colombia and Peru to complement our established Buenos Aires production base. Europe grew beyond the UK base to include a Northern European growth-hub in Amsterdam and a delivery centre in Athens, Greece.

### Focus for 2022

We have committed increased investment and leadership to our M&A focused Expansion Platform for the identification, acquisition and integration of key strategic targets.

### Link to KPIs



### Link to risks



Read more about our KPIs on pages 52 to 55



Read more about our Principal Risks and Uncertainties on pages 102 to 110



**J Schwan**  
Chief Executive Officer

# Chief Executive Officer's Review

## **Transformation into a scaling, pure-play DX business**

The work of focussing the Company on the DX market has been completed and our growth has accelerated.

This year has highlighted the gap between businesses with the technical agility to pivot at the pace of evolving consumer demand and those who failed to modernise ahead of the COVID-induced volatility. As a result, there is now accelerated investment in digital transformation (DX) services and a market that was growing at 18% per annum is now projected to grow at a CAGR of more than 20% over the next five years. The World Economic Forum predicts cloud-based digital transformation to be a \$100 trillion business in the next ten years.

At the same time, the nature of the DX market is changing with a clear shift from technology-led to outcome-led transformation. DX 2.0 has arrived. There is now a need for greater agility and faster speed-to-value, with a sharper focus on demonstrable return on investment. DX 2.0 demands a radical redesign of our client's businesses, and Kin + Carta is well placed to both serve these evolving needs and capitalise on increased demand within the DX market.

The seeds of our own transformative change were sown ahead of the pandemic. Today, Kin + Carta is a digitally native consultancy operating at the intersection of technology, data and experience to drive what we call 'connected outcomes' for our clients, typically in the areas of Innovation, Modernisation, Enablement and Optimisation. The ability to connect these

domains and outcomes, progressively scaled on our integrated global platforms, is how we are driving value.

While the first half of FY21, particularly the first quarter, was challenging, our agility, the breadth of our offering and unwavering focus on supporting our clients and partners produced a quarter-by-quarter sequential return to growth in the rest of the year, which has continued into FY22.

This could not have been achieved without our continuing ability to attract and develop some of the world's top digital talent as a responsible business with a commitment to continued investment in learning and career development. Our Kin have risen to the challenges faced in the last 12-18 months and I would like to thank them on behalf of the whole leadership team for their special efforts during this time.

### The new frontiers of growth

Significant progress has been achieved in the delivery of organic growth through our four growth levers of **Capability, Partnerships Channel, Territory and Sector**.

In terms of **Capability**, we have evolved our global operating model to facilitate scale with a highly relevant suite of DX Service Lines across the areas of Cloud + Platforms, Data + AI, Products + Services, Strategy + Innovation, and Managed Services. These Service Lines are delivered by specialist Practices within which our Kin learn and grow their crafts.

This model facilitates seamless global scale, more borderless resourcing, and easier onboarding for future acquisitions. It also creates clear career paths for our Kin while fostering frictionless innovation. Crucially, it allows us to better target prospective clients with tailored propositions and specialist leadership.

The continued maturity of our **Partnerships Channel** saw attributed new business revenue increase from £7 million to £21 million within the year. Our cloud partners Google and Microsoft were a key focus, accelerated by activating the most progressive Product Partners that sit within their ecosystems (Optimizely, commercetools, Confluent). Material gains were also made in the MACH (microservices, API-led, headless and cloud-native) sector, notably with Contentful and Contentstack, giving our clients high flexibility, improved speed-to-market, and lower total cost of ownership over the lifecycle of the technology.

The **Territories** that Kin + Carta serve continue to expand. In the Americas region, we invested in the Northwest through the Cascade Data Labs acquisition in Portland, and initiated new South American nearshore delivery capabilities in Colombia and Peru to complement our established Buenos Aires production base. Europe grew beyond our UK base to include a Northern European growth-hub in Amsterdam and a delivery centre in Athens.

Our industry **Sector** focus matured our positions in Financial Services, Consumer, B2B, Transportation and Healthcare, while developing emerging specialisms in Energy and the Public Sector. Investment in Public Sector leadership has led to wins worth £9 million and built a significant pipeline for the year ahead.

## Chief Executive Officer's Review

Continued

### Acquisitions and disposals

It has been a busy year that included an acquisition, the continued integration of Spire from FY20 and several non-core disposals as we optimised the business mix towards pure-play DX. Further acquisitions are important drivers to Kin + Carta's growth.

The acquisition of Cascade Data Labs in Portland, Oregon, USA, and its successful integration in the first half of the year, illustrates the value potential in our acquisition pipeline. Cascade Data Labs brought exceptional relationships with a blue-chip client base, including Adidas, Hewlett-Packard and Starbucks, providing the catalyst to launch Kin + Carta Data Labs in the Americas and Europe, thus deepening our capabilities to capitalise on the highly relevant and fast growing data domain.

We will continue to pursue geographic and capability expansion in the year ahead, notably commercial hubs that expand territorial reach in the US, and nearshore delivery centres in Europe and South America.

Last year I told you that we would continue to review our Ventures businesses as we increase focus on pure-play DX. Following the recommendations of this review, we proceeded with the divestment of the non-strategic businesses Pragma and Hive within the fiscal year, and Incite post-year end. These divestments in total have generated proceeds of £27.2 million net of costs and adjustments for debt and working capital, providing balance sheet flexibility and additional acquisition capability.

### Regions

#### Americas

The Americas region represented 60% of net revenue in FY21, with a 23% increase of £15.8 million within the period.

This growth was supported by continued investment in headcount, reaching 900 employees at the end of FY21, an increase of 58% over the year. Accelerated nationwide recruitment in the US and expanded hiring in South America allows us to employ the best digital talent, regardless of location. We will continue investment in hiring, training and retaining digital talent to scale in-line with demand and fuel growth in FY22.





Successful organic and cross-selling growth has generated 20 clients with more than \$1 million in net revenue in the year. Significant wins include data modernisation for Gordon Food Services, product development for Uplight, and e-commerce with US Foods. Our focus is on leveraging partnership relationships to expand new accounts and new wins into long-term partnerships.

The Healthcare sector continues to represent a significant market opportunity as we win large clients like Blue Cross Blue Shield Kansas City and Healthfirst, in addition to well-funded startups and ventures like Redesign Health. Our partner strategy is resulting in notable growth opportunities from Google Cloud.

Following the successful acquisition and integration of Cascade Data Labs and increased nearshore production capacity in Colombia and Peru, the Americas region has deployed Kin + Carta's global operating model across an expanding set of territories: Central (Chicago), East (New York), West (Denver and Portland), and Latin America (Buenos Aires, Lima, Bogotá).

Further territorial expansion is planned for FY22. The southern part of the US, specifically the South East and South Central, represents a targeted market for growth and expansion, as does Canada to the North. In Latin America, our expansion strategy is focussed on accessing talent as part of our nearshore delivery expansion.

### Europe

The European region represented 31% of net revenue in FY21. Although Europe grew just 1% for the full year, net revenue grew 28% in H2 compared to H1 with a sharp recovery late in the year.

In line with the evolution from Pillars to Regions, this year has seen the establishment of a European regional business from the existing UK DX businesses in order to accelerate profitable growth. Our primary footprint is in the UK, where we have over 450 people in London, Manchester, Liverpool and Edinburgh. We have a growth hub in Northern Europe

(Amsterdam) and have, this year, initiated a delivery hub in South East Europe (Athens).

Following the appointment of a strong European leadership team, the first step was to integrate the regional demand team, bringing together 40 people across lead generation, marketing, partnerships and sales to ensure we could take our full range of service offerings to all clients. As a result, we achieved notable wins with the UK Government Home Office, Santander, and Dunnhumby.

Targeted hiring has added depth to our leadership experience in high-value sectors. Financial Services remains an area of strength with depth and longevity in our client base. Expansion into Healthcare, recognising the growth potential in the sector and clear alignment to our purpose, has driven a number of key wins with well-funded healthtech companies Kooth, Cera Care and Current Health, while every time the NHS opens a new COVID testing centre, it is using software built by Kin + Carta. Investment has been made in Public Sector industry leadership to accelerate our momentum, and progress is encouraging. £9 million of Public Sector deals have been won, and a growing pipeline of opportunities gives us cause for optimism in this space.

We benefit from both a stable and diverse European client portfolio. Some 75% of our revenue comes from existing clients who average five years of tenure; and we are focused on growing these long-term established relationships, as we have with Toyota Lexus through enhanced digital customer experience. We are also able to partner with technology start-ups as they scale, like unicorns Cazoo and Current Health. Our top ten European clients represent 50% of our revenue in the region and this diversity provides a substantial foundation for growth.

# Chief Executive Officer's Review

Continued

Although Europe took longer to recover due to macro-economic differences than our US business, growth accelerated sharply in Q4. Public sector momentum, growing managed services capabilities, record pipeline and strengthened leadership leave the business well positioned and executing on profitable growth.

### Scaling with purpose

During the year, we retained focus on our strategic plan, which included the following milestones and investments:

- The development and launch of Connected Commerce, a partner-integrated e-commerce accelerator for the B2B sector, combining Google Cloud, commercetools and Contentstack. It is our belief that Connected Commerce will be an area of significant growth in the year ahead.
- The initiation of an M&A-focused Expansion Platform to acquire and integrate acquisitions, including the development of an integration playbook to bring the Carta platforms efficiently and swiftly to acquired organisations.
- The launch and activation of the global IDEA strategy, championing inclusion, diversity and equity in all areas of the business.
- B Corp certification achieved for Kin + Carta Americas (excluding Spire, Cascade Data Labs and Ventures) in HI, and Kin + Carta Europe (excluding Ventures and head office) in October 2021. Kin and Carta plc Group certification on track to complete in calendar year 2021.
- The launch of the Kin + Carta Employee Value Proposition ("EVP") achieving ten employer awards including Consulting Magazine's 'Best large companies to work for' and Fast Company's 'Best workplaces for innovators'.

In the year ahead we will bring a focus to the following strategic initiatives:

- The launch and global activation of a partner-aligned **managed services** Service Line, bringing recurring revenue and a valuable bridge to further production opportunities.

- The continued application and maturity of Kin + Carta's integrated **operating model** in all regions and territories to drive our organic growth strategy while enabling borderless opportunities for our Kin.
- The measurement of **inclusivity, accessibility and sustainability** in all Service Lines, ensuring responsible client work is delivered through sustainable methods.
- The establishment of the **Kin + Carta Accelerator** as a learning and development platform for our existing Kin, and an entry point into our organisation for diverse junior talent.
- The increased digital maturity of our global **Operations Platform** to increase business insight, drive operational efficiency, and act as a critical enabler in the integration of future acquisitions.
- Further to that, we have committed increased investment and leadership to our M&A-focused **Expansion Platform** for the identification, acquisition and integration of key strategic targets.

### Business for good

We exist to build a world that works better for everyone. This is our "Why": the promise that guides our unified determination that Kin + Carta is a force for good, coupled with recognition of our role as architects of tomorrow's inclusive technology.

We choose to be a responsible business that actively champions inclusion, accessibility and sustainability, and we have chosen to hold ourselves accountable and to provide transparency through the B Corp social responsibility framework and its independent certification process.

As well as being right for society, standing as a socially responsible business is proving to be both an important attraction and retention differentiator in a supply-restrained labour market. It is also proving an important qualification criteria for prospective clients. Our staff and our clients are looking to see their values reflected in the behaviours of our business.

Last year, I told you that we were focusing on two areas: progressing with B Corp certification across our Regions, and developing a new strategic plan for our Inclusion, Diversity, Equity and Awareness ("IDEA") programme.

As we enter FY22, we are proud to have achieved full B Corp certification in our Americas and Europe regions. Further to this, Kin + Carta shareholders have voted overwhelmingly in favour of amendments to the articles of association that enable us to achieve full B Corp certification for Kin and Carta plc, taking us one step closer to being the first listed business on the London Stock Exchange to become a certified B Corp. We expect to have achieved this milestone by our FY22 half-year results.

I am especially proud of the progress we have made since launching our IDEA strategy ([kinandcarta.com/idea](https://kinandcarta.com/idea)):

- Pay equity is 95%+ across the Connective.
- Gender pay gap has decreased across the Company from 17.5% to 14.2%.
- Female representation is 40% in Latin America (8% increase), 39% in Europe (2.5% increase) and 38% in the US (22.6% increase).

- Ethnic minority representation has increased 26.9% in the US.
- LGBTQIA+ representation has increased 10% across the Company.

### A responsible platform for growth

Growth takes many forms.

When our people learn and develop in diverse and inclusive environments, they grow. When strategic acquisitions bring new capabilities and experience, we grow. When the strength of our partnerships enrich client opportunities, our relationships grow. When we choose to be a responsible business, our communities grow.

This is sustainable growth today, and it is because of this, that our value grows.

We have growth aspirations to double organic FY21 net revenue and expand margins over the next four years, scaling the business globally through acquisition, partnerships, territorial expansion and new market-defining digital technology services.

**J Schwan**  
Chief Executive Officer

26 October 2021

**Case Study**

# Evidence of us a world that works better for

increase in critical  
business metric:  
test drives

measurable  
improvements  
on the website

markets across the  
European Union

## Excellence in customer experience through data-driven expertise for Lexus

---

Every European website for the Lexus and Toyota brands was to be migrated to Adobe Experience Manager as the automotive giant aimed to modernise its digital portfolio. How could this be achieved without the wheels coming off operations and customer experience?

Working with Lexus' experience data, our intelligence teams harnessed our KOKO customer experience optimisation programme to analyse behavioural, market and business insight, and turn data into experiments that drive measurable value and ROI.

The KOKO programme has firmly cemented Kin + Carta as Lexus' lead agency to help build a strategic approach to effectively measure and utilise data, for impactful improvements amongst both B2B and B2C audiences.

Delivery of this complex migration strategy has showcased the depth of our data, design and build services, and strengthened our 15-year relationship with Lexus. We're now building a performance management roadmap for both Lexus and Toyota.

Lexus is the luxury pioneer in electrified power trains in the automotive industry at a crucial time for the drive to net-zero emissions. We will offer continued support by creating tools that help motorists make sustainable choices.



## Scaling the NHS Test & Trace programme to keep the UK safe for everyone during COVID-19

450,000  
test site data  
capacity increased from  
60,000

50,000 test sites  
to enable the first  
incremental increase

37,000 test sites  
product across the  
entire programme to  
migrate to Halo

### Background

Early in the response to the COVID-19 pandemic, the UK rapidly opened multiple infection test sites. NHS administration professionals and volunteers needed full support to create and manage websites, to make test site information available and increase asymptomatic testing. This included APIs (application programming interface) allowing third parties to access and maintain the data.

### Product team

We convened a product team to collaborate with other Test and Trace partners, building a cloud-native solution to store site data (e.g. location and operational status), with a front-end enabling simple data management.

### Migration

The solution has supported more than 37,000 sites and is scalable to 450,000. Building a system that could scale quickly to handle huge increases in numbers of test sites at short notice, keeping the entire testing system running, is a notable achievement.

The team completed a seamless migration from Deloitte's AWS Cloud instance to NHS Digital's (NHSD) Halo platform. Kin + Carta's remit has been extended to include the management of bookable test sites, accessed by people with symptoms.

Helping NHSD build a legacy platform for future generations, with the development of a sustainable platform that will be capable of managing large-scale public health events. We are also ensuring responsible, efficient use of public funds.

## Case Study

Continued

completed development  
tickets in the first six  
months

customer adoption of B2B  
web services

of users interviewed said  
the new look and feel  
of the website would  
meet expectations of a  
premium brand

## Maximising Optimizely platform value to deliver a fresh brand and customer experience for Farrow & Ball

### Project Overview

Farrow & Ball required support with strategic direction as it aimed to maximise the potential of its platform, build better foundations for upgrades, create suitable frameworks and improve support ticket management. Boosting these basics would improve both brand articulation and customer experience online.

### Discovery & Design

Following a deep dive discovery, we launched a legacy build, taking an approach that allowed our collaborative team to simultaneously chip away at existing backlog, provide in the moment break/fix support and modernise the platform.

### Delivery

Process and communication with all parties was key to ensure everyone felt part of decision making and understood the customer-first approach.

We have provided Farrow & Ball with solid foundations, stable support, better performance and gradual implementation of a modern front-end framework.

This is delivering an improved customer experience, with accessibility and best practice UX at its heart. Stakeholders across the business are proud of the new, impactful creative translation of the brand online, acclaiming our "technical skill and strategic vision".



# Building resilience to boost mortgage savings through rapid Modern Cloud Engineering for Homepoint

## Challenge

Despite achieving 400% growth during the pandemic, Homepoint wanted to maintain momentum through digital transformation, innovation and scale. The need to remove dependency on legacy systems was a roadblock but could be removed with one platform to service all front-end applications.

## Opportunity

Leveraging modern cloud engineering, resilient architecture and agile principles, Kin + Carta's team collaborated with Homepoint to build a solution within five months, achieving vendor platform stability.

## Key results

The wholesale mortgage lender had required new, better ways to enable the use of modern technologies, design its event-driven architecture, build domain microservices, and provide a more agile way of working.

Cost savings of US\$500,000 per month were achieved thanks to more efficient processes for redisclosures.

Higher throughput was instrumental in returning an increase of more than 50% of redisclosures processed every day, reducing strain on the mortgage application system.



US\$500,000 per month

cost savings

50% increase

increased redisclosures/day

## Case Study

Continued

Pricing AI experiments  
run since March in  
service of global Net  
Revenue Management

working upsell  
data models built  
and tested to aid  
Intelligent Sales

Kin onboarded to the  
team in Spring 2021

## The leading food and beverage company was digitally savvy and wanted to step up its data connectivity

The global client's supply chain was historically siloed per brand. Snack-branded and beverage-branded delivery trucks would take products to stores independently in most territories. This disparate approach led to inefficiencies and lost opportunities — so a complete redesign was necessary.

We applied AI and modern data architecture, enabling the global client to leverage its extensive data assets. This involved designing a Net Revenue Management proof of concept, deploying a new system to address multiple global brands.

Deployment of global data systems enabled comparisons across brands, geographies and retailers, saving billions of dollars.

Overall, this was an opportunity to penetrate the global client's digital supply chain, and focus on specific outcomes, such as improved pricing and promotion, modelling and recommendation.

The outcome was a measurable improvement in both revenue and margin, thanks to a new level of data connectivity — a vital approach to Digital Transformation 2.0.





## Harnessing cloud infrastructure for sustainable modernisation for Uplight

### Uplight

Clean energy company Uplight needed to reduce CO<sub>2</sub> emissions by more than 100 million metric tons, as part of a sustained drive to save its consumers more than US\$10 billion on their energy bills over the next five years.

### Project Overview

Kin + Carta is Uplight's go-to data product development partner in its mission to build more sustainable energy supply. We collaborate to bring hidden customer data into the light to support consumer energy action management. A further vital focus for the programme is augmentation of internal people and infrastructure to achieve faster speed to market.

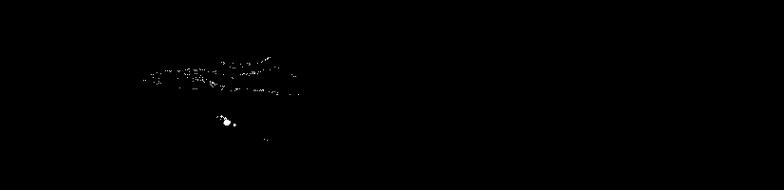
Our marquee data enablement project makes the most of modern cloud infrastructure and product development to solve one of the world's most pressing problems.

### Key Outcomes

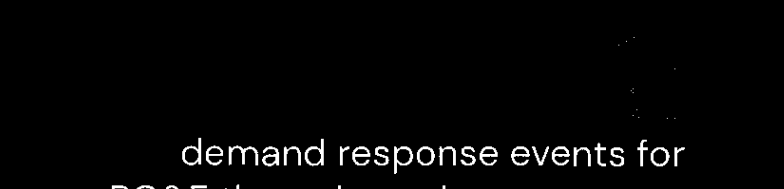
Our expertise has enabled massive improvement in technical and non-technical processes at the firm, allowing it to onboard new clients and achieve accelerated growth. It has also led to the ability to deploy our software to more utilities and more customers, which is crucial for Uplight's growth plan.

### Project Impact

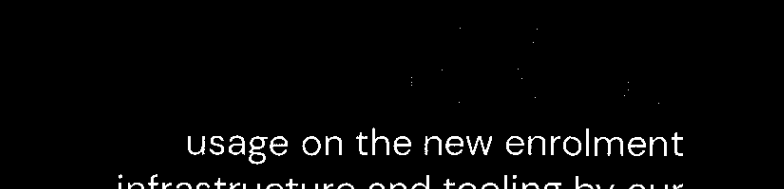
Delivery of "sustainable modernisation". We're helping Uplight pursue its ambitious carbon emissions reduction goal.



new enrolments on the PG&E programme



demand response events for PG&E throughout the summer to help with California grid stability




usage on the new enrolment infrastructure and tooling by our entire OE operations team

# Key Performance Indicators

Following our transformation from a portfolio of businesses into an integrated technology platform in 2020, we have introduced new key performance indicators in 2021, which are aligned to our strategic priorities. We report on net revenue predictability, number of £1 million clients and gender pay gap for the first time this year.

## 1 Adjusted net revenue growth<sup>1, 2</sup>

2021  12.5%  
2020  -7.4%

### Definition

Organic adjusted net revenue growth indicates the increase of adjusted net revenue compared to the previous year achieved using internal resources (excluding any acquisition during the current period and at constant currency rate of exchange).

Constant currency adjusted net revenue growth identifies the revenue growth trend. Organic constant currency adjusted net revenue growth excludes the impact of the Cascade Data Labs acquisition in December 2020 and the annualisation effect of the Spire acquisition in the prior financial period. Organic adjusted net revenue is presented at a constant currency rate of exchange in order to neutralise any fluctuations generated by FX movement during the year.

### Progress this year

The faster US recovery and the disposals of non-core Ventures businesses in the first half of the year (Hive and Pragma) continue to shift the balance of our revenue footprint further into the US: the largest digital transformation market in the world. Many new data opportunities have already been generated, both from our existing clients and via our Connective platform, global partnerships and US sales channels.

### Link to strategic priorities

## 2 Adjusted operating profit margin<sup>2</sup>

2021  10.6%  
2020  8.9%

### Definition




Percentage of adjusted operating profit over adjusted net revenue.

Adjusted operating profit margin is the measure used by the executive team to evaluate Kin + Carta's performance and allocate resources.

### Progress this year

The adjusted operating profit margin remained constant compared to the prior year due to higher investment levels in our Growth and Services Platforms, as well as the disruption to our business caused by the pandemic in the first half of the year.

### Link to strategic priorities

1. Adjusted net revenue excludes net revenue from Incite Singapore, following the decision to close the operation in FY20. Adjusted net revenue consists of the Group's continuing operations. See footnote 2.
2. Continuing operations only. Continuing operations excludes the results of Incite, Hive and Pragma (note 8).

Link to strategic priorities:

-  Growth
-  Services
-  People
-  Responsibility
-  Operations
-  Expansion



Read more about Our Strategic Priorities on pages 38 and 39

### 3 Net revenue predictability<sup>2</sup>

2021  76%  
2020 66%

#### Definition

A client measure that shows revenue generated by our customers through different lengths of tenure. Revenue being more predictable when derived from customers with longer tenures.

#### Progress this year

Having focused on growing long-term established relationships with our top clients, some £102.2 million (76%) of our revenue comes from existing clients who had 3+ years of tenure (2020: £84.0 million/66%).

Link to strategic priorities



### 4 Number of £1 million clients<sup>2</sup>

2021  30  
2020 19

#### Definition

A measure that shows the number of clients from whom Kin + Carta individually generates more than £1 million revenue each financial year. These are key clients who contribute towards our growth.

#### Progress this year

In 2021, there were 30 clients from whom Kin + Carta individually generated more than £1 million revenue (2020: 19). This diversity provides a substantial foundation for growth.

Link to strategic priorities



# Key Performance Indicators

Continued

## 5 Employee Net Promoter Score (eNPS)<sup>2</sup>

2021		+18
2020		+18

### Definition

eNPS is based on employees' likelihood to recommend Kin + Carta as an employer.

We believe employee engagement is an indirect measurement of both employee happiness and business performance. Measuring engagement allows us to ensure that as the firm scales globally and new businesses are introduced into Kin + Carta, we have a consistent way to track the overall wellbeing and collective feeling of our employees.

### Progress this year

The eNPS score can range from -100 to +100 and, over the last year, the score for the business has stayed stable, even in light of the challenges which came with the pandemic.

In support of our goals to become an internationally recognised best place to work, this year we created our Employee Value Proposition ("EVP"), which outlines our vision for the value we aspire to deliver for our people. In turn, we believe this will improve employee happiness and engagement. Our EVP is explained on page 84.

### Link to strategic priorities



## 6 Mean gender pay gap<sup>2</sup>

2021		15%
2020		19%

### Definition

An equality measure that shows the difference in average earnings between women and men.

### Progress this year

Whilst the gender pay gap is still high at 15% – reflecting fewer women in senior roles, more women in traditionally lower-paid roles (such as office management and marketing) and having more men in higher-paid roles (such as technology engineering) – it has reduced versus 2020. This highlights the efforts our Employee Experience and Talent Acquisition teams have made during the year on recruitment, progression and pay equity.

### Link to strategic priorities



1 Adjusted net revenue excludes net revenue from Incite Singapore, following the decision to close the operation in FY20. Adjusted net revenue consists of the Group's continuing operations. See footnote 2.

2 Continuing operations only. Continuing operations excludes the results of Incite, Hive and Pragma (note 8).





**Chris Kutsor**  
Chief Financial Officer

# Chief Financial Officer's Review

**//** By the middle of H2, net revenue growth and improved margins not only returned, but accelerated through our financial year end and into the new financial year."

## Overview

FY21 was remarkably volatile due to the effects of the pandemic. It was a very difficult start to the year with declining net revenue and profitability amidst the global economic uncertainty caused by COVID-19. Despite the challenging circumstances, the Company maintained high levels of client service and partnership. As a result, by the end of H1, there were clear signs of recovery with improving demand in our pipeline and stabilising net revenue. By the middle of H2, net revenue growth and improved margins not only returned, but accelerated through our financial year end and into the new financial year. One of the clear implications highlighted by the pandemic is the critical nature of DX to the global enterprise market that we serve. We are increasingly well positioned to capture this opportunity for significant, profitable growth.

The Company's improving performance is not only about accelerating growth, but winning and nurturing larger client engagements that contribute to more durable and predictable revenue growth. In FY21, we had 30 client engagements with annual net revenue of more than £1 million compared to 19 in the prior year. Likewise, our client tenure is increasing as we provide more comprehensive offerings and outcomes. The average client tenure in both our Americas and Europe regions exceeds five years providing revenue predictability and durability.

With the significant DX growth opportunity ahead, we continue to plan and invest for scale. This includes investments in sales capabilities, such as our partnership channels with Google, Microsoft and others.

It also includes expanding our service offerings, opening up new locations and training and developing our people. Our internal investment also includes new IT systems and tools as we continue the journey of consolidating and digitising our own business operations. We are confident that the future performance of the Group will continue to benefit from these investments.

We divested non-core Ventures businesses Pragma and Hive during the year for £12.6 million net proceeds, and Incite after the year-end for net proceeds of £14.6 million which, coupled with resilient operating cash flow, has taken the Company closer to a nil net bank debt position in September 2021. Two Ventures businesses remain and are in advanced stages of the divestment process which will soon conclude our shift to being a pure-play DX business.

Putting the Company's capital to work effectively is critical to long-term value creation. We updated the Company's capital allocation framework earlier this year as follows:

- In the near term, given the scale of the DX opportunity in front of us, our priority is growth. The Company is therefore focused on reinvesting cash for both organic and inorganic growth, aligned with our strategic initiatives.
- Given the significant opportunity to grow the business, the Board has decided not to pay dividends for the foreseeable future.
- To undertake meaningful M&A, whilst maintaining a prudent level of financial gearing.
- Excluding temporary M&A impacts, the normalised net debt/EBITDA ratio is expected to be in a range of approximately 0-2.0x, as the business continues to de-lever through growth and higher cash flows.

Our overriding priority is growth that delivers significant shareholder value through scale and return on capital, whilst remaining mindful of prudent pension support, de-levering and potential share repurchases or dividend payments.

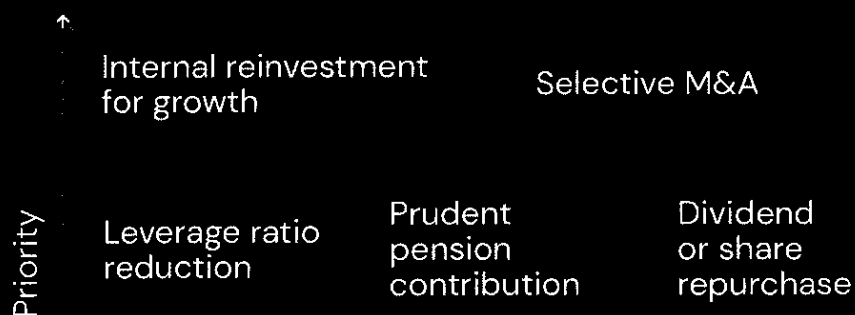
## Near-Term Capital Allocation

**Our overriding priority is growth**

Investment aligned with our strategic initiatives

**Our secondary priorities**

Dividends, share buybacks, pension contributions



## Chief Financial Officer's Review

Continued

Aligned with this growth strategy, we have a robust funnel of acquisition opportunities that includes:

- bolt-ons that enhance existing or add new capabilities;
- near-shore delivery centres that augment our US and Europe client base;
- North America regional expansion; and
- larger, very selective transformative opportunities which are fewer in number.

In addition to being accretive to earnings, our acquisition criteria include operational and cultural alignment with financial returns in excess of our cost of capital.

The Kin + Carta Expansion Platform, coupled with our relatively modest size, excellent client base, people and purpose-driven culture, B Corp status, agility and large ambition, is proving to be an attractive combination to potential acquisition candidates. We offer immediate scale to smaller companies, providing access to our Google and Microsoft partnerships, a global brand, an Operations Platform that comprises IT, legal, finance and HR support that are aligned with optimising the returns to Kin + Carta. The management teams joining are likewise motivated to maximise

their earnout while also becoming part of the Kin + Carta leadership team for a new region or capability, with representation on the Company's global leadership team. Finally, a significant portion of the initial consideration and earnouts are made in shares, strongly aligning shared outcomes. The two recent acquisitions of Spire in Denver, Colorado and Cascade Data Labs in Portland, Oregon, have both been exceeding expectations and embody many of the dynamics described.

Excluding acquisitions, our ambition is to double net revenue from FY21 over the next four years. When coupled with carefully targeted M&A, we expect to achieve meaningful scale with double digit growth, improving operational efficiencies and margins with improved cash generation.

### Financial summary

Group net revenue from continuing operations of £141.4 million, including £3.0 million from Cascade Data Labs acquired in December 2020, is up 12.5% compared to FY20 and was driven by a strong H2 recovery from the pandemic. Organic net revenue at constant currency rates grew 11.3% year-on-year.



H1 net revenue was down 10% compared to H1 FY20 due to the pandemic, whilst H2 net revenue was up 42% sequentially compared to H1 as robust client demand for our digital offerings returned. Our Americas region recovered first and more quickly than Europe, but both closed the year with robust demand and accelerating growth.

Group statutory loss before tax from continuing operations was £4.3 million compared to a loss of £36.3 million in FY20. Adjusted profit before tax from continuing operations improved to £13.0 million compared to £8.1 million in FY20 due to the recovery and return to growth.

Likewise, we improved our net debt position excluding finance leases during the year from £31.6 million to £19.2 million. This includes the favourable impact of US Government loan forgiveness of £4.5 million, and currency movements of £2.2 million. Post year-end, we divested Incite for £18.0 million (£14.6 million of net proceeds, after cost and adjustments for working capital and debt items), further strengthening the balance sheet.

## Key financials

£'m	Year to 31 July 2021	Year to 31 July 2020
Adjusted operating profit continuing operations	15.0	11.2
Adjusted operating profit discontinued operations*	3.4	3.7
<b>Total</b>	<b>18.4</b>	<b>14.9</b>

£'m	Year to 31 July 2021	Year to 31 July 2020
Adjusted profit before tax continuing operations	13.0	8.1
Adjusted profit before tax discontinued operations*	3.3	3.5
<b>Total</b>	<b>16.3</b>	<b>11.6</b>

\* Discontinued operations comprise the results of incite (divested 28 September 2021), Hive (divested 16 December 2020), and Pragma (divested 31 August 2020). Refer to note 8.

The Company accessed US Government loans in 2020 to help mitigate the impacts of COVID-19 that would otherwise have resulted in significant US employee reductions. During the first half of FY21, the Company absorbed employment and project delivery costs that enabled the Company to retain talent within the business and to maintain client goodwill.

These costs have an offsetting credit from US loan forgiveness of £4.5 million in FY21.

Compared to FY20, adjusted profit before tax improved when the effects of income and expenses associated with government assistance programmes and related one-time cost savings in both periods are removed, as summarised below:

£'m	FY21	FY20
Adjusted PBT from continuing operations as reported	13.0	8.1
Salary sacrifice repay/(saving)	2.0	(2.1)
Income from forgiveness of US Government loans	(4.5)	–
Project costs funded from government assistance programmes	3.0	1.0
<b>Adjusted PBT excluding items above</b>	<b>13.5</b>	<b>7.0</b>

# Chief Financial Officer's Review

Continued

## Continuing and discontinued operations – adjusted results

On 31 August 2020, the Group completed the sale of its retail property consultancy, Pragma, and on 16 December 2020, its healthcare communications business, Hive, was divested. Both are presented as discontinued operations in the Income Statement, and were classified as assets held for sale at 31 July 2020.

On 28 September 2021, the Group completed the sale of its market planning and research consultancy, Incite, which is presented as a discontinued operation in the Income Statement. As at 31 July 2021, Incite was classified as an asset held for sale in the Balance Sheet.

All other businesses are classified as continuing operations throughout the financial statements.

## Adjusted net revenue

£'m	Year to 31 July 2021	Year to 31 July 2020
Continuing operations	141.4	125.7
Discontinued operations*	14.9	20.3
<b>Total</b>	<b>156.3</b>	<b>146.0</b>

## Adjusted operating profit

£'m	Year to 31 July 2021	Year to 31 July 2020
Adjusted operating profit continuing operations	15.0	11.2
Adjusted operating profit discontinued operations*	3.4	3.7
<b>Total</b>	<b>18.4</b>	<b>14.9</b>

\* Discontinued operations comprise the results of Incite (divested 28 September 2021), Hive (divested 16 December 2020), and Pragma (divested 31 August 2020). Refer to note 8.

## Adjusted net revenue and adjusted operating profit

Adjusted net revenue from continuing operations in 2021 was £141.4 million (2020: £125.7 million) and grew by £14.2 million on a like-for-like basis, which excludes the impact of the Cascade Data Labs acquisition in December 2020 (£3.0 million), the annualisation effect of the Spire acquisition in the prior financial year (£4.7 million), and adverse currency effects of £6.2 million. Adjusted net revenue was recorded in the prior year only, relating to Incite Singapore, following the decision to close the business.

The faster US recovery, the disposals of non-core Ventures businesses in HI (healthcare communications agency Hive and airport specialty consultancy Pragma), as well as the acquisition of Cascade Data Labs in Q2 FY21 will continue to shift the balance of our revenue footprint further towards the US, the largest digital transformation market in the world. The Cascade Data Labs acquisition followed a similar integration plan as our previous acquisition of Denver based Spire, and together, Cascade Data Labs and Spire are known as Kin and Carta Americas West. Building on the Cascade Data Labs capabilities, many new data opportunities have already been generated from existing clients across our platform, and new clients through our global partnerships and US sales channels.

Net revenue from our Americas region grew by 23% to £85.0 million and now makes up 60% of the Group's net revenue, whilst Europe totalled 31%, and the Ventures makes up 9% of the Group's net revenue. Net revenue from customers located in the US increased from £64.1 million to £84.9 million, partly due to the Cascade Data Labs and Spire acquisitions.

Adjusted operating profit from continuing operations was £15.0 million (2020: £11.2 million). On a like-for-like basis, excluding currency and acquisition effects, the adjusted operating profit of £13.7 million was 10% of adjusted net revenue compared to 10% in the prior year. The adjusted

operating profit as a percentage of net revenue remained constant compared to prior year due to higher investment levels in our Growth and Services Platforms as well as the disruption to our business caused by the pandemic in the first half of the year.

Central costs before Adjusting Items were £7.1 million (2020: £6.4 million). The Group has separately identified these central costs that cannot be directly attributed to the individual trading entities of the Group. Central administration costs represent 4.8% (2020: 5.0%) of Group net revenue and comprise the costs of running a public company and certain Group and shared operational functions.

### Continuing Operations

The Group's results for continuing operations are set out below:

£'m	Year to 31 July 2021	Like-for-like <sup>1</sup> to 31 July 2020	Year to 31 July 2019
Revenue	160.3	145.6	140.5
Adjusted net revenue <sup>2</sup>	141.4	126.7	125.6
Adjusted operating profit	15.0	10.7	11.2
Statutory loss before interest and tax	(2.3)	(0.2)	(33.3)
Statutory loss before tax	(4.3)	(2.2)	(36.3)
Basic profit/(loss) per share (p)	6.1	N/A	(20.9)

1. Like-for-like is defined as the results from continuing operations at constant currency and excluding acquisitions when comparing the current period to the prior period.
2. Adjusted net revenue in the prior year excludes net revenue from Incite Singapore, following the decision to close the operation in FY20.

# Chief Financial Officer's Review

Continued

The Group's statutory loss before tax from continuing operations of £4.3 million (2020: loss of £36.3 million) includes Adjusting Items of £17.3 million (2020: £44.4 million). Adjusting Items are comprised primarily of:

- **Costs related to acquisitions made in the current and prior periods**

As part of the acquisition of Cascade Data Labs in December 2020 and in respect of other acquisition and divestment-related activities in the period, costs of £1.0 million were incurred. Charges relating to the amortisation of acquired customer relationships and proprietary techniques amounted to £8.7 million, and costs relating to contingent consideration deemed as remuneration of £5.0 million (2020: £6.2 million) were recorded in the Consolidated Income Statement as Adjusting Items.

- **Defined Benefits Pension Scheme costs**

The St Ives Defined Benefits Scheme (the "Scheme") charges include service costs of £0.8 million, additional prior service costs of £0.6 million related to GMP equalisation on members who have transferred out of the Scheme and costs in relation to running the Scheme of £1.2 million. These items are recorded in corporate costs.

- **Impairment of goodwill and acquired intangibles**

The prior year impairment charge of £18.9 million includes the Edit goodwill impairment charges of £17.6 million associated with restructuring, and impairment of trademarks of £1.3 million following a rebranding exercise.

The Group prepares adjusted results which, in management's view, reflect how the business is managed and show the performance in a manner consistent with the previous year. Adjusted results exclude items such as costs related to restructuring activities, acquisitions made in current and prior periods, impairment charges

and Scheme charges. Further details are provided in the Alternative Performance Measures section on pages 66 to 69.

## Acquisitions

On 23 December 2020, the Group acquired 100% of the issued share capital of Cascade Data Labs, a data transformation business based in Portland, Oregon, USA. The total related cash outflow in the year was £6.0 million, which comprised the initial consideration of £4.4 million and a further "holdback" payment of £1.6 million. The holdback was subject to a service condition and has been accounted for as deemed remuneration and is recorded as an expense in adjusting items in the income statement. Further payments will be made in respect of incremental EBITDA achieved for the 12 months ended 30 September 2021 and 12 months ended 30 September 2022. The related deferred consideration vests between September 2022 and September 2024. The total consideration payable, including contingent consideration is capped at £22.3 million. Up to 75% of amounts payable may be settled in shares at the Company's discretion.

In FY20, the Group acquired 100% of the issued share capital of Spire, a digital transformation consulting and software engineering services business. The final earnout for the calendar year 2020, based on the adjusted EBITDA for that period, was finally determined to be \$12.8 million. \$4.6 million of this earnout was settled in March 2021, of which \$2.3 million was settled by issuance of shares of Kin and Carta plc and the remaining \$2.3 million was settled in cash. Of the remaining \$8.2 million, \$4.1 million will be settled in Kin and Carta plc shares which were issued to the sellers in March 2021 under a reverse vesting mechanism, with full vesting in February 2023. The remaining \$4.1 million will be settled in cash in February 2023. Both amounts are subject to service vesting conditions and are accrued over the vesting period with the expense recorded in Adjusting Items.

We expect to increase M&A velocity in FY22 with the objective of accelerating global scale through targeted new capabilities, new locations and additional near-shore resources. In order to achieve this, we are committing investments into a global Expansion Platform, which includes dedicated executive leadership, an integration management office and the appointment of external advisors in key territories to identify, acquire and integrate target acquisitions. Whilst the Expansion Platform is new, a growing pipeline of acquisition targets has been established and is being actively pursued with a diligence and value focus.

### Balance Sheet

The net assets of the Group have increased from £59.7 million to £83.2 million, primarily due to a net profit after tax of £2.7 million and an actuarial gain of £14.5 million, net of deferred tax, related to the St Ives Defined Benefits Pension Scheme. Total assets have increased from £179.3 million to £215.3 million due to the increase in the pension surplus and the increase in cash, and total liabilities have increased from £119.6 million to £132.1 million due to an increase in gross bank borrowings. Non-current assets consist largely of goodwill and intangible assets of £83.4 million (2020: £90 million).

### Pension

The Group closed the Scheme to new members in 2002 and ceased future accruals within the Scheme in 2008. The Group accounts for post-retirement benefits in accordance with IAS 19 Employee Benefits. The Consolidated Balance Sheet reflects the net surplus on the Scheme at 31 July 2021 based on the market value of the assets at that date and the valuation of liabilities using a discount rate based on AA non-gilt bond yields.

On an IAS 19 basis, the surplus on the Scheme at 31 July 2021 was £19.3 million (2020: surplus of £1.1 million) before any deferred tax impact. The value of the plan assets increased to £419.8 million (2020: £396.6 million) due to the strength of investment returns and the significant

degree of hedging of interest and inflation risk on Scheme liabilities. Plan liabilities increased to £400.5 million (2020: £395.5 million) due primarily to the decrease in the discount rate used for valuation. Approximately 35% of the plan assets were invested in return-seeking assets at 31 July 2021, providing a higher level of return over the longer period. This has reduced from 65% at 31 July 2020 and reflects a reduction in the level of asset risk adopted by the Scheme, following the substantial improvement in the level of technical funding in the year. Derivative instruments are in place to protect against significant falls in asset values and changes in interest and inflation rates. The level of risk to the Group of the Scheme reduced in the year and the strength of the Group's covenant over the Scheme has improved.

The FY21 charge for the Group's defined contribution schemes was £2.9 million (2020: £1.8 million).

### Tax

The adjusted effective rate of underlying taxes decreased to 20% from 21% versus the prior year due to the increased contribution of US profits to the Group. Whilst US profits have a marginal tax rate of c.28% compared to the UK rate of 19%, the US average tax rate is reduced by the tax-deductible goodwill associated with prior US acquisitions. The resulting effective US federal and state rate is 21%. The US federal statutory corporation tax rate is 21% (2020: 21%). The US state level income tax rates vary from 0% to 8% (2020: 0% to 8%). The adjusted tax charge was £2.6 million (2020: £2.2 million).

The total tax charge for continuing operations was £0.8 million (2020: £2.0 million tax credit). A number of Adjusting Items do not have an associated tax credit. Further details are provided in the Alternative Performance Measures section on pages 66 to 69.

## Chief Financial Officer's Review

Continued

The Group's effective tax rate on the Adjusted profit before tax was 20.0% (2020: 20.6%) compared to the standard rate of UK corporation tax of 19% (2020: 19%). Corporate income tax of £3.4 million (2020: £1.6 million) was paid in FY21.

### Capital allocation

The Company is prioritising growth, and its Capital Allocation framework reflects the focus on both organic growth investments and selective M&A targets while keeping dividends on hold for the foreseeable future.

### Cash flow

Cash generated from operations before interest and tax was £10.9 million (2020: £22.9 million). The decrease compared to the prior year was primarily due to a working capital investment in the current year compared to a significant unwinding in the prior year. The higher working capital consists of a £13.7 million increase in trade and other receivables driven by revenue growth, partially offset by a £10.4 million increase in trade and other payables compared to a working capital unwind in the prior year.

Operating cash flow before working capital was £13.8 million, compared to the prior year of £11.7 million, reflecting growth in EBITDA over that period.

Investing cash flows included £6.0 million outflows for acquisitions made in the current and prior periods (2020: £19.3 million) and £12.6 million net proceeds from divestments (2020: nil). Net financing cash inflows include £15 million of net drawings on bank facilities (2020: net repayment of £0.9 million) and dividends of nil were paid in the year (2020: £2.0 million). Lease payments reduced from £4.8 million in the prior year to £4.2 million in the current year, as we exited a number of properties.

### Net debt

Net debt decreased during the year from £31.6 million to £19.2 million, primarily due to operating cash flow generation as well as the proceeds of the Hive disposal and partially offset by the acquisition of Cascade Data Labs. The sale of Incite on 28 September 2021 resulted in a net cash inflow of £14.6 million,

net of costs and adjustments for debt and working capital which, along with operating cash flows, moved the Company to a net debt position much closer to zero as of the date of this announcement.

The Company's revolving credit facility was refinanced in September 2021 and is committed until September 2025, with an option to extend the facility for an additional year. The volume of the facility remains unchanged at £85 million. At 31 July 2021, Kin + Carta had drawn £62.4 million (31 July 2020: £49.5 million) on its credit facility, leaving an unutilised commitment of £22.6 million (2020: £35.7 million). The Group had cash and cash equivalents of £45.0 million (2020: £24.4 million) at that date.

At 31 July 2021, the ratio of net debt to adjusted EBITDA was 1.0 times (2020: 1.8 times) on a pre-IFRS 16 basis. The ratio of net debt to adjusted EBITDA for bank covenant purposes was 0.99 times (2020: 1.47 times). Our lender banks exclude the Paycheck Protection Program ("PPP") loans payable from the debt calculation.

In FY20, the Group received £6.7 million in unsecured loans under the PPP provided by the US Government. £4.5 million of the PPP loan was forgiven by the US Government in FY21 and is recorded in adjusted other income. The remaining loan balance of £1.9 million after currency effects, and which bears an interest rate of 1%, will be repaid by May 2022. The US PPP funds were utilised, as intended, to protect jobs and retain staff that otherwise would not have been possible due to the effects of the pandemic. These retained jobs were invested into securing ongoing and new client projects with discounted pricing, which has positively improved our client relationships, winning multiple large and long-term client contracts, improved staff morale and the FY21 underlying results.

In the year, the Group also utilised the UK Coronavirus Job Retention Scheme, receiving payroll subsidies of £0.1 million. The Company subsequently repaid the UK Government for the assistance received in the year.

## Summary

Kin + Carta made significant operational and financial progress during the financial year 2021.

Operational progress: the disposal of three non-core businesses, with the last two now in the final stages of divestment, has achieved greater focus, and Kin + Carta is now an integrated, purely DX focused business. By evolving our global Operations Platform we have enhanced our ability to hire and scale. Through investment in our Expansion Platform, we drive further emphasis on finding, closing and integrating acquisitions which add to our geographic reach and capabilities. And through our investment in talent, our own IT systems and operating structure – whilst an investment in cost today – are preparing the business for scale.

Financial progress: we have grown revenue and profits through the pandemic. We have acquired in the US market which is the largest and fastest growing DX market in the world. We have de-gearred the business and strengthened the balance sheet to further enable our acquisition strategy.

Progress with our investment in social responsibility: a beneficial differentiator with a powerful commercial rationale. It has allowed us to retain existing talent and to stand out as an attractive destination in the competition for talent. It is also opening up a growing number of revenue opportunities as potential clients recognise the benefits of working with a company delivering on its strong sense of values.

## Outlook

FY21 saw the emergence of Kin + Carta as a fully integrated, pure-play DX business. Our growth and financial performance are set to accelerate from this year forward. Our ambition is to double organic net revenue from FY21 in four years, whilst adding additional growth and scale opportunities via acquisitions. This growth and business expansion will further drive the scale benefits of operational efficiencies, higher margins and improved cash generation.

The Company rebounded strongly through H2, and our current trading is accelerating further. As a result, we are increasing our organic net revenue guidance from c.20% to c.30% growth for the current year as demand and viability has continued to improve.

Prior guidance of 12–13% operating margin is now expected to be 10%–11% for the current year, reflecting the effects of divestments. Subsequent to our prior guidance and the financial year end, we have divested approximately £13 million of net revenue and £3 million of EBITDA, whilst maintaining the same investment levels in the business. As net revenue continues to grow, we expect operating margins in future years to grow incrementally as well, and we expect margins in the mid-teens over the medium term.

I believe the Company is better placed to perform than ever before.

**Chris Kutsor**  
**Chief Financial Officer**

26 October 2021

# Alternative Performance Measures

The Annual Report includes both statutory and adjusted results. In the management's view, the adjusted results reflect the ongoing performance of the business, how the business is managed on a day-to-day basis and allow for a consistent and meaningful comparison.

The alternative performance measures ("APMs") and KPIs are aligned to our strategy and are used to measure the performance of our business and are the basis for remuneration.

The adjusted results exclude the items listed below, as their inclusion could distort the understanding of the performance for the year and the comparison with prior years.

## Key adjustments for adjusted operating profit, profit before tax and EPS

Adjusted operating profit is calculated by adding back costs relating to restructuring activities, impairment charges, acquisition costs, movements in deferred consideration and St Ives Defined Benefits Pension Scheme. The tax effects of these adjustments are reflected in the adjusted tax charge. The adjustments are detailed below:

1. **Restructuring costs** — these items are excluded in order to reflect the performance of the business in a consistent manner and how the performance of the business is managed on a day-to-day basis. They are not considered to be part of the core activities of the business. They have arisen as a result of initiatives to reduce the cost base and improve the efficiency and collaboration across the Group. The initiatives reflect a significant change in the organisational structure of a business area and are assessed on an individual basis and excluded from the adjusted results.
2. **Amortisation of acquired intangibles and impairments** — the amortisation and impairments of assets acquired through business combinations are excluded from adjusted results. These costs are acquisition related and are not part of the ongoing trading performance of the business. The amortisation of computer software is included within the adjusted results as it is part of the ongoing trading performance.
3. **Acquisition costs consisting of contingent consideration required to be treated as remuneration, and increases in deferred consideration** — our acquisitions, where deferred consideration arises, are structured such that the consideration is contingent on continued employment within the Group. Under IFRS3 this is treated as an expense and, therefore, part of the statutory result. Where the purchase price has been determined and there is a subsequent increase or decrease arising from the payment of deferred consideration under IFRS3 this is required to be expensed. We do not consider this to be part of the underlying trading performance.
4. **Administrative expenses related to St Ives Defined Benefits Pension Scheme** — the Scheme was closed to new members in 2002 and ceased future accrual in 2008. There are now three employees who are members of the Scheme and still employed by the Group. The costs of the Scheme including administration costs, past service costs related to Guaranteed Minimum Pension ("GMP") and the pension finance charge/ (income) are not considered to be part of the ongoing performance of the Group and they are excluded from the performance measures. As such they are treated as Adjusting Items.



The analysis of Adjusting Items from continuing operations is set out below:

Adjusting Items description	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
(Profit)/loss on disposal of property, plant and equipment	–	46
Amortisation of acquired intangibles	8,651	10,563
Expenses related to restructuring items	181	6,555
Impairment of goodwill and other assets	–	18,850
Contingent consideration required to be treated as remuneration	4,956	6,186
Acquisition costs	966	669
Administrative expenses related to St Ives Defined Benefits Pension Scheme	2,542	1,675
<b>Total Adjusting Items added back to the statutory operating profit</b>	<b>17,296</b>	<b>44,544</b>
Net pension finance income	(21)	(161)
<b>Total Adjusting Items added back to the statutory profit before tax</b>	<b>17,275</b>	<b>44,383</b>
Tax related to Adjusting Items	(1,738)	(4,168)
<b>Total Adjusting Items added back to the statutory profit after tax</b>	<b>15,537</b>	<b>40,215</b>

The key APMs frequently used by the Group for continuing operations are:

**Adjusted net revenue:** The measure is defined as revenue less project-related costs as shown on the consolidated income statement. Project-related costs comprise primarily of third party pass-through expenses and direct costs attributable to a project.

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
Adjusted revenue	160,342	140,361
Project-related costs	(18,923)	(14,632)
<b>Adjusted net revenue</b>	<b>141,419</b>	<b>125,729</b>

**Like-for-like adjusted net revenue at constant currency:** The measure is defined as the adjusted net organic revenue from continuing operations when comparing the current period to the prior period at constant currency rate of exchange.

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000	% Change
Adjusted net revenue	141,419	125,729	12.5%
Impact of acquisition in current period*	(7,655)	–	
Effect of constant currency**	6,209	–	
<b>Like-for-like adjusted net revenue</b>	<b>139,973</b>	<b>125,729</b>	
<b>Like-for-like adjusted net revenue growth %</b>	<b>11.3%</b>	<b>–</b>	

\* Made up of the removal of Cascade Data Labs' net revenue incorporated in the FY21 consolidated net revenue (from January 2021 to July 2021) and the first four months in FY21 of Spire's net revenue. The "Adjusted net revenue after project related costs" line for FY20 includes only eight months of Spire's net revenue

\*\* The difference between the FY21 net revenue at the average FY20 exchange rate versus the average FY21 rate. The difference between the two amounts based on the different average closing rates was recalculated into GBP using the average closing FY21 rate.

**Adjusted operating profit:** This measure is defined as the operating profit or loss less Adjusting Items.

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
<b>Statutory continuing operating loss</b>	<b>(2,268)</b>	<b>(33,331)</b>
Add back total continuing Adjusting Items excluding pension finance charge and tax	17,296	44,544
<b>Adjusted operating profit</b>	<b>15,028</b>	<b>11,213</b>

## Alternative Performance Measures

Continued

**Like-for-like adjusted operating profit at constant currency:** The measure is defined as the adjusted organic operating profit from continuing operations when comparing the current period to the prior period at constant currency rate of exchange.

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
<b>Adjusted continuing operating profit</b>	<b>15,028</b>	<b>11,213</b>
Impact of acquisition in current period*	(2,194)	–
Effect of constant currency**	963	(141)
<b>Like-for-like adjusted operating profit</b>	<b>13,797</b>	<b>11,072</b>
<b>Like-for-like adjusted operating profit %</b>	<b>9.9%</b>	<b>8.8%</b>

\* Removes Cascade Data Labs's operating profit which has been included in FY21 (from January 2021 to July 2021) and the removal of the first four months in FY21 of Spire's operating profit. The adjusted operating profit line for FY20 includes only eight months of Spire's operating profit, as the entity was acquired at the end of November 2019.

\*\* This effect of currency is the difference between the FY21 operating profit at the average FY20 exchange rate versus the average FY21 rate. The difference between the two amounts, based on the different average closing rates was recalculated into GBP using the average closing FY21 rate.

**Adjusted profit before tax:** This measure is defined as the Group net profit or loss before tax less Adjusting Items.

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
<b>Statutory continuing loss before tax</b>	<b>(4,277)</b>	<b>(36,302)</b>
Add back total Adjusting Items excluding tax	17,275	44,383
<b>Adjusted profit before tax</b>	<b>12,998</b>	<b>8,081</b>

**Adjusted profit after tax:** This measure is defined as the Group profit or loss after tax before Adjusting Items:

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
<b>Statutory continuing loss after tax</b>	<b>(5,097)</b>	<b>(34,298)</b>
Add back total continuing Adjusting Items after tax	15,537	40,215
<b>Adjusted continuing profit after tax</b>	<b>10,440</b>	<b>5,917</b>

**Adjusted basic earnings per share from continuing operations:** This measure is defined as basic earnings per share after Adjusting Items.

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
Adjusted continuing profit after tax	10,440	5,917
Weighted number of shares ('000)	169,985	163,871
<b>Adjusted basic earnings per share from continuing operations (pence)</b>	<b>6.14</b>	<b>3.61</b>

**Adjusted operating margin:** This measure is defined as the percentage of adjusted operating profit over net revenue.

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
Adjusted net revenue	141,419	125,729
Adjusted operating profit	15,028	11,213
<b>Adjusted operating margin</b>	<b>10.6%</b>	<b>8.9%</b>

**Adjusted EBITDA:** This measure is calculated using the preceding 12 months results and is defined as the adjusted operating profit or loss before depreciation, amortisation, finance expense and taxation. The covenant adjustment includes an adjustment to present on a 'frozen GAAP' pre-IFRS 16 basis, the EBITDA related to the pre-acquisition period from 1 August 2020 to 23 December 2020 for Cascade, and EBITDA from discontinued operations not yet devised at the balance sheet date.

The adjusted EBITDA for 2021 has been determined on the basis of continuing and non-divested discontinued operations solely for the purpose of calculating the ratio of net debt to EBITDA.

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
Adjusted operating profit	15,028	11,213
Add: Depreciation and amortisation	13,191	15,921
Less: Amortisation of intangibles classified as Adjusting Items	(8,651)	(10,563)
Covenant adjustment	(1,072)	428
<b>Adjusted EBITDA for covenant purposes</b>	<b>18,496</b>	<b>16,999</b>

**Net debt:** This measure is calculated as the total of loans and other borrowings excluding finance leases, less cash and cash equivalents.

	2021 £'000	2020 £'000
Loans	64,218	56,007
Cash and cash equivalents	(44,971)	(24,408)
<b>Net debt</b>	<b>19,247</b>	<b>31,599</b>

For the measurement of the bank covenants, cash, cash equivalents and borrowings denominated in currencies other than GBP Sterling are translated at an average rate rather than at the period end spot rate used in the Consolidated Balance Sheet. Borrowings drawn under the US Paycheck Protection Program are excluded from the calculation. The reconciliation is as follows:

	2021 £'000	2020 £'000
<b>Net debt</b>	<b>19,247</b>	<b>31,599</b>
Foreign exchange difference between spot rate and average rate	848	487
Deduct Paycheck Protection Program loan	(1,853)	(6,721)
<b>Net debt for covenant purposes</b>	<b>18,242</b>	<b>25,365</b>

**Net debt to adjusted EBITDA for bank covenant purposes:** This measure is calculated by dividing net debt for covenant purposes by adjusted EBITDA. The adjusted EBITDA is based on the total of continuing and those discontinued operations that were not devised at the balance sheet date.

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
Adjusted EBITDA for bank covenant purposes	18,496	16,999
Net debt for covenant purposes	18,242	25,365
<b>Net debt to adjusted EBITDA for covenant purposes</b>	<b>0.99</b>	<b>1.49</b>

**KIN+CARTA**



**J Schwan**  
Chief Executive Officer

**//** There's a tremendous amount of value in getting the balance right between people, planet and profit. We can be a good, successful growing business that offers people long, rewarding careers, and also be a force for good in the environment, in our communities, and for the planet. B.Corp is a great framework to measure a company's progress towards the accomplishment of that vision."

# Being a Responsible Business

Bringing our purpose to life

**A**t Kin + Carta, we are striving to build a world that works better for everyone — for us this means we consider our impact, positive and negative, on all of our stakeholders: our clients, our people, our communities, our suppliers, our partners and our shareholders. Our commitment to working in a socially and environmentally responsible way is underpinned by our Responsibility Platform. We are working hard to ensure that corporate social responsibility (which we refer to as ‘Responsible Business’) is reflected in our business practices, products, services and policies as we aim to be a force for good in the environment, and for the communities in which we live and work.

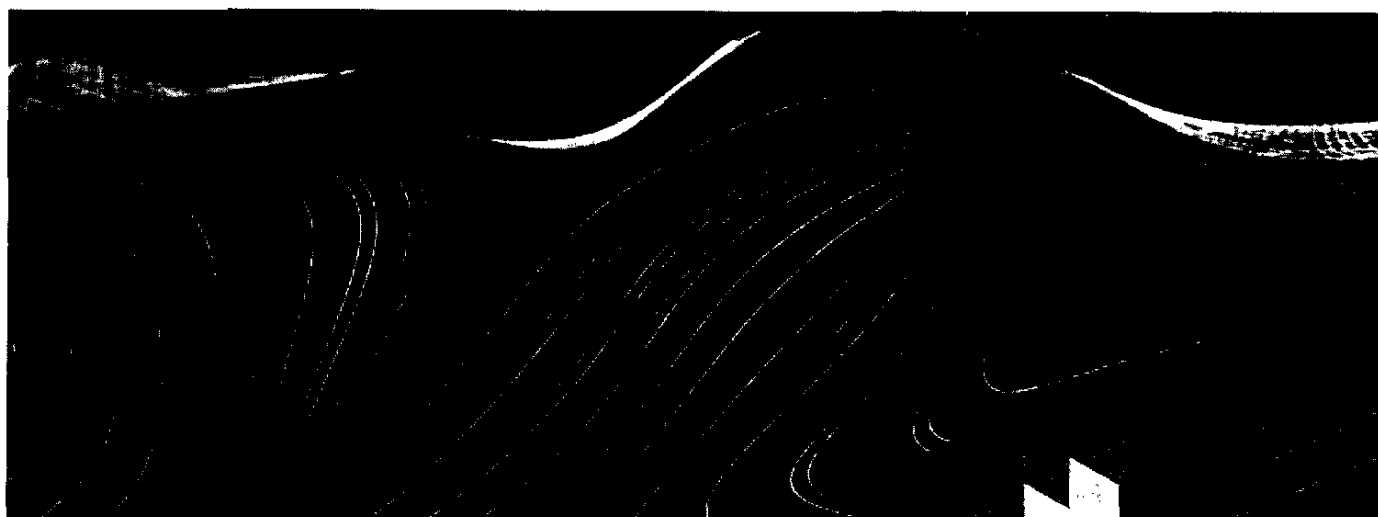
In this section, we outline how Kin + Carta’s continued focus on Responsible Business in 2021 has brought about tangible results while continuing to improve on practices, behaviours and services to ensure we maintain our progress. We quantify in detail for the first time our Responsible Business performance, by setting out the current status of, and targets for, our new Responsible Business KPIs. This brings further transparency to our goals and achievements in this area, and helps us focus attention on those factors that are most important to us as a business. This also brings benefits for society and the environment.

## Being a Responsible Business contents:

Bringing Our Purpose To Life	71
Our Triple Bottom Line Initiative	72
B Corp	73
Responsible Business KPIs	74
Section 172 Statement	79
Our Clients	80
Our People	84
Our Communities	90
Our Suppliers	92
Our Partners	93
Our Shareholders	94
Human Rights	96
Health, Safety + Environmental Management	97
Task Force on Climate-Related Financial Disclosures	100

# Being a Responsible Business

continued



## Our triple bottom line initiative

### The Kin + Carta ambition

Our ambition is to be one of the world's leading publicly traded triple bottom line businesses (with a focus on people and planet, as well as profit), and to be the first company currently listed on the London Stock Exchange to certify as a B Corp. With direction from the Board, our Head of Responsible Business, global Employee

Experience teams, and Inclusion, Diversity, Equity and Awareness ("IDEA") Programme Manager have led the focus and execution of our triple bottom line initiatives, engaging with people across Kin + Carta to collectively support our ambition to make a positive impact in all our regions.



Read more about **IDEA** on pages 86 to 89

### Our progress

In 2021, the second full year of implementing our triple bottom line initiative, we have made significant advances in our Responsible Business strategy implementation, notably:



B Corp certification of Kin + Carta Americas businesses: Kin and Carta US and its Argentinian subsidiary, Solstice Mobile Argentina Srl.



Measurement and reporting of Group non-financial Responsible Business KPIs.



Pay equity by gender reviewed across all businesses and improved where required to >95% across the Group.



Introduction of a new Environmental and Social Risk Policy for Client and Partner Engagements, to review project opportunities that may result in harm to society or the environment.

## B Corp

We have been using the B Corp framework over the past three years to help us measure, improve and validate our Responsible Business efforts. This is an internationally recognised, independent certification, whereby accredited businesses are recognised as ones that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. Our goal remains to achieve B Corp certification for each of our regions and Ventures individually. To that end, we certified Kin + Carta Americas (Kin and Carta U.S. and its Argentinian subsidiary) in January 2021, and Kin + Carta Europe in October 2021. Applications for Kin and Carta plc, Spire, and Edit were submitted in August 2021, with certification expected to be received by the end of the calendar year.

We believe certification of Kin and Carta plc will have significant positive effects, including:

- Enhancing our competitiveness and growth prospects by differentiating Kin + Carta from its competitors as a leader in environmental, social and corporate governance ("ESG")
- Enabling us to demonstrate our ESG credentials to our clients, suppliers and other stakeholders
- Helping us attract and retain people who share our values and want to have a positive impact on the world around them
- Inspiring our people to continue to develop innovative accessible or sustainable products and services for our clients
- Delivering on increasing focus from clients on ESG credentials of partners or suppliers

In order to achieve B Corp certification in the UK, a company must satisfy a legal requirement by including a commitment to a triple bottom line approach to business within its articles of association. To formalise Kin and Carta plc's approach to Responsible Business, and to meet the legal requirement in order to become a certified B Corp, we convened a general meeting in September 2021 to ask our shareholders to approve such an amendment to the Company's articles of association ("Articles") by way of a special resolution. This resolution was passed with a majority of 99.99% of shareholders or their proxies voting in favour. This paves the way for Kin and Carta plc certification (along with certification of Edit and Spire) by the end of the calendar year. The practical effect of the amendment to the Articles is the formalisation of the Company's pre-existing commitment to Responsible Business culture and practices by explicitly embedding into the Articles a requirement that directors adopt such practices as part of their decision making processes. It is also consistent with the increasing focus on Responsible Business practices and behaviours by companies in the UK, and further afield, through initiatives such as the UK Green Finance Strategy, the EU Sustainable Finance Action Plan and the revised UK Stewardship Code.

Development and Board approval of a new Climate Strategy and Action Plan for the Group.

Increased ethnic diversity of our US business from 26% to 33% of employees identifying as Asian/Black/Latinx or other non-white race/ethnicity.

Reduction in Kin and Carta plc's gender pay gap from 19% to 15%.

B Corp certification of Kin + Carta Europe in October 2021.

# Being a Responsible Business

## Responsible Business KPIs





### An introduction to our Responsible Business KPIs

As referenced in our 2020 Annual Report\*, we have introduced a number of new Responsible Business KPIs associated with our People and Responsibility Platforms this year, in addition to the existing employee Net Promoter Score ("eNPS"), and are pleased to report on those KPIs for the first time here, along with identifying short and long-term targets for each.

In the first year of comprehensive recording and reporting of our new set of Responsible Business KPIs, we are glad to set a baseline figure for many of these metrics. We are also pleased to mark some improvements where prior year figures are available, notably on mean gender pay gap, the percentage of our team who identify as people of colour, and in carbon intensity.

\* Note: we have changed our previously stated Environment KPI from percentage of carbon emissions offset to carbon intensity to provide a more robust and informative measure.

### 2021 KPI performance and targets

Employee net promoter score (eNPS) <sup>1</sup>			
	Definition	Performance commentary	Link to stakeholder
 FY21 outcome	eNPS is based on employees' likelihood to recommend Kin + Carta as an employer.	The eNPS score can range from -100 to +100 and, over the past year, the score for the business has stayed stable (FY20: +18), even in the light of the challenges which came with the pandemic.	
 FY22 target	We believe employee engagement is an indirect measurement of both employee happiness and business performance.	In support of our goals to become an internationally recognised best place to work, this year we created our Employee Value Proposition ("EVP"), which outlines our vision for the value we aspire to deliver for our people.	
 Long-term goal	Measuring engagement allows us to ensure that as the firm scales globally and new businesses are introduced into Kin + Carta, we have a consistent way to track the overall wellbeing and collective feeling of our employees.	In turn, we believe this will improve employee happiness and engagement. Our EVP is explained on page 84.	

1. Continuing operations only. Continuing operations excludes the results of Incite, Hive and Pragma (note 8).

2. Excludes Argentina

3. Includes Scope 3 emissions.

4. Excludes revenue from Ventures.



## Percentage of employees promoted per annum<sup>1</sup>

	Definition	Performance commentary	Link to stakeholder
FY21 outcome	A metric for career progression, which is an important part of our responsibility as an employer.	We are pleased that almost a fifth of our employees have progressed up a level during the year, close to our annual target of 20%.	
FY22 target		This is the first time we have recorded this measure across the whole Group, and we will look to maintain this level of progression through ongoing improvements to our training programmes, as well as continued focus on robust appraisals and career development plans to facilitate deserved promotions.	
Long-term goal			

## Mean gender pay gap<sup>1</sup>

	Definition	Performance commentary	Link to stakeholder
FY21 outcome	An equality measure that shows the difference in average earnings between women and men.	Whilst the gender pay gap is still high at 15% – reflecting fewer women in senior roles, more women in traditionally lower-paid roles (such as office management and marketing), and having more men in higher-paid roles (such as technology engineering) – it has reduced from 19% in FY20. This highlights the efforts our Employee Experience and Talent Acquisition teams have made during the year on recruitment, progression and pay equity. These efforts will continue as we work to reduce the pay gap further.	
FY22 target			
Long-term goal			

### Link to stakeholder



People



Communities





Environment



Client

## Being a Responsible Business – Responsible Business KPIs continued

Percentage of employees identifying as Asian, Black, Latinx or other non-white <sup>1, 2</sup>			
	Definition	Performance commentary	Link to stakeholder
FY21 outcome	A measure to demonstrate our commitment to diversity, where we aim to have teams that are representative of the communities in which they work.	We have made good progress on representation of people of colour since our IDEA programme began to be implemented at the start of FY20, particularly in the US.	
FY22 target		Overall, we have increased the percentage of employees indentifying as Asian, Black, Latinx or other non-white by 4 ppts, from 18% of the total workforce (excluding Argentina) in FY20 to 22% in FY21. In FY22, our recruitment teams will continue to improve our hiring practices to remove potential bias and broaden our appeal to a more diverse talent audience.	
Long-term goal			

Equivalent % of net profit raised for charity <sup>1</sup>			
	Definition	Performance commentary	Link to stakeholder
FY21 outcome	An indication of our philanthropic contribution, comprising cash donations, funds raised in company initiatives and time volunteered at charge-out rates.	In the first year of recording charitable contributions across the Group using our new methodology, it has been challenging to continue our philanthropic efforts during the COVID-19 pandemic, particularly through volunteering and fundraising. As a result, we have not hit our charity target in the Americas of raising 3% of net profit for charity. However, we have put in place a new charity partnership in Europe, and a more structured approach in the US, in order to make best efforts to increase our philanthropic giving again in FY22.	
FY22 target			
Long-term goal			



1 Continuing operations only. Continuing operations excludes the results of Incite, Hive and Pragma (note 8).

2 Excludes Argentina.


3 Includes Scope 3 emissions.

4 Excludes revenue from Ventures.

## Net number of jobs added per annum as a percentage of total<sup>1</sup>

	Definition	Performance commentary	Link to stakeholder
FY21 outcome	Providing new careers in emerging areas of technology is an important part of making our communities live and thrive.	Emerging from the pandemic, we have seen great demand for services and, therefore, the need for high levels of recruitment, which led to us exceeding our target.	 
FY22 target		As demand for our services continues to grow, we are targeting 15% net new jobs in FY22.	
Long-term goal			

## Carbon intensity<sup>1</sup>

	Definition	Performance commentary	Link to stakeholder
FY21 outcome	Tonnes of CO <sub>2</sub> per £m revenue – allows us to measure our carbon footprint as we grow.	Reduction on prior year (FY20: 3.38) as a result of office closures and reduced business travel – we will look to maintain this level of performance as the world opens up again.	
FY22 target		From FY22, we will be recording our relevant Scope 3 emissions and including in this metric (FY21 only includes Scope 1 and 2 emissions), to more fully reflect our climate impact, and allow us to plan more robustly our journey to net zero by 2027.	
Long-term goal			

### Link to stakeholder



People



Communities




Environment



Client

## Being a Responsible Business - Responsible Business KPIs continued

Total revenue from positive impact projects <sup>1</sup>			
	Definition	Performance commentary	Link to stakeholder
FY21 outcome	A measure of how we use our knowledge and skills to better our society and our planet.	Across healthcare, accessibility, charities and energy efficiency, we have delivered client projects that have been of benefit to society or the environment this year.	
FY22 target		This is the first year we have defined and measured positive impact client work. Additional focus on developing accessibility, inclusivity and sustainability propositions in FY22, as well as targeting positive impact clients, should enable us to increase this type of revenue in the coming year.	
Long-term goal			

1. Continuing operations only. Continuing operations excludes the results of Incite, Hive and Pragma (note 8).
2. Excludes Argentina.
3. Includes Scope 3 emissions.
4. Excludes revenue from Ventures.

# Section 172 Statement

## Section 172 statement

Our Directors must perform their duties under the Companies Act and articles of association. A key purpose of this Report is to demonstrate the manner in which these duties have been discharged, with particular focus on the duty to promote the long-term success of the Company for the benefit of its members as a whole, and the Company's additional objective to have an overall material positive impact, through its business and operations, on society and the environment, taking into account the range of factors and stakeholders identified in section 172 of the Companies Act, and the Company's articles of association. In accordance with our articles of association, stakeholder interests are considered in the same manner as shareholder interests when making strategic decisions that will affect the Company's members.

## Our approach

At Kin + Carta, our purpose is to build a world that works better for everyone. We are connective, understanding that at the intersections between people, ideas, data and technology we can create practices to win personally and professionally. We take courage to be adaptive, look ahead, learn and stay curious, with a compassionate and responsible mindset that recognises our impact on the world, and the need to come up with new solutions in our local communities and beyond.

These values support our purpose. They reflect the importance our Board places on considering our stakeholders in key business decisions and how they are fundamental to our ability to drive value creation over the longer term, allowing us to be adaptive and seek responsible ways to improve and grow.

In the following Being a Responsible Business sections, we provide an overview of how our Directors satisfy their duties and how we live our values for each of our key stakeholder groups: our clients, our people, our community, our suppliers, our partners and our shareholders. We set out the interests of each stakeholder group, our tailored approach to engaging with them and how this engagement has shaped Board decision making and discussions, along with an overview of how we have promoted Responsible Business with each stakeholder.

The senior management teams across our regions have approved the Responsible Business KPIs referenced on pages 74 to 78, and will review performance against these KPIs on a regular basis, as a key part of their duties under section 172, and their commitment to have an overall material positive impact on society and the environment.



# Being a Responsible Business

## Our Clients

### Importance of our clients and their interests

For our business to prosper and have a long-term sustainable future it is essential that we provide products and services that meet the needs of our clients and the market. Across the three critical domains of the digital transformation value chain – Technology, Data and Experience – there are four connected outcomes our clients seek in their digital business journey: Innovation, Modernisation, Enablement and Optimisation. At Kin + Carta, we deliver these outcomes, and aim to do so in a responsible way through the lenses of:

- **diversity:** bringing a better balance of under-represented groups to our project teams and, therefore, the tech sector in general;
- **inclusivity:** creating digital solutions (for example our AI services) that are inclusive, unbiased and ethical;
- **accessibility:** making our solutions accessible to all, including the significant minority of the population who have a disability; and
- **sustainability:** building products and services that are energy efficient in order to reduce our impact on climate and the environment.

Our clients consider numerous factors when considering a business relationship with Kin + Carta. These include receiving a holistic service offering, supported by deep technical knowledge, developing long-term partnerships, building their brand and performance, credibility and trust, sustainable and ethical business practices (including anti-bribery and corruption, human rights and modern slavery matters), and terms and conditions (including payment terms). Overall, our clients have a keen interest in a profitable and sustainable journey to becoming a digital business; Kin + Carta helps make it happen.

### Engagement

Through listening to our clients, we can better understand their needs, and provide the products and services they want. This can include the requirements that help our clients to achieve their responsible business goals, notably how to make their digital assets accessible to all, including those with disabilities, and consideration of energy efficiency and sustainability. To achieve this, our people maintain close dialogues with our clients at all levels of the organisation, from their Chief Executive Officer to procurement teams.

Through monthly subsidiary board meetings, J Schwan, our Chief Executive Officer, and Chris Kutsor, our Chief Financial Officer, receive reports on matters related to key clients including operational updates, the health of the relationship, and related opportunities and threats. Briefings to the Board summarise key client developments, keeping the Board abreast of significant relationship matters and broader trends. The Board also receives deep-dive presentations on key client engagements several times a year.

### How has this engagement impacted Board decision making or discussions at Board level?

Through our market knowledge and dialogues with our past, present and prospective clients, we have identified our clients' outcome-focused needs: Innovation, Modernisation, Enablement and Optimisation. In recognition of this, the Board considered the development and alignment of our strategic domains — Technology, Data and Experience — to deliver these desired outcomes in a responsible manner (including giving due consideration to diversity, inclusivity, accessibility and sustainability) for an increasingly broad range of clients across our key operating territories of the Americas and Europe. During the year, the Board approved the acquisition of Cascade Data Labs, a data science firm, which strengthens Kin + Carta's

Data domain allowing us to provide end-to-end data transformation services to our clients to support their needs.

We also recognise that we must provide the highest level of advice, service and expertise to solve problems for our clients with resourcing models that meet our clients' needs. Our Board, therefore, gives consideration to talent and the training and development of our people, allocating budget to these needs. In line with client demand for nearshore delivery models, our Board also considers acquisition and other expansion opportunities to increase nearshore delivery capabilities. During the year, the Board approved the establishment of nearshore delivery facilities in Greece and Colombia.

### Promoting Responsible Business with our clients

Key achievements with clients in 2021:

- In Europe, we increased the number of clients we engaged with on Designing with Empathy (accessibility) projects from a single client in 2019/2020 to seven engagements in 2020/2021 (see page 83 for more information on Designing with Empathy).
- Development of our sustainability proposition, including introductory conversations with clients.
- Introduction of a new role, Responsible Business Enablement Lead in the US, to focus on positive impact clients and projects.

In addition to our positive impact initiatives, a core element of our promotion of Responsible Business with our clients is maintaining well-established practices, supported by our policies:



See page 111 for information on our Anti-Bribery and Corruption Policy



See page 115 for information on our Code of Ethics



See page 113 for information on our Environmental and Social Risk Policy for Client and Partner Engagement

### Developing a sustainability client proposition

The development of a sustainability client proposition is one of our key strategic development areas within Responsible Business, given its alignment with our values, the moral imperative as a result of climate change, the market potential, and the opportunity for impact and craft leadership. Our goal is for our clients to receive a partnership with Kin + Carta that includes as standard ethical, sustainable practices for their business, people and the planet.

We are rising to this emerging opportunity through the development of capabilities and tools to support our people in advising and acting in the most sustainable way to meet client outcomes throughout our engagements. This includes Kin + Carta undertaking an assessment of the current sustainability performance of clients' digital assets and their aspirations in this area. This will allow us to benchmark the organisation to industry and policy standards, develop goals, understand the scope of opportunities, and distil objectives or targets for sustainability efforts. The assessment culminates in an action-ready plan and sustainability roadmap, which we will aim to fulfil with the client.

# How we helped Kooth make a positive impact

By [Katharine Smith](#),  
Senior Software Engineer,  
Kooth

Kooth's digital mental health services support thousands of young people and adults towards better mental health and emotional wellbeing. Kin + Carta partnered with Kooth to launch two core mental health and wellbeing platforms, one for children and young people, and the other for adults.

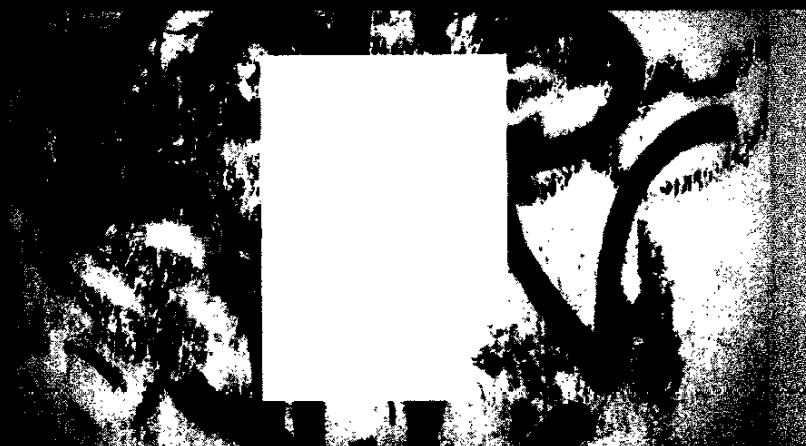
These platforms offer a range of services including early intervention support and access to a team of experienced counsellors, removing the traditional barriers to entry, such as waiting lists, sub-threshold assessments, and stigma. With over 46,000 visitors to their platforms every month, this is a critical service for many individuals, as well as for their partner organisations, such as NHS commissioners.

Sensitive subject matter meant that Kooth needed a partner it could trust from day one. This required a team with proven technical capability, flexibility, and the capacity to share knowledge and build in-house capability. With speed a critical success factor, Kin + Carta and Kooth teams came together to quickly assess the existing infrastructure and trace performance issues in high-risk areas of the codebase.

Following this, we implemented a scaling solution and a load-testing framework to improve performance of the apps. From the number of users the system could comfortably support, to the average API response time Kooth wanted to achieve — we benchmarked our progress with real-time data and continued to tweak, until we were confident that performance could not just meet, but exceed people's expectations.

The collaboration with Kin + Carta achieved rapid success with lasting impact. Our work helped Kooth improve a critical service that relies on trust, speed and professionalism to get people the help they need, when they need it. As a result, the updated system was able to handle over 30 times more users at any one time than previously, the average API response time fell from 1600ms to 480ms and the rate of system errors at load reduced from 0.8% to 0.0002%.

We continually shared our development expertise as part of a pairing policy between Kin + Carta and Kooth engineers; our changes have had a lasting impact. This means that the Kooth team will continue to reap the rewards of agile ways of working long after our involvement.







## Designing with empathy

NSPCC and Childline asked Kin + Carta to provide an understanding of their current website accessibility and recommendations for improvement.

NSPCC and Childline asked Kin + Carta to provide an understanding of their current website accessibility and recommendations for improvement.

The objectives of the project were to:

- Provide a current baseline in terms of accessibility with regard to key user groups and journeys, with consideration of Web Content Accessibility Guidelines 2.1
- Identify content gaps in accessibility, whilst seeking to maintain Search Engine Optimisation standing
- Support inclusive user testing through the production of training research guides
- Provide a series of recommendations to improve accessibility
- Give long-term recommendations for ongoing accessibility improvements

To deliver on these, we carried out accessibility audits of the NSPCC and Childline websites in relation to key user groups and journeys across the sites, focusing on design, content and technical considerations. The audits focused on aspects of the sites that create accessibility barriers and how content could be altered to avoid the exclusion of certain user groups. The audits culminated in a series of quick-win and longer-term recommendations about how NSPCC could improve, optimise and innovate when it comes to accessibility and inclusion.

Kin + Carta also worked with the NSPCC and Childline teams to pass on inclusive user testing expertise. This resulted in the production of a comprehensive training guide highlighting the fundamentals of planning, running and analysing research focused on accessibility and inclusion. This guide allows the Childline team to carry out future research with young people and adults of all abilities and from all inclusive audience groups: audio, motor, speech, visual, neurodiverse and socially excluded.

# Being a Responsible Business

## Our People

### **Importance of our people and their interests**

At Kin + Carta, we provide expert advice and an integration of service offerings across three critical digital transformation domains — Technology, Data, Experience. Our people are fundamental in offering our clients a wealth of knowledge, creativity and expertise to support their outcome focused needs. We value our people and recognise our success is generated by the talent and experts in our teams. As a result, we prioritise recruiting, retaining and progressing the best people across Kin + Carta. Our connective model during the year has continued to increase the number of people working across our service offerings, creating new development opportunities and enhancing their skills and experience by collaborating with colleagues across our many locations.

### **Engagement**

In alignment with our People and Responsibility Platforms, our Board is driven to create an industry-leading employee experience by being known and internationally recognised as a best place to work, with a focus on the growth potential of our talent. Accordingly, it has various channels through which it can listen to our people. People matters are on the agenda of each monthly subsidiary board meeting, attended by J Schwan (Chief Executive Officer) and Chris Kutsor (Chief Financial Officer), with discussion items including updates on Inclusion, Diversity, Equity and Awareness ("IDEA") progress, eNPS scores, themes from monthly pulse surveys, learning and development programmes, and employee turnover. J Schwan then summarises key themes, developments and wider-employee experience initiatives within his reports to the Board, keeping it abreast of significant relationship matters and providing a regular insight into the culture of Kin + Carta. Further, to provide a focused Board-level forum on employee experience initiatives and feedback from the half-yearly employee engagement and diversity and inclusion surveys, the Board has formed a Workforce Advisory Panel. The panel members include Nigel Pocklington (Independent Non-Executive Director), J Schwan, Daniel Fattal (Company Secretary), the Director of Global Employee Experience Operations, and the Head of Responsible Business. Nigel Pocklington briefs the Board on the panel's key findings and highlights any areas for discussion. Finally, our Director of Global Employee Experience Operations is now

actively supporting the Remuneration Committee in order to continue to strengthen the alignment between global total reward strategy for our people and remuneration for Executive Directors, and how both deliver Company purpose and strategy. These engagement channels facilitate our Board's robust discussion of, and decision making on, matters related to our people.

### **How has this engagement impacted Board decision making or discussions at Board level?**

Our Board recognises that it is only through understanding our people and their lived experiences that we can develop further as an organisation and as the best possible place to work. Through consideration of Kin + Carta's employee experience initiatives and key themes from engagement with our people, our Board has made significant decisions, including:

- After considering our proposal to evolve our reward strategy and widen the pool of employees with LTIP awards in order to drive business strategy delivery and retain top talent, the Remuneration Committee approved awards to a wider proportion of our employee base.
- In order to support the continued transition into one global fully integrated digital transformation company, the Board considered and approved the Employee Value Proposition ("EVP") framework. The EVP framework outlines our vision for the value we aspire to deliver for our people. It was created through a number of workshops that took place in each of our regions, in addition to working with Illinois University to understand what is important to our future talent. Further details of the EVP are included below and on page 36.

### **Employee experience**

Across Kin + Carta, we make a significant investment in creating an environment for our people that demonstrates our core values: connection, compassion and courage. These values enable our people to strive in their work and build strong client relationships, whilst also creating an environment that fosters enjoyment and the support of our communities.

As a result of our continued focus on enhancing employee experience in all relevant areas, this year we have created our EVP. Our EVP has four key building

blocks akin to Maslow's hierarchy of needs; at the bottom is recognition and reward, a hygiene factor with important focus on rewarding people fairly and equitably, celebrating excellence, and promoting learners, connectors and teachers. Then we move up to personal wellbeing; this building block recognises the healing power of connections and enables wellbeing initiatives.

The professional growth building block is about how we engineer learning and teaching opportunities for our people. Finally, at the top of the pyramid is our purpose and culture building block where we enable external connections to build a world that works better for everyone, focusing on enabling people to work on purposeful projects; we support communities of purpose and practice, and we strive to facilitate a borderless organisation.

The development and implementation of our EVP is in line with our long-term goal to become an internationally recognised best place to work. With our EVP framework providing our guiding principles, we continue to invest in core areas of employee experience including:

### Recognition and reward

- Global pay equity programme, which saw us complete analyses for all employees and implement paths to equity for employees not receiving equitable pay.
- Widen the pool of employees with LTIP awards in order to drive business strategy delivery and celebrate excellence in our teams.
- Partnership with a global external benchmarking service provider to support our total reward strategic goals.

### Personal wellbeing

- We have a continued commitment to providing support to, and driving awareness initiatives and resources for employees on mental health and wellbeing. We continue to work with our benefit partners to ensure our wellbeing and mental health support services for staff are available through various channels, including the employee assistance programme, online counselling and short training sessions, organised exercise classes and mindfulness sessions, as well as hosting a range of talks and webinars with external experts promoting positive mental health, offering wellbeing tips and resources.

### Professional growth

- Junior talent accelerator programmes, which see junior talent hired into the business and put through an intensive training programme.
- Launching multiple learning paths for our more experienced people.
- Providing opportunities for employees to work on meaningful projects that support their continued development.
- Running partner certification programmes in Google, Microsoft, Amazon and commercetools.
- Lunch and learn sessions to support the continued development of cutting-edge technical skills.
- Leadership development in various forms including leadership team coaching, our women's leadership accelerator programme, and unconscious bias training.

Our promotion of positive employee experience and ethical business conduct by our people is supported by our policies:



See page 111 for information on our **Anti-Bribery and Corruption Policy**



See page 115 for information on our **Code of Ethics**



See page 113 for information on our **Health Safety + Environment Framework**



See page 115 for information on our **Inclusion, Diversity, Equity and Awareness Policy**



See page 111 for information on our **Speak Up Policy**

## **Being a Responsible Business – Our People**

continued

### **Inclusion, Diversity, Equity and Awareness (“IDEA”)**

#### **Our IDEA vision**

At Kin + Carta, we exist to make the world work better for everyone through our commitment to Inclusion, Diversity, Equity and Awareness. As part of our goal to become a true triple bottom line and socially responsible business, we pledge to seek out diverse perspectives, celebrate differences and build a culture where everyone is empowered to bring their authentic self to work. We believe in using our platform and resources to break down structural inequality. We vow to be a force for good, both within Kin + Carta and throughout our local communities.

#### **Our IDEA guiding ambitions**

We will know we have succeeded when:

- Our teams are as diverse as the population in the regions we operate in.
- People are paid equitably for equal work.
- Employees feel they can bring their authentic selves to work.
- IDEA is a sustainable and ingrained part of how we do business.
- We are IDEA leaders in the technology community.

#### **Our IDEA progress in 2021**

**3.5ppt**      **7ppt**

Average increase of female representation across Kin + Carta Europe and Kin + Carta Americas

Increase in minority ethnicity representation in the US

**4.1ppt**      **>95%**

Decrease in the gender pay gap across Kin + Carta

Pay equity across Kin + Carta Europe and Kin + Carta Americas

### Our IDEA strategic action plan

Last year, we committed to delivering the actions defined in the IDEA strategic action plan and laying the foundations of our IDEA initiative.

In implementing our IDEA strategic action plan, we are applying our learnings from client delivery, and using the same methodology and approach to ensure the IDEA programme is a success.

We have made demonstrable progress this year, with some of the highlights being:

- Ran pay equity analysis and completed the initial path to equity phase by bringing employees to pay parity, with a secondary phase under way to ensure that pay equity principles are incorporated into promotions and recruitment.
- Kin + Carta Europe partnered with charity, Code Your Future, and charity partnerships are currently being implemented in the Americas. These initiatives are co-led by our IDEA programme managers.
- Rolled out the women's leadership programme across Kin + Carta and introduced the BAME leaders programme.
- Set up a crisis response team to support our Kin through major societal crises, which typically have a disproportionate impact on under-represented groups.
- Reviewed and are currently updating our people-related policies to ensure they are inclusive.

More information on our IDEA strategic action plan can be found on our website [kinandcarta.com/en/idea/](https://kinandcarta.com/en/idea/).

### Our LGBTQIA+ community

Our LGBTQIA+ Affinity Group provides additional support to our LGBTQIA+ employees and provides resources, and advocacy for internal education, as well as external outreach to partners and community non-profit organisations that support our stronger together mentality. Examples of our LGBTQIA+ inclusion initiatives include:

- Improving hiring processes to remove as much bias as possible and posting job advertisements on LGBTQIA+ recruitment boards.
- Raising awareness around LGBTQIA+ issues and allyship for our colleagues through hosting workshops by external speakers.
- Running specific internal educational content. For example, on Transgender Day of Visibility and Transgender Day of Remembrance, we reflected on the transgender experience in the UK and US, and what these days mean to our trans and non-binary colleagues.

### BAME Accelerator Programme

According to IPA statistics, just 6.1%<sup>1</sup> of leaders are from a BAME background. We know that people from multicultural backgrounds often do not have the same opportunities within a business. Therefore, we partnered with Creative Equals to roll out a BAME Accelerator programme across the Kin + Carta Europe region for 12 of our Kin who volunteered to participate in the programme. This programme will help the cohort create networks within the business and wider technology community, having active sponsors, learning to negotiate, gaining sales skills and delivering powerful presentations.

1. IPA (2017). IPA Diversity Survey [ipa.co.uk/knowledge/documents/ipa-diversity-survey-2017/](https://ipa.co.uk/knowledge/documents/ipa-diversity-survey-2017/).

## Being a Responsible Business – Our People

continued



### Future Women Leaders Programme

Last year, the Future Women Leaders programme in the Kin + Carta Europe region helped talented individuals across Kin + Carta realise their potential and take the next step in their career. This year, we launched a Kin + Carta-wide Future Women Leaders programme as women are still under-represented in leadership, 75% of line managers in our sector are male, and women are looking for different training courses to their male counterparts. 37 of our Kin are on the programme, selected following a rigorous application and review process. It has been designed to help the cohort gain key leadership skills, develop a network, understand their leadership style and develop the confidence to be the best they can be.

### CEO Action Pledge

Alongside more than 2,000 other global CEOs, we have recently signed the CEO Action Pledge to advance diversity and inclusion in the workplace. CEO Action for Diversity and Inclusion™ was founded on a shared belief that collaboration and bold action from the business community – especially CEOs – is vital to driving change at scale. We are very proud to sign this pledge as it complements our IDEA strategy.

**CEO ACTION FOR  
DIVERSITY & INCLUSION**

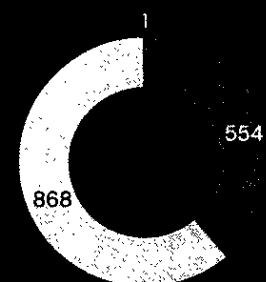
### The Valuable 500

We joined the Valuable 500, a large network of global CEOs committed to closing the disability inclusion gap. Launched in January 2019, the Valuable 500 remains the only global CEO community dedicated to radically transforming the business system across the whole supply chain for the benefit of all those with a disability.



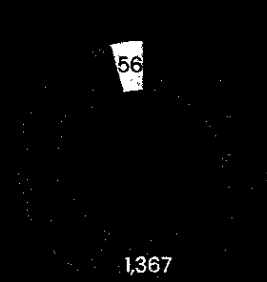
## The demography of our employees as at 31 July 2021

Employees:  
1,423



● Female  
● Male  
● Non-binary

Full-time/part-time  
employees

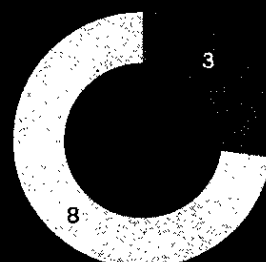


● Full-time employees  
● Part-time employees

For these purposes:

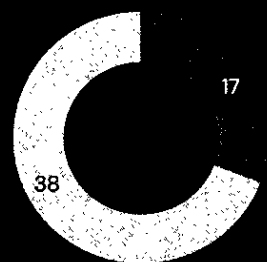
- Employee refers to an individual engaged under a contract of service and, therefore, does not include our contingent workforce
- Senior management refers to the members of the Founder's Circle (other than Kin and Carta plc Directors and the Company Secretary), in accordance with the Code

Senior  
management: 11



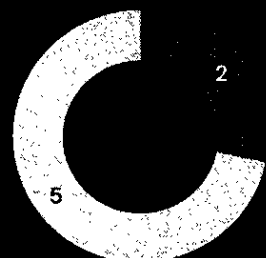
● Female  
● Male

Senior management's  
direct reports: 55



● Female  
● Male

Board: 7



● Female  
● Male

# Being a Responsible Business

## Our Communities

### Importance of our communities and their interests

The local communities of our office and home-working locations are the ecosystems within which our current and prospective people and their families, and many of our clients, suppliers, partners and shareholders live and work. We believe that helping our local communities through inclusive recruitment, ethical procurement, charitable initiatives and other types of engagement brings benefits to our business, as well as the local population and environment.

### Engagement

Across our regions we engage in charitable projects in local communities through individual fundraising, volunteering efforts, pro bono projects or company donations. These contributions have covered a broad range of deserving causes and the provision of time has ranged from practical volunteering activities to strategic advice for charities.

In addition, we engage with local organisations in our recruitment processes, to ensure broad representation in our candidate pools, and encourage recruitment from under-represented populations.

### How has this engagement impacted Board decision making or discussions at Board level?

In 2019, we outlined our triple bottom line initiative, seeking to ensure that decision making across our businesses incorporated due consideration for people and planet, as well as profit. In 2021, the Board decided to formalise this approach and put forward a resolution at the general meeting held in September 2021 to include a commitment to a triple bottom line approach to business within the Company's Articles. The amendment to the Articles included an objective to have a material positive impact on society and the environment. The resolution was duly passed and took effect immediately. The effect of the amendment to the Articles is a change to the legal framework for Directors' duties and decision making by elevating consideration of the impact on society and the environment in the context of decision making, seeking to ensure that the Company has an overall material positive impact in these areas, such that those matters and stakeholder

interests are considered in the same manner as shareholders' interests. As part of this commitment, the Company produces impact reports for each region, which set out how the business has sought to have a positive impact, and which are published on the Kin + Carta regional websites.

### Acting responsibly for our communities

We have various initiatives to support our communities, including:

- Regional targets for the contribution of an equivalent percentage of net profits to charities through the donation of voluntary or pro bono time, money and funds raised in Kin + Carta initiatives
- Establishment of local and global philanthropy committees to facilitate effective community and charitable involvement. For example, this led to Kin + Carta Europe selecting a new charity partner, which provides a coding school for refugees and disadvantaged people
- Matching the total charitable contribution made by the Chairman forgoing a proportion of his fees
- Operating a give as you earn scheme, introduced in 2020, through which our people in England and Scotland can donate to charity directly from payroll tax efficiently
- Guidance to procurement managers to buy locally where possible
- Engagement with local groups to encourage recruitment from under-represented populations

We understand the importance of good governance when engaging with our community. This is reinforced by our policies:



See page 112 for information on our **Charitable Giving Policy**



See page 115 for information on our **Code of Ethics**



See page 114 for information on our **Modern Slavery Policy**



## Helping design students across the UK

Kin + Carta Europe engages with design students in the UK through long-standing outreach programmes. We bring designers, design students and the under-represented together to learn from each other and find new ways to build a world that works better for everyone.

We have been working with UCEN Manchester for over ten years, spending many days each year with digital design students to give hands-on training with cutting-edge tools, as well as guidance, critiques, mentoring and curriculum advice. This often results in student placements at Kin + Carta, and employment opportunities.

The CreatEd programme builds bridges between design education and industry. We run workshops at a number of universities and colleges whilst also supporting hundreds of students by giving talks, running briefs (including a recent successful first collaborative brief with a client, Kooth), and offering one-to-one advice. In addition, we build connections with people not just in higher education but by teaming up this year with Code Untapped, who empower under-represented communities to get into tech, to deliver a series of user experience seminars.



# Being a Responsible Business

## Our Suppliers

### **Importance of our suppliers and their interests**

Our suppliers provide goods, services and expertise to Kin + Carta that support our infrastructure, internal capabilities, agility and, in turn, our growth. Our suppliers have regard to several factors when considering a business relationship with Kin + Carta, including: the success of our business, developing long-term, fair business relationships, credibility and trust, ethics (including anti-bribery and corruption, human rights and modern slavery), our responsible sourcing requirements, and terms and conditions (including payment terms).

### **Engagement**

We are committed to building strong working relationships with our suppliers, ensuring that together we are aligned on quality, ethics, delivery, innovation, risk and compliance. We actively engage with our suppliers through various means to achieve this, including: maintaining ongoing dialogue, scheduling regular check-ins, performing retrospective reviews and undertaking Supplier Code of Conduct assessments.

Due to the diverse nature of our supply base, ranging from start-ups to multinational corporations, we engage with each supplier on an individual basis. Payment terms granted to suppliers are negotiated according to the amount at risk and the financial strength of the supplier.

### **How has this engagement impacted Board decision making or discussions at Board level?**

A key part of our responsible business approach, which is directed by our Board, is maintaining strong working relationships with our suppliers. Our Board has regard, via management oversight, to the need to maintain alignment with our suppliers on quality, ethics, delivery, innovation, risk and compliance. During the year, our Executive Directors approved the inclusion of the Kin + Carta Supplier Code of Conduct, which sets out the high mandatory standards and other desired behaviours we require from our suppliers, into the global procurement process.

### **Promoting responsible business with our suppliers**

As a result of the Supplier Code of Conduct being incorporated into the global procurement process, all new suppliers, and those that have undertaken a contract renewal process, have confirmed their compliance with the code.

In addition to our Responsible Business initiatives, a core element of our promotion of Responsible Business with our clients is maintaining well-established practices, supported by our policies:



See page 111 for information on our **Anti-Bribery and Corruption Policy**



See page 112 for information on our **Ethical and Sustainable Procurement Policy**



See page 114 for information on our **Modern Slavery Policy**



See page 114 for information on our **Supplier Code of Conduct**

# Being a Responsible Business

## Our Partners

### Importance of our partners and their interests

We partner with the world's leading technology providers, Google, Microsoft, Amazon Web Services (AWS) and their ecosystem partners to assist in supporting our shared enterprise clients. These partnerships build our capabilities and enhance the value of our proposition for our clients. Our deep partnerships extend across cloud providers, commerce and content platforms, and data management platforms.

Our relationships with our partners are built on trust and their industry-defining technology. Our partners look to us for the depth of our industry knowledge, technical expertise and credentials, range of capabilities, excellent service and our meaningful relationships with our clients.

### Engagement

Through collaborating and engaging with our partners, we can better understand their needs and provide, or where required deepen and expand, our expertise and capabilities. To achieve this, our Global Partner Development Managers maintain close dialogue with our partners and jointly focus on maintaining a balance across the four mechanisms of channel activation: bringing opportunities from our clients to partners, partners bringing opportunities to us, going to market jointly to find clients together, and working with joint partners to expand our reach and relationships.

We engage in partner certification programmes to demonstrate our competency and technical ability in our partners' products and services. We have added to our Microsoft Gold Competencies this year and our certification depth with Google Cloud.

Through monthly meetings with the Kin + Carta Partnerships management team, J Schwan, our Chief Executive Officer, and Chris Kutsor, our Chief Financial Officer, receive reports on matters related to our partners including operational updates on partnership projects, the health of the relationships, and related opportunities and threats. J Schwan's briefings to the Board summarise key partner developments, keeping the Board abreast of significant relationship matters and broader trends.



See pages 24 to 27 for information on our **Partners**

### How has this engagement impacted Board decision making or discussions at Board level?

Our Board understands that through partnerships we can empower our clients together, with the strength of those relationships positioning Kin + Carta to accelerate its pace of growth in the future. Our Board monitors the percentage of net revenue driven by the Partnership channel, considers the status of key strategic partner relationships and projects and, taking these matters into account, supported the continued scaling of the channel. Our Board has given consideration to talent and the training and development needs of our people to allow them to fully collaborate with our partners; this resulted in our Board allocating budget to these needs, including partner certification programmes.

### Promoting responsible business with our partners

We recognise the positive impact Kin + Carta can make when partnering with the world's leading technology providers. Both our key strategic platform partners have a firm commitment to sustainability with Google being Carbon Neutral since 2007. As Kin + Carta develops its cloud practice, we have formed key partnerships with sustainability leaders in both Google and Microsoft to focus on helping our clients become more sustainable through Green Cloud, and providing data solutions to help spot opportunities in acquisition, product development, supply chain, transportation and smart buildings to minimise their impact on the environment.

In addition to our positive impact initiatives, a core element of our promotion of responsible business with our clients is maintaining well-established practices, supported by our policies:



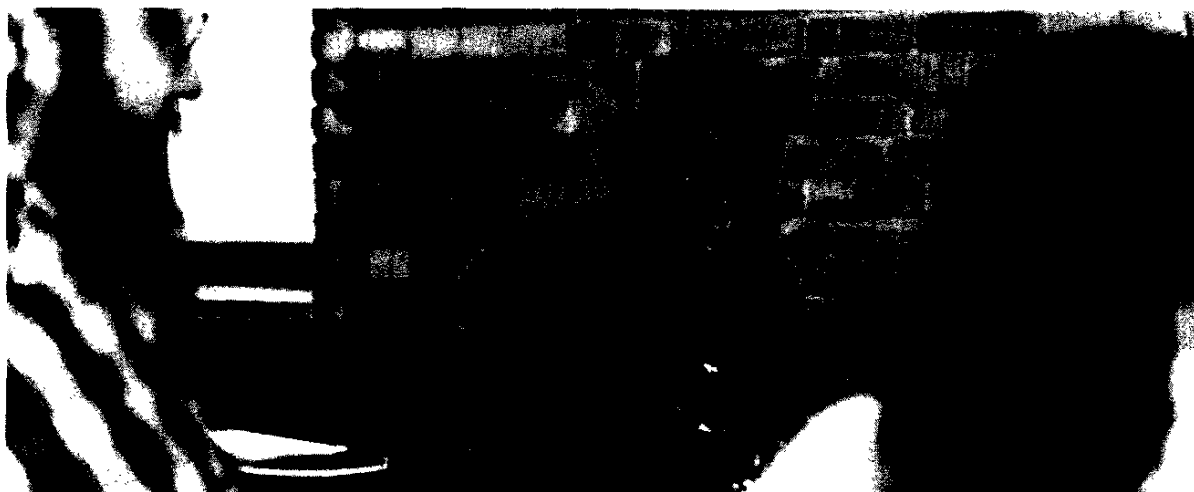
See page 115 for information on our **Code of Ethics**



See page 113 for information on our **Environmental and Social Risk Policy for Client and Partner Engagements**

## Being a Responsible Business

# Our Shareholders



### Importance of our shareholders and their interests

Our shareholders are investors in, and owners of, our business, providing the capital we need to invest in and grow Kin + Carta. Our shareholders are interested in the financial and sustainable performance of Kin + Carta and its growth prospects. They consider how our governance arrangements support our pursuit of our strategic objectives, and how the implementation of our strategy impacts people and the planet, in addition to profit.

### Engagement

To explain Kin + Carta's proposition, progress and performance to our shareholders, and listen to their perspectives and expectations on these matters, we engage and communicate with our shareholders through various mechanisms, principally:

- meetings and calls with Directors (including John Kerr, Chairman of the Board and Nomination Committee, and Nigel Pocklington, Chair of the Remuneration Committee)
- investor presentations
- the AGM, which the Chairman, Executive Directors, and Chairs of each Board committee attend to facilitate engagement with a broad range of shareholders
- Annual Report
- Stock Exchange announcements

At its Board meetings, investor relations updates are provided to allow a clear, common understanding of the views of our shareholders. Our Board also monitors movements on the share register to maintain an understanding of our investors' profiles.

We engaged extensively with our investors throughout the year and, although we could not conduct the 2020 AGM in the usual format, we were pleased to hold a virtual Capital Markets Day in June 2021, which provided all investors the opportunity to learn more about our proposition, go-to-market strategy, social responsibility and financials, and ask questions directly to J Schwan (Chief Executive Officer) and Chris Kutsor (Chief Financial Officer).

### How has this engagement impacted Board decision making or discussions at Board level?

Our proposition and strategic priorities have been shaped with Kin + Carta's long-term success in mind, and for the benefit of our investors and wider stakeholders as a whole. During the year, our Board considered the development and alignment of our strategic domains — Technology, Data and Experience — to deliver the outcome-focused needs (Innovation, Modernisation, Enablement and Optimisation) of our increasingly diverse range of clients across our key operating territories of the US and Europe. To further strengthen Kin + Carta's Data domain, the Board approved the acquisition of Cascade Data Labs, a data science firm, allowing us to provide end-to-end data transformation services. The Board also approved the establishment of nearshore delivery centres in Greece and Colombia. These proposition and expansion initiatives open up access to new clients and provide the sustainable growth opportunities our investors seek.

### Acting responsibly for our shareholders

The Board is collectively responsible for leading Kin + Carta, promoting its long-term success, generating value for shareholders and contributing to wider society. As such, it is the principal decision making body for all significant matters affecting Kin + Carta, and it has implemented a governance framework, summarised on pages 126 and 127, to establish clear expectations and common understandings of the roles, responsibility and authority of the Board, its committees and individual members. In decision making, the Board assesses shareholder and stakeholder interests from the perspective of the long-term sustainable success of the Company. This requires it to manage any conflicts between short-term interests and the long-term impacts of its decisions, at all times having regard to the Company's purpose to build a world that works better for everyone.

### Engaging with shareholders on our goal to be one of the world's leading publicly traded triple bottom line businesses

During the year, our Directors consulted with shareholders representing over 60% of Kin + Carta's total voting rights to discuss the proposal to amend Kin + Carta's articles of association ("Articles") to include a commitment to a triple bottom line approach to business, seeking to ensure that decision making incorporates due consideration for people, profit and the planet (for further information on the amendments to the Articles, see the Combined Circular and Notice of General Meeting available on our website: [investors.kinandcarta.com/share-information](https://investors.kinandcarta.com/share-information)).

Through this consultation, we discussed with investors our rationale for the Articles amendment and pursuit of B Corp certification for the Company, which included:

- enhancing our competitiveness and growth prospects by differentiating Kin + Carta from its competitors
- enabling us to demonstrate our environmental, social and governance credentials to our clients, suppliers and other stakeholders
- helping us attract and retain people who share our values and want to have a positive impact on the world around them, and want to work in a business like ours
- facilitating innovative service delivery to our clients

Following this engagement, the Board decided to put forward a resolution at the general meeting held on 21 September 2021 to adopt the amended Articles. The resolution was passed, with 99.99% of votes in favour, cast by shareholders representing over 80% of Kin + Carta's total voting rights.

## Being a Responsible Business

# Human Rights

At Kin + Carta, we are committed to equality, fair practices and human rights to build a world that works better for everyone. As a Responsible Business, we must operate legally, ethically and with integrity to deliver high-quality equitable and sustainable service to all our stakeholders.

We have several policies to help us achieve this:

- See page 115 for information on our Code of Ethics
- See page 115 for information on our Inclusion, Diversity, Equity and Awareness Policy
- See page 114 for information on our Modern Slavery Policy
- See page 111 for information on our Speak Up Policy

We also implement practices that protect the rights of our people, such as our flexible working initiatives, and commitment to fair and equitable pay. In recognition of the right to private and family life, Kin + Carta

has a flexible working policy, driven by the understanding that we should all have the opportunity to take ownership of our own work-life balance to support personal needs and aspirations. Everyone is entitled to benefit from working flexibly, as long as they are meeting expectations with regards to performance and operate within the parameters of the policy. Line managers monitor an employee's flexible hours to ensure that, *inter alia*, it continues to fit both the individual's needs and the needs of the team. Further, our US offices have an unlimited holiday policy to support work-life balance and mental wellbeing.

We also firmly believe that everyone has the right to a standard of living adequate for their health and wellbeing, and we are committed to fair and equitable pay. For our UK-based businesses, this includes compliance with the National Living Wage.



Read more about  
**How We Support Our  
People** on pages 84  
to 89



Read more about  
**Our Inclusion,  
Diversity, Equity  
and Awareness**  
on pages 86 to 89



# Being a Responsible Business

## Health, Safety + Environmental Management

Kin + Carta's Health, Safety + Environmental Management ("HS+E") governance and diligence is managed through our HS+E Management System, which is based on the plan, do, check, act model. This management system comprises:

- HS+E framework policy and supplementary policies on the protection of people and the environment
- register of our compliance obligations
- environmental aspects, impact risks and opportunities assessment
- health and safety risk assessments
- setting of objectives and targets
- operational controls, such as building inspections, testing and maintenance
- emergency planning arrangements for fire and first aid
- HS+E performance reports
- internal policy and procedure auditing and evaluation of compliance with our HS+E obligations

### Health and safety management

Managing the impact of the COVID-19 pandemic remained the most significant health and safety objective for Kin + Carta in 2020/2021. COVID-19 risk assessments have been actively reviewed for each office, accounting for changing national and local government guidance, as well as the developing scientific knowledge of the virus.

No work-related accidents were reported during the year, achieving our Accident Incident Rate ("AIR") target of fewer than three. Whilst this is the second year without accidents, it is acknowledged that this performance metric is significantly assisted by the requirement to principally work from home. To prevent a potential spike in reported accidents on the return to the office, monthly HS+E office inspections are being reinstated as our offices reopen to assist in hazard identification and management.

Our Accident Severity Rate ("ASR") was 26 (2020: 23). Our ASR figures include absences that have resulted from work-related stress and was significantly below our target of less than 100. It is recognised that it has been a challenging year for our Kin with the requirement to work from home and an increased demand for digital transformation services. Our Employee Experience and Office Management teams have continued to support our Kin in ways, such as training additional mental health first aiders and providing mental health workshops. Kin + Carta is also undertaking a recruitment drive to increase its resource, aiding workload management.

0  
Accident  
incident rate<sup>1</sup>

0  
Target rate

26  
Accident  
severity rate<sup>2</sup>

100  
Target rate

1. Accident Incident Rate ("AIR") — All classes of work-related injury accident, including agency workers but excluding contractors and other third parties. Headcount includes agency workers but excludes contractors and other third parties. AIR is calculated as total accidents  $\times$  100,000/total worked hours.
2. Accident Severity Rate ("ASR") — Total lost hours due to any work-related injury accident counted from the next scheduled shift or working day. Hours are as recorded using a standard working day. Total worked hours includes hours worked by agency workers but excludes contractors and other third parties. ASR is calculated as total lost hours  $\times$  100,000/total worked hours.

## **Being a Responsible Business – Health, Safety + Environmental Management** continued

### **Environmental management**

Our commitment to minimising the environmental impact of Kin + Carta's operations continues with the development of new policies and frameworks, including a Climate Strategy and Action Plan.

A summary of our environmental management policies and frameworks can be found at the end of this Strategic Report:

- See page 112 for information on our Climate Strategy and Action Plan
- See page 112 for information on our Ethical and Sustainable Procurement Policy
- See page 113 for information on our Environmental and Social Risk Policy for Client and Partner Engagements
- See page 113 for information on our Health, Safety + Environment Framework

In addition, our reporting in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures can be found on pages 100 and 101.

No environmental incidents were reported during the year.

### **How we are measuring, reducing and offsetting carbon emissions**

We continue to measure Scope 1 and 2 carbon emissions, and are introducing new methodologies in 2021/2022 to measure relevant Scope 3 emissions. We have put in place targets to reduce emissions, which will be achieved as a result of consolidation of office space, a new business travel policy, and energy efficiencies in our offices, such as energy-efficient lighting and maintaining equipment in an efficient state. In addition, where Kin + Carta has direct control of energy procurement, we are working to ensure that tariffs are accredited renewable products.

Our new Responsible Business KPIs include carbon intensity, which will be shown as tonnes of carbon dioxide equivalent emitted per million pounds of revenue. This has been reported historically and we will look to include relevant Scope 3 emissions in this metric going forward.

### **Energy and carbon reporting**

Kin + Carta's carbon emissions for 2020/2021 have been calculated using the 2020 UK DEFRA greenhouse gas emission factors (as specified by the UK Environment Agency). These emissions calculations have been used to determine the tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) produced. Calculating the tCO<sub>2</sub>e allows different greenhouse gases to be compared on a like-for-like basis relative to one unit of CO<sub>2</sub>. Where available, energy data was collected from invoices and meter readings; where this data was not available, the consumption was estimated by an external carbon consultancy. Travel data was obtained through mileage and expense claims.

Our carbon reporting is aligned with the Greenhouse Gas ("GHG") Protocol methodology. This protocol establishes comprehensive global standardised frameworks to measure and manage emissions from private sector operations, value chains and mitigation actions. The framework has been in use since 2001, and forms a recognised structured format to calculate a carbon footprint. Electricity, natural gas and direct diesel emissions for all subsidiaries in the Group are included. No mandatory emissions have been excluded from the data.



**Carbon emissions (tCO<sub>2</sub>e)**

	Scope 1 – combustion of fuel	Scope 2 – electricity	Total emissions
2021	9 (6%)	148 (94%)	157
2020	78 (14%)	490 (86%)	567

**Carbon intensity ratio**

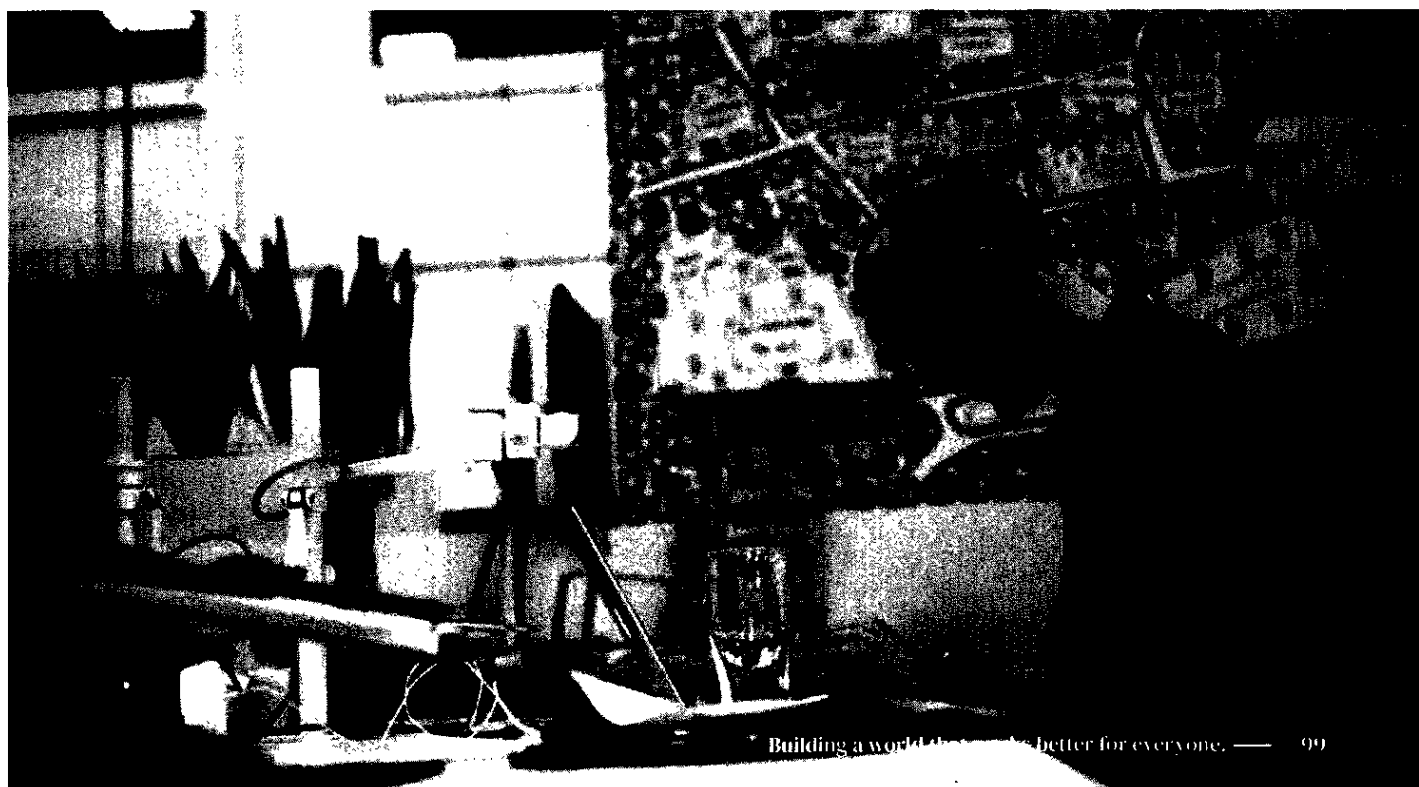
The Group's intensity ratio has been calculated as: tCO<sub>2</sub>e produced per million pounds of turnover.

2021	0.87
2020	3.38

**Energy consumption split (UK and overseas)**

	UK and offshore	Global (excluding UK and offshore)	% UK
Scope 1 emissions (tCO <sub>2</sub> e)	8.91	0.07	99
Scope 2 emissions (tCO <sub>2</sub> e)	115.53	32.04	78
Total emissions (tCO <sub>2</sub> e)	124.44	32.11	79
Energy consumption (kWh)	542,227	137,816	80

The temporary office closures and travel restrictions implemented in response to COVID-19 significantly reduced energy consumption in 2021.



# Being a Responsible Business

## Task Force on Climate-Related Financial Disclosures

### Reporting in alignment with the recommendations on Task Force on Climate-Related Financial Disclosures

We support the Task Force on Climate-Related Financial Disclosures ("TCFD") and are developing our disclosures in line with its recommendations. We report below for the first time on the four thematic areas set out in the TCFD's recommendations: governance, strategy, risk management, and metrics and targets.

Topic	
<b>Governance</b>	<p><b>Disclose the organisation's governance around climate-related risks and opportunities:</b></p> <ol style="list-style-type: none"> <li><b>Describe the Board's oversight of climate-related risks and opportunities.</b></li> <li><b>Describe management's role in assessing and managing climate-related risks and opportunities.</b></li> </ol> <p>The Kin + Carta Executive Directors have overall responsibility for climate-related risks and opportunities, with oversight of key policies related to environmental and climate matters, including our Climate Strategy and Action Plan, and the Kin + Carta risk register.</p> <p>Management across the business have responsibility for assessing and reporting on climate-related risks, establishing and updating metrics and targets, as well as identifying and implementing opportunities to work with clients and partners on climate-related projects.</p>
<b>Strategy</b>	<p><b>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material:</b></p> <ol style="list-style-type: none"> <li><b>Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.</b></li> <li><b>Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.</b></li> <li><b>Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</b></li> </ol> <p><b>Climate-related risks:</b></p> <ul style="list-style-type: none"> <li>Undertaking client work that has negative climate impact (short term)</li> <li>Physical damage to offices (medium term)</li> <li>No reduction, or increase, in company carbon emissions (medium term)</li> <li>Underachievement on broader sustainability agenda (medium term)</li> </ul> <p><b>Climate-related opportunities:</b></p> <ul style="list-style-type: none"> <li>Undertaking work for clients who have positive climate impact (short term)</li> <li>Developing new skills and solutions for clients which address their climate goals (short term)</li> <li>Shift of pension investments to ESG funds (short term)</li> <li>Reduce cost of debt through ESG-linked loans (medium term)</li> </ul> <p>As a result of the identification of these risks and opportunities, we have reviewed current actions for each risk and opportunity, and planned future initiatives to address further. This has resulted in adaptations to client strategy in particular, through the implementation of an Environmental and Social Risk Policy for Client and Partner Engagements (see page 113), and development of new client propositions in the areas of accessibility and sustainability.</p> <p>We believe our strategy is reasonably resilient, but have not yet considered different climate-related scenarios. We plan to undertake this assessment during the coming year, as well as progress with our initiatives to address risks and opportunities.</p>

## Topic

**Risk Management**

Disclose how the organisation identifies, assesses, and manages climate-related risks:

- a. Describe the organisation's processes for identifying and assessing climate-related risks.
- b. Describe the organisation's processes for managing climate-related risks.
- c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Kin + Carta has established a "Three Lines of Defence" risk management model to identify, monitor and manage all risks, including climate-related risks. The first line of defence is the senior leadership team who are responsible for day-to-day business operational supervision, and are required to review all current and developing risks that could impact on the achievement of strategic objectives, including ESG and climate-related risks. This process includes identifying and assessing risk events, and the potential impact and likelihood of these risks materialising on both an inherent and residual basis. The analysis is informed by regular communication with our internal and external stakeholders with considerations given to regulatory, reputational, and physical risks, together with opportunities to improve our engagement with clients.

The Environmental and Social Risk Review Board serves as a key part of the second line of defence and evaluates material ESG risks in our client and partnership engagements, and corresponding mitigation activities.

The third line of defence is Kin + Carta's Assurance team, providing an independent and objective view on the adequacy and effectiveness of the internal control environment.

**Metrics and Targets**

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material:

- a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
- b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks.
- c. Describe the targets used by the organisation to manage climate-related risks and opportunities.

The metrics to be used to assess climate-related risks and opportunities, with associated targets for each, are:

- Scope 1, 2, and, going forward, 3 greenhouse gas emissions
- Carbon intensity ratio (tonnes CO<sub>2</sub>e/£m revenue) (including and excluding carbon offsets)
- Total amount of electricity used in our offices
- % of renewable energy used in our offices
- % of waste recycled in our offices
- Positive impact project revenue (climate-focused)
- Negative impact project revenue (climate-focused)

We have set a company-wide net-zero emissions target to be achieved by the end of 2027, with an interim carbon neutral target to be achieved by the end of 2023. Scope 1 and 2 greenhouse gas emissions are disclosed on page 99 of this report and we intend to report Scope 3 emissions in our next financial year.

# Risk Management

## Our approach

Identifying and managing risks and uncertainties is central to the delivery of our strategic priorities and the promotion of our long-term sustainable success. We have embedded a global risk management framework, which aims to ensure consistency and that the appropriate level of oversight is provided across Kin + Carta.

Kin + Carta has policies and procedures in place to ensure that risks, and emerging threats that may impact the business in the longer term, are identified, evaluated and managed at the appropriate level within the organisation. Our risk management framework, which is overseen by the Board and reviewed by the Audit Committee, is described below, and includes both bottom-up and top-down processes.

## Identify risks

Risks pertinent to the businesses are considered by the Executive Directors during monthly presentations by each of our Regions and Ventures. The

presentations are a key 'bottom-up' mechanism through which emerging risks, which may present longer-term challenges, are identified and existing principal risks are discussed. The presentations include an update on the forecasts, current market conditions, strategic direction and consideration to potential strengths, weaknesses, opportunities and threats facing the businesses. The Executive Directors also evaluate and determine which principal existing and emerging risks warrant further exploration and escalation to the Board.

The review of top-down principal existing and emerging risks involves the Board considering specific risk matters at each Board meeting and any significant matters arising from the businesses' monthly reviews being highlighted to the Board. The Board undertakes reviews and discussions on emerging and existing risks, as well as trends, opportunities and challenges facing the business. Risks are recorded with a full analysis, and nominated risk owners are nominated with authority

and responsibility for assessing and managing these risks.

The Board evaluates its risk tolerance level for each of the principal risks. The risk tolerance level is defined as follows:

### Low:

Preference to take ultra-safe options that avoids the occurrence of the risk event.

### Cautious:

Preference to select options that have a low degree of residual risk.

### Open:

Preference to select options that have a high chance of success with a reasonable level of risk.

### High:

Select options that are innovative and offer potentially higher business reward with potentially greater residual risk.

## Manage risks

During the risk evaluation process, the Executive Directors assign a risk owner who is accountable for confirming that controls are in

## Our risk management framework

### Accountability

Board and Audit Committee



### Actions: First Line

Day-to-day management control and internal controls

### Our Businesses:

Our Executive Directors and senior leadership team identify risks, and are responsible for day-to-day operational supervision, which includes the identification, mitigation and management of risk. They also have the responsibility to identify emerging risks caused by external or internal factors.

The Board has overall responsibility for risk management, and it sets the risk appetite it considers appropriate and acceptable to achieve our strategic priorities.



### Actions: Second Line

Functions that oversee and specialise in risk management

### Our Platforms:

Our Platform leaders, who are responsible for developing and maintaining risk methodology, also have the ability to enforce and align best practices, and the risk management model across the organisation.



### Assurance

Independent assurance

### Internal Audit and Risk Management:

Our internal Assurance team provides independent assurance that risk management is working effectively. It provides proactive evaluation of controls proposed by the management, and advises on potential mitigating activities and design of controls.

External Assurance

place and that necessary plans are in place to manage the risk to an acceptable tolerance level as set out by the Board.

For each existing and emerging risk reported to the Board, severe but plausible scenarios are contemplated to provide additional insight into the potential threats.

This approach to risk management ensures that we manage not only near-term risk but also have better risk management strategies in place to allow Kin + Carta to achieve its strategic goals in the long term.

The longer-term viability of the Company has been assessed by the Board over a three-year period during the year. Details of this review are on page 176.

Whistleblowing procedures, aligned with the Bribery Act 2010, also allow employees to report suspected breaches of law or regulations or

other malpractice. Kin + Carta has implemented an Anti-Bribery and Corruption Policy, which extends to all Kin + Carta business dealings and transactions in all countries in which it or its businesses operate.

### Principal risk interdependencies

We continue to consider risks both individually and collectively in order to fully understand the potential impacts to Kin + Carta. By analysing the interaction of multiple risks, we can identify those that have the potential to impact or increase other risks and ensure these are weighted appropriately. The diagram below shows the principal risk interdependencies.

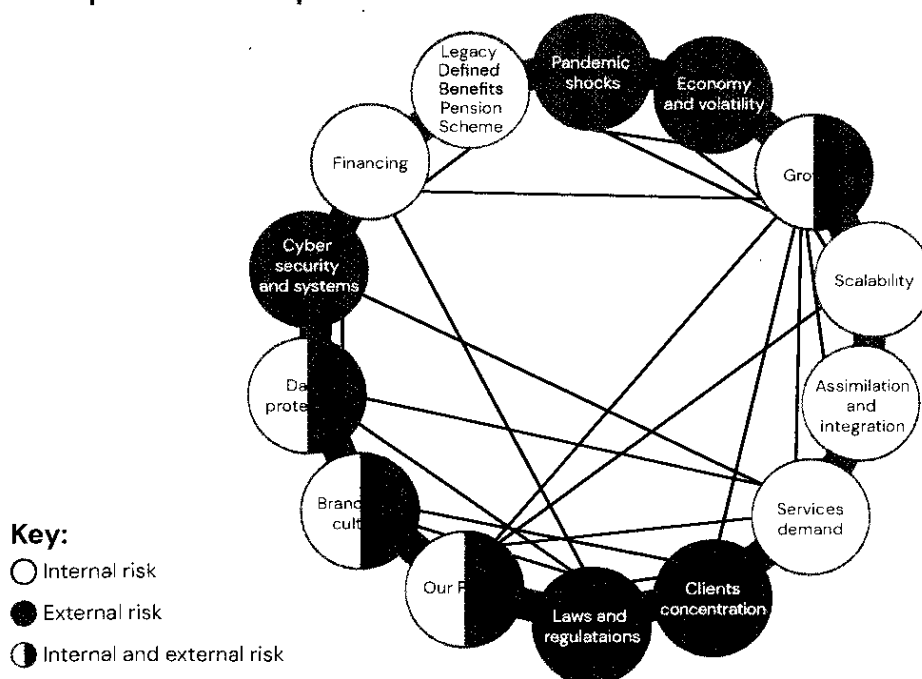
### Principal risks and mitigation

We continue to assess COVID-19 and potential future pandemic shocks and the impact that these might have on the business.

The Board is also mindful of the potential impact of the pace of change as the business implements its new operating model and has considered this in its review of the principal risks. Additionally, the Board continues to focus on key areas that are closely linked to the strategic priorities including responsible business matters, evolving our proposition to meet and exceed our clients' expectations, supporting our people's development, and how our brand and culture is perceived by our stakeholders.

The table on pages 104 to 110 details Kin + Carta's principal risks, key mitigating activities in place to address them, and its relevance to the strategic priorities set by the Board. The changes in the risk ratings from the Board's assessment in the prior period have also been highlighted.

### Principal risk interdependencies



# Risk Management

Continued

## Principal risks and mitigation Continued

### 1. Pandemic shocks

#### Description

COVID-19 continues to impact our economy, our clients, and the way people live and work around the world. The negative effects of COVID-19 on the economy have reduced with mass roll-out of vaccines and trial drugs, as well as the global shift in ways of working and managing the pandemic.

This could lead to clients-scaling back or cancelling projects. Changes in the working environment for our people whilst working remotely heightens cyber and data security risk, as processes are adapted and consumer demand evolves.

#### Mitigating activities

Our agile, digital ways of working enable Kin + Carta to adapt quickly to change.

Cost management programmes in place across the business.

Regular dialogue with employees and wellbeing initiatives.

New business targets in industries that have not been negatively impacted by COVID-19.

Utilising pandemic-specific government schemes, if required.

Kin + Carta continues to adapt its business continuity plans to respond to future shocks.

As well as posing risks, Kin + Carta has been well placed to take advantage of the opportunities where businesses are increasing their investment in digital capabilities.

#### Trend



#### Strategic priorities



### 2. Economy and volatility

#### Description

Challenging economic and political conditions may inhibit growth and create uncertainty. This could lead to volatility in earnings. It could also impact the outcome of strategic priorities set by the Board.

While the business has long-term contracts with clients, the level of spend is predominantly at the client's discretion rather than being derived from guaranteed sales volumes.

A worsening of the economic and political situation in Latin America could, in the short term, impact our cost base since Kin + Carta has nearshore resources that support the business there.

#### Mitigating activities

Diversification into markets that are capable of delivering growth with an increasing number of diverse companies.

Diversification of client geography, including through growth in new US markets and other international locations.

Offering a highly relevant suite of digital transformation service lines across areas of Cloud + Platforms, Data + AI, Products + Services, Strategy + Innovation, and Managed Services to our clients, collaborating with strategic partners where appropriate.

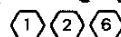
Set up pilot offices in Greece and Colombia, and an ongoing review of Kin + Carta's cost base and options to provide additional nearshore capability within Europe and other Latin American countries.

Secure more long-term client relationships and contracts with a greater emphasis on recurring revenue.




#### Trend



#### Strategic priorities





## Trend:

-  Increase  
 Decrease  
 No change

**NEW** New Principal Risk

## Link to strategic priorities:

-  1 Growth  
 2 Services  
 3 People  
 4 Responsibility

-  5 Operations  
 6 Expansion

### 3. Growth

#### Description

Growth is core to Kin + Carta's long-term strategy. This includes organic growth driven by strategic initiatives and inorganic growth driven by acquisitions.

Growth channels may be underinvested or not pursued in the right sectors or locations, and may, therefore, fail to deliver growth.

Failure to adhere to additional compliance imposed by public sector contracts.

As Kin + Carta scales its operations internationally, it is subject to a range of local legislation and regulations.

#### Mitigating activities

Investment in our Expansion Platform to define framework and criteria for local and international expansion. Targeting clients from new geographic markets through the acquisition of businesses with similar ethos to Kin + Carta. Our priorities are the US, southern Europe and expanding nearshore delivery capabilities in Latin America.

Investment in our people, bringing new service lines to market and targeting new locations.

Linking growth targets to incentives for the majority of our people within the business.

Monitoring three distinct but complementary growth channels which focus on:

- Existing Enterprise client base
- New business channel
- Partnerships channel

These channels are underpinned by four growth levers: Services, Partner, Sector and Territory (see pages 28 to 33 for further information on our growth strategy).

As part of our Operations Platform, Kin + Carta maintains in-house Data Protection, Finance, Corporate Governance, CDS (IT) and Legal functions, and also uses external consultants to advise on local legal and regulatory requirements.

#### Trend



#### Strategic priorities



### 4. Scalability

#### Description

Achieving scalability is important in order to pursue a high-growth strategy in a profitable and sustainable way. While included as a risk, achieving greater scalability is also an opportunity for the business.

Scale requires investment in sales, systems and tools, people and operations. This adds cost and complexity in the near term, which is expected to earn a payback with growth.

Digital Transformation businesses may not have sufficient scale within their sectors to secure substantial customer contracts. Without sufficient scale, our businesses may find it more challenging to secure larger client contracts.

#### Mitigating activities

Implementing a regional operating model under a singular management team in the Americas and Europe regions.

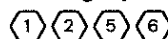
Implementing common Operations, People and Responsibility Platforms across the Americas and Europe regions. The Platforms introduce common practices and governance, which provide efficiency and thus a scalable offering.

Continued investment in our Service and Expansion Platforms, acquisition of high-growth digital transformation businesses and greater focus on securing longer-term contracts and revenue from partner-aligned managed services.

#### Trend



#### Strategic priorities



Read more about our  
**Strategic Priorities**  
on pages 38 and 39

# Risk Management

Continued

## Principal risks and mitigation Continued

### 5. Assimilation and integration

#### Description

Continuing to embed the regional operating model under a singular management team in the Americas and Europe regions, coupled with implementation of our common Platforms – Growth, Services, People, Responsibility, Operations and Expansion – across the two regions requires greater collaboration.

In addition to the above, short-term impacts from integrating acquisitions into the business operating model require careful planning and could manifest in the form of temporary challenges as cultures are merged and best practices are implemented as expectations need to be managed.

#### Mitigating activities

Establishment of a leadership team for our Americas and Europe regions with succession planning and identifying the next level of management.

Assigning leaders to each of our six Platforms and driving the implementation of the Platforms across both regions.

Investing in the digitalisation of the processes under the Operations Platform to achieve efficiencies and drive best practices.

Identifying and facilitating resource requirements to manage the changes.

Stringent selection criteria for pursuing acquisitions that fit within the Kin + Carta strategy and culture. A defined, structured plan for the integration of new acquisitions.

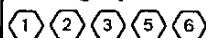
Focus on a highly relevant suite of digital transformation service lines to complement the talent of our People.

Our Responsible Business initiatives encourage greater collaboration across Kin + Carta with a common goal, while our employee experience programmes foster an aligned culture with shared values across the business. Kin + Carta continues to identify areas for assimilation and integration to create a solid platform for growth through a responsible business lens.

#### Trend



#### Strategic priorities



### 6. Services demand

#### Description

Services may not meet clients' expectations or Kin + Carta may not be able to stay ahead of the technological advances in its three core domains: Technology, Data and Experience.

By providing new innovation solutions to our clients, there is a risk of failure to deliver and embed new capabilities with the business.

#### Mitigating activities

Acquisitions can complement or expand Kin + Carta's service offerings.

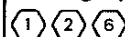
Focus on our three key areas of technology, data and experience. Providing new innovative solutions in support of our clients' evolving technology needs. Also we continue to work with clients to understand their future requirements and viability of the new technology to ensure we are investing in relevant services.

The Chief Strategy Officer along with leaders of the Services Platform are focused on continuous evolution of our service lines. In addition, we continue to invest in our People with an emphasis on improving and developing our capability.

#### Trend

NEW

#### Strategic priorities





## 7. Client concentration

### Description

Kin + Carta holds relationships with a number of key clients and is a strategic partner to these clients. Should Kin + Carta lose several of its largest key clients in a short time period, this could have a significant impact on its revenue, profits and people.

For the year ended 31 July 2021, the top 30 clients represented 73% of Kin + Carta's Net revenue.

### Mitigating activities

We encourage our clients to think strategically about their future direction and differentiation and how, together, we can make the world work better for their customers. This approach also distinguishes Kin + Carta's offering from its competitors.

Our largest clients have multiple bespoke services and solutions being delivered to different client stakeholders, and usually with different budgets. These services also typically have various statements of work associated with them, with varying lengths of time and completion dates.

Achieve or exceed service level agreements with clients.

Avoid over reliance on any single client by diversifying the range of clients across its key operating territories and sectors.

Continuous monitoring of Client KPIs such as net revenue predictability and top 30 clients' spend.

### Trend



### Strategic priorities



## 8. Laws and regulations

### Description

Kin + Carta's growth has included geographic expansion of delivery teams and operations in new territories, such as Greece and Colombia. As a result, Kin + Carta is subject to a range of local and international laws and regulations.

Introducing new service lines, entering into new sectors, as well as retaining B Corp certification requires Kin + Carta to adhere to additional regulations.

Complying with and implementing our policies and procedures updated in relation to the varying COVID-19 regulations.

Failure to comply with, or promptly respond to, the applicable laws and regulation could lead to fines, penalties, restriction in trading activities and would cause reputational and financial damage to Kin + Carta.

### Mitigating activities

Kin + Carta maintains in-house Data Protection, Finance, Corporate Governance, CDS (IT) and Legal functions and also uses external consultants to advise on local legal and regulatory requirements.

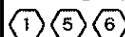
Our policies, such as Code of Ethics and Code of Conduct, provide guidance to our People on "Positive Impact Approach" to behave ethically, comply with all applicable local and international laws and regulations, and adhere to the mandatory requirements as defined in the policies at all times.

A framework and governance process has been implemented when moving into a new geographic area working with local consultants when required.

### Trend

NEW

### Strategic priorities



# Risk Management

Continued

## Principal risks and mitigation Continued

### 9. Our People

#### Description

Attracting and retaining talent is a key priority for Kin + Carta as it continues to expand and invest in new and innovative service lines and fulfil client demand.

The risk of not being able to attract and retain people is heightened due to the highly competitive environment for top talent.

This would impact the ability of the business to deliver the services sought by our clients and support the growth of the business.

Our flexible working initiatives and expanding geographic footprint could lead to non-compliance of existing or new local regulatory requirements.

#### Mitigating activities

Strong emphasis on people and responsibility, which are part of our strategic priorities where initiatives are focused on supporting a diverse, inclusive and responsible business, with an exceptional employee experience.

Introduction of the Employee Value Proposition ("EVP") Framework, which outlines our vision for the value we aspire to deliver for our people. The EVP supports four building blocks:

- Recognition and Reward
- Personal Wellbeing
- Professional Growth
- Purpose and Culture

Increased investment in long-term incentive plans to retain top talent.

Succession planning for senior management.

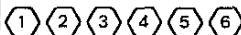
Investment in our HR, Talent Acquisition teams, which form part of our Operations Platform.

Kin + Carta continues its journey to digitise and harmonise HR processes and policies with specific emphasis on adherence to local laws and regulations.

#### Trend



#### Strategic priorities



### 10. Brand and culture

#### Description

It is vital that the brand and culture is cohesive and easily understood by clients and talent globally.

If the brand and culture do not resonate with stakeholders, business opportunities may be lost.

Our culture must attract and retain our employees whilst fostering an environment for people to do their best work.

A misalignment between our current and prospective employees' values and our business model may result in difficulties to attract, develop and retain people with the necessary talent.

Underachievement of our triple bottom line initiatives could result in the loss of talent and clients.

#### Mitigating activities

Alignment throughout the business to demonstrate that Kin + Carta's purpose is to build a world that works better for everyone.

People and Responsibility Platforms that span across Kin + Carta, covering employee experience, B Corp and IDEA initiatives, which are embedded into Kin + Carta's culture through grass roots participation across the business.

Monitoring of the Responsible Business KPIs that are set out in the Being a Responsible Business Section (pages 74 to 78).

#### Trend



#### Strategic priorities



## 11. Data protection

### Description

The loss or theft of critical and sensitive data, such as personally identifiable information, could have a significant impact from a reputational, contractual, regulatory and financial standpoint. This, combined with the changes in working practices and behaviour, has significantly increased the risk profile of our business.

### Mitigating activities

The Data Protection Officer is responsible for Group-wide compliance with data protection legislation, and putting in place guidance, training and processes.

Our data protection framework is closely linked to our Connective Digital Services ("CDS") IT platform with continuous efforts to ensure the data we process remains secure and confidential. The framework is reviewed on an ongoing basis to ensure Kin + Carta has robust processes to adhere to local regulations.

Investment in our IT systems and tools, such as single sign-on and mandating the implementation of multi-factor authentication on all core systems are keystones in the implementation of technology to reduce risk.

Onboarding training for new hires and employee training reinforce awareness and proper processes are followed.

### Trend



### Strategic priorities



## 12. Cybersecurity and systems

### Description

As a digital transformation business, we are increasingly exposed to the impact of hacking and ransomware. This, combined with changing practices and behaviour, has increased the risk profile of our business.

Failure to adequately protect, prevent or respond to a cyber threat or unauthorised access to our systems and devices would expose Kin + Carta to non-compliance with the applicable local data protection laws, reputational damage, fines, compensation or damages, disruption to the business and/or the loss of information for our clients and our people.

Kin + Carta relies on multiple third-party platforms to communicate and deliver the services to our clients. A disruption to the availability of multiple services at a point in time could have a significant impact on Kin + Carta's finances and reputation.

### Mitigating activities

The CDS team is responsible for actively identifying risks, designing internal controls and implementing change across all parts of the Company. The risk-based approach balances controls that prevent the majority of attacks, detect events and respond quickly to reduce the impact.

The ongoing efforts from our CDS IT platform to modernise and strengthen the IT infrastructure of Kin + Carta, including through implementing solutions such as multi-factor authentications on key systems, encryptions of devices, and single sign-on solutions.

The evolution of our digital ecosystem incorporates a degree of platform diversity to provide availability of data and communication tools, thereby reducing reliance and impact from a single vendor or system. Accompanied with an independent cloud backup for our core platforms, the additional focus to utilise our client environments reduces impact to project timelines due to unforeseen outages.

### Trend

NEW

### Strategic priorities



# Risk Management

Continued

## Principal risks and mitigation Continued

### 13. Financing

#### Description

Kin + Carta's ability to trade may be compromised by a lack of cash funds.

Being able to finance working capital and carry out operations is fundamental to the business.

Restricted to finance selective acquisitions or reinvest in Growth, Services, People, Responsibility and Operations Platforms.

#### Mitigating activities

Kin + Carta secured a revolving credit facility of £85 million until September 2025. Should there be strain on Kin + Carta's liquidity, there are cost management programmes in place to limit the impact.

The leadership team prioritises areas of investment that align with our strategic priorities set by the Board.

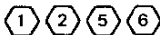
The management undertakes the following activities to monitor the liquidity of the business:

- Reviews to assess the headroom on liquidity and banking covenants for potential acquisition targets
- Conduct half-yearly going concern reviews and longer-term viability assessments
- Ongoing monitoring of Kin + Carta's performance against its banking covenants with a target of net debt/EBITDA ratio below 2.0x
- Monthly reviews of forecasts, working capital, cash forecasts and headroom on banking covenants
- Periodically review Kin + Carta's financial KPIs with its bankers.

#### Trend



#### Strategic priorities



### 14. Legacy Defined Benefit Pension Scheme

#### Description

Scheme deficit is impacted by changes in scheme asset values, and by changes in other financial assumptions – most significantly the expected inflation rate and the discount rate derived from UK Government gilt yields, as well as changes in demographic assumptions, such as expected mortality, rates of pension commutation and transfers of members out of the Scheme. An increase in the deficit could lead to an increase in cash contributions required by the Scheme.

The strength of the sponsoring employer's covenant in relation to the Scheme could be adversely impacted by the shortfall of the consolidated net assets of the Group (£83.2 million) versus the Scheme's solvency deficit, a measure of the deficit in an insolvency scenario (£237 million as per 2019 valuation).

#### Mitigating activities

The Scheme is now fully hedged against interest and inflation risks. The proportion of its assets invested in assets that match the variation in the value of the Scheme liabilities, or which match expected cash flows in order to limit deficit volatility, increased in the year from 35% to 60%, following a substantial reduction in the technical deficit. The volatility of the deficit has reduced as a result. The solvency deficit reduces as the Scheme matures, as the deferred members – whose liabilities are substantially higher on an insolvency basis versus a solvency basis – become pensioners. The consolidated net assets of the Group will increase over time with profitable growth, so that the shortfall to the solvency deficit will decrease to zero with time.

A new deficit recovery plan was agreed with the Scheme Trustees, which commenced in September 2020 and aligns cash contributions with the Company's cash generation.

Regular engagement with the Trustee Directors in discussions on Kin + Carta's performance. Exploration of member liability exercises which reduce the deficit volatility.

Work with an external advisor and follow regulatory compliance.

#### Trend



#### Strategic priorities







# Our Non-Financial Information Statement

Under sections 414CA and 414CB of the Companies Act 2006, as amended by The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016 (the Non-Financial Reporting Regulations), we must include in our Strategic Report certain non-financial information. The information required by the Non-Financial Reporting Regulations is provided by reference to the following locations:

Non-financial information	Section	Pages
Business model	Business Model	20 and 21
Key performance indicators	Key Performance Indicators	52 to 55
Policies	Our Non-Financial Information Statement	111 to 115
Principal risks	Risk Management	102 to 110

We have a range of policies and codes that support our commitment to conducting business responsibly for all of our stakeholders and apply consistent governance standards across Kin + Carta. For the purposes of the Non-Financial Reporting Regulations, these include:

## Anti-bribery and Corruption

Policy	Description	Policy embedding, due diligence and outcomes	Associated stakeholders
<b>Anti-Bribery and Corruption</b>	Sets out standards in areas, such as the prohibition of facilitation payments, and political donations and minimum standards in relation to charitable donations, and gifts and entertainment.	<p>Issued Group-wide with recipients required to confirm they acknowledge and understand the policy.</p> <p>Senior management team is responsible for implementing standards and enforcing them throughout the Group. Furthermore, senior managers respond to an internal controls questionnaire that includes questions on engagements with politically exposed people and client jurisdictions. This is reviewed by the Internal Audit function on an annual basis.</p> <p>2021 annual review found all businesses within Kin + Carta to be deemed low risk.</p>	  
<b>Speak Up</b>	Outlines the procedures and channels for our people to confidentially raise any concerns about suspected misconduct in confidence without fear of retaliation.	<p>Issued Group-wide with recipients required to confirm they acknowledge and understand the policy.</p> <p>No allegations of breaches were reported during the year.</p>	

### Link to stakeholder



People



Communities



Environment



Client







Suppliers


# Our Non-Financial Information Statement

Continued

## Environmental, Social and Community Matters

Policy	Description	Policy embedding, due diligence and outcomes	Associated stakeholders
<b>Charitable Giving</b>	Sets out the framework through which Kin + Carta donates time, fundraising efforts, knowledge, skills and money to charitable organisations.	<p>Due diligence undertaken on charity partnerships that involve donations, fundraising or volunteering over specified thresholds.</p> <p>Policy framework was followed in the identification of a charity of the year for Kin + Carta Europe to partner with; in 2021, this was Code Your Future. We are in the process of selecting a Kin + Carta Americas charity partner, using the framework in the Charitable Giving Policy.</p>	
<b>Climate Strategy and Action Plan ("CSAP")</b>	Sets out the framework through which Kin + Carta approaches governance, strategy, risk management and metrics to address climate-related risks and opportunities.	<p>Approved in September 2021, the CSAP includes commitments for scheduled reporting on performance against the key metrics and targets to the Board.</p> <p>For information on our environmental metrics and KPIs, see pages 74 to 78.</p>	
<b>Ethical and Sustainable Procurement</b>	Promotes the purchase of goods and services that minimise negative or enhance positive impacts on the environment and society whilst meeting our business requirements. Seeks to achieve benefits for both the people in our supply chain by minimising any risk of social exploitation, and for the environment by reducing resource usage and considering optimum performance efficiency wherever possible.	Policy has been communicated to all office management and other relevant procurement staff, who make the majority of purchases in the categories referenced therein.	 

Environmental, Social and Community Matters Continued

Policy	Description	Policy embedding, due diligence and outcomes	Associated stakeholders
<b>Environmental and Social Risk Policy for Client and Partner Engagements</b>	<p>Provides a decision making and assessment framework for prospective client engagements in sectors that are likely to have a higher environmental and/or social risk and negative impact.</p> <p>Encourages meaningful conversations with prospective clients about their current and intended plans to reduce any of their negative environmental and social impacts, and where Kin + Carta may work with those clients on any such plans.</p>	<p>Assessments undertaken during the opportunity qualification process.</p> <p>Declined a small number of client opportunities that did not comply with the risk criteria as set out in the policy.</p>	 
<b>Health Safety + Environment Framework</b>	<p>Our global health, safety and environment policy statement defines the areas that are particularly important to our business, and explains the mechanisms by which we intend to meet our commitments to improve performance. The policy statement is supported by our Health, Safety + Environment Framework, which outlines how Kin + Carta manages health, safety and environmental matters, including responsibilities and arrangements.</p>	<p>Compliance with our policy and legal obligations is internally audited.</p> <p>No environmental incidents were reported during the year. For information on our accident incident rates and accident severity rates, see page 97.</p>	 

## Link to stakeholder



People



Communities



Environment



Client




Suppliers





# Our Non-Financial Information Statement

Continued

## Environmental, Social and Community Matters Continued






Policy	Description	Policy embedding, due diligence and outcomes	Associated stakeholders
<b>Supplier Code of Conduct</b>	Sets high mandatory standards and behaviours required from our suppliers related to their treatment of employees, health, safety and environment, conduct of business and ethical standards of behaviour. Sets out supportive desirable behaviours to encourage improvements in practices (e.g. supplier commitments to paying the living wage, measurements by suppliers of their carbon footprint and greenhouse gas emissions, and their commitments to reduce or offset emissions).	<p>Introduced in August 2020, the Supplier Code of Conduct assessment is now embedded into our procurement process. Each new supplier and existing supplier that has renewed business with Kin + Carta since 25 August 2020 has completed the assessment and met our criteria.</p> <p>We plan to audit suppliers in the future in order to confirm their compliance.</p> <p>Where any non-compliance with mandatory requirements has been flagged, discussions have been entered into with the supplier in question to understand the reasons why and agree alternative, equal standards as appropriate.</p>	

## Human Rights

Policy	Description	Policy embedding, due diligence and outcomes	Associated stakeholders
<b>Modern Slavery</b>	<p>Sets our zero-tolerance approach to any form of modern slavery in recognition that slavery and human trafficking is a violation of fundamental human rights.</p> <p>Annual Kin + Carta Statement on Modern Slavery outlines the actions taken to address the risks of modern slavery and human trafficking in our operations, supply chain, and customer and client relationships.</p> <p>Our Modern Slavery Statement is available to view on our website <a href="https://kinandcarta.com">kinandcarta.com</a>.</p>	<p>Suppliers confirm via Supplier Code of Conduct assessment that they comply with all applicable human rights and equity laws, and laws prohibiting modern slavery, and that they adhere to our modern slavery Policy.</p> <p>Kin + Carta policies and values reinforce our expectation that any concerns be highlighted using the appropriate reporting channels, and management are to act accordingly.</p> <p>No incidents of Modern Slavery were reported or identified during the year.</p>	   



## Our People

Policy	Description	Policy embedding, due diligence and outcomes	Associated stakeholders
<b>Code of Ethics</b>	Sets out the ethical values and compliance framework for the execution of our organisational purposes. Kin + Carta is to adhere to the code in all business endeavours and community support initiatives to ensure it operates legally, ethically and in accordance with the approved Kin + Carta operational policies. The code includes commitments to safeguard the interests of our stakeholders.	Issued Group-wide, and we reinforce the Kin + Carta values that support the code through 'setting the tone from the top' with our Board and senior leadership team's actions and communications.	  
<b>Inclusion, Diversity, Equity and Awareness ("IDEA")</b>	Sets out Kin + Carta's commitment to fostering, cultivating and preserving a culture of IDEA. Outlines Kin + Carta's diversity initiatives, employees' responsibility to treat others with dignity and respect, and exhibit conduct that reflects inclusion. Identifies the processes that employees should follow in the event of a breach of the IDEA policy and initiatives.	IDEA principles integrated into day-to-day business. See page 87 for information on the progress made against our IDEA Strategic Action Plan in 2021.  IDEA metrics reporting at both subsidiary and Kin + Carta Board meetings. See page 86 for information on our 2021 IDEA progress.	 

### Link to stakeholder



People



Communities



Environment



Client

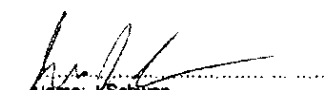


Suppliers

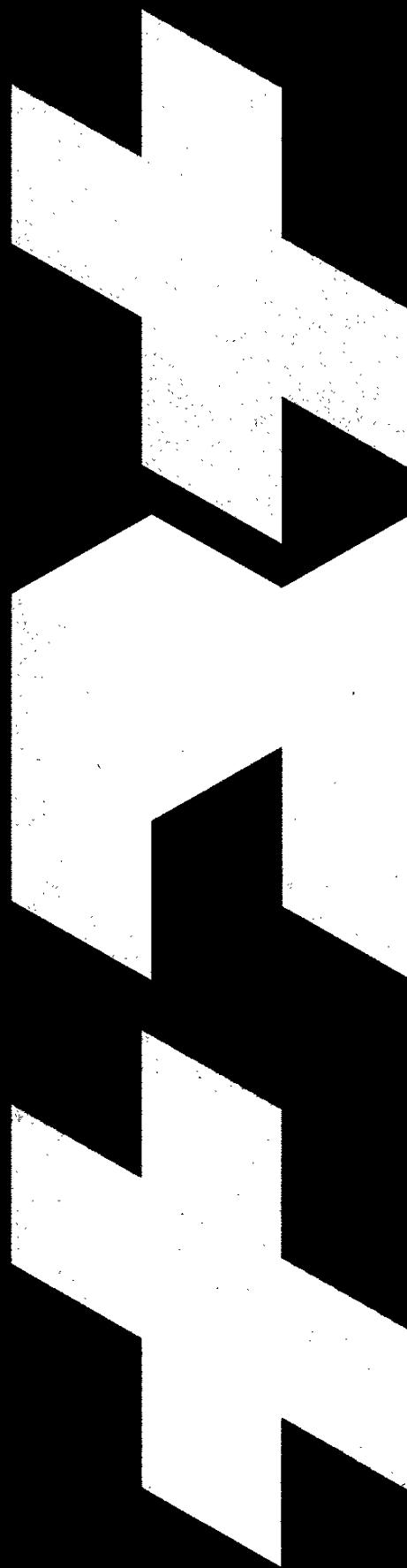
This Strategic Report on pages 16 to 115 was approved by the Board of Directors and signed on its behalf by:


**J Schwan**  
Chief Executive Officer

26 October 2021

  
Name: J Schwan  
Title: Director

# Governance





Board of Directors	118
Governance at a Glance	122
Corporate Governance Report	124
Audit Committee Report	134
Nomination Committee Report	142
Directors' Remuneration Report	146
Directors' Report	175
Statement of Directors' Responsibilities	179

# Board of Directors



**John Kerr**  
Chairman

## Appointed to the Board

22 July 2019 as Non-Executive Chairman Designate and subsequently Chairman on 5 December 2019.

## Career

John previously acted as Chief Executive Officer of Deloitte Consulting, leading the creation of Deloitte Digital, the first dedicated digital consulting business. He grew the business organically and by strategic acquisition. John was also Managing Partner of Innovation and Talent, Deloitte, where he drove numerous societal initiatives, including the provision of mentoring to school pupils in disadvantaged areas and the BrightStart Apprenticeship programme. He has extensive experience of working with client boards throughout his 40-year career in professional services.

John holds a BA from the University of Strathclyde and is a member of the Institute of Chartered Accountants of Scotland.

## Relevant skills and experience

John brings to the Board strong leadership skills along with considerable business and senior board-level expertise. He has extensive experience in building and scaling consulting businesses, and in helping with the development of digital capabilities, having led the creation of Deloitte Digital. This enables John to contribute wide-ranging global, strategic and advisory knowledge and insight to the Board, and to support Kin + Carta on its growth journey.

John has gained valuable insight and experience through his trustee roles on charitable boards and position as Managing Partner of Innovation and Talent, Deloitte, strengthening his ability to facilitate Board discussions that consider a wide range of stakeholders and their interests in an equitable manner.

## Other roles

John is Chairman of LCH European Portfolio Holdings Limited. He also serves as a Trustee of Plan International UK and as a Non-Executive Director of its subsidiary, Social Development Direct Limited.

## Committee membership

● Chair of the committee

Ⓐ Member of the Audit Committee

Ⓐ Member of the Nomination Committee

Ⓐ Member of the Remuneration Committee



**J Schwan**

Chief Executive Officer

#### **Appointed to the Board**

4 August 2018.

#### **Career**

J is the founder and former Chief Executive Officer of Solstice, a digital innovation firm that is core to our trading in the Americas region. He grew Solstice to 400 employees at a 25% CAGR without any external investment until its sale to the Company in 2015. Solstice continued to scale at the same growth rate under J's leadership for the following three years. During his tenure, Solstice was also continually recognised as a Best Place to Work by Forbes and Fortune. In 2018, J became the Chief Executive Officer of the Company and has led its transition into a global leader in digital transformation services.

J has been inducted into the Chicago Entrepreneurship Hall of Fame, is an EY Entrepreneur of the Year finalist, was awarded the University of Illinois College of Engineering Young Alumnus of the Year award and is a recipient of Tech Week 100.

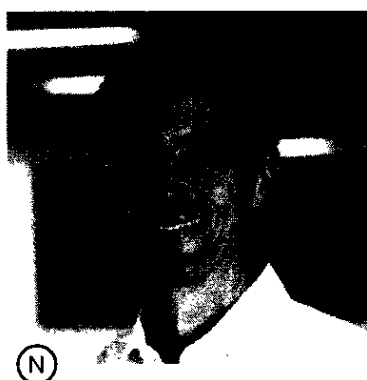
He received his Bachelors in Materials Science Engineering from the University of Illinois at Urbana Champaign and began his career at Accenture.

#### **Relevant skills and experience**

J has been at the forefront of digital transformation throughout his career and has a proven track record of delivering high levels of growth. His deep understanding of the digital transformation sector and substantial entrepreneurial expertise are assets to the Board.

#### **Other roles**

J serves on the Foundation Board of Lurie Children's Hospital.



**Chris Kutsor**

Chief Financial Officer

#### **Appointed to the Board**

17 June 2019.

#### **Career**

Chris has led finance organisations spanning billion-dollar operations, venture capital investing and strategic sales functions. Prior to joining Kin + Carta, he most recently served as the Investor Relations Officer of a global Fortune 500 technology firm. Chris holds an MBA in Strategy and Finance from The University of Chicago Booth School of Business.

#### **Relevant skills and experience**

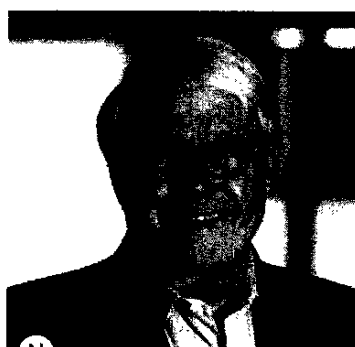
Chris is a seasoned executive with proven financial leadership in the technology sector. He brings to the Board broad financial expertise and a strong history of managing effective relationships with the institutional investor community and media.

#### **Other roles**

Chris serves as a Board Director to First Light USA, LLC, a privately held technology development company.

## Board of Directors

Continued



N

**David Bell**

Independent Non-Executive  
Director

### Appointed to the Board

4 August 2018.

### Career

David served as Chief Executive Officer of two of the world's largest advertising marketing services companies, NYSE-listed True North and Interpublic Group. He was also Chief Executive Officer of Bozell Worldwide, which he helped grow to a top-ten global agency. From 2006 to 2009, David was a senior adviser to Google and has held a similar position with AOL/Oath. David was elected by his peers into the Advertising Hall of Fame in the USA in 2007 and, in 2013, the Hall of Fame established the David Bell Award, which is given to one inductee who has best demonstrated this level of service.

David was an independent director at Time Inc. between 2014 and 2018 and has previously served on numerous other US-listed company boards, as well as many growth stage companies in the marketing and media technology sectors.

### Relevant skills and experience

David's extensive experience in digital media is an asset to the Board, contributing to the development and implementation of its digital transformation growth strategy. He also has deep knowledge of the US market, which is a key geography for the business.

### Other roles

David is currently an Independent Director of Creative Realities Inc.



A N R

**Michele Maher**

Independent Non-Executive  
Director

### Appointed to the Board

15 May 2019.

### Career

Michele most recently served as Chief Financial Officer of Hogg Robinson Group plc. She trained with KPMG and held various positions at technology solutions company, Dell.

Michele is a Fellow of the Institute of Chartered Accountants and holds an Executive MBA from Cranfield.

### Relevant skills and experience

Michele is a chartered accountant and provides the Board and the Audit Committee with relevant financial expertise, gained through an established career in senior finance and management roles across a range of business sectors. This comprehensive experience makes her ideally suited to chair the Audit Committee and to act as its financial expert, a position she took on in October 2019.

### Other roles

Michele has no other appointments to disclose.

### Committee membership



Chair of the committee



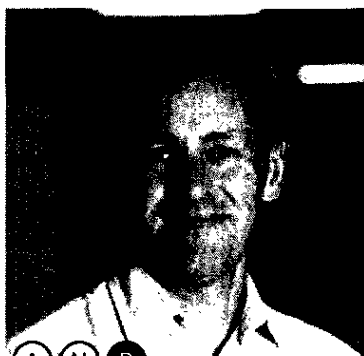
Member of the Audit Committee



Member of the Nomination Committee



Member of the Remuneration Committee



**Nigel Pocklington**

Independent Non-Executive Director

#### **Appointed to the Board**

1 June 2016.

#### **Career**

Nigel is Chief Executive Officer of Good Energy Group plc, one of the UK's first suppliers of 100% renewable electricity and a leading player in digital energy products and services. Prior to joining Good Energy, he served as Chief Commercial Officer of Moneysupermarket.com Group plc. He spent seven years in global senior roles with Expedia Inc's Hotels.com brand. Early in his career, Nigel spent a decade at Pearson plc, including a period leading the digital operations of the Financial Times.

#### **Relevant skills and experience**

Nigel has strong, relevant and current commercial experience at a senior management level

in a variety of global digital businesses, ranging from global e-commerce to financial technology. He previously acted as Executive Sponsor of Moneysupermarket's Employee Resource Group focused on diversity and inclusion, which enhances the contribution he makes as the Non-Executive Director appointed to our Workforce Advisory Panel. He currently serves as Chair of the Remuneration Committee. Nigel's experience gained from his membership of that committee for over two years prior to being its chair, combined with his understanding of employee and investor viewpoints, make him well suited to chairing the Remuneration Committee.

#### **Other roles**

Nigel is Chief Executive Officer of Good Energy Group plc.



**Helen Stevenson**

Senior Independent Director

#### **Appointed to the Board**

1 May 2012.

#### **Career**

Helen served as Chief Marketing Officer UK at Yell Group plc from 2006 to 2012 and, prior to this, served as Lloyds TSB Group Marketing Director. Helen started her career with Mars Inc where she spent 19 years, culminating in her role as European Marketing Director, leading category strategy development across Europe.

#### **Relevant skills and experience**

During her nine-year tenure, Helen has developed an in-depth knowledge and understanding of the Company and its governance, allowing her to provide strong support to the Chairman and Board as a whole. Helen has considerable marketing and digital experience and has held numerous board positions in various sectors.

This varied experience provides her with a strong customer focus, enables the contribution of a unique perspective on matters and makes her well suited to the role of Senior Independent Director.

Having served on the Board as a Non-Executive Director for nine years, Helen will stand down from the Board and its committees at the forthcoming AGM.

#### **Other roles**

Helen currently holds Non-Executive Directorships and is Chair of the Remuneration Committee with IG Group Holdings plc and the Skipton Building Society; she is the Senior Independent Director of Reach plc. Helen also serves on Henley Business School's Strategy Board and is a Governor of Wellington College.

# Governance at a Glance

## Highlights

Amended the Company's articles of association to include specified wording committing to a 'triple bottom line' approach to business

**Kin + Carta Americas earned B Corp certification**

Certified



This company meets the highest standards of social and environmental impact

Corporation

**Kin + Carta Europe earned B Corp certification**

Certified



This company meets the highest standards of social and environmental impact

Corporation

4

client deep-dive presentations to the Board

**Employee net promoter score (eNPS)**  
(continuing operations)<sup>1</sup>

+18

(2020: +18)

## Major Board decisions

- Approved that a resolution be put to shareholders to include specified wording committing to a 'triple bottom line' approach to business to confirm the Company's commitment to Responsible Business practices
- Approved the divestments of Incite, Hive and Pragma
- Approved the acquisition of Cascade Data Labs
- Approved Kin + Carta's Climate Strategy and Action Plan



Read more about the **2021 Key Focuses of the Board** on pages 130 and 131

## Governance enhancements

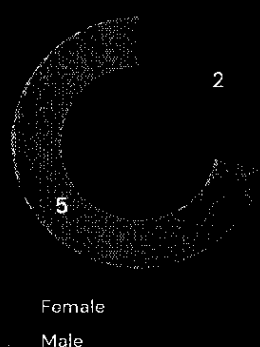
- Strengthened and standardised practices related to data protection and digital defence matters
- Standardised and disseminated Group-wide the Group's core policies, including Anti-Bribery and Corruption and Speak Up (whistleblowing)
- Initiated the development of a Global Flexible Workforce Framework to balance the needs of greater flexibility for our people with the risks of having a presence in new territories
- Updated and approved the Audit Committee's Terms of Reference

1. Continuing operations only. Continuing operations excludes the results of Incite, Hive and Pragma (note 8).

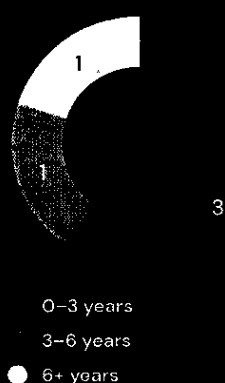


## Board composition as at 31 July 2021

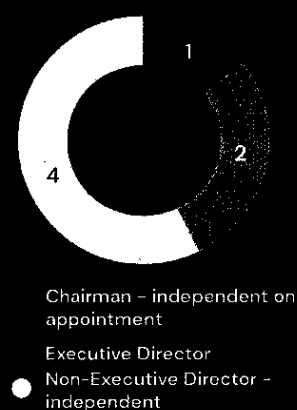
### Gender diversity:



### Chairman and Non-Executive Director tenure:



### Independence:



### Skills and experience:

#### Digital innovation and technology



#### Finance, accounting and investor relations



#### Digital media and marketing



#### People



#### Key

**D** Directors

# Corporate Governance Report

## Implementation of the Code

### Compliance with the Code

As a company listed on the London Stock Exchange, Kin + Carta is required to explain how it has applied the main principles of the Code and the Code's provisions throughout the financial year ended 31 July 2021.

We have complied with the Code in all respects, save for provision 38 related to the alignment of the pension contribution rates for Executive Directors with those available to the workforce.



See page 153 for further information

<b>1. Board leadership and company purpose</b>	
The role of the Board	125
Purpose, values and culture	34 to 37
Resources and controls	102 to 110
Shareholder and stakeholder engagement	70 to 101
Workforce policies and practices	111 to 115
<b>2. Division of responsibilities</b>	
Board composition	123
Division of responsibilities	128
Ensuring the Board functions effectively and efficiently	132 and 133
<b>3. Composition, succession and evaluation</b>	
Appointments and succession planning	145
Skills, experience and knowledge	123
Evaluation	132 and 133
Diversity	144
<b>4. Audit, risk and internal control</b>	
Independence and effectiveness of internal and external audit functions	139 to 141
Fair, balanced and understandable assessment	137
Risk management and internal controls	102 to 110
<b>5. Remuneration</b>	
Designing remuneration policies and practices to support strategy and long-term success	151
Executive remuneration	146 to 174
Remuneration outcomes and independent judgement	162 to 174

## Role of the Board

The Board is collectively responsible for leading the Company, promoting its long-term success, generating value for shareholders and contributing to wider society. As such, it is the principal decision making body for all significant matters affecting the Group; its key responsibilities are summarised on page 127. In making these decisions, the Board assesses shareholder and stakeholder interests *from the perspective of the long-term sustainable success of the Company*. This requires it to manage any conflicts between short-term interests and the long-term impacts of its decisions, at all times having regard to the Company's purpose to build a world that works better for everyone. You can read more about how the Board engages with our stakeholders and the impact of this engagement on decision making in our Section 172 statement and Being a Responsible Business section on pages 70 to 101 of our Strategic Report.

## Board membership

The composition of the Board is key to its effectiveness in successfully directing Kin + Carta to achieve its strategic priorities and in promoting its long-term sustainable success. The Board is satisfied that it has an effective and appropriate balance of diversity, experience, knowledge and skills, and that each Director makes a positive contribution to discussions and decision making. This is aided by clear expectations and common understandings of the roles, responsibility and authority of the Board, its committees and individual members. A summary of the roles and responsibilities of the Board and its committees, Chairman, Chief Executive Officer, Senior Independent Director and Non-Executive Directors are set out on pages 127 and 128.

The Board considers that, throughout the year, each of the Company's Non-Executive Directors was independent in their role and free from any business or other relationship that could materially interfere with the exercise of their judgement. In reaching this opinion, the Board considered the nature of the Non-Executive Directors' other appointments, any potential conflicts of interest they have identified and their length of service. Their individual circumstances were assessed against those that are likely to impair a Non-Executive Director's independence, as set out in the Code. As of the date of this report, Helen Stevenson has served for nine years and six months. Having considered her other commitments and relationships, the Board confirmed they do not impinge on Helen's objectivity and she is, therefore, considered independent. Helen will step down at the forthcoming AGM.

During the year, John Kerr (our Chairman), met with the Non-Executive Directors individually, facilitating open discussions on the strategic direction of Kin + Carta and performance of management and individual Executive Directors against agreed strategic priorities.

The Board's membership throughout the year and the Directors' attendance at scheduled meetings of the Board is set out in the table on page 132.

The Company's articles of association set out detailed provisions for the appointment, reappointment and retirement of Directors. In accordance with the Code, all of the Directors will retire at the forthcoming AGM and seek re-election, with the exception of:

- Helen Stevenson who will retire at the AGM and will not seek re-election; and
- Maria Gordian, whose appointment as an Independent Non-Executive Director will take effect from 1 November 2021, will seek election at the forthcoming AGM.

## **Corporate Governance Report**

*Continued*

### **External board appointments and conflicts of interest**

Each Director keeps the Chairman and the Board informed of any proposed external appointments or other significant commitments as they arise. These are monitored to ensure that each Director has sufficient time to meet their responsibilities to the Company. Each Director's biography and external appointments are set out on pages 118 to 121.

During the year, Nigel Pocklington was appointed Chief Executive Officer of Good Energy Group plc (a listed company). The Board considered this significant appointment with regard to Nigel's duties and obligations to the Company. The Board was satisfied that no conflicts of interest had arisen. It was considered that the time commitment would be comparable to his prior role as a senior executive at Moneysupermarket, continuing to allow Nigel sufficient time to dedicate to his Non-Executive Director duties for Kin + Carta.

In accordance with the provisions of section 175 of the Companies Act, the Company has procedures to deal with the situation where a Director has a conflict of interest

and the Board regularly reviews conflict authorisation. Directors do not take part in discussions on matters in which they have a potential conflict, and they may be requested to leave a meeting at which a matter in which they may be conflicted is to be discussed. No conflicts of interest were identified during the period.

### **Our governance framework**

To ensure it maintains an appropriate level of oversight, the Board delegates certain roles and responsibilities to its three committees: Audit, Nomination and Remuneration. Membership of these committees consists primarily of our Non-Executive Directors and, in some cases, the Chairman. The Nomination Committee makes recommendations for appointments to the Board and its committees.

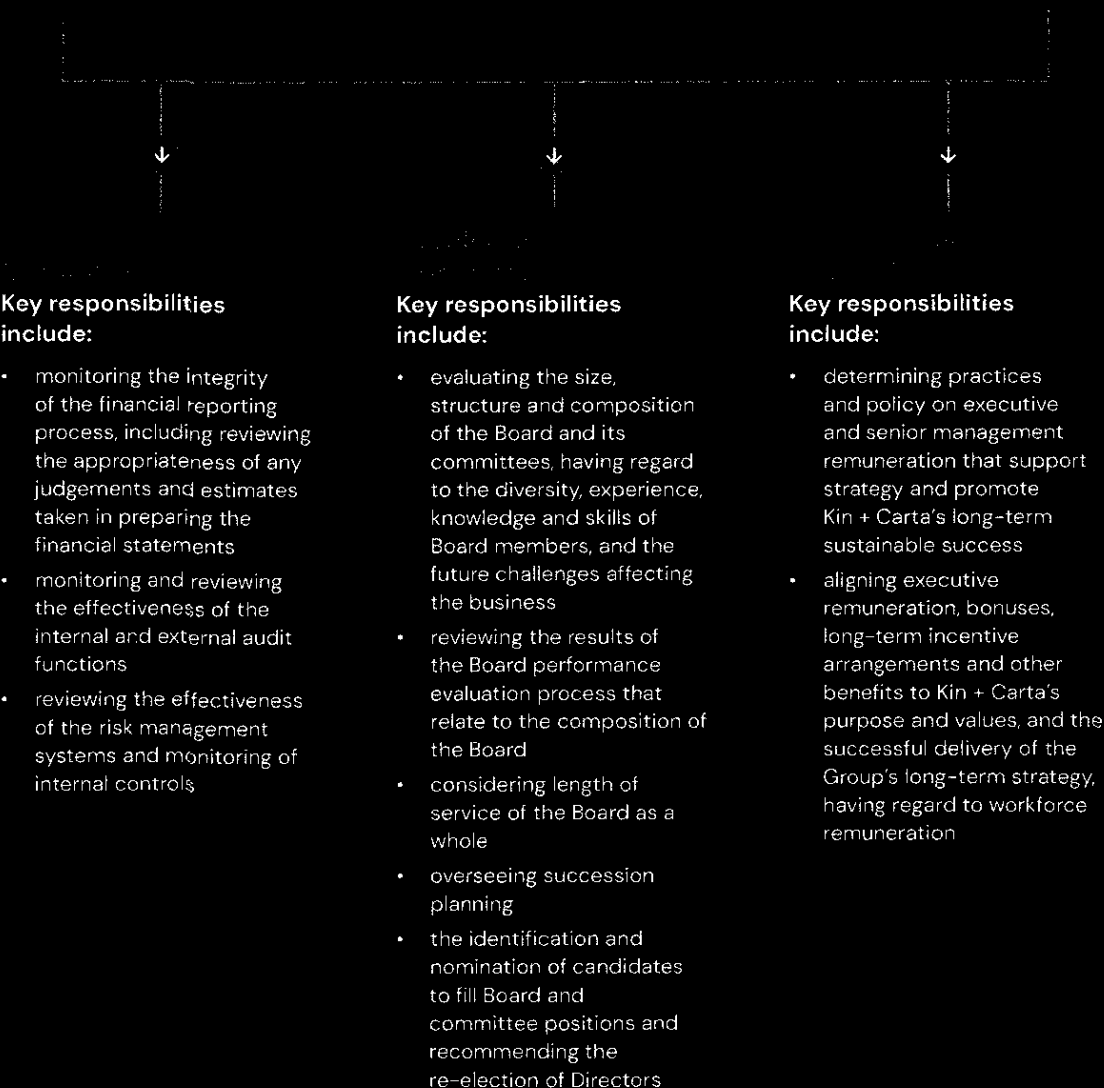
The activities of the committees during the year are explained in more detail on pages 134 to 174. The minutes of each committee meeting are circulated to all Directors. Each committee's terms of reference are documented and agreed by the Board; they are available to view in the governance section of our website: [investors.kinandcarta.com](http://investors.kinandcarta.com).



## The Board

The Board's key responsibilities include:

- establishing the purpose and values of Kin + Carta
- debating and agreeing the Group's strategy, long-term business objectives and risk appetite
- approving acquisitions, divestments and major capital projects
- approving the Group's annual budget, dividend proposals and financial statements
- promoting the highest standards of corporate governance
- ensuring the Group has the necessary resources, processes, controls and culture in place to deliver Group strategy and promote long-term growth



# Corporate Governance Report

Continued

## Key responsibilities

<b>Chairman</b> John Kerr	<ul style="list-style-type: none"> <li>• setting the Board's agenda, in consultation with the Company Secretary</li> <li>• shaping the culture in the boardroom and ensuring it promotes challenge and debate</li> <li>• encouraging all Directors to maximise their contributions to the Board by drawing on their skills, knowledge and experience</li> <li>• engaging and fostering relationships, both inside and outside the boardroom, e.g. with major shareholders and key stakeholders</li> <li>• promoting high standards of governance, including through Board inductions, allowing adequate time for discussion of all agenda items, ensuring there is a timely flow of high-quality information to the Board and its committees, and that the training and development needs of Directors are supported</li> <li>• leading the Board evaluation process</li> <li>• ensuring compliance with all corporate governance requirements with explanations for any non-compliance</li> </ul>
<b>Chief Executive Officer</b> J Schwan	<ul style="list-style-type: none"> <li>• proposing strategic priorities to the Board and then leading, and taking advice from, the Group's senior leadership team in implementing the agreed strategy</li> <li>• ensuring the Board understands the view of senior leadership on business issues</li> <li>• managing the Group's day-to-day business, within the authorities delegated by the Board</li> <li>• maintaining senior level contact with clients</li> <li>• executive responsibility, in conjunction with the Chief Financial Officer, for the half-year and preliminary results statements</li> <li>• overall responsibility for communication of Company performance and expectations to shareholders, analysts and press</li> <li>• promoting the Group's People and Responsibility Platforms in a way that encourages responsible business and protects the health and safety of employees and those involved in the Group's activities</li> </ul>
<b>Chief Financial Officer</b> Chris Kutsar	<ul style="list-style-type: none"> <li>• providing strategic financial leadership to the Group and day-to-day management of the finance function</li> <li>• responsible for our global Operations Platform, which includes Finance, Legal, Employee Experience, Connective Digital Services (IT) and Risk Management</li> <li>• responsible for Investor Relations</li> </ul>
<b>Senior Independent Director</b> Helen Stevenson	<ul style="list-style-type: none"> <li>• acting as an experienced sounding board for the Chairman</li> <li>• being available as a trusted intermediary for other Board members and shareholders</li> <li>• leading the annual evaluation of the Chairman by other Non-Executive Directors</li> <li>• carrying out orderly succession planning of the Chair's role in conjunction with the Nomination Committee</li> <li>• meeting with major shareholders for a balanced understanding of their issues and concerns and supporting the Chair in ensuring these are shared with the Board</li> </ul>
<b>Non-Executive Directors</b> David Bell Michele Maher Nigel Pocklington	<ul style="list-style-type: none"> <li>• providing constructive challenge, effective guidance and advice to the Board and committees (as applicable)</li> <li>• holding management to account in monitoring their success in achieving the agreed strategy through sound judgement and objectivity</li> <li>• devoting time to understand the Group, its business and workforce, and the key market trends and opportunities it faces</li> </ul>

**Board activity**

The Chairman, with support from the Company Secretary, sets the Board agenda primarily focused on strategy and growth, performance, our people, and accountability, and ensures that the Group's key stakeholders are considered throughout its discussions.

All Directors have full and timely access to the relevant information needed to enable them to properly discharge their responsibilities and have unrestricted access to other executives within the business to discuss any matter of concern. The Executive Directors brief the Board on their regular meetings with the senior leadership team, covering matters related to strategy alignment and Group expansion, performance, key clients, sales growth, risks and people matters. All Directors receive agenda and papers in advance of each meeting. Following the meeting, minutes are recorded and actions followed up.

Where appropriate, the Directors may obtain independent professional advice in respect of their duties to the Board and its committees at the Company's expense. Each Director also has access to the advice and services of the Company Secretary who advises the Board on corporate governance matters and has responsibility for ensuring that Board procedures are observed.

# Corporate Governance Report

Continued

## 2021 key focuses of the Board: how governance contributes to strategy

Link to strategic priorities	People and Responsible Business		Governance, risk and controls					
	3	4	1	2	3	4	5	6
Key activities and discussions in 2021	<ul style="list-style-type: none"> <li>Received updates on the Group's progress towards B Corp certification and considered whether a resolution be put to shareholders to include specified wording in Kin and Carta plc's articles of association committing to a 'triple bottom line' approach to business to confirm our commitment to responsible business practices</li> <li>Received summaries on employee engagement, including culture and employee experience initiatives</li> <li>Considered talent matters and incentive proposals for the wider workforce</li> <li>Considered proposals related to the Global Flexible Workforce</li> </ul>		<ul style="list-style-type: none"> <li>Attended to regulatory disclosures, which included the review and approval, according to the Audit Committee's recommendations, of the Annual Report and Accounts, and half and full-year results announcements</li> <li>Considered reports on governance and regulatory matters, including data protection, cybersecurity and changes to legislation</li> <li>Conducted a robust assessment of the principal and emerging risks facing the Group, and the effectiveness of the internal controls and risk management systems</li> </ul>					
Key outcomes	<ul style="list-style-type: none"> <li>Kin + Carta Americas businesses (Kin and Carta US and Solstice Mobile Argentina Srl) and Kin + Carta Europe earned B Corp certification</li> <li>Amended the Company's articles of association to include specified wording committing to a 'triple bottom line' approach to business and director decision making</li> <li>Approved Kin + Carta's Climate Strategy and Action Plan</li> <li>Implementation of the Inclusion, Diversity, Equity and Awareness ("IDEA") strategic action plan including the roll-out of gender and people of colour leadership acceleration programmes</li> <li>Offered a new all-employee share plan to US employees: the Employee Stock Purchase Plan</li> <li>Initiated the development of a Global Flexible Workforce Framework to balance the needs of greater flexibility for our people with the risks of having a presence in new territories</li> </ul>		<ul style="list-style-type: none"> <li>Strengthened and standardised practices related to Data Protection and Digital Defence matters</li> <li>Standardised and disseminated Group-wide the Group's core policies, including Anti-Bribery and Corruption and Speak Up (whistleblowing)</li> <li>Updated and approved the Audit Committee's terms of reference</li> </ul>					
Key priorities for 2022	<ul style="list-style-type: none"> <li>To maintain B Corp certification in the Americas and Europe regions</li> <li>To earn B Corp certification for Kin and Carta plc</li> <li>To set up an entry-level training programme for more junior-level Kin, supported by a structured learning and development programme</li> </ul>		<ul style="list-style-type: none"> <li>To oversee the simplification of the legal entity structure of the Group</li> <li>For CDS to modernise and strengthen the IT infrastructure of Kin + Carta, including through implementing a business intelligence platform and function, and single sign-on solutions</li> </ul>					



## Link to Strategic Priorities

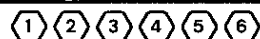
- 1 Growth
- 2 Services
- 3 People

- 4 Responsibility
- 5 Operations
- 6 Expansion



Read more about our **Strategic Priorities** on pages 38 and 39

## Strategy and business



## Finance



- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Received reports from the Chief Executive Officer on performance against the strategic priorities</li> <li>• Considered updates on the Regions and Ventures, along with key client and strategic partner developments</li> <li>• Received presentations on the market environment, scaling and nearshore expansion initiatives</li> <li>• Discussed and approved strategic business initiatives, including acquisitions and divestments</li> <li>• Held a Board Strategy Day to focus on areas of strategic importance, including scaling the business, expansion initiatives, and key trends in the digital transformation market</li> </ul>   | <ul style="list-style-type: none"> <li>• Discussed performance versus budget and reviewed trends and KPI performance throughout the year</li> <li>• Considered the Company's financial position, liquidity headroom, banking covenants and realistic downside scenarios</li> <li>• Considered the financing arrangements for the acquisition of Cascade Data Labs and the deferred consideration related to the Spire acquisition</li> <li>• Received updates on the St Ives Defined Benefit Pension Scheme and its technical valuations</li> </ul> |
| <ul style="list-style-type: none"> <li>• Established Kin + Carta's strategic domains — Technology, Data and Experience — to deliver our clients' outcome-focused needs: Innovation, Modernisation, Enablement and Optimisation</li> <li>• Hosted a Capital Markets Day for investors and analysts, with presentations from leadership on proposition, the Regions and operating model, Responsible Business, Board and governance matters, growth platforms and partnerships</li> <li>• Invested in strategic partner relationships, contributing to the 198% increase in net new revenue from Partnerships in 12 months</li> <li>• Completed the acquisition of Cascade Data Labs, a data science firm, in December 2020, strengthening Kin + Carta's Data domain</li> <li>• Approved the establishment of nearshore facilities in Greece and Colombia, which will enhance delivery capabilities</li> <li>• Completed the divestments of Incite, Hive and Pragma</li> </ul> | <ul style="list-style-type: none"> <li>• Allotment of shares to satisfy the deferred consideration related to the acquisition of Spire</li> <li>• Continued the roll-out of FinancialForce, a Cloud financial accounting and software application</li> <li>• Approved the budget allocation and key investment areas for 2021/2022</li> <li>• In September 2021, the Group renewed its multi-currency credit facility agreement</li> </ul>  |
| <ul style="list-style-type: none"> <li>• To continue to pursue acquisition opportunities aligned to Kin + Carta's proposition and operating model</li> <li>• To continue to invest in our partnerships with some of the world's largest and fastest-scaling technology organisations, and focus on our other growth levers by developing our service lines, establishing or strengthening a presence in territories, and driving value from existing sectors and targeting new sectors in which we can bring speed to value</li> <li>• To consider, and where appropriate, constructively challenge, matters related to the 2022 strategic priorities described on pages 38 and 39</li> </ul>  | <ul style="list-style-type: none"> <li>• To continue to monitor the Company's performance versus budget, financial position, liquidity headroom, banking covenants and realistic downside scenarios</li> <li>• To monitor the return on investments made within the business</li> </ul>   |

# Corporate Governance Report

Continued

## Board and committee meetings and attendance

The Board meets at regular intervals to enable it to fulfil its role and discharge its duties effectively. During the year, the Board held seven scheduled Board meetings. It also convened a further two times and held a number of ad hoc meetings, principally in connection with acquisition-related activity.

Senior management make regular presentations to the Board to apprise it on the markets and how they serve them, trends, growth opportunities, and future challenges and how they propose to address them. Their attendance provided an additional opportunity for the Non-Executive Directors to engage directly with the senior leadership team and challenge management's thinking on discussion items, particularly strategic implementation.

Directors' attendance at scheduled Board and committee meetings during the year was as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
David Bell	7 7	—	2 2	—
John Kerr	7 7	—	2 2	—
Chris Kutsor	7 7	—	2 2	—
Michele Maher	7 7	3 3	2 2	3 3
Nigel Pocklington	7 7	3 3	2 2	3 3
J Schwan	7 7	—	2 2	—
Helen Stevenson*	7 7	2 3	2 2	3 3

○ Meetings attended

● Meetings convened

This table only details attendance at meetings in the scheduled annual meeting calendar; other ad hoc meetings were held during the period.

This table is based on each Director's maximum possible attendance at these meetings.

\* Due to unavoidable circumstances, Helen Stevenson was unable to attend one Audit Committee meeting. She did, however, receive the meeting papers and provide input to the Chair.

Throughout the year, at least three Independent Non-Executive Directors served on each of the Audit, Nomination and Remuneration Committees.

## Facilitating Board effectiveness

### Inducting and training Directors

On appointment, each Director receives an induction tailored to their skill set, previous experience and knowledge of the markets in which the Group operates. The induction is designed to broaden the Directors' understanding of the Group, its strategic priorities, its key stakeholders and engagement mechanisms, as well as the legal and regulatory framework that it operates in. Meetings with our people, including the executive and senior leadership team, provide insight into the culture of the Group, and our main areas of business activity and their associated risks. Training is provided on the duties and responsibilities of being a director of a listed company. There were no new appointments during the year.

### Evaluating the performance of the Board, its Directors and committees

The effectiveness of the Board is key to successfully leading Kin + Carta to achieve its strategic priorities. Regular monitoring and constructive review of the Board's performance is an important factor in surfacing and addressing any issues that may inhibit effectiveness and to prompt the open discussion that facilitates entrepreneurial thinking.

A Board effectiveness review is carried out annually. In October 2021, internally facilitated effectiveness evaluations of the Board and its committees were undertaken via questionnaire, led by John Kerr (Chairman) and supported by Daniel Fattal (Company Secretary). Helen Stevenson (Senior Independent Director) led a review of the performance of the Chairman and considered feedback from the Executive and Non-Executive Directors. The 2021 effectiveness review findings and actions taken will be disclosed in the annual report for the year ended 31 July 2022, alongside relevant detail on how that review has or will influence Board composition and succession planning; the table below summarises the 2020 effectiveness review findings and actions taken. Following its effectiveness review, the Board confirms that all Directors standing for re-election continue to perform effectively and demonstrate commitment to their roles.

The Board is mindful of the FRC's Guidance on Board Effectiveness recommendation that smaller listed companies consider periodic externally facilitated board evaluations; an external evaluation was last undertaken in 2017. The Board will consider undertaking an externally facilitated evaluation when it returns to convening in-person meetings to maximise the value of the external evaluation.

	Matters arising from the 2020 effectiveness evaluation	
		Actions taken
Board	Board meeting arrangements	The number of formal Board meetings were reduced from nine to seven with the duration of the meetings increased to allow deeper discussions on key matters.
	Board meeting papers	Further development of the meeting papers in line with how the business has evolved after consultation with the Board, including the impact of performance on forecast.
	Board members' development	As part of the development of the Board, each member took the Clifton's strengths test and engaged in a coaching session with David Bell to assess whether there were gaps in capability. Overall, the Board's composite strengths were satisfactory given the range of experience and skills amongst members, and it was identified that experience in People matters would be a valuable addition to the Board. This had been reflected in the role and candidate profile in the recruitment for a new Non-Executive Director and resulted in the appointment of Maria Gordian, which is to take effect from 1 November 2021. Maria has extensive experience in People matters, as described in the regulatory news story released to the London Stock Exchange on 12 October 2021.
Audit Committee	Meetings on separate days	Audit Committee meetings are now held on separate days and in advance of the Board meetings (generally the day before) in order to allow for longer meetings and to enable the committee to report more effectively to the Board.
Nomination Committee	No actions were identified for the Nomination Committee through the 2020 effectiveness evaluation.	
Remuneration Committee	Streamlining the meetings	The relevant internal stakeholders, including the Company Secretary and Director of Global Employee Experience Operations, meet the Company's remuneration advisors and Chair of the committee prior to each meeting, to consider papers and proposals in advance, so as to facilitate more streamlined meetings.



**Michele Maher**  
*Chair of the Audit Committee*

**Current members:**

Michele Maher (Chair)

Nigel Pocklington

Helen Stevenson

**Meetings held:**

Three

For details of Audit Committee members' attendance at meetings during the year, see page 132.

**2021 key achievements:**

- Monitored the impact of COVID-19 on the business and considered the accounting treatment of COVID-related government relief programmes
- Considered the acquisition accounting of Cascade Data Labs and determination of deferred consideration in respect of the Spire acquisition
- Reviewed enhancements to Kin + Carta's risk management systems following the recent appointment of the Head of Risk Management, a new role for the Group
- Reviewed financial controls, including those in relation to revenue recognition for fixed price contracts
- Approved revised policies, including Anti-Bribery and Corruption and Speak Up (whistleblowing)
- Recommended that the Board approve revised terms of reference for the Audit Committee and a revised Non-Audit Services Policy, in line with regulation and best practice

**2022 areas of focus:**

In addition to the recurring matters on the committee's rolling agenda, the committee expects to:

- Monitor the segmental reporting requirements of the Group
- Consider new disclosure requirements and narrative reporting guidance

# Audit Committee Report

### Chair's introduction

On behalf of the Audit Committee, I am pleased to present its report for the year ended 31 July 2021.

The committee has reviewed a number of areas within the Group's financial statements, including key areas of judgement, critical accounting policies, provisioning and any changes in these areas or policies. These areas include acquisition accounting and the valuation of retirement benefit obligations. This work, together with the insight from PwC, Kin + Carta's external auditors, has ensured the correct focus of the committee's discussions and a high standard of decision making. The judgement areas are set out in this report.

Through the activities of the committee, described in this report, the Board confirms that it has reviewed the effectiveness of the Company's internal systems of control

and risk management, covering all material controls including financial, operational and compliance controls, and that there were no material failings identified which require disclosure in this Annual Report. The review of the control systems includes an evaluation by the committee of the effectiveness of the internal and external audit functions. We are pleased to report that these reviews concluded that the functions were operating effectively, and collectively provide assurance of Kin + Carta's internal financial controls, regulatory compliance and financial reporting. Detail of the effectiveness reviews of the internal and external audit functions is set out on pages 139 and 140.

**Michele Maher**  
**Chair of the Audit Committee**

26 October 2021

# Audit Committee Report

Continued

## Role of the committee

The Audit Committee is responsible for the effective governance of the Group's financial reporting, including the adequacy of financial disclosures and gaining assurance around the processes that support it, including external audit, internal control, risk management and legal and regulatory compliance.

The committee carries out the functions required by DTR 7.1.3R of the FCA's Disclosure Guidance and Transparency Rules and it is authorised by the Board to carry out any activity within its terms of reference.

## Committee membership

The Audit Committee members are all Independent Non-Executive Directors. I chair the committee and bring recent and relevant financial expertise, having been Chief Financial Officer of Hogg Robinson Group plc until its sale in 2018, and a Fellow of the Institute of Chartered Accountants. The Board is satisfied that all members bring extensive expertise to the Audit Committee and, as a whole, have competence relevant to the sectors in which Kin + Carta operates.

## Key activities

The committee held three scheduled meetings in the year, at which it:

- agreed an internal audit and assurance plan with the Group's Head of Internal Audit and the Head of Risk Management
- considered risk and assurance reports from the Head of Internal Audit and Head of Risk Management
- monitored the quality of work performed by the Internal Audit function and analysed the effectiveness of the function by reviewing replies to questionnaires completed by management and Audit Committee members
- considered the appropriateness of the Group's risk management process, including the results of an internal controls questionnaire, completed by management within the Group's regions
- considered the external auditors' reports to the committee, their fees and their independence, including an assessment of the appropriateness to conduct any non-audit work
- recommended to the Board the reappointment of PricewaterhouseCoopers LLP (PwC) as external auditors
- ensured the integrity of the financial reporting process was upheld
- reviewed the Cascade Data Labs acquisition accounting and determination of deferred consideration in respect of the Spire acquisition
- considered assets held for sale and discontinued operations classifications in view of divestment-related activities
- considered the accounting treatment of COVID-related government relief programmes
- considered the segmental reporting requirements of the Group and determined that the Group would continue to report one segment, the Connective, for 2021
- reviewed the Group's trading updates and half-year results prior to release
- considered significant accounting and reporting matters pertinent to the preparation of the half-year results and the Annual Report and Accounts
- considered the findings of the committee's 2020 effectiveness review

- analysed the effectiveness of the external audit by reviewing replies to questionnaires completed by management and Audit Committee members
- received the Group's updated bribery risk register and considered the effectiveness of recommendations by Internal Audit
- approved revised policies, including Anti-Bribery and Corruption and Speak Up (whistleblowing) and reported to the Board on the operation of these arrangements
- recommended to the Board that revised terms of reference for the Audit Committee and a revised Non-Audit Services Policy be approved
- considered disclosure and narrative reporting guidance from regulators, including the FRC, and considered corporate governance proposals, such as the Department for Business, Energy & Industrial Strategy ("BEIS") proposals on audit reform
- assisted the Board with the review of the Group's Risk Register together with the current and future mitigating activities which are linked to the Kin + Carta strategic priorities
- considered an assessment of the Group's longer-term viability
- received a report setting out the going concern review undertaken by management.

### **Financial reporting: fair balanced and understandable**

As part of its review of the 2021 Annual Report and Accounts, the committee considered whether the report is fair, balanced and understandable (noting the Code's reference to position, as well as performance, business model and strategy). In particular, the committee considered the process by which the Annual Report and Accounts were prepared, the appropriateness of the level of detail in the narrative reporting and balance between describing potential risks and opportunities, judgmental items, and noted the robust year-end processes and controls in place, including:

- regular engagement with, and feedback from, senior management on proposed content
- feedback from external parties (corporate reporting specialists, remuneration advisors, external auditors) to enhance the quality of our reporting
- internal verification of non-financial factual statements, key performance indicators and descriptions used within the narrative to monitor the accuracy, integrity and consistency of the messages conveyed in the Annual Report and Accounts
- the outcome of reviews performed by the external auditors

This work enabled the committee to provide positive assurance to the Board to assist them in making the statement required by the Code.

### **Significant financial issues**

The committee has assessed whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements in respect of significant financial issues. The committee considered accounting papers, which provided details on the main financial reporting judgements and classifications, which were addressed as shown in the table on pages 138 and 139.

# Audit Committee Report

Continued

Significant issues considered	How the committee addressed these issues
The assessment of the carrying value of goodwill (£68.4 million) and intangible assets (£15.1 million)	<p>The committee received reports in relation to the assessment of the carrying value of the goodwill for each cash-generating unit ("CGU"). For those CGUs whose value will be recovered primarily through trading, the committee considered key judgements including the discount rate, terminal growth rates and the future cash flow forecast of each CGU to which goodwill and investments are allocated, based upon the projected forecasts approved by the Board. In respect of the Incite CGU, the value of which was recovered through sale, the recoverable amount of the goodwill was assessed against the sale proceeds received post-year-end.</p> <p>The committee considered reports on the carrying value of acquired intangible assets where there were indicators of impairment, such as loss of clients, maintenance of proprietary techniques and trademarks. The committee also reviewed disclosures where a reasonably possible change indicated a material impairment.</p> <p>In the prior year, impairment charges were recorded in respect of goodwill for Edit Agency Limited. In the year under review, the recoverable amount of the goodwill was assessed against a credible offer received for the sale of the business post-year-end. The committee reviewed the assessment carried out by management and agreed with the conclusion that no impairment charges were required following an improvement in its performance and prospects.</p> <p>The committee was satisfied with the assumptions applied to support the carrying value of goodwill of £68.4 million and intangible assets of £15.1 million. The conclusion of the review and the key assumptions are disclosed in the notes to the consolidated financial statements.</p>
The classification of Adjusting Items (£17.3 million before tax)	<p>The Board uses Adjusted results as the measure of the ongoing financial performance of the Group's businesses and excludes such items that are considered to distort the comparison of the trading performance of the Group, and across its businesses. The Audit Committee assessed the classification of these Adjusting Items according to their nature and value, in line with ESMA and the FRC Guidance (APMs). The committee reviewed reports outlining the accounting policy on the classification of Adjusting Items and satisfied itself with the treatment applied.</p> <p>The accounting policy on Adjusting Items can be found in note 7 to the consolidated financial statements, and in the Alternative Performance Measures section on pages 66 to 69.</p>
The valuation of the St Ives Defined Benefits Pension Scheme (£19.3 million surplus)	<p>The valuation of the St Ives Defined Benefits Pension Scheme ("the Scheme") is judgemental mainly due to underlying assumptions, used to determine the Scheme's liability. This includes assumptions such as the discount rate, inflation and life expectancy of the Scheme members at the balance sheet date. The committee reviewed reports from management outlining the assumptions used, and agreed with those assumptions as outlined in note 27. The assumptions presented to the Audit Committee by management are underpinned by actuarial advice. The Audit Committee considered the suitability of the actuary.</p>
Going concern basis for the financial statements and viability statement	<p>The committee reviewed and challenged management's assessment of forecast cash flows including sensitivity to trading and expenditure plans, and for the potential impact of uncertainties. The committee also considered the Group's financing facilities and future funding plans. The committee was satisfied that the application of the going concern basis for the preparation of the financial statements continued to be appropriate, and recommended the approval of the viability statement to the Board. The going concern conclusion can be found on pages 175 and 176 and the viability statement can be found on page 176.</p>



Significant issues considered	How the committee addressed these issues
Accounting treatment of acquisitions	Following the acquisition of Cascade Data Labs in December 2020, the committee considered the allocation of the purchase price payable amongst the fair value of acquired net assets, which includes acquired intangible assets and goodwill. In addition, the committee considered the treatment of deferred consideration as deemed remuneration. The committee was satisfied with the treatment applied.
Assets held for sale and discontinued operations	The committee considered the status of businesses sold within the year, and those remaining within the divestment programme at the year-end date. The committee agreed that the classification of Pragma and Hive as discontinued operations was appropriate, and that, of the other businesses, only Incite met the criteria to be classified as an asset held for sale and to be presented as a discontinued operation in the year.

### Internal Audit – Assurance functions

The Internal Audit function and Head of Risk Management (together, “Assurance”) provide independent and objective assurance over the Group’s risk management and internal controls. Assurance establishes an annual internal audit and assurance plan based on discussions with management and assessments of the risks inherent in the Group’s activities. The activities of the Assurance function are reported to the Audit Committee and provide assurance to management and the committee that the system of internal control achieves its objectives and highlights areas for improvement. The Assurance function consists of the Head of Internal Audit and the Head of Risk Management, both qualified accountants who, as necessary, draw on additional resource from professional services firms.

During the year, the Assurance function performed work on the Group’s internal controls: reviewing the control environment and conducting testing of key controls. Control testing of accounts receivable, accounts payable, payroll and credit control cycles took place at selected sites,

according to the audit cycle. In addition, a review was undertaken on Spire deferred consideration and an initial review was performed on our acquisition made in December 2020, Cascade Data Labs. The function also reviewed the processes used to make claims for wages in respect of furloughed employees through the UK Government’s Coronavirus Job Retention Scheme.

High-risk issues identified within audit reports and risk register reviews, together with corrective actions and current and future mitigations, were considered in detail at the meetings of the Audit Committee.

During the year, the Audit Committee undertook an evaluation of the effectiveness of the Internal Audit function. The process involved the completion of three questionnaires containing assertions of best practice – one by members of the Audit Committee, one by members of the management of Group Finance, and another completed by the management of Finance within each Region and Venture. The areas covered included:

- responsiveness;
- communication;
- skills and technical knowledge;

- scope of audit work undertaken; and
- internal audit as an effective agent for change.

The review concluded that the Internal Audit function was operating effectively.

### Risk management and internal control

The Board is responsible for setting the Group’s risk appetite and its system of internal control, including financial, operational and compliance controls and risk management, and for reviewing the effectiveness of those controls. The system of internal control is designed to manage and mitigate, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material mis-statement or loss, fraud or breaches of laws and regulations.

A key responsibility of the committee is to review Kin + Carta’s internal financial controls and internal control and risk management systems.



Read about the emerging risks and principal risks and uncertainties of the Group, including mitigating activities, on pages 102 to 110

# Audit Committee Report

Continued

## Annual review of the effectiveness of the systems of internal control

Management is responsible for establishing and maintaining adequate internal controls and the Board, supported by the Audit Committee, has responsibility for ensuring the effectiveness of those controls. The committee reviewed the process by which management assessed the control environment, in accordance with the requirements of the Guidance on Risk Management, Internal Control, and related Financial and Business Reporting published by the FRC.

The review for the year ended 31 July 2021 was supported by the Company Secretary and Internal Audit function. In addition, during the year, the committee received regular reports from Internal Audit and the Head of Risk Management (together, "Assurance") on the effectiveness of the Group's internal controls and risk management system, and reports from the external auditors on matters identified during its statutory audit work.

The review process included consideration of the effectiveness of control functions and practices, such as:

- risk being monitored and reported on by the senior management of each Region and Venture;
- the role of the Head of Risk Management who has responsibility for providing expertise, challenge, advice and escalation with regard to noteworthy risk issues and developments;
- regular management meetings within each Region and Venture as appropriate;
- the Group's Internal Audit function, whose work plan is closely linked to the risk management framework;

- the presentation to the committee of the findings of an annual internal control questionnaire, supplemented by a half-year questionnaire, which is completed by all the Group's subsidiaries, reviewed by the Head of Internal Audit and supplied to the external auditor. Any inconsistencies identified with the Group's established corporate governance frameworks are disclosed to the Audit Committee; and
- the role of the Connective Digital Services (IT) function in digital defence and data security in strengthening and standardising practices to unify Kin + Carta's approach, and mitigate information security and data-loss risk.

This process resulted in the Board concluding, following a recommendation from the Audit Committee, that the Group had effective risk management and internal control processes in place.

## External auditors

### Tenure

Following an external audit tender, PwC was appointed as the Company's external auditors in 2018, with effect from the financial year ended 31 July 2019. The external auditors' appointment is reviewed regularly in accordance with applicable law and regulation and the Financial Reporting Council's ("FRC") Ethical Standard for Auditors. Brian Henderson served as the Lead Audit Partner for the financial year ended 31 July 2021. Brian Henderson succeeded Julian Jenkins who acted as Lead Audit Partner for the period ended 31 July 2019 and year ended 31 July 2020. The Company has no current retendering plans and is mindful of the best practice provisions of the Statutory Audit Services Order.

## Effectiveness of the external auditors

During the year, the committee undertook an assessment of the effectiveness of the external audit process for the year ended 31 July 2020. The process involved the completion of two questionnaires containing assertions of best practice – one by each member of the Audit Committee, and another completed by the management of each subsidiary. The areas covered included:

- the audit planning process;
- audit execution;
- communication;
- adding value;
- reporting;
- timeliness; and
- focus.

The results were then reviewed by the Audit Committee and Chief Financial Officer and discussed with the external auditor. The completed questionnaires showed in aggregate that the external audit had achieved a majority of the assertions in each area of focus. Areas of improvement that had been noted were addressed at the Audit Committee meetings during the year and continued to be implemented throughout the external audit for the year.

### Provision of non-audit services

The committee's policy on the engagement of the external auditors for non-audit services, which reflects applicable law and regulation and the FRC Ethical Standard for Auditors, sets out the circumstances in which the external auditors may be permitted to undertake non-audit services and the services that are not permitted under any circumstances, such as the provision of internal audit outsourcing and tax advice.

The Chief Financial Officer has authority to approve the permitted services up to £25,000, with permitted services between £25,001 to £50,000 requiring the Chief Financial Officer to consult with the Chair of the Audit Committee, and any permitted services to the value of £50,001 and above requiring the approval of the Audit Committee.

The committee has satisfied itself that this policy has been appropriately applied. In the financial year ended 31 July 2021,

non-audit fees of £45,000 were incurred (as disclosed in note 5 to the consolidated financial statements). The non-audit fees were in respect of the review of the half-year results only, which is standard practice.

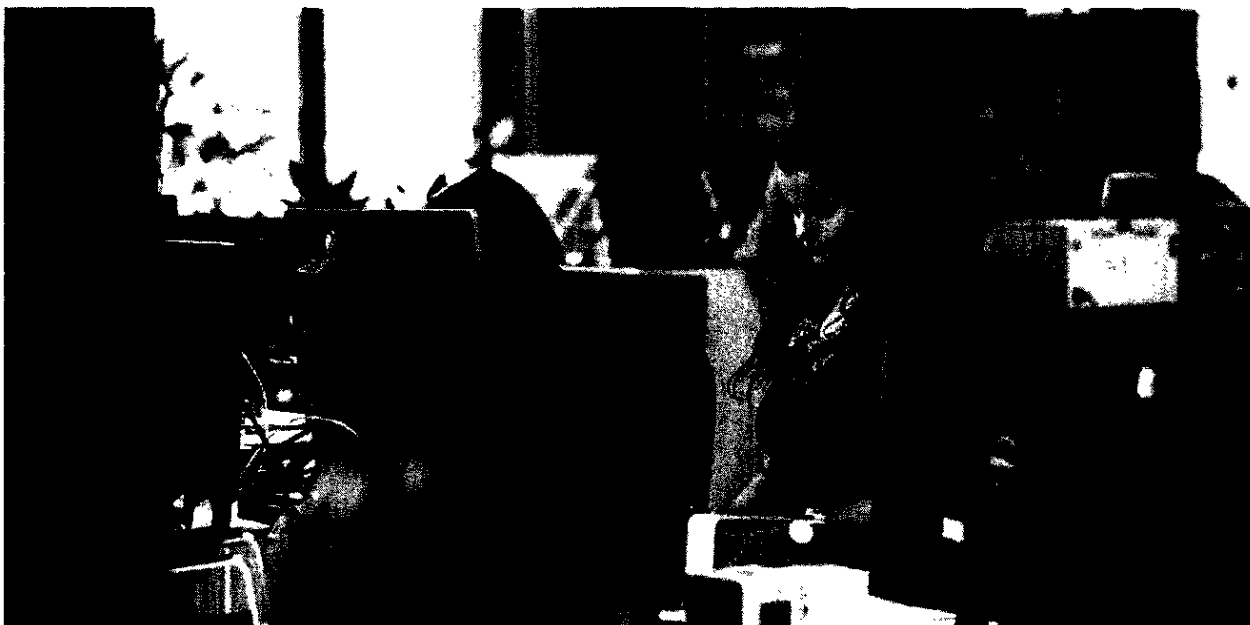
### Safeguarding the external auditors' independence

The committee considered the robustness of PwC's safeguards and procedures to counter threats or perceived threats to their objectivity, the application of their independence policies and their adherence to the revised Ethical Standard published by the FRC, which the Company's policy on non-audit services complies with. In all these respects, the committee was satisfied with PwC's objectivity and independence. The committee is satisfied that there are no relationships between the Company and PwC, its employees or its affiliates that may reasonably be thought to impair the auditors' objectivity and independence.

The committee met with PwC without any Executive Director or management present to ensure that no restrictions are placed on the scope of their audit and to offer the external auditors opportunities to discuss any items they may not wish to raise with the executives being present.

The committee is satisfied with the independence, performance and effectiveness of the external auditors, and has recommended to the Board that a resolution be proposed at the forthcoming AGM that PwC be reappointed as auditors of the Company to hold office until the conclusion of the next such meeting.

The Company has complied with the Competition and Markets Authority's Statutory Audit Services Order 2014 for the financial year under review in respect to audit tendering and the provision of non-audit services.





**John Kerr**  
Chair of the Nomination Committee

**Current members:**

John Kerr (Chair)

David Bell

Chris Kutsor

Michele Maher

Nigel Pocklington

J Schwan

Helen Stevenson

**Meetings held:**

Two

For details of Nomination Committee members' attendance at meetings during the year, see page 132.

**2021 key achievements:**

- Agreed a process for the appointment of a new Non-Executive Director to replace Helen Stevenson, who is due to retire at the forthcoming AGM having completed a nine-year term on the Board. Resulted in the appointment of Maria Gordian being approved by the Board, following a recommendation by the committee, with Maria's appointment to take effect from 1 November 2021
- Initiated a management succession planning process, which has involved the creation of two regional Chief Executive Officer roles who have regular interaction and dialogue with the Board

**2022 areas of focus:**

- Following the changes to the Board referenced above, monitor the balance of diversity, experience, knowledge and skills of the Board

# Nomination Committee Report

### Chair's introduction

On behalf of the Nomination Committee, I am pleased to present its report for the year ended 31 July 2021.

### Inclusion, Diversity, Equity and Awareness ("IDEA")

At Kin + Carta, we believe it's everyone's job to make the world work better. That goes far beyond technology and efficiency. It starts with a foundation of equity, inclusion, and the deliberate unbundling of systematic constraints that exist within our society.

The committee and Board are committed to sustainable social change, particularly in areas of IDEA, and are fully supportive of the increasing focus on the composition of Boards and the emphasis on diversity. In recognition that diversity within the boardroom and across the Group is important to our success, improving adaptability, agility and supporting long-term growth and sustainability, the committee recommended a Board Diversity Policy

for adoption in the prior year. Within this report, we explain how the committee has considered IDEA throughout its operations.

### Succession planning

During the year, the committee commenced a process to find a suitable replacement for Helen Stevenson, who is due to retire at the forthcoming AGM, as outlined on page 145.

The committee has discharged its other principal duties by:

- ensuring that an appropriate review of Board, committee and Director effectiveness was undertaken
- considering whether the Non-Executive Directors were sufficiently independent for corporate governance purposes
- approving the responsibilities of the Chairman, the Chief Executive Officer and Senior Independent Director

**John Kerr**  
**Chair of the Nomination Committee**

26 October 2021

# Nomination Committee Report

Continued

## Role of the committee

The principal role of the committee is to lead the process for Board appointments and make recommendations to the Board. It considers candidates for Executive or Non-Executive Director positions in order to maintain an appropriate balance of diversity, experience, independence and knowledge on the Board. The committee engages in succession planning to ensure that the Board is appropriately refreshed and considers the findings of the annual Board effectiveness review, and how those outcomes may impact Board composition.

## Committee membership

The committee comprises a majority of independent Non-Executive Directors. It is important to our Board that the selection process is appropriate to the particular circumstances and that any decision made to nominate a new member of the Board is collective.

## Focuses of the Nomination Committee in 2021

### Inclusion, diversity, equity and awareness

The Board adopted its Diversity Policy during the prior year, following a recommendation from the committee. The Board Diversity Policy is available to view in the governance section of our website: [investors.kinandcarta.com](https://investors.kinandcarta.com). The policy recognises that diversity of the Board's gender, ethnicity and other underrepresented groups can have a positive impact on Board debate and the quality of decision making. We outline below the measurable objectives of the policy and our 2021 progress towards achieving them.

Board Diversity Policy objectives	2021 progress
To increase female representation on the Board to 33% by 2022, reflecting the Hampton-Alexander Review recommendation.	The Board's female representation was 28.6% as at 31 July 2021.
To increase the representation on the Board of people from ethnic minorities to a minimum of one Director by 2024, reflecting the Parker Review recommendation.	Throughout the year, there was no representation on the Board of people from ethnic minorities. The appointment of Maria Gordian, which will take effect from 1 November 2021, will increase the representation on the Board of people from ethnic minorities to one Director.
To assist in the development of high-calibre candidates by encouraging a broad range of senior individuals within the business to take on additional roles to gain valuable Board experience.	<p>In 2020, a number of senior individuals were promoted, broadening their experience and development opportunities. This included:</p> <ul style="list-style-type: none"> <li>• Kelly Manthey, who was appointed Chief Executive of Americas</li> <li>• David Tuck, who was appointed Chief Executive of Europe</li> </ul> <p>During the year, both Kelly Manthey and David Tuck have presented to the Board during the period and attended the strategy session of the Board away days.</p>
To encourage executive search firms to produce diverse Non-Executive Director 'longlists' that include candidates from underrepresented groups and a balanced proportion of male and female candidates.	<p>The search firm appointed for the recruitment of a new Non-Executive Director had, at the request of the committee, provided a longlist that included strong representation from ethnic minority backgrounds. The outcome of this process was, following a recommendation from the committee, the Board approved the appointment of Maria Gordian, which will take effect from 1 November 2021.</p>

### Our IDEA commitment

Aligned with our People and Responsibility Platforms, we are committed to creating an industry-leading employee experience. By recognising and embracing the benefits of a diverse workforce across the Group, we seek to develop further as an organisation and as the best possible place to work.

Details of our commitments to IDEA, including our vision, guiding ambitions and Strategic Action Plan, can be found on pages 86 to 89. These initiatives are intended to build a culture where everyone is empowered to bring their authentic self to work and serve to develop a diverse pipeline by breaking down structural inequality.

The diversity of the Board, senior management and their direct reports and Group employees is set out within our Strategic Report on page 89.

### Performance evaluation

In October 2021, internally facilitated effectiveness evaluations of the Board and its committees were undertaken. The committee is considering the areas for development identified and actions arising from the 2021 evaluation, which will be disclosed in the annual report for the year ending 31 July 2022. The process of the 2021 evaluation, and detail on the 2020 effectiveness evaluation findings and actions taken, are described in more detail on pages 132 and 133.

### Succession planning and Board appointment

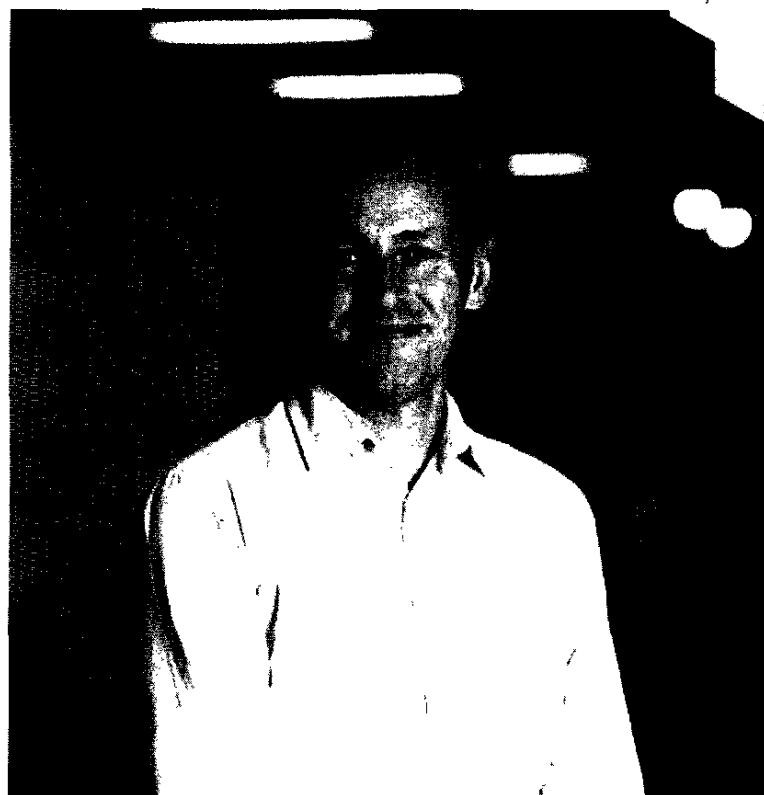
The Nomination Committee seeks to ensure that the Board's composition, and that of its committees, is appropriate to discharge its duties effectively and successfully direct Kin + Carta to achieve its strategic objectives. During the year, the Nomination Committee considered the Board's composition, considering the tenure of Directors, diversity and the collective attributes of the Board, such as experience, knowledge and skills.

The Nomination Committee continues to review Board composition to ensure that there is effective succession planning at Board level. The committee's succession planning was principally in respect of the successor for Helen Stevenson, who, having completed her tenure of nine years on the Board in 2021, is retiring at the forthcoming AGM. The committee considered the attributes required to enhance the skill set of the Board and concluded that the desired candidate would have a relevant full-time employment role at a senior level and experience in People matters. Following a tender to select an external search agency, Russell Reynolds was appointed to support the recruitment process; Russell Reynolds has no other connections with Kin + Carta or its Directors. Once the candidate profile had been defined, a longlist of candidates was presented to the committee which, at the request of the committee, included strong representation of ethnic minority backgrounds. Once initial interviews had been conducted by the Chair of the committee and David Bell, a shortlist of preferred candidates was developed for further interviews, ensuring all members of the Board had the opportunity to meet the candidates. Following a recommendation from the committee, the Board approved the appointment of Maria Gordian as an independent Non-Executive Director, to take effect from 1 November 2021.

In 2022, the committee will continue to consider the effective composition of the Board generally and its committees, having regard to the findings of the 2021 Board effectiveness evaluation.

### Board appointment process

Preparation	Candidate identification	Selection and recruitment
<ul style="list-style-type: none"> <li>Define a shortlist of external search consultancies</li> <li>Identify the preferred provider and agree terms</li> </ul>	<ul style="list-style-type: none"> <li>Define role and candidate profile</li> <li>Undertake an initial search</li> <li>Identify a longlist of potential candidates</li> <li>Conduct initial interviews led by two members of the Nomination Committee</li> </ul>	<ul style="list-style-type: none"> <li>Shortlist preferred candidates</li> <li>Board interviews</li> <li>Nomination Committee makes recommendation to the Board based on merit, and against the objective criteria set out in the role and candidate profile</li> <li>Board to consider and, if thought fit, approve the appointment recommended by the Nomination Committee</li> </ul>



# Directors' Remuneration Report



**Nigel Pocklington**  
Chair of the Remuneration Committee

**Current members:**

Nigel Pocklington (Chair)

Michele Maher

Helen Stevenson

**Meetings held:**

Three

For details of Remuneration Committee members' attendance at meetings during the year, see page 132.

**2021 key achievements:**

- Approved matters relating to the Kin + Carta Long-Term Incentive Plan ("LTIP"), including the grant of market-value option awards to a wider proportion of our employee base and a revised LTIP adopted at the 2020 AGM due to the expiration of the prior plan and to accommodate additional jurisdictional requirements
- Undertook a review of the committee's external advisor and, following a formal tender process, Deloitte LLP were appointed as independent advisors to the committee
- Considered the remuneration arrangements for FY21, approved the targets for the 2021 bonus and November 2020 LTIP awards, and identified a number of changes to the Directors' Remuneration Policy, which was adopted at the 2020 AGM
- Further reviewed remuneration arrangements during the year, in particular the allocation of share-based awards to employees below Board to ensure that we have the right frameworks to attract and retain the talent we need to thrive in the digital talent market, particularly in the US

**2022 areas of focus:**

- Continue to consider remuneration arrangements to ensure they remain supportive of value creation for shareholders and support Kin + Carta's strategy



## At a glance

### Summary for Executive Directors' performance and remuneration for 2021

- 2021 annual bonus pay-out of 100% of maximum reflecting exceptional financial and strategic performance during the year
- 2018-21 LTIP award vesting 70% of maximum reflecting exceptional share price growth over the three year performance period

### Implementation for 2022

- Salary increase for the Chief Financial Officer amounting to 9% due to increase in responsibilities; no salary increase for the Chief Executive Officer, see page 171
- Bonus of up to 100% salary, based 35% on net revenue growth, 35% on PBT, 20% on strategic/personal objectives and 10% on ESG-related measures
- LTIP grants of up to the exceptional limit of 200% of salary for the Chief Executive Officer and Chief Financial Officer to be determined based on share price at the date of grant. This award level will provide an enhanced incentive to the Executive Directors to continue to deliver exceptional growth to our investors. LTIP awards to be granted vesting based on 50% relative TSR, 20% on ESG-related measures, 15% growth in adjusted net revenue and 15% growth in adjusted PBT. LTIP vesting underpinned by committee discretion
- Expanded LTIP participation below Board to allow us to recruit and retain talent in the highly competitive digital market, particularly in the US

## Letter from Chair of the Remuneration Committee

I am pleased to present our Directors' Remuneration Report for the year ended 31 July 2021.

The Remuneration Committee's key role is to set the broad policy for remunerating the Executive Directors and recommend a Remuneration Policy that supports the creation of value for shareholders and the delivery of the Group's strategic priorities. The committee is mindful of the intense scrutiny around executive remuneration and seeks to adopt best practice where appropriate taking into account its position in the FTSE SmallCap.

### Dear shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 July 2021. This report is split into three parts: this Annual Statement, a copy of the Remuneration Policy Report, which was submitted to shareholders for approval at the 2020 AGM, and an Annual Report on Remuneration.

### Business context

As outlined in the introductory statements to this Annual Report and Accounts, following significant economic uncertainty and marketplace disruption in our 2020 financial year, we are pleased to report a return to growth during the year to 31 July 2021. During the beginning of the first half of our year, we saw revenue decline as clients responded to the impacts of the pandemic. By the second half of the year, we saw a return to growth delivered by the actions taken previously and overall we delivered revenue growth for the year of 12.5%.

## Directors' Remuneration Report

Continued

The Group divested Hive and Pragma during the year and, subsequent to the year-end, Incite, which did not align to the digital transformation focus. We have also deepened capabilities in data science by acquiring Cascade Data Labs and the subsequent creation of Kin + Carta Data Labs. This has enabled us to increase our geographic footprint, which facilitated expansion into the Pacific Northwest of the US. The Group operates as a socially responsible business that champions inclusion, diversity, equality and sustainability, with B Corp certification achieved by our Americas businesses, Kin and Carta U.S. and its Argentinian subsidiary, in January 2021, and Kin + Carta Europe achieving certification in October 2021.

In the prior year, to conserve cash due to the uncertainties caused by COVID-19, employees and the Board volunteered reductions to their salary or fees for a period of three months. Following the return to growth and strong performance against strategic priorities, these salary or fee reductions were repaid to employees and the Board in 2021, as disclosed on page 164. During the year, we also received £119,088 under the UK Coronavirus Job Retention Scheme. Given the strong business performance, the Board decided that it was appropriate to repay this amount and this amount was repaid following the year-end.

### Performance and reward for 2021

The strong performance for 2021 has resulted in maximum bonus awards for the Executive Directors. The committee judged that the strategic objectives relating to growth, proposition, culture and responsibility, operations and expansion were met in full. For example, for the growth objective, in the Americas, 34% of net revenue was derived from the Partnership channel, well ahead of the 15% target. For the operations objective, four platform functions (Finance, Employee Experience, Connective Digital Services (IT), and Legal) were rolled out and operational at the global and regional levels with established ways of working.

Due to the uncertainty caused by COVID-19, which continued at the start of 2020/21, our PBT targets were set and measured for H1 and H2 separately. The stretch targets for both periods were exceeded, and the underpin based on H2 net revenue growth was also met. Therefore, the 70% of bonus opportunity based on financial performance was achieved in full. In determining the bonus outcome, the committee reviewed performance in the round, in particular the significant increase in share price, and the experience of our wider stakeholders during the year, and considered that a maximum bonus award was appropriate.

The annual report on remuneration also gives detail of the LTIP awards granted in November 2018, which vest in November 2021. The absolute TSR target (70% of the award) was met in full; however, the targets relating to the growth in revenue and PBT (30% of the award) from 2017/18 to 2020/21 were not achieved. Therefore, the LTIP award will vest at 70%. Further details are provided on page 166. The committee considered that this outcome was appropriate and no discretion was exercised.

### Implementation of Remuneration Policy for 2022

During the year, the committee explored a range of potential approaches to better align our remuneration arrangements with the needs of the digital talent market. This included shareholder consultation on potential changes to our Remuneration Policy. Following helpful input from our largest shareholders, the committee decided to retain the current framework for FY22, but to make the following changes to the implementation of the Policy:

- FY22 LTIP awards: awards to the Chief Executive Officer and Chief Financial Officer will be 200% of base salary, in line with the exceptional limit under our Remuneration Policy. This award level will provide an enhanced incentive to our senior team to continue to deliver exceptional growth to our investors. The Committee believes that the current opportunities available for Kin + Carta to

continue to develop into a robust digital business and to build on the increase in share price we have seen over the last year (over 400% since the start of the 2021 financial year) constitute exceptional circumstance, which warrant granting the maximum LTIP awards under our Policy. These awards will be subject to Relative TSR as well as stretching adjusted net revenue, adjusted PBT and ESG targets, which the committee consider include appropriate challenge for the exceptional award level. These targets are disclosed on page 172.

- **CFO salary:** the committee has reviewed Chris Kutsor's salary following his development in the Chief Financial Officer role. The Board believes that Chris has also demonstrated that he is trusted by the market, and he has been instrumental in repositioning Kin + Carta as a digital business. In light of this, since his appointment Chris' role has significantly expanded beyond Finance leadership to include leadership of our recently launched global Operations Platform, which includes Global Finance, Global HR, Global Legal, and Global IT. In addition Chris is also responsible for Global Investor Relations. However his salary has remained unchanged for two and a half years. The Committee has therefore decided to increase his salary by 9% to US\$354,250 to reflect his enhanced responsibilities and performance in the role. His salary remains around the lower quartile of market practice compared to other companies of a similar size and complexity. For context, the average increase for the wider workforce last year was 4.1%.

### **Dilution and wider employee share awards**

As part of our talent strategy to enable us to more effectively recruit and retain in the digital market, we plan to expand the group of employees who receive share-based awards. This will allow us to compete more effectively in the highly competitive global digital talent market, particularly in the US, filling more vacancies more quickly with higher quality candidates. It will also help us retain key individuals and reduce the costs of high employee turnover, especially in critical client relationship roles at Principal and Director grade. Expanding employee share ownership will also further strengthen our culture and align more of our talent to delivering on our ambitious growth goals.

At the AGM, we are therefore seeking shareholder approval for an amendment to our share plan rules to temporarily increase our dilution limit from 10% over the past 10 years to 12.5% over the past 10 years. We recognise that this level of dilution is unusual and we commit to review this regularly with a view of bringing dilution back down to the 10% level within the next 10 years. To be clear, increasing the dilution limit is part of our talent strategy to have more of our employees owning shares so that they are closely tied to our continued growth, rather than to support awards to Executive Directors.

We continue to value any feedback from shareholders and hope to receive your support at the forthcoming AGM.

**Nigel Pocklington**

**Chair of the Remuneration Committee**

26 October 2021

# Directors' Remuneration Report

Continued

## Policy Report

### Directors' Remuneration Policy

This section of the report sets out the Remuneration Policy for Executive and Non-Executive Directors, which was approved by shareholders at the AGM on 23 December 2020. The Policy is replicated in this report in full for shareholder reference. Information relating to the implementation of pay for FY21 has been removed with information on the implementation of pay in FY22 provided in the Annual Report on Remuneration.

### Overview of Remuneration Policy

The committee's Policy for the remuneration of the Company's Executive Directors is that it should be structured so as to attract and retain executives of a high calibre with the skills and experience necessary to develop the Company successfully. It aims to recommend strategies that support the creation of long-term value for shareholders and reflect and support the delivery of the Company's strategic priorities, while taking due account of market best practice.

When determining levels of remuneration, the committee periodically reviews the remuneration practices adopted by appropriate comparator companies both in the market generally and in the same business sector as the Company.

The committee believes that a significant portion of the remuneration package of senior executives should be linked to performance, while ensuring that an appropriate balance is struck between (i) fixed and variable pay, (ii) short-term and long-term variable pay, and (iii) the delivery of rewards in cash and shares. The committee will regularly review the Company's remuneration policies to ensure that these policies neither encourage nor reward inappropriate operational risk taking that may be to the detriment of shareholders' interests and that these remuneration policies are, therefore, compatible with the Company's general risk policies and systems.

The Policy table on pages 152 to 158 sets out the key aspects of the Company's Remuneration Policy for Executive Directors.

### How the new Remuneration Policy aligns with the 2018 UK Corporate Governance Code

The Code sets out principles against which the Committee should determine the Remuneration Policy for executives. A summary of the principles and how the revised Kin + Carta Remuneration Policy reflects these is set out below:

Principle	Approach
<b>Clarity</b> – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The committee has operated a consistent remuneration approach that is well understood both internally and externally with investors. Consultation with shareholders on the revisions to the Policy has been undertaken.
<b>Simplicity</b> – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Company operates a UK market standard approach to remuneration that is familiar to all stakeholders.
<b>Risk</b> – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	<p>Each year, incentive targets will be set, which the committee believes are stretching and achievable within the risk appetite set by the Board. Under the revised Remuneration Policy, the committee retains discretion to override formulaic incentive outcomes if they do not accurately, or fairly, reflect the underlying performance of the business.</p> <p>The proposed extension to the incentive scheme recovery provisions to include factors such as gross misconduct, calculation error, reputational damage or corporate failure arising from poor risk management ensures that malus and clawback provisions are considered to be sufficiently wide-ranging and enforceable.</p>
<b>Predictability</b> – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The committee maintains clear annual caps on incentive opportunities and will use its available discretion if necessary.
<b>Proportionality</b> – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	The committee ensures performance metrics continue to be clearly aligned with the Group's strategy each year, maintaining an appropriate balance between base pay, short and long-term incentive opportunities and between financial and non-financial goals.
<b>Alignment to culture</b> – incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	Bonus and incentive schemes are reviewed by the committee to ensure consistency with the Group's purpose, values and strategy.

# Directors' Remuneration Report

Continued

## Revised Remuneration Policy table

The Committee undertook a review of the Remuneration Policy during 2020 and is satisfied that the structure remains broadly appropriate for Kin + Carta at this time. The new Policy includes a number of minor amendments that reflect changes in market and best practice since the Policy was last approved by shareholders at the 2017 AGM. These changes are highlighted in the relevant sections below.

### Basic salary

#### Purpose and link to strategy

To provide competitive fixed remuneration that will attract and retain key employees of a high calibre and which reflects their experience and position in the Company.

#### Operation

Normally reviewed annually with increases effective from 1 August; salaries are paid monthly.

In setting salaries, the committee takes into account the following:

- capability of the individual;
- any changes in responsibility;
- increases awarded across the workforce;
- external economic factors such as inflation; and
- benchmarking for similar roles in comparable organisations.

#### Maximum potential value

No monetary maximum has been set, although increases are generally in line with the range (in percentage of salary terms) awarded across the Group.

In accordance with normal practice at all levels in all parts of the Group, increases above this level (in percentage of salary terms) may be made in certain circumstances such as where there is a change in responsibility or a significant increase in the scale of the role or size and complexity of the Group.

#### Performance metrics

Not applicable.

#### Changes to Policy for 2020

None.

### Benefits

#### Purpose and link to strategy

To provide market competitive, yet cost effective, benefits to attract and retain high calibre executives.

#### Operation

Benefits generally include provision of a car, or cash in lieu of car and fuel allowance, and private medical and life assurance cover.

The committee may introduce other ancillary benefits, which are on similar terms to those offered to the wider workforce or required in order to remain market competitive.

Overseas recruitment or an international assignment may require the benefits package to be more tailored and may include, for example, relocation costs, tax equalisation arrangements, as necessary.

#### Maximum potential value

The maximum annual car and fuel allowance is £15,520.

The maximum overall cost of total benefit provision (including but not limited to annual car and fuel allowance) may vary each year subject to changes in the Company's insurance premiums or changes to the terms of the benefits provided.

The values for the year under review, expressed as a cost to the Company of providing the benefits, are described in the Directors' single figure table on page 164.

#### Performance metrics

Not applicable.

#### Changes to Policy for 2020

None.

## Pension

### Purpose and link to strategy

To provide market competitive, yet cost-effective benefits.

### Operation

Only basic salary is pensionable.

A Company contribution to a defined contribution pension scheme, a personal pension or provision of a cash payment in lieu of a pension contribution (or combination of such) may be provided at the discretion of the committee.

### Maximum potential value

For Directors appointed on or after 1 March 2019 (including the current Chief Financial Officer), the maximum contribution will be aligned to that offered to the majority of employees (currently 5% of salary). Pension contributions to the Chief Executive Officer is currently 15% of salary, and will be aligned with the broader workforce rate by 1 August 2024 at the latest.

### Performance metrics

Not applicable.

### Changes to Policy for 2020

Confirmed that any Director appointed on or after 1 March 2019 will have a pension contribution that is aligned with the majority of employees. Outlined intention to reduce Chief Executive Officer's pension contributions over time.

## Annual bonus

### Purpose and link to strategy

Incentivises achievement of annual objectives, which support the short-term performance goals of the Company.

### Operation

The committee reviews the choice of annual bonus measures and targets each year to ensure they reflect the key performance indicators of the business at that time.

Payments under the annual bonus plan are subject to compulsory payment of any bonus earned over 50% of salary (on an after tax basis) in the Company's shares under the Company Deferred Bonus Shares ("DBS") arrangement, which are subject to a holding period of two years. Deferred shares will generally be forfeited if a Director leaves the Group (unless in certain good leaver situations or if the committee determines otherwise).

Dividends and/or dividend equivalents are payable on the deferred bonus shares during the two-year holding period.

Payments and awards in relation to the annual bonus are subject to malus and clawback provisions, further details of which are included as a note to the Policy table.

### Maximum potential value

100% of basic salary.

### Performance metrics

Performance measurement covers one financial year.

Bonus awards are subject to achievement against a sliding scale of challenging financial targets and may also be subject to challenging strategic/personal objectives.

The majority of any bonus will be earned for achieving challenging financial targets aligned with the Company's key performance indicators (e.g. adjusted PBT or EPS). A minority may be subject to achieving preset strategic/personal objectives, which reflect the key priorities of the role at the time.

Bonuses become payable once a threshold level of performance is achieved against the target(s), which triggers a bonus payment of up to 25% of salary, rising to 100% of salary for meeting (or exceeding) the maximum target(s) set. Measurement of financial metrics is made on the basis of audited figures. Where strategic/personal targets are set, it may not always be practicable to set these using a sliding scale.

The committee has discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards (including down to zero) to ensure alignment of pay with performance, e.g. in the event one of the targets under the bonus is significantly missed or due to unforeseen circumstances outside management control.

### Changes to Policy for 2020

Expanded recovery provisions to cover cash element of bonus and referenced expanded triggers, which are included as a note to the Policy table. Introduced flexibility for committee to adjust formulaic bonus outcomes to ensure pay-performance alignment.

# Directors' Remuneration Report

Continued

## Long-term incentives

### Purpose and link to strategy

Incentivises executives to achieve superior financial growth and returns to shareholders over the longer term.

Provides alignment with shareholders through awards of shares.

Promotes retention of key individuals.

### Operation

The current Long-Term Incentive Plan ("LTIP") was approved by shareholders in 2010 and expires in November 2020. Future awards under the LTIP will be subject to new plan rules, which will be submitted to shareholders for approval at the forthcoming AGM. The operation, maximum potential value and performance metrics detailed on this page reflect the new LTIP rules.

Awards can be in the form of an option, a conditional award or a forfeitable award.

Eligibility to receive awards is at the discretion of the committee each year.

An LTIP award may be made shortly after an appointment (subject to the Company not being in a prohibited period) subject to the permitted maximum.

Awards are normally made on an annual basis and vest three years from grant subject to continued employment and the satisfaction of challenging three-year performance targets.

A two-year holding period following LTIP vesting applies to grants to Executive Directors. In total, this results in a five-year combined vesting and holding period.

The committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures.

Participants benefit from the value of dividends paid over the vesting period to the extent that awards vest. This benefit is delivered in the form of cash or additional shares at the time that awards are exercised.

Awards are subject to malus and clawback provisions, further details of which are included as a note to the Policy table.

### Maximum potential value

Awards with a face value of up to 125% of basic salary (or 200% if the committee believes there are exceptional circumstances) can be made on an annual basis.

### Performance metrics

Performance is measured over a three-year period.

Performance measures, weightings and targets for each cycle are determined by the committee to support Company strategy and provide shareholder alignment. The majority of LTIP awards will continue to be linked to financial and/or TSR performance.

Under each measure, threshold performance will result in 25% of maximum vesting for that element (0% vests below this), increasing pro-rata to 100% for maximum performance.

Where TSR performance conditions are set, performance against the condition is monitored independently on the committee's behalf and where financial targets are set performance against the condition is tested based on numbers derived from the audited financial statements.

LTIP vesting is underpinned by committee discretion such that for any shares to vest, the committee must be satisfied with the underlying performance of the business. In making this assessment, the committee will take into account factors such as the strength of the balance sheet, quality of earnings, etc.

### Changes to Policy for 2020

Referenced expanded recovery provisions, which are included as a note to the Policy table.



**All-employee share schemes****Purpose and link to strategy**

Encourages long-term shareholding in the Company.

**Operation**

Kin + Carta operates all-employee schemes in the UK and the US, with invitations made by the committee under the UK HMRC-Approved Sharesave Scheme and under the US Employee Stock Purchase Plan.

Executive Directors may participate in the all-employee scheme that operates in their country of residence on the same terms as other employees of the Group.

**Maximum potential value**

Sharesave Scheme: as per HMRC limits (e.g. current maximum monthly savings towards share purchases is limited to £500 per calendar month).

Employee Stock Purchase Plan: monthly savings towards share purchases with a maximum value of US\$25,000 per calendar year, based on the market value of the Company's ordinary shares at grant.

**Performance metrics**

Not applicable.

**Changes to Policy for 2020**

Added details of the Employee Stock Purchase Plan approved at the 2019 AGM.

**Share ownership guidelines****Purpose and link to strategy**

To provide alignment between executives and shareholders.

**Operation**

The committee operates shareholding guidelines of 200% of salary for the Chief Executive Officer and 150% of salary for other Executive Directors.

The net of tax number of deferred bonus shares or vested shares under the Company's LTIP will normally be required to be retained until the guideline is met.

The committee may take account of progress towards this target when determining LTIP awards.

**Maximum potential value**

Not applicable.

**Performance metrics**

Not applicable.

**Changes to Policy for 2020**

None.

# Directors' Remuneration Report

Continued

## Post-employment share ownership guidelines

### Purpose and link to strategy

To provide continued alignment between executives and shareholders on stepping down from the Board.

### Operation

The committee requires Executive Directors to maintain a level of shareholding for 12 months after stepping down from the Board, equal to the lower of their shareholding at the time of leaving the business and their in-post share ownership guideline.

Post-employment share ownership guidelines will apply to shares granted to Executive Directors following the forthcoming AGM and will exclude individually purchased shares, shares relating to outstanding incentives, and shares realised from historical incentives.

The committee will retain discretion about the application of post-employment share ownership guidelines in individual cases.

### Maximum potential value

Not applicable.

### Performance metrics

Not applicable.

### Changes to Policy for 2020

New element of Policy for 2020 reflecting market practice.

### Notes to the Policy table

1. While the Remuneration Policy for Executive Directors is designed having had regard to the Policy for employees across the Group as a whole, there are some differences in the structure for senior employees that the committee believes to be necessary to reflect the different levels of responsibility within the Company. The following key differences exist between the Company's Policy for the Remuneration of Executive Directors and its approach to the payment of employees generally:
  - there is an increased emphasis on performance-related pay and, in particular, for share-based incentives at the Executive Director level;
  - eligibility to participate in and the maximum opportunity in relation to an annual bonus vary, based on individual role and local practice;
  - participation in the LTIP is limited to the Executive Directors and certain selected senior managers and/or key individuals; and
  - benefits offered to other employees vary by subsidiary to take account of relevant market conditions and local practice.
2. The choice of the performance metrics and range of targets applicable to the annual bonus plan for Executive Directors reflect the committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of robust performance relating to the Group's financial key performance indicators and, where appropriate, specific individual objectives. Performance metrics applicable to the LTIP are selected to support Company strategy and provide shareholder alignment. Targets applying to the annual bonus and LTIP are reviewed annually, based on a range of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.
3. The share ownership guideline levels are detailed in the Policy table. The shares that an Executive Director may count towards the in-post shareholding guideline include: those held in the name of the Director; those held in the name of the Director's spouse, partner or children; any shares held in a family trust for the benefit of the Director and/or their spouse, partner or children; and any shares held in a personal pension plan on behalf of the Director. The committee may, in its absolute discretion, approve the holding of shares by alternate means (e.g. shares held under a deferred share bonus award) and, if permitted, on such terms determined by the committee, acting fairly and reasonably.
4. For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting/exercise of past share awards) that have been disclosed to and approved by shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.
5. The committee operates the annual bonus, LTIP, Sharesave Scheme and Employee Stock Purchase Plan, in accordance with their rules, local taxation guidance (e.g. HMRC and the Internal Revenue Code) and, where relevant, the Listing Rules. To ensure these incentive plans operate in an efficient manner, the committee retains a number of standard market practice discretions, which include:
  - determining the eligibility to participate in the plans;
  - determining the timing of grant of awards and any payments;
  - the size of awards and payments, although with quantum restricted to those detailed in the Policy table and the respective plan rules;
  - the determination of whether the performance conditions have been met and the resulting vesting/pay out;
  - dealing with a change of control (e.g. the timing of testing performance targets) or restructuring of the Group;
  - determining a good or bad leaver for incentive plan purposes, based on the rules of each plan and the appropriate treatment chosen;
  - adjustments required in certain capital events such as rights issues, corporate restructuring events and special dividends; and
  - the annual review of performance conditions for the annual bonus plan and LTIP.

# Directors' Remuneration Report

Continued

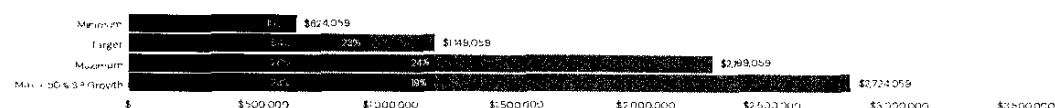
In some circumstances, such as a material acquisition/divestment of a Group business, or a change in Accounting Standards and Interpretations, which mean the original performance conditions are no longer appropriate, the committee can adjust the targets, set different measures and alter weightings as necessary, to ensure the conditions achieve their original purpose and are not materially less difficult to satisfy.

6. Payments and awards under the annual bonus and LTIP are subject to malus and clawback provisions, which can be applied to both vested and unvested awards. Malus and clawback provisions will apply for a period of at least two years after payment or vesting. Circumstances in which malus and clawback may be applied include a material misstatement of the Company's financial position, fraud or gross misconduct on the part of the award-holder, an error in calculating the award outcome, actions leading to serious reputational damage or corporate failure arising from poor risk management.

Participants in the annual bonus and LTIP will be required to acknowledge their understanding and acceptance of the malus and clawback provisions as a pre-condition to participating in these schemes. The committee is satisfied that the malus and clawback provisions are appropriate and enforceable.

## Reward scenarios

### J Schwan, Chief Executive Officer



### Chris Kutsor, Chief Finance Officer



- Fixed remuneration
- Annual bonus
- LTIP

The chart above shows how the composition of each of the Executive Director's remuneration packages varies at different levels of performance under the Policy set out above, as a percentage of total remuneration opportunity and as a total value. Note: these charts have been updated from the one included in the approved policy to reflect the approach to implementing pay in FY22.

Fixed pay comprises the 2022 basic salary and expected pension contributions, and a value for benefits (using the value for the year ended 31 July 2021 as a proxy). Incentive opportunities reflect implementation for 2022. The assumptions used in the above at the 'on-target' performance level are: (i) half of maximum bonus is earned; and (ii) 25% of the LTIP award vests, which is the level of vesting if each target achieves its minimum threshold. The maximum performance level assumes the full bonus is earned and the LTIP award vests in full. No share price growth is included under the first three scenarios; however, the fourth scenario includes the impact of a hypothetical 50% increase in share price on the value of the LTIP in accordance with the reporting regulations.

### Approach to recruitment and promotions

Basic salary levels will be set on appointment after having had due regard to the Company's general Remuneration Policy but adjusted, as appropriate, to reflect the experience and calibre of the individual and the market rates for similar roles in comparable organisations. If it is considered appropriate to appoint a new Director on a below market salary (e.g. in the event of an internal promotion), they may be the subject of a series of increases to a desired salary positioning over an appropriate time frame, subject to performance in post.

Pension contributions will be aligned in percentage of salary terms with the majority of employees at the time of appointment. Should it be appropriate to recruit an executive from overseas or for the individual to relocate, then reasonable expenses and payments may be paid in relation to such a relocation, which would then be subject to disclosure in due course. Benefits arrangements would generally be in line with those offered to current executives but it may be necessary to tailor these to reflect for example, local market norms and local legislation.

The annual bonus maximum will be in line with current Executive Directors (i.e. 100% of basic salary), pro-rated for the period of service. Depending on the timing of the appointment, the committee may use different performance measures, targets and weightings to that of the current executives for the first year of service.

An LTIP award may be made shortly after an appointment (subject to the Company not being in a prohibited period) subject to the permitted maximum. The total maximum variable remuneration that may be awarded in respect of recruitment is 300% of salary (excluding buy-out awards referred to below).

The committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. The committee would seek to ensure, where possible, that these awards replicate the potential value forfeited/lost in joining the Company, and in terms of time horizons, vesting periods, expected values and potential impact of performance conditions, these factors are recognised in determining the quantum of such compensation. This award would be facilitated under the existing incentive plans where possible, but also using Rule 9.4.2. of the Listing Rules, if necessary.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment.

### Service contracts and loss of office payments

Summaries of the Executive Directors' contracts are disclosed below. These contracts are held at the registered office and are available for inspection.

Executive	Date of service contract	Notice period
J Schwan	25 April 2018	6 months
Chris Kutsor	9 May 2019	6 months

It is the Company's policy that Executive Directors should serve under rolling service contracts of 12 months' duration or less, and that there should be no special provisions for compensation in the event of termination (neither in the normal course nor following a change in control of the Company) and that any compensation payments made should take account of the Director's duty to mitigate their loss. The Executive Directors' current service contracts all comply with this policy.

The Remuneration Committee reviews the contractual terms for new Executive Directors to ensure these reflect best practice.

# Directors' Remuneration Report

Continued

In summary, the contractual provisions are as follows:

**Provision detailed terms**

<b>Notice period:</b>	Up to 12 months
<b>Termination payment:</b>	Limited to a maximum of basic salary and benefits, paid monthly and subject to mitigation
<b>Change of control:</b>	No Executive Director's contract contains additional provisions in respect of a change of control

The service contract for any new appointment would be made on similar terms to those described above.

In a leaver event, the following payments may also be made to departing Executive Directors:

1. any share-based entitlements granted to an Executive Director under a Company share plan will be determined based on the relevant plan rules. In certain prescribed circumstances, however, such as death, ill-health, disability, retirement or other circumstances at the discretion of the committee, a 'good leaver' status may be applied. Under the LTIP, for good leavers, future awards will normally be tested for performance over the full performance period and be reduced pro-rata to reflect the proportion of the performance period actually served, rounded-up to the next complete financial year, with Remuneration Committee discretion to determine that awards vest at an earlier date and/or to disapply time pro-rating. Vested LTIP awards, which are subject to an additional holding period, will typically be retained and released at the end of the holding period, with committee discretion to treat otherwise. Under the DBS, in certain prescribed circumstances, awards will be retained in connection with a leaver event (such as death or permanent disability or any other reason permitted by the Remuneration Committee);
2. a pro-rata bonus may be payable for the period of active service in certain prescribed good leaver circumstances and in other circumstances at the discretion of the committee and subject to the achievement of the relevant performance targets;
3. at the discretion of the Remuneration Committee, a contribution to reasonable outplacement costs in the event of termination of employment. The committee also retains the ability to reimburse reasonable legal costs incurred in connection with a termination of employment; and
4. any payment for statutory entitlements or to settle or compromise claims in connection with a termination of any existing or future Executive Director as necessary.

### External non-executive appointments

Executive Directors may not accept an appointment outside the Company without prior permission of the Board. The extent to which any fees are retained by the individual or are remitted to the Company will be considered on a case-by-case basis. No Executive Director currently holds an external non-executive appointment on the Board of a publicly listed company.

#### Chairman and Non-Executive Directors

The following sets out the fee policy for the Chairman and Non-Executive Directors:

#### Purpose and link to strategy

To attract and retain high calibre individuals without prejudice to the application of independent views.

#### Operation

Non-Executive Directors' remuneration is decided by the Executive Directors and the Chairman; the Chairman's fee is set separately by the committee.

Fees are set periodically by taking account of the time required to fulfil the role and fees payable at similar sized companies. Any increases in fees also take account of any increases payable to Executive Directors and to the general workforce.

Non-Executive Directors may not participate in the Group's cash or share-based incentive arrangements.

Non-Executive Directors also receive reimbursement of travel and office related expenses.

#### Maximum potential value

These fees may be revised periodically in line with the Company's policy. Given the periodic nature of the review any increases (as a % of total fees) may be greater than that awarded to the wider workforce in any particular year.

The maximum aggregate fees are set in accordance with the Company's articles of association.

#### Performance metrics

Not applicable.

#### Changes to Policy for 2020

None.

All Directors, including the Chairman and Non-Executive Directors, are subject to annual re-election at the AGM. The Chairman and Non-Executive Directors' letters of appointment are kept at the registered office and are available for inspection. The letters of appointment are summarised as follows:

Non-Executive Director	Date of letter of appointment	Notice period
David Bell	10 July 2018	3 months
John Kerr	17 July 2019	3 months
Michele Maher	24 April 2019	3 months
Nigel Pocklington	4 March 2016	3 months
Helen Stevenson	3 April 2012	3 months

No other remuneration is payable to a Non-Executive Director on termination of an appointment.

In recruiting a new Non-Executive Director, the Committee will use the Policy as set out above.

# Directors' Remuneration Report

Continued

## Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year at a meeting immediately following the AGM. This feedback, plus any additional feedback received from time to time, is then considered as part of an annual review of Remuneration Policy.

In addition, the committee seeks to proactively engage directly with major shareholders and their representative bodies and takes their views seriously. In the event that the committee wishes to make material changes to the Remuneration Policy, appropriate dialogue will take place with the Company's major shareholders in advance.

This year, the committee undertook a review of the Remuneration Policy ahead of its expiration at the forthcoming AGM. Having developed a proposed policy, the committee consulted with all major shareholders and key institutional investors were invited to provide feedback on the proposals.

## Consideration of employment conditions elsewhere in the Group

Whilst the Company does not formally consult with employees on matters of executive remuneration, it does consider the general basic salary increase for the broader UK employee population when determining the annual salary review for the Executive Directors. The committee is also made aware of employment conditions within the wider Group, including a general overview of variable pay plan outcomes. Additionally, it is the decision making body for all-employee share plans. The committee also considers environmental, social and governance issues, and risk when reviewing executive pay quantum and structure.

---

## Annual Report on Remuneration

The following section provides details of how Kin + Carta's Remuneration Policy was implemented during 2021, how we intend to implement the Remuneration Policy for 2022 is detailed in the Annual Statement on pages 171 and 174.

## Membership of the committee

Michele Maher, Nigel Pocklington and Helen Stevenson, all independent Non-Executive Directors, served on the committee throughout the year. The committee is chaired by Nigel Pocklington. The number of meetings held, attendances and a description of the principal matters considered by the committee in carrying out its duties during the year are described on pages 146 to 149.

During the year under review, the committee, where appropriate, sought advice and assistance from Daniel Fattal (Company Secretary), and members of the Board, including John Kerr (Chairman), J Schwan (Chief Executive Officer), and Chris Kutsor (Chief Financial Officer) in connection with carrying out its duties. None of these persons took part in decisions relating specifically to their own remuneration.

## Role of the committee

The committee is responsible for determining and agreeing with the Board the overall Remuneration Policy and its implementation, including setting the individual remuneration packages and contractual arrangements for the Executive Directors, senior management and the Chairman, which support the creation of value for shareholders and the delivery of the Group's strategic priorities.

The committee is mindful of the intense scrutiny around executive remuneration and seeks to keep abreast of and adopt best practice where appropriate taking into account its position in the FTSE SmallCap.

When undertaking its duties, the committee also ensures that due account is taken of pay and employment conditions throughout the Group by keeping abreast of matters such as: (i) the general level of salary increases (if any) applied throughout the Group; (ii) the levels of bonuses paid (and bonus opportunity offered) to the workforce as a whole; and (iii) any widespread changes that are proposed to Group-wide employment conditions.

The full terms of reference for the committee are available on the Company's website: [investors.kinandcarta.com](https://investors.kinandcarta.com).



### Committee's advisors

During the 2021 financial year, the committee undertook a review of its external advisor. Following a formal tender process, Deloitte LLP were appointed as independent advisors to the committee. They succeeded the previous advisors Mercer | Kepler, part of the MMC group of companies, with effect from 1 June 2021. Deloitte and Mercer | Kepler are members of the Remuneration Consulting Group and founding members and signatories to the Code of Conduct for Remuneration Consultants in the UK, details of which can be found on the Remuneration Consulting Group's website [remunerationconsultantsgroup.com](https://remunerationconsultantsgroup.com).

Both Deloitte and Mercer | Kepler reported directly to the chair of the Remuneration Committee. Mercer | Kepler did not advise the Company on any other matters in the year. Deloitte also provided Financial Advisory services to the Company in respect of transactional work. The fees paid to Deloitte and Mercer | Kepler in relation to advice provided to the committee for 2021 were £38,200 and £16,630 (2020: £nil and £29,000) respectively, on a time and materials basis.

The committee has reviewed the advice provided by both Deloitte and Mercer | Kepler during the year and is satisfied that both have been objective and independent. The lead Remuneration Committee advisors from both Deloitte and Mercer | Kepler had no other connection with Kin + Carta or its Directors.

### Summary of activities

During the year, the committee:

- approved outcomes of bonuses for the Executive Directors in respect of 2020;
- approved the Directors' Remuneration Report for 2020;
- approved the grant of awards in November 2020 under the Company's 2010 LTIP Plan to certain senior managers and the performance conditions attached to their vesting;
- approved the structure of the Executive Directors' bonus scheme for 2021;
- discussed the Executive Directors' salaries and pension provision for 2022;
- discussed the Chairman's and Non-Executive Directors' fees for 2022;
- discussed the form of LTIP awards to be granted in late 2021; and
- consulted with major shareholders on FY22 incentive structure.

### Summary of shareholder voting

The following table shows the results of the last binding vote on the Remuneration Policy at the 2020 AGM, the advisory vote on the 2019/20 Remuneration Report at the 2020 AGM and the binding vote to approve the Long-Term Incentive Plan 2020 at the 2020 AGM:

Resolution	Votes for (note 1)	% for (note 1)	Votes against	% against	Total votes cast	Votes withheld
Remuneration Policy	110,739,306	87.18%	16,290,885	12.82%	127,030,191	789,119
Remuneration Report	123,019,902	96.25%	4,796,254	3.75%	127,816,156	3,154
Long-Term Incentive Plan 2020	121,311,139	94.91%	6,501,326	5.09%	127,812,465	6,845

Note 1: Includes 'discretionary' votes.

# Directors' Remuneration Report

Continued

## Remuneration payable to Directors for the year ended 31 July 2021

### Directors' single figure table (audited)

Set out below, in a single figure, is the total remuneration of all Directors for the financial year ended 31 July 2021 and financial year ended 31 July 2020.

Director		Basic salary/ fee (note 1) £'000	Taxable benefits (note 2) £'000	Bonus (note 3) £'000	Share plans vesting (note 4) £'000	Pension benefits (note 5) £'000	Total £'000	Total fixed £'000	Total variable £'000
<b>Executive Directors</b>									
J Schwan (note 6)	2021	385.2	14.9	385.2	639.9	57.8	1,483.0	457.9	1,025.1
	2020*	400.0	16.9	—	—	52.5	469.4	469.4	—
Chris Kutsor (note 6)	2021	238.4	7.3	238.4	62.6	11.9	558.6	257.6	301.0
	2020*	266.5	16.1	—	24.6	12.2	319.4	272.6	24.6
<b>Non-Executive Directors</b>									
David Bell	2021	42.5	—	—	—	—	42.5	42.5	—
	2020*	42.5	—	—	—	—	42.5	42.5	—
John Kerr (note 7)	2021	120.0	—	—	—	—	120.0	120.0	—
	2020*	120.5	—	—	—	—	120.5	120.5	—
Michele Maher	2021	50.0	—	—	—	—	50.0	50.0	—
	2020*	48.8	—	—	—	—	48.8	48.8	—
Nigel Pocklington	2021	50.0	—	—	—	—	50.0	50.0	—
	2020*	50.0	—	—	—	—	50.0	50.0	—
Helen Stevenson	2021	47.5	—	—	—	—	47.5	47.5	—
	2020*	47.5	—	—	—	—	47.5	47.5	—

\*2020 salary/fees have been restated following the repayment of 2020 salary/fee reductions in 2021. See note 1 below for further information

Note 1: Cash paid or payable in respect of the relevant period. As detailed in the last year's Annual Report on Remuneration, all Directors volunteered a temporary reduction in their salary/fees for the three months ended 30 June 2020. All Directors had volunteered a 20% reduction to their salary/fees for this period, with the exception of J Schwan, who volunteered a 50% reduction to his salary. The Directors' salary reductions were repaid in 2021 following a return to growth and strong performance against strategic objectives and after all other employees who had volunteered a temporary reduction in salary had been repaid; the 2020 remuneration has been restated accordingly.

Note 2: Taxable benefits constitute additional payments in lieu of the provision of a company car and fuel benefit.

Note 3: This is the amount of cash bonus paid in respect of the financial year.

Note 4: Figures for 'share plans vesting' are based on the number of shares vesting for performance periods substantially completed as at year end. The 2017 LTIP award lapsed in full in December 2020. The 2021 figure for Chris Kutsor also reflects the vesting of 39,867 Restricted Stock Units ("RSUs") on 15 March 2021, which were subject to continued employment. These awards were made in connection with his appointment to the Board in 2019 as detailed on page 167.

The 2018 LTIP award is expected to vest at 70% of maximum, detailed further on page 166. The potential value of the 2018 LTIP award was calculated using the average share price for the three months ending 31 July 2021, being 222.9p. The awards were granted on 19 November 2018, when the five-day average share price prior to the date of grant was 97.5p. Between the grant date and the estimated share price, the proportion of the value disclosed in the single figure table attributable to share price growth is 56%. The committee did not exercise discretion in respect of share price appreciation.

Note 5: Pension benefits paid or payable in respect of the year are satisfied by part payment into a Group Personal Pension Plan and part payment as cash in lieu of pension for J Schwan and Chris Kutsor.

Note 6: The remuneration of J Schwan and Chris Kutsor is denominated in US Dollars and has been converted for the purposes of the single figure table using the average £:\$ exchange rate in the year of 1.3630 (2020: 1.26).

Note 7: John Kerr has elected to forego £10,000 per annum of his fee of £130,000 per annum. The Company donates this sum withheld, together with a matching sum from the Company, to registered charities.

## Incentive outcomes for the year ended 31 July 2021 (audited)

### Annual bonus

As disclosed in last year's Directors Remuneration Report, having regard to exceptional circumstances related to the COVID-19 pandemic, a first half and second half approach was adopted as part of the annual bonus arrangements. This allowed the committee to set more appropriate and relevant financial targets.

Executive Directors' bonuses for the year ended 31 July 2021 provided for a payment of up to 100% of salary, with the performance measures weighted as follows:

Measure	Weighting
First half adjusted PBT*	35%
Second half adjusted PBT*	35%
Second half net revenue growth	Underpin to PBT elements
Strategic objectives	30%

\* Any bonus earned in respect of each half year was subject to a further assessment by the committee of the Group's overall financial performance over the full year.

The following provides the performance measures targets, together with the outturns for 2020/21.

### Financial measures (70% of maximum)

Measure	Threshold target (0% of maximum)	Mid-target (50% of maximum)	Maximum target (100% of maximum)	Actual performance	Bonus earned as a % of base salary
First half adjusted PBT	£444,550	£523,000	£601,450	£1,967,000	35%
Second half adjusted PBT	£6,403,050	£7,533,000	£8,662,950	£8,749,000	35%
Underpin – second half net revenue growth	More than 10% growth			11%	Met
<b>Total</b>					<b>70%</b>

PBT performance excludes contributions from divestments (Pragma and Hive) and acquisitions (Cascade Data Labs) made during the year. PBT also excludes income and expenses related to government support from PPP loan and furlough repayments.

The outcome – full vesting under the adjusted PBT measure – is considered appropriate by the committee taking into account broader financial and operational performance over the year, including a 366% increase in the Kin + Carta share price.

### Strategic objectives (30% of maximum)

In addition to the above, each Executive Director may earn up to 30% of salary for the achievement of stretching strategic objectives, which for 2020/2021 related to the following initiatives: Growth; Proposition; Culture and Responsibility; Operations; and Expansion. Both Executive Directors were assessed as having achieved their objectives in full, with the Committee noting in particular:

- For the growth objective, in the Americas, 34% of net revenue was derived from the Partnerships Channel, well ahead of the 15% target.
- For the proposition objective, Kin + Carta launched more than four cross-pillar propositions (service offerings), as follows:
  - Google Cloud Platform Connected Commerce (CommerceTools and ContentStack)
  - Google Cloud Platform Cloud Application Modernisation Programme (CAMP)
  - Microsoft Customer Data Platform (CDP)
  - Microsoft Optimizely (ISV on Azure)
  - Kin + Carta Data Labs (KCDL)
  - Kin + Carta Kinetic Managed Services
  - Kin + Carta Public Sector

# Directors' Remuneration Report

Continued

- For the operations objective, four platform functions (Finance, Employee Experience, Connective Digital Services (IT), and Legal) were rolled out and operational at the global and regional levels with established ways of working.

Based on these achievements, the committee has agreed to award the Executive Directors annual bonuses equivalent to 100% of salary in respect of 2020/2021, of which amounts over 50% of salary will be deferred in Company shares in line with the Remuneration Policy.

The committee believed the overall outcome was appropriate based on the Group's performance during the year and no discretion was exercised.

## 2018 LTIP vesting in November 2021 (audited)

For the 2018 LTIP award granted on 19 November 2018, the awards are subject to the achievement of performance measures. Vesting of the 2018 LTIP awards is detailed in the table below:

Measure	Weighting	Targets	Performance period	Outcome	Vesting %
Absolute TSR (share price plus rolled up dividends)	70%	0% vesting below 125p 25% vesting for 125p 100% vesting for 175p or more Straight-line vesting between these points	Three-month average to 31 July 2021	222.9p	100%
Growth in adjusted revenue (CAGR)	15%	0% vesting below 6% 25% vesting for 6% 100% vesting for 11% or more Straight-line vesting between these points	Adjusted revenue in 2020/21 as compared to 2017/2018	5.3% <sup>1</sup>	0%
Growth in adjusted PBT (CAGR)	15%	0% vesting below 6% 25% vesting for 6% 100% vesting for 14% or more Straight-line vesting between these points	Adjusted PBT in 2020/21 as compared to 2017/2018	(3.6%) <sup>2</sup>	0%
Total vesting					70%

- Adjusted revenue in 2020/21 of £160,901,000 versus adjusted revenue in 2017/18 of £137,751,000, both values have been adjusted to take into account performance of divested and acquired entities.
- Adjusted PBT in 2020/21 of £17,189,000 versus adjusted revenue in 2017/18 of £19,198,000, both values have been adjusted to take into account performance of divested and acquired entities.

Accordingly, the total number of LTIP shares that vested in relation to the performance period completed as at the period end, and which are reflected in the single figure table on page 164, is detailed in the table below.

	Date of grant	Total number of shares	% shares vesting for performance	Number of awards vesting	Share price on vesting (note 1)	Total value on vesting	Transfer of award/ earliest vesting date
J Schwan	19 Nov 2018	410,088	70%	287,061	222.9p	£639,859	19 Nov 2021

Note 1: The potential value of the 2018 LTIP award was calculated using the average share price for the three months ending 31 July 2021, being 222.9p.

The committee believed the vesting outcome of the 2018 LTIP award was appropriate in light of the Group's performance over the performance period and no discretion was exercised. The award is subject to a two-year holding period.

**2019 RSUs vesting in March 2021 (audited)**

As disclosed last year, in order to facilitate the recruitment of Chris Kutsor in June 2019, the committee agreed a balanced buy-out package to compensate him for incentives forfeited on leaving his previous employer, which included an award of 119,601 restricted stock units ("RSUs"). Reflecting the time horizons of the awards being replaced, it was agreed that the RSUs would vest in three equal tranches in March 2020, 2021 and 2022 subject to continued employment with the Group.

Having satisfied the vesting criteria in March 2021, the second tranche of RSUs vested to Chris Kutsor. A summary of the awards vesting, which are reflected in the single figure table on page 164, is as follows:

	Date of grant	Total number of units	% units vesting	Number of units vesting	Share price on vesting	Total value on vesting	Transfer of award/ earliest vesting date
Chris Kutsor	17 June 2019	39,867	100%	39,867	157.0p	£62,591	15 Mar 2021

**Scheme interests awarded during the 2021 financial year (audited)****Long-Term Incentive Plan ("LTIP")**

On 27 November 2020, J Schwan and Chris Kutsor were granted awards under the Company's LTIP, as follows:

	Date of grant	Shares over which awards granted	Value of shares awarded (£) (note 1)	% of salary awarded
J Schwan	27 Nov 2020	390,757	£393,884	100%
Chris Kutsor	27 Nov 2020	241,897	£243,833	100%

Note 1: Face value is based on a share price of 100.8p (the five-day average prior to the date of grant). For both J Schwan and Chris Kutsor, the award level was calculated using a similar five-day average £:\$ exchange rate of 1:1.333.

Awards granted vest on relative TSR, ESG metrics linked to B Corp certification, growth in net revenue and growth in adjusted PBT and with overall vesting underpinned by committee discretion. Vested shares will be subject to a two-year holding period.

A summary of the performance conditions is shown in the table below:

Measure	Weighting	Targets	Performance measurement period
TSR relative to the FTSE AllShare	50%	0% vesting below median performance 25% vesting for performance in line with median 100% vesting for upper quartile performance or greater Straight-line vesting between these points	1 August 2020 to 31 July 2023 (three-month averaging)
ESG	20%	To achieve and maintain B Corp certification across America and Europe, over the performance period	1 August 2020 to 31 July 2023
Growth in net revenue (CAGR)	15%	0% vesting below 7% p.a. 15% vesting for 7% p.a. 100% vesting for 13% p.a. or more Straight-line vesting between these points	Net revenue in 2022/23 as compared to 2019/20
Growth in adjusted PBT (CAGR)	15%	0% vesting below 10% p.a. 15% vesting for 10% p.a. 100% vesting for 25% p.a. or more Straight-line vesting between these points	Adjusted PBT in 2022/23 as compared to 2019/20

# Directors' Remuneration Report

Continued

In the event of any material acquisition or divestment, the committee would adjust the revenue and PBT targets to ensure only out performance of the acquisition/divestment is rewarded. Vesting of awards is subject to overall committee discretion.

Awards are subject to a malus and clawback provision, which will enable the committee to reclaim value that should not have been received in the event that, if within the two-year period following the year of vesting, a material misstatement of the Company's financial results relating to the year of vesting is identified. In such circumstances, a clawback would be based on the extent to which the first vesting was overpaid based on new information.

## Deferred Bonus Shares ("DBS")

No awards were granted under the DBS in respect of the annual bonus for 2020 as no bonus was paid.

## Percentage change in remuneration of Directors and employees

The table below shows the annual percentage change in each Director's salary/fees, benefits and bonus between the year ended 31 July 2020 and the year ended 31 July 2021, and the average percentage change in the same remuneration over the same period in respect of the employees of the Company on a full-time equivalent basis.

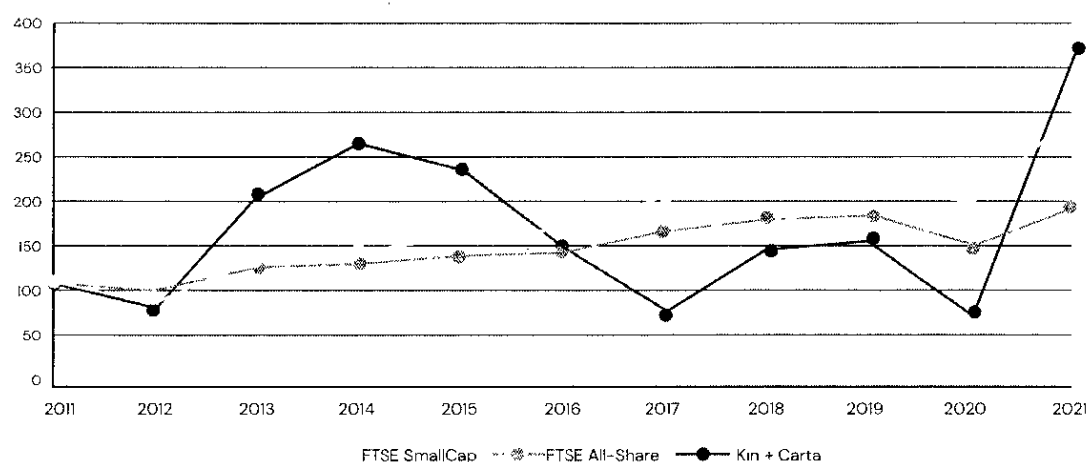
The analysis is based on the average earnings per employee (median of employee pay) in order to avoid distortions to the Group's total wage bill because of the movements in the number of employees. The comparator group used is all Kin and Carta plc employees. The remuneration of J Schwan and Chris Kutsor is reported on a constant currency in the table below to eliminate the impact of exchange rate fluctuations.

		Average employee	J Schwan	Chris Kutsor	David Bell	John Kerr	Michelle Maher	Nigel Pocklington	Helen Stevenson
Salary/fees <sup>1</sup>	2021	9.1%	–	–	–	(0.4)%	2.5%	–	–
	2020	4.0%	–	–	–	0.4%	18.0%	7.0%	–(2.0)%
Taxable benefits <sup>2</sup>	2021	(6.4%)	–	(54.7)%	N/A	N/A	N/A	N/A	N/A
	2020	0.0%	(26.2%)	5.9%	N/A	N/A	N/A	N/A	N/A
Annual bonus	2021	231.4%	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A	N/A	N/A	N/A	N/A
	2020	(91.0%)	(100%)	N/A	N/A	N/A	N/A	N/A	N/A

- As detailed in last year's Annual Report on Remuneration, all Directors volunteered a temporary reduction in their salary/fees for the three months ended 30 June 2020. All Directors had volunteered a 20% reduction to their salary/fees for this period, with the exception of J Schwan, who volunteered a 50% reduction to his salary. The Directors' salary reductions were repaid in 2021 following a return to growth and strong performance against strategic objectives and after all other employees who had volunteered a temporary reduction in salary had been repaid; the 2020 remuneration has been restated accordingly.
- Taxable benefits constitute additional payments in lieu of the provision of a company car and fuel benefit. Non-Executive Directors do not receive any additional taxable benefits. Annual bonus figures show any bonus earned during the respective financial year. Non-Executive Directors are not eligible to participate in the bonus scheme.
- The bonus for FY21 paid out in full reflecting the strong performance during the year (see above). There was no bonus paid for FY20 and therefore it is not possible to calculate the percentage change.

### Review of past performance

The chart below illustrates the Company's Total Shareholder Return for the ten years ended 31 July 2021, relative to the performance of the FTSE SmallCap Index and FTSE All-Share Index. Both the FTSE SmallCap and the FTSE All-Share represent broad equity indices of which the Company has been a constituent member for the majority of the period shown and therefore have been selected as comparators for this reason.



Source: DataStream from Refinitiv.

The table below details the Chief Executive Officer's single figure of remuneration over the same ten-year period:

	2012 Patrick Martell	2013 Patrick Martell	2014 Patrick Martell	2015 Matt Armitage	2016 Matt Armitage	2017 Matt Armitage	2018 Matt Armitage	2019 J Schwan	2020 J Schwan	2021 J Schwan
Total remuneration £'000	1,246.6	1,335.0	1,648.4	1,133.5	477.8	478.2	878.6	582.9	469.4	1,483.0
Annual bonus as a percentage of maximum	100.0	96.3	100.0	69.7	Nil	Nil	100.0	25.0	Nil	100.0
LTIP vesting as a percentage of maximum	100.0	93.9	98.5	100.0	Nil	Nil	Nil	N/A	Nil	70.0

# Directors' Remuneration Report

Continued

## Relative importance of spend on pay

This table shows overall expenditure on pay, excluding employer's NICs, for all employees and shareholder distributions (payments of dividends), with the percentage change in each. There were no share buy backs during the year.

	2021 £'000	2020 £'000	Percentage change performance
Overall expenditure on pay on continuing operations	119,065	99,660	19.5%
Dividends paid in the year (including share buy backs)	0	1,993	(100.0%)

## Chief Executive Officer pay ratio

UK legislation requires companies with 250 employees or more to publish information on the pay ratio of the Group Chief Executive Officer to UK employees. In line with this requirement, the table below shows the ratio of Chief Executive Officer total pay to that of three employees indicative of lower quartile (P25), median (P50) and upper quartile (P75) pay received during the financial year ended 31 July 2021 and 31 July 2020 and includes basic salary, pension, and the value received from incentive plans. On average, the Group employed 764 (2020: 831) UK employees during the financial year ended 31 July 2021.

Financial year	Calculation methodology	Lower quartile (P25)	Median (P50)	Upper quartile (P75)
2021	Option A	39.2:1	28.0:1	19.5:1
2020	Option A	12.1:1	8.6:1	5.9:1

We have chosen Option A under the Regulations for the calculation, which takes into consideration the full-time equivalent basis of all UK employees and provides a representative result of employee pay conditions across the Company. Total full-time equivalent remuneration for all UK employees has been calculated on the same basis as used in the single figure table for our Chief Executive Officer and covers the whole 2021 financial year. Total compensation figures have been checked to ensure the employees identified at each quartile are representative of pay at these levels in the organisation. The committee believes the median pay ratio for 2020 is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole.

A summary of the salaries and total single figures of remuneration for the relevant individuals is included in the table below:

Pay level	Chief Executive	Lower quartile (P25)	Median (P50)	Upper quartile (P75)
Salary	£385,200	£36,750	£48,150	£66,000
Single figure of remuneration	£1,483,000	£37,853	£52,935	£76,067

A significant proportion of the Chief Executive Officer's total remuneration is delivered in variable remuneration (i.e. bonus and LTIP). In order to drive alignment with shareholders, the value ultimately received from LTIP awards is linked to stretching company performance targets and long-term share price movement. As a result, the pay ratio is likely to be driven largely by the Chief Executive Officer's LTIP outcome (and secondly the bonus outcome) and may therefore fluctuate significantly on a year-to-year basis reflecting the Company's performance.

The Group considers the median pay ratio to be consistent with the Group's wider policies on employee pay, reward and progression. The change in Chief Executive Officer's pay ratio between 2021 and 2020 reflects the increase in variable pay in 2021 following the strong performance during the year (see above). No bonus payouts or LTIP awards vested for the Chief Executive Officer in 2020 while the 2021 bonus paid out in full and the November 2018 LTIP, vesting in November 2021, is to vest at 70%.



**Payments for loss of office in the year (audited)**

There have been no payments for loss of office during the year ended 31 July 2021.

**Payments to past directors (audited)**

Details of leaver arrangements for Brad Gray, former Chief Financial Officer, were included in the 2019 and 2020 Annual Report on Remuneration. Brad retained interests granted under the LTIP in November 2018, which, as outlined above vest, 70% of his remaining interests (after time-pro-rating was applied) vested based on performance to 31 July 2021. There have been no payments to past directors other than those disclosed in previous years.

**Implementation of Executive Director Remuneration Policy for 2022**

The following section provides details of how we intend to implement the revised Remuneration Policy for 2022.

**Basic salary**

The committee reviewed the Executive Directors' salaries for 2022.

Chris Kutsor's salary was reviewed taking into account his development in his first role as a Chief Financial Officer of a listed business. Since his appointment, Chris' role has significantly expanded beyond Finance leadership to include leadership of our global Operations Platform, which includes Global Finance, Global HR, Global Legal, and Global IT. In addition, Chris is also responsible for Global Investor Relations. His salary has remained unchanged since his appointment in 2019. The committee has therefore decided to increase his salary by 9% to US\$354,250 to reflect his enhanced responsibilities and performance in the role. His salary remains around the lower quartile of market practice compared to other companies of a similar size and complexity.

	From 1 August 2021	From 1 August 2020	% increase
J Schwan	US\$525,000	US\$525,000	0.0%
Chris Kutsor	US\$354,250	US\$325,000	9.0%

The average increase across the Company for 2022 is 4.1%.

**Pension and benefits**

No changes in pension contribution rates or benefits provision to the Executive Directors are to be applied during the year.

J Schwan and Chris Kutsor will continue to receive pension contributions amounting to 15% and 5% of base salary respectively.

**Annual bonus**

The annual bonus for the 2022 financial year will operate on broadly the same basis as in 2021. Bonus opportunities for Executive Directors remain at 100% of salary, with any amount earned over 50% of salary deferred in shares for two years. The bonus will be based on a combination of financial, strategic and ESG measures, weighted 70%, 20% and 10% respectively.

As always, the committee will consider overall business performance in approving any payouts at the end of the financial year.

# Directors' Remuneration Report

Continued

A summary of performance measures and weightings is included in the table below:

Measure	Weighting
2022 adjusted PBT	35%
2022 adjusted net revenue	35%
Strategic objectives	20%
Environmental, social and governance matters	10%

In the event of any material acquisition or divestment, the committee would adjust the adjusted PBT and adjusted net revenue targets for the acquisition or divestment. The Board considers the targets for the annual bonus to be commercially sensitive and therefore will not be disclosing these prospectively. However, it is intended that retrospective disclosure, including any such adjustment of targets, will be provided in next year's Directors' Remuneration Report. In setting adjusted PBT and adjusted net revenue targets for the year, the committee reviews a range of internal and external reference points to ensure that targets are appropriately stretching yet achievable.

## Long term incentive awards in 2022

LTIP awards for Executive Directors in the 2022 financial year will be made in line with the exceptional limit under the Remuneration Policy of 200% of salary. This award level will provide an enhanced incentive to our senior team to continue to deliver exceptional growth to our investors. The committee believes that the current opportunities available for Kin + Carta to develop into a robust digital business constitute exceptional circumstance that warrant granting the maximum LTIP awards under our Policy.

These awards will be subject to relative TSR, adjusted net revenue, adjusted PBT and ESG targets, assessed over three years to 31 June 2024, as set out below. These targets have been set to include appropriate challenge for the exceptional award level. Any vesting will be subject to the committee's overall discretion. All vested shares will be subject to a two-year holding period.

Measure	Weighting	Threshold vesting (% of maximum)	Threshold target	Maximum target
Relative TSR vs FTSE All-Share	50%	25%	Median	Upper quartile
Net revenue growth CAGR	15%	25%	10% p.a.	20% p.a.
Adjusted PBT growth CAGR	15%	25%	15% p.a.	20% p.a.
ESG targets	20%	25%	See below	See below

ESG targets linked to B Corp recertification (as required by B Lab every three years), coupled with increase in weighted net Corporate score (demonstrating improvement in underlying ESG operations and metrics). In the event of any material acquisition or divestment, the committee would adjust the adjusted PBT and net revenue targets for the acquisition or divestment. The committee reverted back to 25% threshold vesting for the net revenue and adjusted PBT growth targets from 15% in the prior year, since the PBT stretch range has been normalised again this year.

## Implementation of Non-Executive Director Remuneration Policy for 2022

Base fee levels for the Chairman and Non-Executive Directors are currently £130,000 p.a. and £42,500 p.a. respectively, with an additional fee for the Audit and Remuneration Committee chairs of £7,500 p.a. and a fee for acting as the Senior Independent Director of £5,000 p.a.; John Kerr (Chairman) will forego £10,000 p.a. of his fee, which the Company donates, together with a matching sum from the Company, to registered charities.

There will be no change to these fee levels for 2022.

### Share ownership guidelines and Directors' interests in the share capital of the Company (audited)

Shareholding guidelines are in place that require Executive Directors to acquire a holding equivalent to 200% of basic salary for the Chief Executive Officer and 150% of basic salary for the Chief Financial Officer. These levels are considered appropriate to ensure that there is robust long term alignment achieved between Executive Directors and shareholders. The net of tax number of deferred bonus shares or vested shares under the Company's LTIP will normally be required to be retained until the guideline is met. Directors' share dealings must be conducted in accordance with the Company's Share Dealing Policy.

Interests of Directors and their connected persons in 10p ordinary shares (fully paid) of the Company at 31 July 2021 were as follows:

	Unvested share options and restricted stock units	Unvested LTIP awards (subject to performance conditions)	Unvested deferred bonus share awards	Beneficial holding 31 July 2021	Beneficial holding 31 July 2020	Expressed as a percentage of annual basic salary (note 1)
<b>Executive</b>						
J Schwan	–	1,200,285	–	7,657,487	7,657,487	4,761%
Chris Kutsor	398,670	728,843	–	304,453	264,586	281%
<b>Non-Executive</b>						
David Bell	–	–	–	84,486	84,486	–
John Kerr	–	–	–	112,359	112,359	–
Michele Maher	–	–	–	28,089	28,089	–
Nigel Pocklington	–	–	–	21,235	21,235	–
Helen Stevenson	–	–	–	62,255	65,255	–

Note 1: Calculated by reference to the number of unvested deferred bonus share awards added to beneficial holdings; the mid-market closing price of the Company's ordinary shares on 30 July 2021 (239.5p), being the last business day of the financial year; and the Director's annual rate of basic salary. The basic salary of J Schwan and Chris Kutsor is denominated in US Dollars and has been converted for the purposes of this table using the average £/\$ exchange rate in the year of 1.3630.

From 31 July 2021 to 25 October 2021, there were no changes to the above stated holdings.

# Directors' Remuneration Report

Continued

## Directors' outstanding share incentive awards (audited)

Details of the share options held by Directors who served during the year are shown below. All options were granted under the LTIP for nil consideration.

Type of award (note 1)	Date of award	Market price at date of award/ exercise price for options (p)	Balance at 31 July 2020	Awarded during year	Vested during year (note 2 and 3)	Lapsed during year (note 3)	Balance at 31 July 2021	Vesting date	Expiry date
<b>J Schwan</b>									
LTIP	7 Dec 17	79.15p	505,369	-	-	(505,369)	-	7 Dec 20	7 Dec 27
LTIP <sup>4</sup>	19 Nov 18	97.54p	410,088	-	-	-	<b>410,088</b>	19 Nov 21	19 Nov 28
LTIP <sup>5</sup>	17 Dec 19	100.14p	399,440	-	-	-	<b>399,440</b>	17 Dec 22	17 Dec 29
LTIP <sup>5</sup>	27 Nov 20	102.00p	-	390,757	-	-	<b>390,757</b>	27 Nov 23	27 Nov 30
			1,314,897	390,757	-	(505,369)	<b>1,200,285</b>		
<b>Chris Kutsor</b>									
RSU <sup>2</sup>	17 June 19	110.50p	39,867	-	(39,867)	-	-	-	-
RSU <sup>2</sup>	17 June 19	110.50p	39,867	-	-	-	<b>39,867</b>	14 Mar 22	-
OPT <sup>7</sup>	17 June 19	110.50p	358,803	-	-	-	<b>358,803</b>	14 Mar 22	17 June 29
LTIP <sup>5</sup>	17 Dec 19	100.14p	486,946	-	-	-	<b>486,946</b>	17 Dec 22	17 Dec 29
LTIP <sup>5</sup>	27 Nov 20	102.00p	-	241,897	-	-	<b>241,897</b>	27 Nov 23	27 Nov 30
			925,483	241,897	(39,867)	-	<b>1,127,513</b>		

Note 1: LTIP = Long Term Incentive Plan, RSU = Restricted Share Unit (Chris Kutsor buy-out awards only), OPT = Share Options (Chris Kutsor buy-out awards only).

Note 2: Details of RSUs vesting to Chris Kutsor in March 2021 are included on page 167. Chris retained these shares in full as he builds towards his shareholding guideline. As reported last year, the performance targets for the December 2017 LTIP were not met over the period to 31 July 2020, and the awards lapsed in full in December 2020.

Note 3: Details of the November 2018 LTIP, which was tested for performance at the period end and expected to vest at 70% of the maximum award in November 2021, is included on page 166.

Note 4: 2018 LTIP, 2019 LTIP and 2020 LTIP award performance conditions are detailed on the Company's Investor site: [investors.kinandcarta.com/governance/remuneration/default.aspx](https://investors.kinandcarta.com/governance/remuneration/default.aspx).

Note 5: Details of OPT performance conditions are disclosed on page 89 of the 2018/19 Annual Report and Accounts.

In the event of any material acquisition or divestment the committee would adjust the targets to ensure only out performance of the acquisition/divestment is rewarded. Vesting of awards is subject to overall committee discretion.

The market price of Kin and Carta plc ordinary shares of 10p each at 30 July 2021, being the last business day of the financial year, was 239.5p and the range during the financial year 2021 was 51.5p to 286.0p.

## Share options – Sharesave Scheme (audited)

There are no outstanding Sharesave options in respect of Directors.

## Dilution

Under the ESOS 2001, LTIP 2010 and the Sharesave Scheme, awards of options over no more than an aggregate 10% of the Company's issued share capital may be granted over new issue shares in any rolling ten-year period (with awards made under any other share plans also being counted).

As at 31 July 2021, excluding lapsed options and options exercised and satisfied from utilising existing issued shares, options over 16,216,180 shares (9.4% of the Company's issued share capital) have been exercised through new shares or remain outstanding under all share plans and so count towards this limit.

Approved by the Board and signed on its behalf by

**Nigel Pocklington**

**Chair of the Remuneration Committee**

26 October 2021

# Directors' Report

The Directors present their Directors' Report and the audited consolidated financial statements for the year ended 31 July 2021. The Corporate Governance Report set out on pages 124 to 133 also forms part of this report.

Details of significant events since the balance sheet date are contained in note 8 to the financial statements.

An indication of likely future developments in the business of the Company, including trends and opportunities and risks are included in the Strategic Report.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 28 to the financial statements.

## Strategic Report

The Strategic Report can be found on pages 16 to 115. The Strategic Report includes a description of the business model, KPIs, section 172 statement, disclosures regarding environmental matters (including carbon emissions and energy reporting) and the principal risks affecting the Group.

Certain sections of this Annual Report contain forward-looking statements with respect to the strategy, financial condition, results, operations and businesses of the Group or markets in which the Group operates. These statements involve risk and uncertainty because they depend on circumstances that occur in the future and relate to specific events, not all of which are within the Group's control. Although the Group believes that the expectations reflected in such forward-looking statements are reasonable, there are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. The Group undertakes

no obligation to update any forward-looking statement. Nothing in the Annual Report should be construed as a profit forecast or an invitation to deal in the ordinary shares of Kin + Carta.

## Directors and their share interests

The present membership of the Board, and those who have served on the Board during the financial year, is set out on pages 118 to 121. The Directors' interests in ordinary shares of the Company are set out in the table on page 173 within the Directors' Remuneration Report.

## Results and dividends

The Group's statutory loss before taxation from continuing operations for the year amounted to £4.3 million (2020: statutory loss of £36.3 million). The Directors have decided not to recommend the payment of a final dividend for 2021; the Group is prioritising growth and its Capital Allocation framework reflects the focus on both organic growth investments and selective acquisition targets, while keeping dividends on hold for the foreseeable future.

## Employment policies, equal opportunities, employee communication and diversity

The Group is committed to providing equal opportunities with regard to employment, free from discrimination and harassment and in a healthy and safe working environment. Details of how we deliver on these commitments to our employees are provided in our Being a Responsible Business section on pages 84 to 89.

## Environment

Information relating to the environment and greenhouse gas emissions is set out in our Being a

Responsible Business section on pages 70 to 101.

## Human rights

Information relating to human rights is set out in our Being a Responsible Business section on page 96.

## Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report, which can be found on pages 16 to 115. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 29 to the financial statements includes the Group's objectives, policies and processes for managing its interest rate risk, foreign exchange risk, credit risk, liquidity risk and capital risk.

In order to assess the Group's ability to continue to trade as a going concern and to be viable over the medium term, detailed business and cash flow forecasts covering a three-year period from 1 August 2021 have been prepared based on 'bottom up' inputs from the individual business units. The resulting projected debt levels, debt leverage and interest cover ratios have been compared to limits prevailing under current borrowing facilities in order to ensure that the Group has sufficient liquidity to continue to trade over this time horizon.

In addition to the detailed central business forecast, a number of stress scenarios have also been modelled to assess the Group's ability to cope with such scenarios without breaching covenant ratios or debt volume limits (see the viability statement on page 176 for further information). The Group projects that it will continue to operate within lender limits in

## Directors' Report

Continued

the central forecast case and would also stay within limits in the stress scenarios even where all of the stress scenarios occur simultaneously.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a minimum of 12 months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### Viability statement

In accordance with provision 31 of the Code, the Directors have assessed the Group's viability over a three-year period, having taken account of the Company's current position and principal risks. Given the fast-changing nature of many of the markets in which the Company operates, a three-year assessment period, which is in alignment with our medium-term planning horizon, was selected to provide management and the Board sufficient visibility of the future.

At the balance sheet date, the Group had a revolving credit facility of £85 million with an expiry date of November 2022. Subsequent to the balance sheet date, the Group successfully extended the credit facility of £85 million that will expire in September 2025 on terms broadly in line with the previous agreement. The Directors believe that the revolving credit facility, expiring in September 2025, is at a level sufficient to meet the liquidity requirements of the business through to at least July 2024.

The viability analysis was performed by preparing a high-level, integrated financial forecast over

the three-year period and running a number of potentially stressful, yet plausible, scenarios against this base case scenario, starting from 31 July 2021. The base case model prepared by the Directors was based on management's best estimates of future trading at the time of the assessment. The base case assumed strong net revenue growth in the financial year ending in 2022 compared to the financial year ended in 2021, with a commensurate increase in operating profit. The related scenarios reflected the estimated financial impact of adverse events associated with the principal risks outlined in the Risk Management section on pages 102 to 110, and included mitigating actions where these would be under the Group's control.

The event reflected in the stress scenarios with the greatest financial impact on the Group comprised a general reduction of up to 20% in net revenue, relative to the base case scenario, across all the businesses to reflect continuing challenging and uncertain economic conditions. The majority of the Group's costs relate to staff and, in such a scenario, the Group would undertake cost avoidance measures by delaying new hires and staff commissions linked to sales growth, and staff bonuses linked to operating profit would be payable at a substantially reduced level. In addition, the Group would avoid other costs by reducing expenditure on IT and capital items. Amounts payable to the legacy St Ives Defined Benefit Pension Scheme are linked to free cash flow generated by the Group for FY22.

In addition to the stress scenario outlined above, other scenarios were also modelled, including a decline of up to five basis points

in the gross margin percentage achieved by the Group over the course of the forecast period arising from salary cost inflation pressures that may not be passed on to customers. A further scenario was modelled reflecting an increase of five days in the average time taken by customers to settle trading balances due to the Group.

In addition to an assessment of the impact that the stress scenarios could have on the Company's debt leverage ratio and absolute level of net debt if they were to occur individually, the impact of a combination of the stress scenarios occurring simultaneously was also modelled to test the results of a particularly high-stress, combined case. This combined case also took account of potential mitigations available to the business.

There were no breaches of the covenants in any of the scenarios modelled, either individually or combined. The Directors therefore concluded that the Group is viable over the three-year assessment period.

### Share capital

As at 31 July 2021, the Company had 172,545,721 ordinary shares in issue with a nominal value of 10p each, representing 100% of the total issued share capital. The Company holds 90,637 of its ordinary shares in treasury. Therefore, the total number of voting rights in the Company as at 31 July 2021, was 172,455,084.

Between 1 August 2021 and 25 October 2021, the Company allotted:

- 2,999 ordinary shares on 7 September 2021; and
- 143,506 ordinary shares on 7 October 2021.

Following these transactions, at 25 October 2021, the Company had 172,692,226 ordinary shares in issue with a nominal value of 10p each, representing 100% of the total issued share capital. The Company continues to hold 90,637 of its ordinary shares in treasury. Therefore, the total number of voting rights in the Company as at 25 October 2021 was 172,601,589.

At the 2020 AGM, shareholders approved authorities:

- for the Directors to allot shares up to an aggregate nominal amount of £5,622,314 generally, with a further authority to allot additional shares up to an aggregate nominal amount of £5,622,314 where the allotment is in connection with a rights issue only. Under this authority, the Company allotted a total of 3,608,707 shares relating to the second deferred consideration payment for Spire and 147,254 shares to satisfy share award exercises (2020: 15,509,789), and
- for the Company to make market purchases of its own shares up to a maximum of 16,866,942 shares. The Company did not purchase any of its own shares, nor has it reissued shares held in treasury during the year (2020: nil).

These authorities expire at the conclusion of the forthcoming AGM and approval will be sought from shareholders for similar authorities to be given for a further year.

### Major interests in shares

The Company had been notified, in accordance with chapter 5 of the Disclosure Guidance and Transparency Rules, of the holdings of voting rights in its shares set out in the following table.

	As at 31 July 2021	
	Number of voting rights	Percentage of issued share capital carrying voting rights*
Lombard Odier Asset Management (Europe) Limited	18,591,634	10.8%
Jupiter Fund Management plc	16,960,221	9.8%
M&G plc	9,583,352	5.6%
Kabouter Management, LLC	9,580,361	5.5%
Aegon N.V.	9,042,907	5.2%
Allianz Global Investors GmbH	8,415,289	4.9%
NN Group N.V.	8,051,366	4.7%
J Schwan and Regina Schwan	7,657,487	4.5%
FIL limited	7,432,590	4.3%
Standard Life Aberdeen plc	6,975,742	4.0%

\* Percentage based on ordinary shares in issue, excluding treasury shares, as at 31 July 2021.

Between 1 August 2021 and 25 October 2021, the Company received notifications of interests pursuant to chapter 5 of the Disclosure Guidance and Transparency rules:

- We received a further notification from FIL Limited on 9 August 2021, which notified an increase in their voting rights to 10,984,761 (representing 6.36% of Kin + Carta's issued share capital carrying voting rights).

### Auditors

Each of the Directors of the Company has confirmed that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

### Political donations

The Company made no political donations during the year (2020: £nil) and the Board has no intention to seek shareholders' approval to permit the Board to make political donations.

### Directors' and officers' liability insurance and directors' indemnities

The Company maintains Directors' and Officers' liability insurance, which gives appropriate cover for legal action brought against its Directors. The Company has also granted indemnities to each of its Directors (on identical terms) who served during the period, to the extent permitted by law and the Company's articles of association, in respect of liabilities incurred by virtue of their office. Qualifying third-party provisions for the benefit of its Directors (as defined by section 234 of the Companies Act 2006) were in force during the year ended 31 July 2021 and to the date of this report.

# Directors' Report

Continued

## Change of control

The Group has a revolving credit facility, the terms of which require the consent of the lenders to continue the overall facility in the event of a change of control of the Company.

At 31 July 2021, the Group's revolving credit facility was £85 million with an expiry date of November 2022. Subsequent to 31 July 2021, the Group successfully extended the credit facility of £85 million that will expire in September 2025 on terms broadly in line with the previous agreement. The banking group consists of Bank of Ireland, Citigroup Global Markets, Fifth Third Bank, HSBC UK Bank plc.

## Additional information

The Company's share capital consists of ordinary shares, as set out in note 30 to the financial statements. The shares carry a right to vote but no rights to fixed income. On a show of hands at a general meeting, every member present in person and every duly appointed proxy shall have one vote and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held or represented. The notice of meeting specifies deadlines for exercising voting rights and each share carries the right to one vote at general meetings. All shares are fully paid. There are no specific restrictions on the size of a shareholding nor on the transfer of shares. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights.

Details of employee share schemes are set out in note 34. Shares held by the Employee Benefit Trust abstain from voting.

The appointment and replacement of Directors of the Company is governed by the Company's articles of

association, the Code, the Companies Act and related legislation. The Company's articles of association may only be amended by a special resolution of shareholders at a general meeting. Directors are elected or re-elected by ordinary resolution at a general meeting of shareholders.

The Board may appoint a Director but anyone so appointed must be elected by ordinary resolution at the next general meeting. All Directors are subject to annual re-election at the AGM with the exception of Helen Stevenson who will retire at the AGM and not seek re-election following nine years of service, while Maria Gordian will be appointed as Independent Non-Executive Director on 1 November 2021 and will, therefore, seek election at the AGM.

## Annual General Meeting

The 40th AGM of the Company will be held on 14 December 2021. The notice of meeting is included in a separate document sent to shareholders.

## Corporate governance

The corporate governance statement as required by the UK Financial Conduct Authority's disclosure guidance and transparency rules (DTR 7.2) comprises the additional information section of the Directors' Report above and the Corporate Governance Report on pages 118 to 179 of this Annual Report.

## FCA listing rules – compliance with listing rule 9.8.4R

The following disclosures required by LR 9.8.4R are contained in the Annual Report as set out below and are incorporated into the Directors' Report:

Listing rule requirement	Location in Annual Report
Details of any long-term incentive schemes as required by LR 9.4.3R.	Directors' Remuneration Report on pages 146 to 174
Details of any arrangements under which a Director of the Company has waived or agreed to waive any emoluments from the Company or any subsidiary undertakings where a Director has agreed to waive future emoluments, details of such waiver together with those relative to emoluments, were waived during the year under review.	No such waivers
Details required in the case of any allotment for cash of equity securities made during the year under review otherwise than to the holders of the Company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the Company's shareholders.	No such share allotments
The information required under the paragraph (LR 9.8.4 Paragraph 7) must be given for any unlimited major subsidiary undertaking of the Company.	No such subsidiary undertaking

By order of the Board

**Daniel Fattal**  
Company Secretary

26 October 2021





# Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and Accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international

financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' confirmations

Each of the Directors, whose names and functions are listed on pages 118 to 121 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement was approved by the Board of Directors on 26 October 2021 and is signed on its behalf by

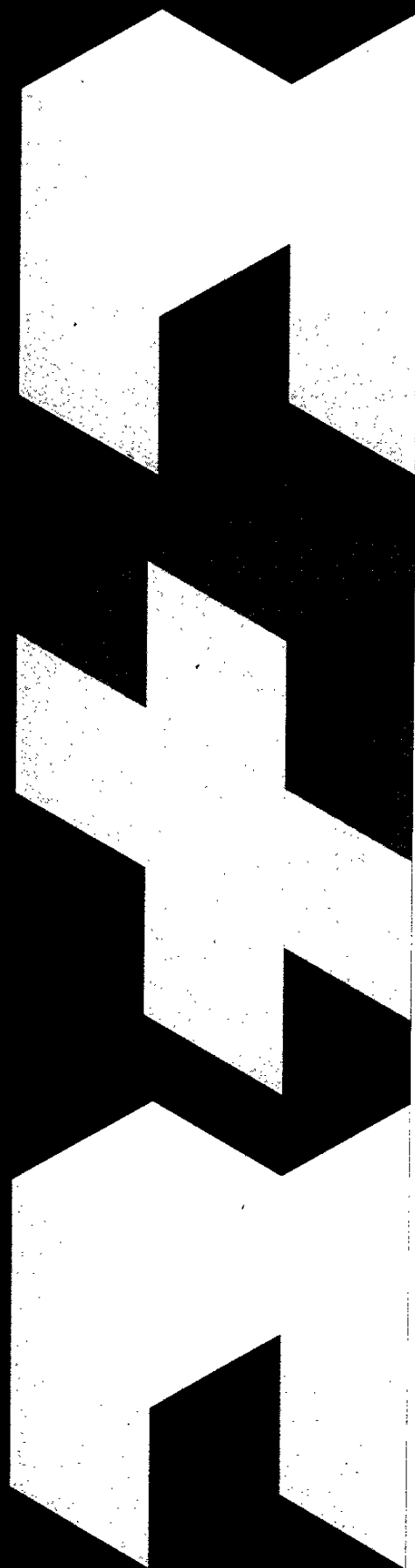
**J Schwan**  
Chief Executive Officer

26 October 2021

**Chris Kutsor**  
Chief Financial Officer

26 October 2021

# Financials



Independent Auditors' Report to the Members of Kin and Carta plc	182
Consolidated Income Statement	194
Consolidated Statement of Comprehensive Income	195
Consolidated Statement of Changes in Equity	196
Consolidated Balance Sheet	197
Consolidated Statement of Cash Flows	198
Notes to the Consolidated Financial Statements	199
Company Balance Sheet	256
Company Statement of Changes in Equity	257
Notes to the Company Financial Statements	258
Shareholder Information	269
Glossary	270

# Independent Auditors' Report to the Members of Kin and Carta plc

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Kin and Carta plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 July 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 July 2021; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 5, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

## Our audit approach

### Overview

#### Audit scope

- Overall Group materiality: £730,000 (2020: £782,000), based on 5% of the three-year average adjusted profit before tax from continuing activities.
- Overall Company materiality: £694,000 (2020: £743,000), this equates to 0.5% of the net assets of the Company capped at 95% of Group overall materiality.
- The Kin and Carta plc Group consists of trading entities in the United Kingdom and the United States, in addition to smaller operations in South America and Asia, and various holding companies and dormant entities.
- *We performed a full scope audit over the financially significant components of the Group: Kin and Carta Create Europe Limited ("Create Europe"), Kin and Carta Connect Europe Limited ("Connect Europe"), Edit Agency Limited ("Edit"), Solstice Consulting LLC ("Solstice"), SpireMedia, Inc. ("Spire") and Kin and Carta plc due to their financial significance to the consolidated results. To ensure sufficient coverage obtained over the Group's results and balance sheet, we have also performed a full scope audit over Incite Marketing Planning Limited ("Incite") and specific testing over revenue and the opening balance sheet for Cascade Data Lab LLC ("Cascade").*
- Our audit scoping resulted in coverage of 98% of adjusted profit before tax from continuing operations.

#### Key audit matters

- Revenue recognition (Group)
- Carrying value of goodwill and other intangible assets (Group)
- Valuation of retirement benefit obligations and scheme assets (Group and Company)
- Accounting for the acquisition of Cascade (Group)
- Carrying value of investments and recoverability of intercompany receivables (Company)

#### Materiality

- Overall Group materiality: £730,000 (2020: £782,000) based on 5% of the three-year average adjusted profit before tax from continuing activities.
- Overall Company materiality: £694,000 (2020: £743,000) based on 0.5% of the net assets of the Company capped at 95% of Group overall materiality.
- Performance materiality: £547,000 (Group) and £520,000 (Company).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

#### Key audit matters

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

This is not a complete list of all risks identified by our audit.

Consideration of the acquisition accounting for Cascade is a new key audit matter this year. The classification of adjusting items, the impact of COVID-19 and ability of the Company to comply with borrowing covenants, which were key audit matters last year, are no longer included because of the reduced level of restructuring costs identified as adjusting items (and these were considered to be the most judgemental), there is a reduction in uncertainty in relation to the potential impact of COVID-19 on the Group and there is increased covenant headroom observed in management's base case and downside case cash flow forecasts. Otherwise, the key audit matters below are consistent with last year.

# Independent Auditors' Report to the Members of Kin and Carta plc

Continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition (Group)</b></p> <p>Refer to Note 2 (Accounting Policies) and Note 3 (Revenue).</p> <p>Revenue is recognised in accordance with the stage of completion of the contract activity. The stage of completion is determined relative to the total number of hours expected to be required to complete the work or provide the services, or alternatively, to the project milestones achieved as at year-end compared to the contracted project milestones. Where recorded revenue exceeds amounts invoiced to clients, the excess is classified as a contract asset and where recorded revenue is less than amounts invoiced to clients, the difference is classified as a contract liability.</p> <p>Careful consideration needs to be given to projects in progress at year end requiring significant judgement in respect of the stage of completion and the associated revenue and profit margin to be recognised.</p> <p>The total amount of revenue and margin to be recognised under a contract can be affected by changes in conditions and circumstances over time, such as:</p> <ul style="list-style-type: none"> <li>• variations to the original contract terms;</li> <li>• cost overruns; and</li> <li>• scope changes that require further negotiation and settlement.</li> </ul> <p>Variations can arise from changing client specifications, changes in pricing (including discounts given), changes to the job based on unforeseen circumstances, as well as from inefficiencies on the part of either party.</p> <p>There is therefore judgement to be applied in determining the impact of these changes and the timing of recognising amounts to be recovered from such changes and any additional work performed. There is therefore a risk that contract revenue is not recognised in the correct period or that revenue and associated profit margin is misstated.</p> <p>Revenue recognition has been included as a key audit matter as this is an area of significant audit effort to ensure sufficient testing is performed across the underlying client contracts, and that the judgement applied in terms of revenue recognition for incomplete projects and/ or contract modifications is appropriate.</p>	<p>We understood management's policies and their controls for recording revenue through performance of walkthroughs of the finance and operational processes.</p> <p>We performed substantive testing of revenue contracts across the full scope components as follows:</p> <ul style="list-style-type: none"> <li>• Reviewed a sample of the terms and conditions attached to revenue contracts to understand the existence of the enforceable right to be paid for work and evaluated management's judgements used to determine the timing of recognition of revenue.</li> <li>• Target tested a number of contracts, including those with significant revenue recognised in the year or with significant contract assets or contract liabilities at the year end, and a further non-statistical sample was tested, selected on a haphazard basis.</li> <li>• For contracts where revenue is recognised based on time spent by staff with fixed contract fees: for a sample of contracts, we tested the hours completed and obtained an understanding from project managers as to the basis for the budgeted hours, challenged management's assumptions, evaluated the outturn of management's previous estimates and agreed the actual hours incurred post-year end to the forecast for the period.</li> <li>• For contracts where revenue is recognised based on time spent by staff at agreed contractual rates: for a sample of contracts, we tested the hours spent by agreeing to timesheets and agreed the hourly rates applied to the contract terms.</li> <li>• For contracts where revenue is recognised based on project milestones: for a sample of contracts, we tested that milestones had been delivered to the clients by obtaining evidence of delivery from project managers, obtained an understanding of the status of milestones in progress, challenged management's assumptions and evaluated the outturn of previous estimates.</li> <li>• We also assessed how the project managers determined that the stage of completion was correctly calculated by obtaining their calculations and agreeing the inputs to supporting evidence and correspondence with customers.</li> <li>• To assess whether revenue and profit is accurately recorded and to test the timing of recognition of revenue, we challenged management's judgements on the completeness of work for a sample of contracts by checking original contracts, amendments to contracts, where applicable (e.g. due to agreed changes in scope), and checking that the contractual milestones had been reached.</li> </ul> <p>For those contracts with modifications in the year, we challenged management's judgement on whether the remaining services are distinct from those already performed on ongoing contracts with the same customer.</p> <p>No significant issues arose from the results from our work.</p>

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Carrying value of goodwill and other intangible assets (Group)</i></b></p> <p>Refer to Note 2 (Accounting Policies) and Note 18 (Goodwill and Other Intangible Assets).</p> <p>At the year end, the Group had goodwill of £68.4m and other intangible assets of £15.1m. The Group operates in competitive markets, where customers' discretionary expenditure on marketing, communications and innovation is subject to budgetary constraints and market pressures. As such the business is subject to the risk of loss of key customers and/or decline in demand and pressures on pricing.</p> <p>Management has performed an impairment assessment by either calculating the value in use ('VIU') for the cash generating unit ('CGU') or assessing the fair value less costs to sell ('FVLCTS') to support the carrying value of the goodwill and other intangible assets.</p> <p>We focused on this area as the determination of whether an impairment charge is necessary involves significant estimates about the future results of each division (for those where a VIU approach was taken), and an appropriate market value (for those under the FVLCTS approach).</p>	<p>We considered the carrying value of the Group's intangible assets compared to its market capitalisation which gives an indication of the overall value of the Group, noting that the market capitalisation as at the year-end supports the overall valuation.</p> <p>Our work over the impairment assessment included the following procedures for those CGUs assessed using the VIU basis:</p> <ul style="list-style-type: none"> <li>• We tested the mathematical accuracy of the underlying calculations.</li> <li>• We compared past results to those budgeted to assess the quality of management's forecasting. We considered management's ability to forecast was appropriate to support the basis upon which the future cash flows have been prepared.</li> <li>• We assessed the key assumptions in the calculations being revenue growth and expected profit margin. In assessing these assumptions, we considered external market growth forecasts as well as internal analysis of the forecast revenue. We considered the forecasts had been prepared on a supportable basis.</li> </ul> <p>We also tested:</p> <ul style="list-style-type: none"> <li>• management's assumption in respect of the long-term growth rates in the forecasts by comparing them to long term average growth rates of the UK and US economies and obtaining advice from our valuations specialists; and</li> <li>• the discount rates applied, by assessing the cost of capital used in the forecasts and comparable organisations and obtaining advice from our valuations specialists.</li> </ul> <p>We performed sensitivity analysis in respect of key assumptions to determine at what level changes in these would result in impairment and reviewed management's disclosures in relation to reasonable possible changes in assumptions and the impact on headroom.</p> <p>For those CGUs where the impairment assessment was prepared with reference to FVLCTS, we obtained supporting documentation from management on which the fair value was based – including where possible indicative bids received post year end. We also reviewed management's assessment of the 'costs to sell' and considered the reasonableness of these estimates.</p> <p>We were satisfied the assumptions used in the assessment of impairment of goodwill and other intangibles were reasonable and that adequate disclosure is provided in the financial statements.</p>

# Independent Auditors' Report to the Members of Kin and Carta plc

Continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of retirement benefit obligations and scheme assets (Group and Company)</b></p> <p>Refer to Note 2 (Accounting Policies) and Note 27 (Retirement Benefits).</p> <p>Gross pension assets as at 31 July 2021 are £419.8m (2020: £396.6m) and gross pension liabilities are £400.5m (2020: £395.5m) resulting in a net surplus of £19.3m (2020: £1.1m).</p> <p>The Group's adviser, Buck Consulting, has performed a valuation of the pension scheme assets and liabilities as at 31 July 2021 in accordance with IAS 19.</p> <p>We focused on this area as the valuation of retirement benefit liabilities involve significant judgement with regards to the setting of assumptions (including inflation, discount rate and mortality rates), and small changes in these assumptions can result in material impacts on the liabilities.</p> <p>Additionally, the St Ives Defined Benefits Pension Scheme includes investments in a number of Pooled Investment Vehicles ('PIVs'), a number of which are deemed to be complex funds resulting in a lack of independent data against which to validate valuations supplied by the underlying investment managers and accordingly the valuation of these assets was also an area of focus.</p>	<p>Given the complexity involved in the valuation of retirement benefit obligations and the size and nature of the assets and liabilities, we engaged our subject matter experts to assist us in the audit of this matter.</p> <p>We reviewed the assumptions and methodologies used by the Group's adviser, Buck Consulting, to value the pension scheme liabilities as at 31 July 2021 in accordance with IAS 19 to ensure these were appropriate given the composition of the scheme. This included understanding the underlying methodology applied and ensuring this was in line with acceptable methodology for the type of scheme and reviewing key assumptions in line with our expected ranges. We also considered the sensitivity of the overall liability to changes in these underlying assumptions.</p> <p>We concluded that the assumptions used in the valuation of the liabilities are materially within our indicative ranges, both <i>individually and in aggregate, for the duration of the scheme.</i></p> <p>For the valuation of the pension scheme assets, and in particular the PIVs, our procedures included:</p> <ul style="list-style-type: none"> <li>• Testing of the fair value of assets through agreement of each asset category to independent sources where possible, considering both corroborative evidence and contradictory evidence; and</li> <li>• Where independent data supporting asset valuations was not available due to the nature of the assets, we performed additional procedures including reviewing the most recent audited financial statements of the fund.</li> </ul> <p>Our work did not identify any significant adjustments in this area.</p>



Key audit matter	How our audit addressed the key audit matter
<p><b>Accounting for the acquisition of Cascade (group)</b></p> <p>Refer to Note 2 (Accounting Policies) and Note 12 (Acquisitions).</p> <p>During the year the Group acquired 100% of the issued stock of Cascade, a data transformation business based in the USA.</p> <p>Management have determined the fair value of assets and liabilities at the acquisition date using a number of significant assumptions and judgements, including selection of the discount rate, forecasting of after tax cash flows and the attrition rates used in multi-period excess earnings method (MEEM) approach. These assumptions and judgements impact the allocation of the purchase price on the balance sheet and will impact the future performance of the business.</p> <p>Management also exercised judgement and used accounting estimates when determining the deferred consideration treated as deemed remuneration.</p> <p>We consider this to be a key audit matter due to the level of judgement applied by management in calculating the value of goodwill and other intangibles recognised on acquisition.</p>	<p>We obtained management's fair value calculations and evaluated the key judgements and estimates made by management in determining the fair value of net assets acquired:</p> <ul style="list-style-type: none"> <li>• We engaged our valuations experts to evaluate the key assumptions in the determination of the fair value of the net assets acquired.</li> <li>• We benchmarked the assumptions used in the purchase price allocation to external data and challenged the assumptions based on our knowledge of the Group and the industry in which it operates.</li> <li>• For the assets and liabilities acquired, we tested a sample of items to supporting documentation and recalculated estimates to gain comfort over the fair value of the opening balance sheet.</li> </ul> <p>In respect of the deferred consideration:</p> <ul style="list-style-type: none"> <li>• We performed an analysis of IFRS 3 requirements and concluded that the recognition of deemed remuneration is appropriate as there is a direct link to continued employment in the sale and purchase agreement for certain employees.</li> <li>• We reviewed the forecast results of Cascade for the period up to September 2022 for reasonableness versus historical performance in order to assess management's calculations for deferred consideration, and concluded the assumptions are consistent with those used in the model for evaluation of intangible assets.</li> </ul> <p>Our work did not identify any significant adjustments in this area.</p>

# Independent Auditors' Report to the Members of Kin and Carta plc

Continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Carrying value of investments and recoverability of intercompany receivables (company)</b></p> <p>Refer to Note 1 (Accounting Policies), Note 8 (Investments) and Note 10 (Debtors) of the Company financial statements.</p> <p>As at 31 July 2021, the Company has an investment in the subsidiaries of the Group of £72.0m (2020: £66.6m), loans to subsidiaries of £103.8m (2020: £142.6m) and intercompany debtors of £7.6m (2020: £9.8m).</p> <p>The carrying value of the Company's investments in subsidiaries and intercompany receivables represents 79% of the Company's total assets.</p> <p>Due to their materiality in the context of the Company financial statements as a whole these are considered to be the areas on which increased audit effort is required.</p>	<p>We assessed the investment values and intercompany receivables against the net assets of the investments to identify whether the carrying values are supportable by the asset position of the subsidiary.</p> <p>Where the carrying amount exceeded the net asset value of the subsidiary, our procedures were focused on management's value in use calculations including evaluation of key assumptions used and the mathematical accuracy of the calculations including the assessment of expected credit losses. The value in use calculations are consistent with those assessed in support of the carrying value of goodwill and other intangible assets as detailed above.</p> <p>The work we performed did not highlight any issues regarding the recoverability of the carrying value of investments, intercompany loans or intercompany debtors at the balance sheet date.</p>

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Kin and Carta plc Group consists of trading entities in the United Kingdom and the United States, in addition to smaller operations in South America and Asia, and various holding companies and dormant entities. We performed a full scope audit over the financially significant components (Create Europe, Connect Europe, Edit and Kin and Carta plc in the UK, and Spire and Solstice in the US), as well as full scope audit procedures over additional non-financially significant UK trading entities (Incite) and testing over revenue and opening balances for Cascade in order to ensure sufficient coverage was obtained. In addition, we also performed testing over any other untested balances that were considered material to the consolidated balance sheet. Desktop review procedures were performed by the Group engagement team over all out of scope components. All work was performed by the UK based Group engagement team. Our audit scoping gave us coverage of 98% of adjusted profit before tax from continuing operations.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Financial statements – group	Financial statements – company
<b>Overall materiality</b>	£730,000 (2020: £782,000).	£694,000 (2020: £743,000).
<b>How we determined it</b>	5% of the three- year average adjusted profit before tax from continuing activities	0.5% of the net assets of the Company capped at 95% of Group overall materiality
<b>Rationale for benchmark applied</b>	Adjusted profit before tax from continuing operations is a primary measure used by management and shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. This measure provides us with a consistent year on year basis for determining materiality based on trading performance and eliminates the impact of non-recurring items. Due to the impact of COVID-19 on the market, a three year average adjusted profit before tax is considered to be the most appropriate benchmark as the underlying operations of the business have not changed.	Net assets is an appropriate benchmark for determining the materiality of the Company, which is a holding Company and non-trading.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £260,000 and £694,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £547,000 for the group financial statements and £520,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £36,000 (Group audit) (2020: £39,000) and £34,700 (Company audit) (2020: £37,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing both the existing and new facility agreements to ensure we understand the associated terms including covenants;
- Reviewing management's going concern assessment, including agreeing to Board approved budgets, understanding the key assumptions underpinning the forecasts, challenging these assumptions with reference to past performance of the group, external data points and considering management's historical forecasting accuracy. The mathematical accuracy of the model was also verified;
- Agreement of the net debt position used in the going concern assessment to supporting documentation;
- Discussions with management relating to potential downside scenarios and the impact these have on the covenant and liquidity headroom including agreeing the impact to management's calculations; and
- Review of Board meeting minutes and discussions with the Audit Committee to ensure that all known facts and circumstances including potential external factors have been considered into management's assessment.

# **Independent Auditors' Report to the Members of Kin and Carta plc**

Continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## **Directors' Remuneration**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

## Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

# **Independent Auditors' Report to the Members of Kin and Carta plc**

Continued

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the Directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to GDPR and tax and employment legislation (including Health & Safety), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to improve reported results and potential management bias in accounting estimates, since management are incentivised on profit-based measures. Audit procedures performed by the engagement team included:

- Enquiries of management and the in-house legal team to understand internal processes with regards to compliance with laws and regulations and to understand whether there have been any instances of non-compliance;
- Review of minutes of Board meetings and internal audit reports for identification of risks and potential non-compliance;
- Review of legal expenses incurred in the year and testing of a sample of legal expenses to underlying invoices to understand the nature of the expense;
- Review of financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Identification of journal entries considered to be unusual e.g. postings to unusual account combinations or by unexpected users and testing of these journals to supporting documentation; and
- Addressing the risk of management override of controls, through testing journal entries and other adjustments for appropriateness, testing accounting estimates (due to the risk of management bias) and evaluating the business rationale of significant transactions outside of the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### **Use of this report**

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

#### **Appointment**

Following the recommendation of the Audit Committee, we were appointed by the members on 29 November 2018 to audit the financial statements for the year ended 31 July 2019 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 July 2019 to 31 July 2021.

**Brian Henderson** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

26 October 2021

# Consolidated Income Statement

		Year ended 31 July 2021			Restated** Year ended 31 July 2020		
		Adjusted results £'000	Adjusting items* (note 7) £'000	Statutory results £'000	Adjusted results £'000	Adjusting items (note 7) £'000	Statutory results £'000
	Note						
<b>Continuing operations:</b>							
Revenue	3	160,342	–	160,342	140,361	130	140,491
Project-related costs		(18,923)	–	(18,923)	(14,632)	(218)	(14,850)
Net revenue		141,419	–	141,419	125,729	(88)	125,641
Cost of service		(76,273)		(76,273)	(65,335)	–	(65,335)
Gross profit		65,146	–	65,146	60,394	(88)	60,306
Selling costs		(13,770)	–	(13,770)	(13,595)	–	(13,595)
Administrative expenses		(41,517)	(2,723)	(44,240)	(36,336)	(8,142)	(44,478)
Share of profits of joint arrangement		700	–	700	721	–	721
Other operating income/(expenses)	5	4,469	–	4,469	29	(46)	(17)
Amortisation of acquired intangibles		–	(8,651)	(8,651)	–	(10,563)	(10,563)
Impairment of goodwill and acquired intangibles		–	–	–	–	(18,850)	(18,850)
Contingent consideration treated as remuneration		–	(4,956)	(4,956)	–	(6,186)	(6,186)
Acquisition costs		–	(966)	(966)	–	(669)	(669)
Operating profit/(loss)	5	15,028	(17,296)	(2,268)	11,213	(44,544)	(33,331)
Net pension finance income	9	–	21	21	–	161	161
Other finance expense	10	(2,030)	–	(2,030)	(3,132)	–	(3,132)
Profit/(loss) before tax	4	12,998	(17,275)	(4,277)	8,081	(44,383)	(36,302)
Income tax (charge)/credit		(2,558)	1,738	(820)	(2,164)	4,168	2,004
Net profit/(loss) from continuing operations		10,440	(15,537)	(5,097)	5,917	(40,215)	(34,298)
Net profit from discontinued operations	8	2,622	5,171	7,793	3,474	(1,427)	2,047
Net profit/(loss) for the period		13,062	(10,366)	2,696	9,391	(41,642)	(32,251)
<b>Attributable to:</b>							
Shareholders of the Parent Company		13,062	(10,366)	2,696	9,391	(41,642)	(32,251)
<b>Basic earnings/(loss) per share (p)</b>							
Continuing operations	14	6.14	(9.14)	(3.00)	3.61	(24.54)	(20.93)
Discontinued operations	14	1.54	3.04	4.58	2.12	(0.87)	1.25
Continuing and discontinued operations	14	7.68	(6.10)	1.58	5.73	(25.41)	(19.68)
<b>Diluted earnings/(loss) per share (p)</b>							
Continuing operations***	14	5.95	(9.14)	(3.00)	3.56	(24.54)	(20.93)
Discontinued operations	14	1.49	2.95	4.44	2.09	(0.87)	1.23
Continuing and discontinued operations	14	7.45	(6.10)	1.54	5.65	(25.41)	(19.68)

\* The adjusting items are detailed within note 7.

\*\* The results for the year to 31 July 2020 have been restated to reflect the results of the Incite business as discontinued operations (note 8).

\*\*\* As there is a loss after tax arising for the statutory results for the year, the effect of the dilutive potential ordinary shares has been disregarded for the related diluted loss per share calculations, since its incorporation into the calculations would be anti-dilutive.



# Consolidated Statement of Comprehensive Income

	Year to 31 July 2021 £'000	Year to 31 July 2020 £'000
<b>Profit/(loss) for the period</b>	<b>2,696</b>	<b>(32,251)</b>
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Actuarial profit/(loss) on defined benefit pension scheme	17,877	(7,358)
Tax (credit)/charge on items taken through other comprehensive income	(3,401)	1,342
	<b>14,476</b>	<b>(6,016)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Transfers of losses on cash flow hedges	52	201
Losses on cash flow hedges	(13)	(52)
Foreign exchange losses	(493)	(669)
	<b>(454)</b>	<b>(520)</b>
<b>Other comprehensive income/(expense) for the period</b>	<b>14,022</b>	<b>(6,536)</b>
<b>Total comprehensive income/(expense) for the period attributable to shareholders of the Parent Company</b>	<b>16,718</b>	<b>(38,787)</b>

# Consolidated Statement of Changes in Equity

	Share capital £'000	Additional paid-in capital* £'000	ESOP reserve £'000	Treasury shares £'000	Share option reserve £'000	Hedging translation and revaluation reserve £'000	Other reserves £'000	Accumulated deficit £'000	Total £'000
<b>Balance at 1 August 2019</b>	15,343	70,665	(21)	(163)	804	2,285	73,570	(2,694)	86,219
Loss for the year	-	-	-	-	-	-	-	(32,251)	(32,251)
Other comprehensive expense	-	-	-	-	-	(520)	(520)	(6,016)	(6,536)
<b>Total comprehensive expense</b>	-	-	-	-	-	(520)	(520)	(38,267)	(38,787)
Share placement	1,533	11,651	-	-	-	-	11,651	-	13,184
Dividends	-	-	-	-	-	-	-	(1,993)	(1,993)
Recognition of share-based contingent consideration deemed as remuneration	-	-	-	-	647	-	647	-	647
Hyperinflation revaluation	-	-	-	-	-	143	143	-	143
Purchase of own shares	-	-	(47)	-	-	-	(47)	-	(47)
Recognition of share- based payments	-	-	-	-	271	-	271	-	271
Tax on share-based payments	-	-	-	-	75	-	75	-	75
<b>Balance at 31 July 2020</b>	16,876	82,316	(68)	(163)	1,797	1,908	85,790	(42,954)	59,712
Profit for the year	-	-	-	-	-	-	-	2,696	2,696
Other comprehensive (expense)/ income	-	-	-	-	-	(454)	(454)	14,476	14,022
<b>Total comprehensive income</b>	-	-	-	-	-	(454)	(454)	17,172	16,718
Shares issued to settle consideration for acquisitions	360	4,197	-	-	(2,919)	-	1,278	-	1,638
Shares issued to settle employee share options	19	-	-	-	(129)	-	(129)	110	-
Recognition of share- based contingent consideration deemed as remuneration	-	-	-	-	1,881	-	1,881	-	1,881
Hyperinflation revaluation	-	-	-	-	-	128	128	-	128
Purchase of own shares	-	-	(59)	-	-	-	(59)	-	(59)
Settlement of share- based payment using own shares	-	-	59	-	(38)	-	21	(21)	-
Recognition of share- based payments	-	-	-	-	1,944	-	1,944	-	1,944
Tax on share-based payments	-	-	-	-	1,220	-	1,220	-	1,220
<b>Balance at 31 July 2021</b>	17,255	86,513	(68)	(163)	3,756	1,582	91,620	(25,693)	83,182

\*Additional paid-in capital includes share premium, merger reserve and capital redemption reserve (note 32).

# Consolidated Balance Sheet

Company number 01552113

	Note	31 July 2021 £'000	31 July 2020 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	15	14,027	17,714
Investment property	17	4,438	4,707
Goodwill	18	68,372	68,010
Other intangible assets	18	15,072	21,948
Investment in joint arrangement	19	1,080	880
Retirement benefit surplus	27	19,267	1,081
Other non-current assets	20	28	–
Deferred tax assets	26	3,524	2,477
		<b>125,808</b>	<b>116,817</b>
<b>Current assets</b>			
Trade and other receivables	20	36,862	28,165
Derivative financial instruments	21	13	48
Income tax receivable		559	–
Cash and cash equivalents	20	44,971	24,408
Assets held for sale	8	7,099	9,843
		<b>89,504</b>	<b>62,464</b>
<b>Total assets</b>		<b>215,312</b>	<b>179,281</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Lease liabilities	16	2,823	3,492
Loans	23	1,853	–
Trade and other payables	22	30,617	24,510
Derivative financial instruments	21	–	40
Income tax payable		514	110
Deferred consideration payable	12	–	3,277
Deferred income	24	6,631	7,565
Provisions	25	538	1,141
Liabilities associated with assets held for sale	8	7,552	2,652
		<b>50,528</b>	<b>42,787</b>
<b>Non-current liabilities</b>			
Lease liabilities	16	12,490	16,287
Loans	23	62,365	56,007
Deferred consideration	12	1,888	624
Provisions	25	829	1,368
Deferred tax liabilities	26	4,030	2,496
		<b>81,602</b>	<b>76,782</b>
<b>Total liabilities</b>		<b>132,130</b>	<b>119,569</b>
<b>Net assets</b>		<b>83,182</b>	<b>59,712</b>
<b>Capital and reserves</b>			
Share capital	30	17,255	16,876
Other reserves	32	91,620	85,790
Accumulated deficit		(25,693)	(42,954)
<b>Total equity</b>		<b>83,182</b>	<b>59,712</b>

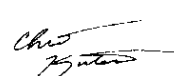
## Approval of Financial Statements

These financial statements on page 194 to 198 were approved by the Board of Directors on 26 October 2021 and signed on its behalf by

**J Schwan**  
Chief Executive Officer

  
J Schwan  
Title: director

**Chris Kutsor**  
Chief Financial Officer

  
Chris Kutsor

# Consolidated Statement of Cash Flows

	Note	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
<b>Operating activities</b>			
Cash generated from operations	33	10,847	22,850
Interest paid		(1,660)	(1,600)
Income taxes paid		(3,382)	(1,598)
<b>Net cash generated from operating activities</b>		<b>5,805</b>	<b>19,652</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(1,332)	(858)
Purchase of other intangibles		(82)	(213)
Proceeds on disposal of subsidiaries	8	12,630	–
Cost of acquisition in period	12	(4,381)	(17,310)
Deferred consideration for acquisitions made in prior periods		(1,656)	(2,000)
<b>Net cash generated from investing activities</b>		<b>5,179</b>	<b>(20,381)</b>
<b>Financing activities</b>			
Purchase of own shares to satisfy employee share options		(59)	(47)
Proceeds of share placement, net of costs		–	13,184
Dividends paid		–	(1,993)
Lease payments		(4,214)	(4,843)
Net increase/(decrease) in bank loans	33	14,976	(856)
<b>Net cash generated from financing activities</b>		<b>10,703</b>	<b>5,445</b>
<b>Net increase in cash and cash equivalents</b>		<b>21,687</b>	<b>4,716</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>24,408</b>	<b>22,017</b>
<b>Effect of foreign exchange rate changes</b>		<b>(1,124)</b>	<b>(2,325)</b>
<b>Cash and cash equivalents at end of the period</b>		<b>44,971</b>	<b>24,408</b>

Included in the figures above are the following cash flows from discontinued operations:

	Year ended 31 July 2021 £'000	Restated* Year ended 31 July 2020 £'000
Net cash generated from operating activities	4,044	5,602
Net cash generated/(used) from investing activities	12,602	(14)
Net cash used in financing activities	(873)	(969)
<b>Net increase in cash from discontinued operations</b>	<b>15,773</b>	<b>4,619</b>

\* The results for the year to 31 July 2020 have been re-presented to reflect the results of the Incite business as discontinued operations.

# Notes to the Consolidated Financial Statements

## 1. General Information

Kin and Carta plc is a public limited company incorporated and domiciled in the United Kingdom ("UK") and registered in England and Wales under the Companies Act 2006. The address of the registered office is The Spitfire Building, 71 Collier Street, London, N1 9BE. The nature of the Group's operations and its principal activities are set out in the Chief Executive's Performance Review, pages 40 to 45.

### Basis of preparation

The financial statements of the Company and the consolidated financial statements of the Group have been prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. These consolidated financial statements ("the financial statements") are presented in Sterling because this is the currency of the primary economic environment in which the Group operates.

The consolidated financial statements have been prepared on a historical cost basis, except for the remeasurement to fair value of investment property and certain financial assets and liabilities as described in the accounting policies below. The accounting policies have been applied consistently throughout the Group.

The results for the year ended 31 July 2020 have been restated to reflect the results of the Incite business as discontinued operations. The statutory results column ("statutory results") in the Consolidated Income Statement is presented after adjusting items, see note 7.

### New accounting standards and interpretations adopted during the year

There were no new standards, amendments or interpretations issued during the period that have had a material impact in the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

At the date of authorisation of these financial statements, the following Standards, Amendments and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective. The Group has not applied these standards in the preparation of the consolidated financial statements and their impact on the Group is considered immaterial:

- **IFRS 16 Leases (amendments)**  
Practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification for accounting periods beginning on or after 1 June 2020.
- **IFRS 17 and IFRS 4 Insurance Contracts (amendments)**  
Date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9 Financial Instrument until 1 January 2023. Effective for accounting periods beginning on or after 1 January 2021.
- **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (amendments)**  
The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. Effective for accounting periods beginning on or after 1 January 2021.

### Going concern

The Group's revolving credit facility was refinanced in September 2021 and is committed until September 2025 with an option to extend for another year. The volume of the facility remains unchanged at £85 million. Net debt decreased during the year from £31.6 million to £19.2 million, primarily due to operating cash flow generation as well as the proceeds of the Hive disposal in December 2020 partially offset by the acquisition of Cascade Data Lab LLC ("Cascade Data Labs") in the same month. At 31 July 2021, the Group had drawn £62.4 million (31 July 2020: £49.5 million) on its credit facility, leaving an unutilised commitment of £22.6 million (2020: £35.7 million). The Group had cash and cash equivalents of £45.0 million (2020: £24.4 million) at that date. We divested non-core Ventures business(es) Pragma and Hive during the year for £12.6 million net proceeds, and Incite after the year-end for net proceeds of £14.6 million which, coupled with resilient operating cash flow, has taken the Company close to a nil net bank debt position in September 2021. Two Ventures businesses remain and are in advanced stages of the divestment process, which will soon conclude our shift to being a pure-play DX business.

# Notes to the Consolidated Financial Statements

Continued

## 1. General Information Continued

In FY20, the Group received £6.7 million in unsecured loans under the Paycheck Protection Program ("PPP") provided by the US Government. £4.5 million of the PPP loan was forgiven by the US Government in FY21 and is recorded in adjusted other income. The remaining loan balance of £1.9 million after currency effects, and which bears an interest rate of 1%, will be repaid by May 2022.

In FY20, the Group also utilised the UK Coronavirus Job Retention Scheme from the UK Government, receiving payroll subsidies of £0.7 million, which were credited against adjusted cost of sales, adjusted selling costs and adjusted administrative costs. UK staff who had taken a salary sacrifice due to the impact of the pandemic returned to full pay in Q3 FY21.

At 31 July 2021, the ratio of net debt to adjusted EBITDA was 1.0 times (2020: 1.8 times) on a pre-IFRS 16 basis. The ratio of net debt to adjusted EBITDA for bank covenant purposes was 0.99 times (2020: 1.47 times). Our lender banks exclude the PPP loans from the debt calculation.

The Group projects that it will continue to operate within covenant limits and has sufficient liquidity in both the base case forecast and in the severe but plausible downside scenario.

Therefore, at the time of approving the financial statements, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a minimum of 12 months from the date of approval of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

### Viability statement

In order to assess the Group's ability to continue to trade as a going concern and to be viable over the medium term, detailed business and cash flow forecasts covering a three-year period ("viability period") from 1 August 2022 have been prepared by the Directors based on 'bottom up' inputs from the individual business units.

To assess our financial viability, we have modelled a number of sensitised scenarios to assess the financial impact of the principal business risks identified on pages 102 to 110 of this annual report. In addition to an assessment of the effects on debt leverage and debt volume of individual risks, a combination of all the risk impacts occurring simultaneously was modelled (the combined scenario) to test the results of a particularly high stress scenario. We have then assessed the stress before and after the impact of mitigating actions which are under the control of the group, and which would be taken in such a scenario.

The covenants and headroom on the facility were reforecast based on each scenario.

### Conclusion

Taking into account the base forecast for the business over the three year period ending 31 July 2024, the adverse financial impact of events linked to the principal risks identified for the Group and the mitigating actions under its control, the Group should be able to continue to operate within the bank credit facilities available to it and the covenants under which it operates if any of the events associated with identified risks came to pass, or if all of them occurred simultaneously, under the assumptions we applied.

Overall the Directors consider the Group well-placed to manage its business risks successfully, having taken into account the current economic outlook, the possible consequences of principal risks facing the business in severe but plausible scenarios, and the effectiveness of any mitigating actions on the Group's profitability and liquidity.

On the basis of these and other matters considered and reviewed by the Board during the year, the Directors have reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 July 2024.

## 2. Accounting Policies

### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings) for each period. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into line with those of the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

## 2. Accounting Policies *Continued*

The Group has joint arrangements. A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

The consolidated financial statements include the Group's share of results of its joint venture on an equity accounting method. See the Joint Arrangements accounting policy note below for details.

### (b) Adjusting items

Statutory results ("statutory results") presented in the Consolidated Income Statement include adjusting items.

Income statement items are presented in the middle column under the heading 'adjusting items' where they do not form part of the underlying trading activities of the Group or, in the opinion of the Directors, their separate presentation enhances understanding of the financial performance of the Group.

The results, excluding adjusting items, are presented in the Consolidated Income Statement under the heading 'adjusted results', in order to provide a consistent and comparable view of the performance of the Group.

Furthermore, the adjusted results are aligned to the Group's strategy and are used to measure the financial performance of the Group's businesses and are the basis for remuneration. Further details can be found under Adjusting Performance Measures on page 66.

Items included as adjusting items are as follows:

- **Redundancies, restructuring costs and empty property costs**  
Redundancies and restructuring costs that are non-recurring in the individual businesses, and that in aggregate are significant in size, are recorded as adjusting items. Careful consideration is applied by management in assessing whether these costs relate to the restructure of a business within the Group or redundancies in the normal course of business, which are not treated as adjusting items. Redundancies and restructuring costs related to the closure or disposal of a site are recorded within this caption. Empty property costs comprise expenses relating to the maintenance and security of leasehold property or property owned by the Group from which no ongoing activity takes place (further details surrounding empty property costs can be found below). The costs do not relate to the ongoing trading activities of the Group and are therefore recorded as adjusting items.
- **Operating results of a site arising after a formal decision on its closure**  
Operating results from non-continuing sites, where that site does not meet the definition of a discontinued operation under IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, include revenue, operational and overhead expenses incurred after a formal decision on a site's closure has been taken. These items also include settlement of onerous leases, costs related to the transfer of assets and professional fees related to closure of the site. These items exclude the costs of redundancies and restructuring which relate to sites from that ongoing trading activities take place. The above items are recorded as adjusting items on the basis that they do not form part of the ongoing trading activities of the Group.
- **St Ives Defined Pension Benefit Scheme income/expense**  
The Scheme was closed to new entrants in April 2002 and to the accrual of future benefits in August 2008. Given the substantial change in the composition of the Group over the last eight years, with a significant number of site closures and disposal of businesses that employed Scheme members, only three scheme members were still employed by the Group at 31 July 2021, representing less than 1% of the total Scheme membership. After the closure of the Scheme, all the in-service members at that time were transferred to a defined contribution scheme. Payments to the defined contribution scheme are expensed to the Consolidated Income Statement and are treated as part of adjusted results and not as an adjusting item. Therefore, the Group classifies the income/(expense) relating to the Scheme as an adjusting item.

# Notes to the Consolidated Financial Statements

Continued

## 2. Accounting Policies Continued

### • **Costs related to acquisitions made in the current and prior periods**

The Group has grown both organically with the development of new operating subsidiaries and through acquisition. However, there is significant inconsistency between the accounting treatment of the goodwill and intangibles associated with the acquisition of businesses and those generated internally. On an unadjusted basis, a business acquired under IFRS 3 would report substantially lower operating profits and a lower return on capital than the businesses that have been developed by the Group, thus making comparison of performance of the Group and segment difficult.

Therefore, the following items are recorded as adjusting items to provide a more realistic and comparable view of the Group and enhance the clarity of the performance of the Group to readers of the accounts:

- i. Amortisation charges related to intangible assets identified through acquisition accounting;
- ii. Expenses related to contingent consideration required to be treated as remuneration for acquired businesses;
- iii. Charges and credits arising from the re-estimation of deferred consideration payable in respect of acquisitions; and
- iv. Charges related to the acquisition of businesses or the setting up of new subsidiaries.

These items are shown as separate captions within operating profit on the face of the income statement.

### • **Non-cash impairment charges related to goodwill and other assets**

Impairment charges related to non-current assets are non-cash items, do not occur in the normal course of business and tend to be significant in size and irregular in nature. The presentation of this item as an adjusting item further enhances the understanding of the ongoing trading performance of the Group.

### • **Gain or loss associated with disposal of trade, subsidiaries or assets**

The gain or loss on disposal of trade, subsidiaries or assets tends to be significant in size and irregular in nature. The disposal of property, plant and equipment is primarily associated with closed sites or businesses that have been disposed of by the Group. Therefore, the gain or loss on the disposal of these assets is treated as an adjusting item.

Gains or losses on business as usual (normal course of business) disposals are not considered adjusting events.

When reviewing these items, the Directors considered the guidelines issued by the Financial Reporting Council ("FRC") and the European Securities and Markets Authority ("ESMA").

A reconciliation of statutory results to adjusted results can be found in the Consolidated Income Statement. Further details relating to the adjusting items are available in note 7.

### **(c) Revenue recognition**

Revenue from supply of goods and services is measured at the fair value of consideration received or receivable, and comprises amounts receivable for goods and services, net of trade discounts, up-front payments, VAT and other sales-related taxes.

Revenue is recognised once contractual performance obligations have been delivered, in accordance with the terms of the contractual agreement. Contracts can have a single or series of different deliverables and, over time, revenue is recognised as each contractual obligation is satisfied. Discounts and other incentives are recognised over the period of the contracts to which they relate.

For services performed on an over-time basis, e.g. where the terms of the contract have provision for licensing the product on a subscription basis, revenue is recognised evenly over the period of contractual term as the performance obligations are satisfied evenly over the term of subscription. Generally, the performance obligations are satisfied over time as service is rendered.

For services that are linked to delivering of goods to fulfil the contract, revenue is recognised when the goods are delivered, in line with meeting the contractual and performance obligations. The goods can be delivered in full or in-part quantities.



## 2. Accounting Policies *Continued*

For performance obligations that are satisfied over time, the Group uses either input or output methods to measure progress for each performance obligation, depending on the particular arrangement. In the majority of cases, relevant output measures such as the completion of project milestones set out in the contract are used to assess proportional performance. Where this is not the case, then an input method based on costs incurred to date is used to measure performance. The primary input of substantially all work performed is represented by staff costs. As a result of the relationship between labour and cost, there is normally a direct correlation between costs incurred and the proportion of the contract performed to date.

Typically, customers are not entitled to refunds across the Group, the above methods are deemed to be appropriate in identifying the point of transfer of goods and services for revenue recognition.

Payment terms for customer payments across the Group vary, with the majority of terms being 60 to 90 days. In some exceptional circumstances, the Group amend payments terms to between zero and 30 days. The Group generally is paid by customers in arrears for its services; however, some work is invoiced in advance.

### **Net revenue:**

Net revenue is calculated as revenue less project-related costs as shown in the Consolidated Income Statement. Project-related costs comprise primarily third-party pass-through expenses and direct costs attributable to a project. These costs typically include amounts payable to external suppliers where they are engaged, at the Group's discretion, to perform a specific part of the performance obligation under a contract with the client, other than the costs of certain freelance contractors and agency staff. Cost of service includes the costs of direct employed staff, freelance contractors and agency staff who are engaged in the delivery of performance obligations under client contracts.

### **Accrued and deferred income:**

Accrued income is a contract asset and is recognised when a performance obligation has been satisfied but has not yet been billed. Contract assets are transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement.

In certain cases, payments are received from customers prior to satisfaction of performance obligations and recognised as deferred income on the Group's Consolidated Balance Sheet. These balances are considered contract liabilities and are typically related to prepayments for third-party pass-through expenses and direct costs that are incurred shortly after billing.

### **(d) Investment properties**

Investment properties are properties that are held to earn rental income and are stated at cost less accumulated depreciation.

Depreciation is charged on buildings at between 2% and 4% per annum, so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method. Land that is part of investment properties is not depreciated.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Income Statement in the period in which the property is derecognised.

# Notes to the Consolidated Financial Statements

Continued

## 2. Accounting Policies Continued

### (e) Intangible assets

#### Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of the acquisition. Fair value is finalised within 12 months of the date of the acquisition. The goodwill arising on acquisition is allocated to the group of cash-generating units ("CGU") that are expected to benefit from the synergies of the combination. A CGU represents the lowest level at which goodwill is monitored by the Group's Board of Directors for internal management purposes. Goodwill is not amortised but reviewed for impairment annually in accordance with the impairment of goodwill policy set out below. Goodwill impairment is recorded in a separate line within operating profit in the Consolidated Income Statement.

Our cash generating units are the following legal entities:

- Connect Europe – includes Kin and Carta Connect Europe Limited, a digital transformation consulting business.
- Create Europe – includes Kin and Create Europe Limited, a digital transformation consulting business.
- Solstice – includes Solstice Consulting LLC, and Solstice Mobile Argentina Srl. Solstice is a digital transformation consulting business.
- Spire Digital – includes SpireMedia Inc. (d.b.a. Kin and Carta Denver), a digital transformation consulting business.
- Cascade Data Labs – includes Cascade Data Labs LLC, a digital transformation consulting business.
- Edit – Edit Agency Limited (including its sister company Relish Limited) form our Ventures arm.
- Incite – includes Incite Marketing Planning Limited and Incite New York LLC, sold by the Group on 28 September 2021.

#### Other intangible assets – customer relationships

Customer relationships identified as separable intangible assets in the context of business combinations are capitalised at their fair value at the date of acquisition. They are amortised over their estimated useful lives, which is generally two to ten years.

#### Other intangible assets – proprietary techniques

Proprietary techniques identified as separable intangible assets in the context of business combinations are capitalised at their fair value at the date of acquisition. They are amortised over their estimated useful life, which is generally three to ten years.

#### Other intangible assets – trademarks

Trademarks identified as separable intangible assets in the context of business combinations are capitalised at their fair value at the date of acquisition. They are amortised over their estimated useful lives, which is generally ten years.

#### Other intangible assets – computer software

Computer software that is not integral to an item of property, plant or equipment is classified as an intangible asset and is held on the Consolidated Balance Sheet at cost less amortisation and impairments. These assets are amortised over their estimated useful lives, which is generally two to five years.

All intangible assets with finite lives are amortised on a straight-line basis. Intangible assets amortisation is recognised immediately as an expense in the Consolidated Income Statement. Amortisation of intangibles arising in the context of an acquisition is recorded on a separate line within operating profit. Amortisation of other intangibles is recorded within administrative expenses.

## 2. Accounting Policies Continued

### (f) Property, plant and equipment

Freehold buildings	2%–4%
Long leases	Period of lease
Plant and machinery	10%–33.3%
Fixture, fittings and equipment	10%–33.3%
Motor vehicles	20%–25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

### (g) Impairment of property, plant and equipment, and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

Fair value less costs to sell is determined by the arm's length sale price between knowledgeable willing parties less costs of disposal.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense in the Consolidated Income Statement and is recorded within administrative expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only insofar as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods.

### (h) Impairment of goodwill

The recoverable amount of the group of cash-generating units to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial period, or more frequently when such events or changes in circumstances indicate that it may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Any impairment is recognised immediately in the Consolidated Income Statement. Impairments of goodwill are not subsequently reversed.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

# Notes to the Consolidated Financial Statements

Continued

## 2. Accounting Policies Continued

### (i) Tax

The tax expense in the Consolidated Income Statement comprises tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise on non-deductible goodwill or from the initial recognition (other than business combinations) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Consolidated Income Statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in the Consolidated Statement of Comprehensive Income or when it relates to items that are charged or credited to the Consolidated Statement of Comprehensive Income or directly to the Consolidated Statement of Changes in Equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax are recognised in the Consolidated Income Statement, except when they relate to items that are recognised in the Consolidated Statement of Comprehensive Income or directly to the Consolidated Statement of Changes in Equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### (j) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the constructive or legal obligation, and its value can be reliably estimated. When a provision needs to be released, the provision is taken back to the Consolidated Income Statement within the line item where it was initially booked. Provisions are discounted to present value using a risk-free rate where the impact of discounting is deemed to be immaterial.

#### Provisions for repairs

Provisions for repairs are made where the Group is committed under the terms of the lease to make repairs to leasehold property. The provision is made for the estimated cost over the period of the lease.

#### Provisions for reorganisation and onerous leases

Provisions for restructuring costs and onerous lease costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties or onerous contracts related to closed/discontinued operations.

## 2. Accounting Policies Continued

### (k) Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

*Transactions in foreign currencies other than Sterling are translated at the exchange rate ruling at the date of the transaction.* Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the exchange rate ruling at that date.

Exchange differences are recognised in the Consolidated Income Statement in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in the Consolidated Statement of Comprehensive Income and reclassified to the Consolidated Income Statement on disposal or partial disposal of the net investment.

Foreign currency differences arising on translation or settlement of monetary items are recognised in the Consolidated Income Statement.

The results of overseas subsidiaries with functional currencies other than Sterling are translated into Sterling at the average rate of exchange ruling in the period. The average exchange rate for each functional currency is calculated as an average of the Sterling exchange rate ruling at the end of each monthly period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and not retranslated at each period end. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Sterling at exchange rates ruling at the date the fair value was determined. Exchange gains and losses arising on the retranslation of non-monetary assets and liabilities are recognised directly in a separate component of the Consolidated Statement of Comprehensive Income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the period-end closing rate.

### (l) Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial instruments in the following categories:

Financial instrument category	Note	Measurement	Fair value measurement hierarchy*
Trade and other receivables	20	Amortised cost	N/A
Cash and cash equivalents	20	Amortised cost	N/A
Trade and other payables	22	Amortised cost	N/A
Derivative financial instruments	21	Fair value through profit and loss	2
Deferred consideration payable	12	Fair value through profit and loss	3
Bank borrowings	23	Amortised cost	N/A

\*The fair value measurement hierarchy is only applicable for financial instruments measured at fair value.

# Notes to the Consolidated Financial Statements

Continued

## 2. Accounting Policies *Continued*

Fair value measurements, where applicable, are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group's primary categories of financial instruments are listed below:

### **Trade and other receivables**

All trade receivables held by the Group are financial assets held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows. Trade receivables are initially recognised at fair value and will subsequently be measured at amortised cost less allowances for impairment.

The Group recognises a loss allowance for expected credit losses ("ECL") on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group recognises expected credit losses for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded as the proceeds receivable, net of direct issue costs. Finance charges are accounted for on an accruals basis in the Consolidated Income Statement using the effective interest rate method and are included in creditors to the extent that they are not settled in the period in which they arise.

### **Other long-term financial assets**

Unlisted shares held by the Group are classified as being other long-term financial assets and are stated at fair value. Fair values of unlisted shares are calculated with reference to exit price. Gains or losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Consolidated Income Statement for the period.

The Group holds investments in equity instruments and has made the irrevocable designation to measure these at fair value through other comprehensive income ("FVTOCI") as they are not held for trading.

### **Trade and other payables**

Trade payables are not interest bearing and are stated at their nominal value.

### **Derivative financial instruments and hedge accounting**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange for the purchase of subsidiaries, goods and services denominated in foreign currencies and the sale of goods and services similarly denominated.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not hold or issue derivative financial instruments for speculative purposes.

## 2. Accounting Policies *Continued*

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of forecast transactions are recognised directly in equity and the ineffective portion is recognised immediately in the Consolidated Income Statement.

If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains and losses on the derivative that had previously been recognised in equity are included in the initial measurements of the asset or liability. For the hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the Consolidated Income Statement in the same period as gains or losses are recognised on the hedged item.

The gain or loss on hedging instruments relating to the effective portion of a net investment hedge is recognised in equity and the ineffective portion is recognised immediately in the Consolidated Income Statement. Gains or losses accumulated in equity are included in the Consolidated Income Statement when the foreign operations are disposed of.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included in the Consolidated Income Statement for the period. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the Consolidated Income Statement.

Those derivatives that are not designated as hedges are classified as held for trading and gains and losses on those instruments are recognised immediately in the Consolidated Income Statement.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

### **Deferred/contingent consideration payable**

Deferred/contingent consideration payable and consideration required to be treated as remuneration in respect of acquired businesses are typically determined based on a multiple of future incremental EBITDA, and the related amounts are based on forecasts that have been derived from the most recent budgets and forecasts. Any change in the fair value of the outcome is recognised in the Consolidated Income Statement as an adjusting item. The deferred consideration payable and accrued contingent consideration required to be treated as remuneration are recognised as financial liabilities, where amounts are expected or required to be cash settled. Where amounts are settled by future issuance of Kin and Carta plc shares, amounts required to settle the liability are recorded in equity.

The Directors consider that the carrying value of all financial assets and liabilities is approximately equal to their fair value, except for investment properties, which are recorded at amortised cost. The fair value of these assets is disclosed in note 17.

### **(m) Retirement benefits**

The Group operates both defined benefit and defined contribution schemes for its employees. Payments to the defined contribution schemes are expensed to the Consolidated Income Statement as they fall due.

For the St Ives Defined Benefit Pension Scheme ("the Scheme") full actuarial calculations are carried out every three years using the projected unit credit method and updates are performed for each financial period end. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Consolidated Income Statement and presented in the Consolidated Statement of Comprehensive Income.

The retirement benefit obligation recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligations and as reduced by the fair value of the Scheme's assets.

# Notes to the Consolidated Financial Statements

Continued

## 2. Accounting Policies Continued

Any asset resulting from this calculation is recognised in the Consolidated Balance Sheet, as the Group has an unconditional right to a refund of any surplus in the defined benefit pension scheme at the end of the Scheme's duration.

Past service cost is recognised at the earlier of when the planned amendment or curtailment occurs and when the entity recognises related restructuring costs or termination benefits.

Given the closure of the Scheme and the change in the composition of the Group, the Board has concluded that the Scheme's income and expenses do not relate to the underlying trading activities of the Group. Furthermore, the underlying assumptions used in the Scheme's valuation are determined by reference to external market data (notably discount and inflation rates) that are outside the Group's control and can vary significantly between periods. The Group's accounting policy, is therefore, to record the income and expenses related to the Scheme as an adjusting item.

Defined benefit income and expenses are split into four categories:

- gains and losses on curtailments and settlements and costs incurred in the running of the Scheme;
- net pension finance charge;
- past service costs including Guaranteed Minimum Pension ("GMP") costs; and
- remeasurement of gains and losses.

The Group presents the first three components of the Scheme's costs within adjusting items in its Consolidated Income Statement and the remeasurement costs within the Consolidated Statement of Comprehensive Income. The GMP costs reflect the initial adjustment in the current year and all other future changes in GMP assumptions will flow through as actuarial gains or losses

### (n) Share-based payments

The Group makes equity-settled share-based payments to certain employees, which are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the Consolidated Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the Statement of Change in Equity reserves. The fair value of share options issued is measured using a binomial model, for the effects of non-transferability, exercise restrictions and behavioural considerations.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the Scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

The cumulative expense is reversed when an employee in receipt of the share options terminates service prior to the completion of vesting period. Where the terms of an equity-settled award are modified on termination of the employment, the total fair value of the share-based payments is recorded in the Consolidated Income Statement.

### (o) Employee Share Ownership Plan ("ESOP")

As the Group is deemed to have control of its ESOP trust, it is included in the consolidated Group financial statements. The ESOP's assets and liabilities are included on a line-by-line basis in the Group financial statements. The ESOP's investment in the Group's shares is deducted from equity in the Consolidated Balance Sheet as if they were treasury shares and presented in the ESOP reserve.



## 2. Accounting Policies *Continued*

### (p) Leases

The Group applied IFRS 16 with a date of initial application of 1 August 2019. IFRS 16 requires lessees to account for all leases on-balance sheet, recognising a right-of-use asset and a lease liability at the lease commencement date. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of the ownership of the asset to the Group. Under IFRS 16, the Group recognised a right-of-use asset and lease liability i.e. all leases are recognised on-balance sheet.

At transition, the lease liabilities were measured at the present value of the remaining lease payments using the Group's incremental borrowing rate of 5% as at 1 August 2019. The right-of-use assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's borrowing rate at 1 August 2019. The Group used the following practical expedients when applying IFRS 16:

- Adjusted the right-of-use assets for any onerous lease provisions immediately before the date of initial application rather than perform an impairment review;
- Applied the exemption not to recognise a right-of-use asset or lease liability for leases of low value or with lease terms with less than 12 months remaining at 1 August 2019; and
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

### Changes in accounting policy for leases

The Group leases a number of offices and equipment, and rental contracts typically run for fixed periods of three to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. The lease agreements do not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

For any new contracts entered into on or after 1 August 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets the following criteria:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Group has the right to direct the use of the identified asset throughout the period of use.

At the lease commencement date, the Group recognises the lease as a right-of-use asset and a corresponding liability in the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any restoration costs at the end of the lease and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available, or the Group's incremental borrowing rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest.

Each lease payment is allocated between the reduction of the lease liability and finance cost. The finance cost is charged to the Consolidated Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

# Notes to the Consolidated Financial Statements

Continued

## 2. Accounting Policies Continued

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Income Statement. Short-term leases are leases with a term of 12 months or less. Extension and termination options are included in a number of property leases across the Group. These options are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Leases that do not meet the criteria under IFRS 16 leases are classified as either short-term or low-value leases. Rental costs under these leases are charged to the Consolidated Income Statement in equal amounts over the terms of the lease. In the event that lease incentives are received to enter into these leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

### (q) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed by the Group, together with the equity instruments equivalent to the mid-market share price on the date of completion, in exchange for control of the acquiree. Acquisition-related costs are recognised in the Consolidated Income Statement as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset, liability or equity are accounted for in accordance with relevant IFRSs.

Contingent amounts payable to selling shareholders who continue to be employed by the Group, but which is automatically forfeited upon termination of employment, is classified as remuneration for post-combination services and is recorded in the Consolidated Income Statement. The contingent payment is satisfied in cash and equity instruments equivalent to the mid-market share price on the date of the consideration payable.

The cash-settled contingent amounts treated as remuneration for post-combination services is recognised in accordance with IAS 19 Employee Benefits and has been recorded as deferred consideration payable in the Consolidated Balance Sheet. At each balance sheet date, the Group revises its estimate for the contingent amounts payable that is to be settled in cash. The impact of the revision, if any, is recognised in the Consolidated Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the Consolidated Balance Sheet.

The equity-settled contingent amounts payable treated as remuneration for post-combination services is recognised in accordance with IFRS 2 Share-based Payments, and is recorded in equity reserves. Further details can be found in the share-based payments accounting policy. At each balance sheet date, the Group revises its estimate of the consideration payable that is to be settled in shares. The impact of the revision, if any, is recognised in the Consolidated Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

## 2. Accounting Policies *Continued*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date that the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

### (r) Joint arrangements

Joint arrangements are entities where no one party is able to exercise overall control in which the Group has an interest. The Group's share of the post-tax results of its joint arrangements is included in the Consolidated Income Statement using the equity method of accounting. Where the Group transacts with a joint arrangement, profits and losses are eliminated to the extent of the Group's interest in the joint arrangement.

Investments in joint arrangements are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the entity, less any provision for impairment.

### (s) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of amortised cost and fair value less costs of disposal. Non-current assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. The Group classifies assets as held for sale and when these conditions below have been met:

- management is committed to a plan to sell;
- the asset is available for immediate sale;
- an active programme to locate a buyer is initiated, and the sale is highly probable, within 12 months of classification as held for sale;
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; and
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

For assets that were classified as held for sale on 31 July 2021, the conditions above were met (note 8).

### (t) Discontinued operations

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use. A component of the group is classified as a discontinued operation if:

- it represents a separate major line of business or geographical area of operation;
- it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- it is a subsidiary acquired exclusively with a view to resale as a discontinued operation.

The trading results of a discontinued operation together with any gains or loss from the disposal of the operation is reported separately as discontinued operations in the Consolidated Income Statement. Further information can be found in the goodwill and other intangibles note below.

### (u) Grant Income

The Group recognises income from government grants only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and the grant will be received. Grant income is recognised as other operating income in the Consolidated Income Statement.

# Notes to the Consolidated Financial Statements

Continued

## **2. Accounting Policies** Continued

### **(v) Critical accounting judgements and key sources of estimation uncertainty**

In the course of applying the Group's accounting policies, the following estimations and accounting judgements have been made, which could have a significant effect on the results of the Group were they subsequently found to be inappropriate.

#### **Critical accounting judgements**

##### **Adjusting items**

In the opinion of the Directors, separate presentation of adjusting items and APMs provides useful information in the understanding of the financial performance of the Group and its businesses. The classification of adjusting items requires management judgement after considering the nature and intentions of a transaction. The Group's definitions of adjusting items are outlined within the Group accounting policies under the "adjusting items" section above. These definitions have been applied consistently period-on-period. Further details are provided in note 7.

##### **Assets held for sale**

The reclassification of businesses as assets held for sale involves a judgment of the likelihood of a sale taking place within 12 months of the balance sheet date, which is not entirely within the control of the Group.

#### **Key sources of estimation uncertainty**

##### **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units for which goodwill has been identified. In arriving at the value-in-use, the forecast of future cash flows of cash-generating units and selection of appropriate discount rates is required to calculate present values, a process that involves estimation. The recoverability analysis indicates that the value-in-use supports the carrying amount of goodwill. The situation will be monitored closely should future developments indicate that adjustments are appropriate. The carrying value of goodwill at the balance sheet date was £68.4 million (2020: £68.0 million). A sensitivity analysis can be found in note 18.

##### **Impairment of acquired intangibles**

The Group considers the recoverability of acquired intangibles, which are included within the Consolidated Balance Sheet at £15.1 million (2020: £21.9 million). The key areas of consideration when assessing the recoverability of these assets are in relation to the discount rates, terminal growth rates, budgets and forecasts to be applied to forecast cash flows. A sensitivity analysis can be found in note 18.

##### **Purchase price allocation for acquisitions**

Accounting for an acquisition typically involves the allocation of a significant portion of the purchase price to the fair value of assets that do not have a historical cost base, such as customer relationships, proprietary techniques and trademark, as well as the estimation of useful economic lives for these assets. The determination of value of these assets and their useful lives involves valuation techniques dependent on estimation of future cash flows, which are uncertain. The allocation of the purchase price for the Cascade Data Labs acquisition in the period is set out in note 12.

##### **Contingent consideration**

The calculation of consideration payable in relation to past acquisitions, which is contingent upon future performance, requires the estimation of future revenues and costs and is subject to uncertainty. An analysis of contingent consideration payable can be found in note 12.

##### **Retirement benefit obligations**

The calculation of retirement benefit obligations requires estimates to be made of discount rates, inflation rates, future salary and pension increases and mortality. The net surplus in the Consolidated Balance Sheet for the retirement benefit scheme was £19.3 million (2020: surplus of £1.1 million). A sensitivity analysis can be found in note 28.

### 3. Revenue

An analysis of the Group's revenue as defined by IFRS 15 Revenue is as follows:

	2021 £'000	Restated* 2020 £'000
<b>Continuing operations:</b>		
Rendering of services	160,342	140,491
<b>Discontinued operations:</b>		
Rendering of services	20,017	27,525
<b>Continuing and discontinued operations:</b>		
Rendering of services	180,359	168,016

Net revenue by country is under note 4.

\*Restated to include the Incite as discontinued operations.

### 4. Segment Reporting

The Group reports results through one segment, with corporate costs shown as a separate segment based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Executive Officer and Chief Financial Officer, who are primarily responsible for the assessment of the performance of the businesses, which currently operate under The Connective.

The corporate costs are reported separately to the single operating segment as this presentation better reflects the segment's underlying profitability.

Results from continuing and discontinued operations for the current period:

	Year to 31 July 2021		
	The Connective £'000	Corporate costs £'000	Total £'000
<b>Continuing operations:</b>			
Revenue	160,342	-	160,342
Net revenue	141,419	-	141,419
Adjusting items	-	-	-
Adjusted net revenue	141,419	-	141,419
Operating profit/(loss) before adjusting items	22,136	(7,108)	15,028
Adjusting items	(14,576)	(2,720)	(17,296)
Statutory profit/(loss) from operations	7,560	(9,828)	(2,268)
Net pension finance income			21
Other finance expense			(2,030)
Statutory loss before tax			(4,277)
Income tax charge			(820)
Statutory net loss from continuing operations			(5,097)
<b>Discontinued operations:</b>			
Statutory net profit from discontinued operations			7,793
<b>Continuing and discontinued operations:</b>			
Statutory net profit from continuing and discontinued operations			2,696

# Notes to the Consolidated Financial Statements

Continued

## 4. Segment Reporting *Continued*

Results from continuing and discontinued operations for the prior period:

	Year to 31 July 2020		
	The Connective £'000	Corporate costs £'000	Total £'000
<b>Continuing operations:</b>			
Revenue	140,491	–	140,491
Net revenue	125,729	–	125,728
Adjusting items	(88)	–	(88)
Adjusted net revenue	125,641	–	125,640
Operating profit/(loss) before adjusting items	17,632	(6,419)	11,213
Adjusting items	(42,292)	(2,252)	(44,544)
Statutory loss from operations	(24,660)	(8,671)	(33,331)
Net pension finance income			161
Other finance expense			(3,132)
Statutory loss before tax			(36,302)
Income tax credit			2,004
Statutory net loss from continuing operations			(34,298)
<b>Discontinued operations:</b>			
Statutory net profit from discontinued operations			2,047
<b>Continuing and discontinued operations:</b>			
Statutory net loss from continuing and discontinued operations			(32,251)

### Other information

	Year ended 31 July 2021		
	Continuing operations £'000	Discontinued operations £'000	Total £'000
Capital additions	3,476	32	3,508
Depreciation and amortisation charges	12,513	678	13,191
Impairment charges	456	–	456

	Year ended 31 July 2020		
	Continuing operations £'000	Discontinued operations £'000	Total £'000
Capital additions	2,365	60	2,425
Depreciation and amortisation charges	14,916	1,876	16,792
Impairment charges	21,325	1,465	22,790

#### 4. Segment Reporting Continued

##### Geographical segments

##### Operations

Net revenue by geographical area is based on the location where the provision of goods and services has been provided.

	2021 £'000	Restated* 2020 £'000
Continuing operations		
United States of America	85,065	78,642
United Kingdom	56,265	46,724
Rest of the world	89	275
<b>Revenue from continuing operations</b>	<b>141,419</b>	<b>125,641</b>
Discontinued		
United States of America	3,925	5,195
United Kingdom	10,958	15,143
<b>Revenue from discontinued operations</b>	<b>14,883</b>	<b>20,338</b>
<b>Total</b>		
United States of America	88,990	83,837
United Kingdom	67,223	61,867
Rest of the world	89	275
<b>Total revenue</b>	<b>156,302</b>	<b>145,979</b>

\* Restated to include Incite as discontinued operations

# Notes to the Consolidated Financial Statements

Continued

## 5. Operating Profit/(Loss)

Profit/(loss) from operations, related to continuing operations has been arrived at after charging/(crediting):

	Notes	2021 £'000	Restated* 2020 £'000
<b>Auditor's remuneration</b>			
Audit fees:			
- Audit of the Company accounts		317	240
- Audit of the accounts of the Company's subsidiaries		247	240
		<b>564</b>	<b>480</b>
Other assurance related services		45	47
Non-audit fees:			
- Transaction-related services		-	75
<b>Total fees paid to the auditors</b>		<b>609</b>	<b>602</b>
Staff costs	6	119,065	99,660
Depreciation of property, plant and equipment – continuing operations	15	3,392	4,722
Depreciation of property, plant and equipment – discontinued operations	15	661	1,005
Depreciation of investment property	17	269	267
Amortisation of intangible assets – continuing operations	18	8,852	9,927
Amortisation of intangible assets – discontinued operations	18	17	871
Impairment of non-current and current assets – continuing operations	4	456	2,475
Impairment of goodwill and intangible assets – continuing operations	4	-	18,850
Impairment of non-current and current assets – discontinued operations	4	-	57
Impairment of goodwill and intangible assets – discontinued operations	4	-	1,408
Operating lease rentals:			
- Land and buildings		443	456
- Plant and equipment		-	21
- Other		-	21
<b>Government grant income</b>			
Amounts recognised as income under the UK Coronavirus Job Retention Scheme		-	(737)
Amounts forgiven under PPP loan scheme		<b>(4,541)</b>	-

UK Government grant income (Coronavirus Job Retention Scheme) is credited against cost of sales, selling and administrative; US Government grant income (PPP loan scheme) is credited to adjusted other income within the Connective Segment expenses within adjusted results.

\*Restated to classify Incite as discontinued operations.



## 6. Staff Costs

The average monthly number of employees (including Executive Directors) was:

	2021 Number	Restated* 2020 Number
<b>Continuing operations</b>		
Operations	1,014	962
Sales	87	87
Administration	234	206
<b>Continuing operations</b>	<b>1,335</b>	<b>1,255</b>
Discontinued operations	105	164
<b>Continuing and discontinued operations</b>	<b>1,440</b>	<b>1,419</b>

\* Restated to include Incite as discontinued operations. 2020 includes Incite, Hive and Pragma as discontinued operations, while 2021 only includes Incite.

	2021 £'000	Restated* 2020 £'000
<b>Continuing operations</b>		
Wages and salaries	104,753	87,705
Social security costs	7,465	7,666
Other pension costs	2,867	3,371
	115,085	98,742
Share-based contingent consideration deemed as remuneration	1,881	647
Share-based payment charge including social security costs	2,099	271
<b>Continuing operations</b>	<b>119,065</b>	<b>99,660</b>
Discontinued operations	8,473	13,199
<b>Continuing and discontinued operations</b>	<b>127,538</b>	<b>112,859</b>

\* Restated to classify Incite as discontinued operations. 2020 includes Incite, Hive and Pragma as discontinued operations.

# Notes to the Consolidated Financial Statements

Continued

## 7. Adjusting Items

Adjusting items disclosed on the face of the Consolidated Income Statement included in respect of continuing and discontinued operations are as follows:

Expense/(income)	2021 £'000	2020 £'000
Continuing operations		
<b>Restructuring items and other charges</b>		
Redundancies and other charges	–	3,456
Losses related to closure of subsidiary	–	318
Costs associated with empty properties	27	1,262
Impairment of property, plant and equipment	154	2,475
Reduction in lease liabilities	–	(758)
Gain on sale of investment in minority interest	–	(198)
	181	6,555
<b>St Ives Defined Benefit Pension Scheme costs</b>		
Scheme administrative costs	773	624
Past service cost (GMP equalisation uplift)	604	–
Other related costs	1,165	1,051
	2,542	1,675
<b>Costs related to acquisitions</b>		
Amortisation of acquired intangibles	8,651	10,563
Contingent consideration required to be treated as remuneration	4,956	6,186
Acquisition costs	966	669
Impairment of goodwill and acquired intangible assets	–	18,850
	14,573	36,268
<b>Adjusting items</b>	17,296	44,498
Loss on disposal of property, plant and equipment	–	46
<b>Adjusting items before interest and tax</b>	17,296	44,544
Net pension finance income in respect of defined benefit pension scheme	(21)	(161)
<b>Adjusting items before tax</b>	17,275	44,383
Income tax credit	(1,738)	(4,168)
<b>Continuing operations adjusting items after tax</b>	15,537	40,215
Discontinued operations adjusting items net (profit)/loss after tax	(5,171)	1,427
<b>Continuing and discontinued adjusting items after tax</b>	10,366	41,642

### Continuing operations

#### Restructuring items and other charges

Restructuring costs incurred during the year were £0.2 million (2020: £6.6 million). The change was mainly due to no further redundancy costs or significant impairments during the year as the previous restructuring programmes are complete.

Costs associated with empty properties are contractually unavoidable expenses relating to business rates and maintenance charges of leasehold property, or property owned by the Group from which there is no ongoing business operation. These costs have reduced significantly as there were no properties vacated during 2021. The costs do not relate to the ongoing trade of the Group and are therefore recorded as adjusting items.

## 7. Adjusting Items Continued

### **Impairment of property, plant and equipment**

Impairment costs of £0.2 million relate to computer equipment and a property lease termination in the UK, both under a restructuring programme that commenced in the prior financial year and is now complete. There were no provisions outstanding in relation to the leases that were terminated or assets impaired.

### **St Ives Defined Benefit Pension Scheme costs**

The Scheme charges include Scheme administrative service costs of £0.8 million, £0.6 million of further past service costs related to GMP equalisation on members who have transferred out of the Scheme following further clarification on the Lloyds case, and Company costs in relation to running the scheme of £1.2 million. These items are recorded in the corporate costs segment.

### **Costs related to acquisitions made in the current and prior periods**

Costs of £1.0 million were incurred as part of the acquisition of Cascade Data Labs, LLC in December 2020 and in respect of other acquisition and divestment-related activities in the period. Charges relating to the amortisation of acquired customer relationships, proprietary techniques and trademarks amounted to £8.7 million in the year. During the year, charges relating to contingent consideration deemed as remuneration of £5.0 million (2020: £6.2 million) were recorded in the Consolidated Income Statement as adjusting items. The charges in the year arose in respect of the acquisition of SpireMedia, Inc. (d.b.a. Kin and Carta Denver) (£2.1 million) in the prior year and Cascade Data Labs (£2.9 million) in the current year. These are recorded in the Connective segment.

### **Tax**

In the current period, the tax credit of £1.7 million (2020: £4.2 million) relates to the items noted above. No tax credit is recorded in respect of the deemed remuneration charges in respect of Spire Digital and Cascade or acquisition costs. In 2020, there was no tax credit associated with the impairment of Edit goodwill.

### **Discontinued operations**

Discontinued operations adjusting items of £5.2 million in the current year represents the gain on the disposal of Hive for gross proceeds of £13.8 million, net of the loss on disposal of Pragma of £0.2 million. In the prior year, the figure represents amortisation of intangibles in respect of Hive and Pragma, and impairments in respect of Pragma intangible assets.

## 8. Discontinued Operations and Post Balance Sheet Events

Discontinued operations comprise the results of three businesses that were divested in or after the end of the period:

- Pragma, a commercial retail space consulting business;
- Hive, a healthcare communications consultancy; and
- Incite, a strategic marketing and planning consultancy.

On 31 August 2020, Pragma was divested for a consideration of £0.25 million, before adjustments for cash, debt and working capital items, received in cash at completion. The loss on disposal of Pragma of £0.2 million is recorded with adjusting items.

On 16 December 2020, Hive was divested for a consideration of £13.8 million before adjustments for cash, debt and working capital items received in cash at completion. After adjustments for cash, debt and working capital, net proceeds from Hive of £12.35 million were received in the year. The gain on disposal of Hive of £5.4 million is recorded with adjusting items. Both businesses were classified as assets held for sale as at 31 July 2021.

On 28 September 2021, the Group completed the sale of Incite for a consideration of £18.3 million before adjustments for cash, debt and working capital items. After adjustments for cash, debt and working capital, and costs, net cash proceeds arose on the sale of Incite of £14.6 million at completion, with a further £1.0 million due on 31 July 2022, which is not contingent on business performance. The net gain on divestment of Incite, which will be recorded in adjusting items in FY22 was approximately £15 million. Due to the completed sale, Incite has been classified as 'held for sale' at year-end.

# Notes to the Consolidated Financial Statements

Continued

## 8. Discontinued Operations and Post Balance Sheet Events Continued

The results of the discontinued operations for the year were as follows:

	2021 £'000	Restated* 2020 £'000
<b>Revenue</b>	<b>20,017</b>	<b>27,525</b>
<b>Net revenue</b>	<b>14,883</b>	<b>20,338</b>
<b>Gross profit</b>	<b>8,927</b>	<b>10,518</b>
Selling costs	(1,893)	(2,505)
Administrative expenses	(3,601)	(4,299)
<b>Adjusted operating profit</b>	<b>3,433</b>	<b>3,714</b>
Finance expenses	(133)	(173)
<b>Adjusted profit before tax</b>	<b>3,300</b>	<b>3,541</b>
Adjusting items	5,171	(1,427)
<b>Profit before tax</b>	<b>8,471</b>	<b>2,114</b>
Income tax charge	(678)	(67)
<b>Profit for the year</b>	<b>7,793</b>	<b>2,047</b>

\* Prior year has been restated to classify incite as discontinued operations.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

<b>Asset held for sale</b>	<b>31 July 2021 £'000</b>
Property, plant and equipment	1,926
Goodwill	601
Deferred tax assets	60
Trade and other receivables	4,512
	<b>7,099</b>
<b>Liabilities held for sale</b>	<b>31 July 2021 £'000</b>
Lease liabilities	2,212
Trade and other payables	4,102
Income tax payable	88
Deferred income	1,021
Provisions	129
	<b>7,552</b>

**9. Net Pension Finance Income**

	2021 £'000	2020 £'000
Investment income on defined benefit pension scheme assets (note 27)	5,479	8,153
Interest costs on defined benefit pension scheme obligations (note 27)	(5,458)	(7,992)
	21	161

**10. Other Finance Expense**

	2021 £'000	Restated* 2020 £'000
Interest on bank overdrafts and loans	994	1,982
Finance lease interest	769	939
Bank arrangement fee relating to current bank revolving facility	267	211
	2,030	3,132

\* Prior year has been restated to classify Incite as discontinued operations.

**11. Tax**

Income tax on the profit/(loss) as shown in the Consolidated Income Statement is as follows:

	2021 £'000	Restated* 2020 £'000
<b>Continuing operations</b>		
Total current tax charge:		
Current period	(2,359)	(693)
Adjustments in respect of prior periods	(348)	348
Total current tax charge	(2,707)	(345)
Deferred tax on origination and reversal of temporary differences:		
Deferred tax credit	1,969	2,512
Adjustments in respect of prior periods	(82)	(163)
Total deferred tax credit	1,887	2,349
Total income tax (charge)/credit	(820)	2,004
<b>Discontinued operations</b>		
Total current tax charge:		
Current period	(516)	(23)
Adjustments in respect of prior periods	(153)	(9)
Total current tax charge	(669)	(32)
Deferred tax on origination and reversal of temporary differences:		
Deferred tax credit	–	7
Adjustments in respect of prior periods	(9)	(42)
Total deferred tax charge	(9)	(35)
Total income tax charge	(678)	(67)

# Notes to the Consolidated Financial Statements

Continued

## 11. Tax Continued

	2021 £'000	Restated* 2020 £'000
<b>Continuing and discontinued operations</b>		
Total current tax charge:		
Current period	(2,875)	(716)
Adjustments in respect of prior periods	(501)	339
Total current tax charge	(3,376)	(377)
Deferred tax on origination and reversal of temporary differences:		
Deferred tax credit	1,969	2,519
Adjustments in respect of prior periods	(91)	(205)
Total deferred tax credit	1,878	2,314
Total income tax (charge)/credit	(1,498)	1,937

\* Prior year has been restated to include Incite as discontinued operations

Income tax on the profit/(loss) from continuing operations before and after adjusting items is as follows:

	2021 £'000	Restated* 2020 £'000
Tax charge on adjusted profit before tax	(2,558)	(2,164)
Tax credit on adjusting items	1,738	4,168
Total income tax (charge)/credit	(820)	2,004

The tax charge for continuing operations can be reconciled to the profit/(loss) before tax shown in the Consolidated Income Statement as follows:

	2021 £'000	Restated* 2020 £'000
Loss before tax from continuing operations	(4,277)	(36,302)
Tax calculated at a rate of 18.6% (2020: 18.8%)	797	6,816
Expenses not deductible for tax purposes	(2,121)	(5,643)
Effect of tax deductible goodwill	707	759
Effect of change in United Kingdom corporate tax rate	—	(349)
Credit on research and development activities	208	236
Reassessment of tax losses	19	—
Adjustments in respect of prior periods	(430)	185
Total income tax (charge)/credit	(820)	2,004

## 11. Tax Continued

Income tax as shown in the Consolidated Statement of Comprehensive Income is as follows:

	2021 £'000	2020 £'000
United Kingdom corporation tax charge	–	425
Deferred tax on origination and reversal of temporary differences	(3,401)	917
Total income tax charge	(3,401)	1,342

The income tax charge in the current year and the credit in the prior year relate to the actuarial gains and losses respectively arising on the St Ives Defined Benefit Pension Scheme.

Income tax as shown in the Consolidated Statement of Changes in Equity is as follows:

	2021 £'000	2020 £'000
Deferred tax on origination and reversal of temporary differences	1,220	75

Income tax credits in the current and prior year relate to the difference between the intrinsic value of the vested portion of employee share options at the balance sheet date and their fair market value at the date of grant.

### Statutory UK and US tax rates

The UK statutory rate of 19% has been used for computation of UK corporate income tax liabilities and has been reflected in the calculation of deferred tax balances at the balance sheet date. The tax charges related to US subsidiaries have been calculated using a rate of 28.51% (2020: 28.51%), which includes the federal rate of 21% and the US state level income tax rates vary from 0% to 8% (2020: 0% to 8%). We expect the Group's FY22 effective tax rate to be 22%.

### Blended tax rates

The adjusted effective rate of underlying taxes decreased to 20% from 21% versus the prior year due to the increased contribution of US profits to the Group. Whilst US profits have a marginal tax rate of c.28% compared to the UK rate of 19%, the US average tax rate is reduced by the tax deductible goodwill associated with prior US acquisitions. The resulting effective US federal and state rate is 21%. The US federal statutory corporation tax rate is 21% (2020: 21%).

## 12. Acquisitions

### Cascade Data Labs, LLC

On 23 December 2020, the Group acquired 100% of the issued stock of Cascade Data Labs, LLC ("Cascade"), a data transformation business based in Portland, Oregon, USA. The total cash outflow in the current period in respect of the acquisition was £6.0 million. That comprised the initial consideration paid in December 2020 of £4.4 million, net of cash acquired, and a further payment of £1.6 million was made in June 2021, both of which were determined by reference to the EBITDA achieved by Cascade Digital for the financial year ended 30 September 2020.

Further amounts are payable in respect of the growth in adjusted EBITDA for the 12 months ended 30 September 2021 and the 12 months ended 30 September 2022 respectively. The related deferred consideration vests between September 2022 and September 2024. Up to 75% of the deferred consideration payable may be settled in shares of Kin and Carta plc at the Company's discretion. The total consideration payable, including contingent consideration payable, which is deemed as remuneration, is capped at £22.3 million.

# Notes to the Consolidated Financial Statements

Continued

## 12. Acquisitions Continued

### Purchase price allocation

The amounts recognised for each class of assets and liabilities at the acquisition date were as follows:

	Historical net assets £'000	Fair value adjustments £'000	Fair value of net assets £'000
Customer relationship portfolio	–	2,322	2,322
Trade and other receivables	467	–	467
Bank balances and cash	742	–	742
Trade and other payables	(690)	–	(690)
Foreign exchange	100	–	100
<b>Net assets acquired</b>	<b>619</b>	<b>2,322</b>	<b>2,941</b>
Goodwill			2,182
<b>Total consideration</b>			<b>5,123</b>

The goodwill that arose on the combinations can be attributed to the value of future growth from new customers and the assembled workforce. The gross contractual amount for trade receivables due is £0.5 million, equal to their fair value.

Upon acquisition, a deferred tax liability arises in relation to the customer relationship portfolio and a deferred tax asset arises in respect of the tax deductible goodwill. The deferred tax asset is recognised up to the value of the liability and netted off against the liability where appropriate.

The fair value of the total amounts paid and payable are as follows:

	Non- contingent consideration £'000	Deemed remuneration £'000	Total consideration £'000
Cash consideration payments made in the current period	4,381	1,575	5,956
Estimated future consideration payable in cash and shares	–	4,666	4,666
<b>Total consideration</b>	<b>4,381</b>	<b>6,241</b>	<b>10,622</b>

Deferred amounts that have been recognised to date have not been discounted since the effect of discounting is not considered to be material. Estimated future amounts payable to former shareholders in respect of the acquisition have been or will be accounted for as follows:

	Deemed remuneration: cash £'000	Deemed remuneration: equity £'000	Total deemed remuneration £'000
<b>Total accounted for at 31 July 2021</b>	<b>320</b>	<b>960</b>	<b>1,280</b>
Not yet accrued	846	2,540	3,386
<b>Total deemed remuneration paid and payable</b>	<b>1,166</b>	<b>3,500</b>	<b>4,666</b>



## 12. Acquisitions Continued

The estimated deemed remuneration of £3.4 million not yet recognised at 31 July 2021 will be charged to the income statement over the 38 months from 1 August 2021, as this is the service period that consideration is contingent. The acquisition had the following impact on investing cash outflows in the current period:

	£'000
Cash consideration	5,123
Less cash acquired	(742)
<b>Investing cash outflows</b>	<b>4,381</b>

In addition, the Group incurred acquisition expenses of £1.0 million in relation to this and other acquisition and divestment-related projects, which were recognised as an adjusting item in the Corporate costs segment.

### Spire Digital

In March 2021, \$4.6 million (£3.3 million) of the deferred consideration payable in respect of Spire, which was acquired in the prior year, was settled by the payment to the former shareholders of \$2.3 million in cash and the issue of 1,296,753 ordinary shares in Kin and Carta plc.

Further amounts of \$8.2 million (£5.9 million) in respect of the remaining deemed remuneration, which has now been finally determined, are to be settled in February 2023. Half the settlement amount will be in cash and the other in Kin and Carta plc shares. On 25 March 2021, the Group issued a further 2,311,944 shares in Kin and Carta plc, which have been allocated to the former shareholders under a reverse vesting mechanism and will finally vest in February 2023, settling \$4.1 million (£2.95 million) of the remaining deemed remuneration. The issue of shares has been recorded in equity against the Employee Share Options Plan ("ESOP") Reserve. Both amounts are subject to service vesting conditions and are accounted for as a deemed remuneration expense as an adjusting item, and are accrued over the relevant vesting period through to February 2023. The remaining balance of \$4.1 million of deferred consideration will be settled in cash in February 2021. Both amounts are subject to service vesting conditions and are accounted for as a deemed remuneration expense as an adjusting items and accrued over the relevant vesting period.

The total deferred consideration for the Group is as follows:

	Deemed remuneration: cash £'000
Accounted for at 31 July 2021 for Cascade	320
Accounted for at 31 July 2021 for Spire Digital	1,568
<b>Total</b>	<b>1,888</b>

## 13. Dividends

No final dividend is proposed. The total dividend for the year is £nil per share (2020: £nil per share).

# Notes to the Consolidated Financial Statements

Continued

## 14. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	2021 Number of shares	2020 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	169,985	163,871
Effect of dilutive potential ordinary shares:		
Share options	5,419	2,313
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	175,404	166,184

On 25 March 2021, the Group allotted 3,608,707 shares in Kin and Carta plc to the former shareholders of Spire to settle a portion of the deferred consideration payable (refer to note 12). 2,311,944 of these shares were issued under a reverse vesting mechanism and will vest in February 2023, subject to service conditions. The remaining 1,296,763 shares were fully vested at the date of allotment. All the allotted shares have been included in the calculation of the weighted average number of shares for the year ended 31 July 2021. A further 176,956 shares were issued to settle employee share option exercises.

In the prior period, 15,333,582 shares were issued at a price of 89 pence per share through a share placing exercise leading to cash proceeds, net of costs of issuance, of £13.1 million. The proceeds of the share placing were used to fund the acquisition of Spire.

	2021		Restated* 2020	
	Earnings/ (loss) £'000	Earnings/ (loss) per share pence	Earnings/ (loss) £'000	Earnings/ (loss) per share pence
<b>Continuing operations:</b>				
<b>Earnings/(loss) and basic earnings/(loss) per share</b>				
Adjusted earnings and adjusted basic earnings per shares	10,440	6.14	5,917	3.61
Adjusting items	(15,537)	(9.14)	(40,215)	(24.54)
Loss and basic loss per share	(5,097)	(3.00)	(34,298)	(20.93)

**14. Earnings Per Share** Continued**Loss and diluted loss per share**

As there is a loss after tax arising for the statutory results for the year, the effect of the dilutive potential ordinary shares has been disregarded for the related diluted loss per share calculations, since its incorporation into the calculations would be anti dilutive.

	2021		Restated* 2020	
	Earnings/ (loss) £'000	Earnings/ (loss) per share pence	Earnings/ (loss) £'000	Earnings/ (loss) per share pence
<b>Discontinued operations:</b>				
<b>Earnings/(loss) and basic earnings/(loss) per share</b>				
Adjusted earnings and adjusted basic earnings per share	2,622	1.54	3,474	2.12
Adjusting items	5,171	3.04	(1,427)	(0.87)
Earnings and basic earnings per share	7,793	4.58	2,047	1.25
<b>Earnings/(loss) and diluted (loss)/earnings per share</b>				
Adjusted earnings and adjusted diluted earnings per share	2,622	1.49	3,474	2.09
Adjusting items	5,171	2.95	(1,427)	(0.86)
Earnings and diluted earnings per share	7,793	4.44	2,047	1.23
<b>Continuing and discontinued operations:</b>				
<b>Earnings/(loss) and basic earnings/(loss) per share</b>				
Adjusted earnings and adjusted basic earnings per share	13,062	7.68	9,391	5.73
Adjusting items	(10,366)	(6.10)	(41,642)	(25.41)
Earnings/(loss) and basic/(loss) earnings per share	2,696	1.58	(32,251)	(19.68)
<b>Earnings/(loss) and diluted earnings/(loss) per share</b>				
Adjusted earnings and adjusted diluted earnings per share	13,062	7.45	9,391	5.65
Adjusting items	(10,366)	(5.91)	(41,642)	(25.06)
Earnings and diluted earnings per share	2,696	1.54	(32,251)	(19.68)

Adjusted (loss)/earnings is calculated by adding back adjusting items, as adjusted for tax, to the (loss)/profit for the period.

\* Prior year has been restated to include Incite as discontinued operations.

# Notes to the Consolidated Financial Statements

Continued

## 15. Property, Plant and Equipment

	Land and buildings Long leases £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Right of use buildings £'000	Right of use plant and machinery £'000	Right of use vehicles £'000	Total £'000
<b>Cost or valuation:</b>							
<b>At 1 August 2019</b>	<b>3,909</b>	<b>3,759</b>	<b>2,981</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,649</b>
Adoption of IFRS 16	–	–	–	30,955	42	16	31,013
Additions	855	507	74	759	–	–	2,195
Acquisitions	52	42	10	517	–	–	621
Disposals	(489)	(1,213)	(301)	(101)	–	–	(2,104)
Reclassification	–	110	(110)	–	–	–	–
Reclassified to assets held for sale	(249)	(21)	(228)	(2,336)	–	–	(2,834)
Foreign exchange	(116)	(249)	(236)	(1,118)	–	–	(1,719)
<b>At 31 July 2020</b>	<b>3,962</b>	<b>2,935</b>	<b>2,190</b>	<b>28,676</b>	<b>42</b>	<b>16</b>	<b>37,821</b>
Additions	46	1,125	161	2,094	–	–	3,426
Disposals	(1,238)	(1,485)	(636)	(491)	–	–	(3,850)
Revaluation	56	149	85	–	–	–	290
Reclassification	–	(44)	44	–	–	–	–
Reclassified to assets held for sale	(467)	–	(819)	(4,698)	–	–	(5,984)
Foreign exchange	(70)	(245)	(126)	(873)	–	–	(1,314)
<b>At 31 July 2021</b>	<b>2,289</b>	<b>2,435</b>	<b>899</b>	<b>24,708</b>	<b>42</b>	<b>16</b>	<b>30,389</b>
<b>Accumulated depreciation and impairment:</b>							
<b>At 1 August 2019</b>	<b>1,855</b>	<b>1,913</b>	<b>1,382</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,150</b>
Adoption of IFRS 16	–	–	–	11,475	13	3	11,491
Charge for the period	669	1,141	506	3,389	14	8	5,727
Acquisitions	39	38	9	–	–	–	86
Impairment	427	7	62	2,036	–	–	2,532
Disposals	(413)	(1,207)	(293)	(101)	–	–	(2,014)
Reclassification	–	99	(99)	–	–	–	–
Reclassified to assets held for sale	(249)	(20)	(179)	(1,907)	–	–	(2,355)
Foreign exchange	(64)	(153)	(99)	(194)	–	–	(510)
<b>At 31 July 2020</b>	<b>2,264</b>	<b>1,818</b>	<b>1,289</b>	<b>14,698</b>	<b>27</b>	<b>11</b>	<b>20,107</b>
Charge for the period	333	849	340	2,512	14	5	4,053
Impairment	–	45	111	300	–	–	456
Revaluation	48	84	26	–	–	–	158
Disposals	(1,231)	(1,485)	(625)	(491)	–	–	(3,832)
Reclassification	–	(22)	22	–	–	–	–
Reclassified to assets held for sale	(336)	–	(698)	(3,024)	–	–	(4,058)
Foreign exchange	(50)	(156)	(88)	(228)	–	–	(522)
<b>At 31 July 2021</b>	<b>1,028</b>	<b>1,133</b>	<b>377</b>	<b>13,767</b>	<b>41</b>	<b>16</b>	<b>16,362</b>
<b>Net book value:</b>							
<b>At 31 July 2021</b>	<b>1,261</b>	<b>1,302</b>	<b>522</b>	<b>10,941</b>	<b>1</b>	<b>–</b>	<b>14,027</b>
<b>At 31 July 2020</b>	<b>1,698</b>	<b>1,117</b>	<b>901</b>	<b>13,978</b>	<b>15</b>	<b>5</b>	<b>17,714</b>

The amount of fully depreciated property, plant and equipment as at the period end was £3.7 million (2020: £4.4 million).

## 16. Leases

The Group has leases for land and buildings, plant and machinery, and motor vehicles. These leases are included in property, plant and equipment, with the exception of short-term and low-value leases, the costs of which are expensed as they arise.

The movement in the lease liabilities relating to right-of-use assets for the Group is as follows:

	2021 £'000	2020 £'000
At 1 August	19,779	-
Total lease liabilities recognised under IFRS 16 at 1 August 2019	-	23,879
Acquisitions	-	517
Additions	2,094	1,508
Repayments	(4,114)	(4,843)
Reduction due to exercise of break clause	(306)	(758)
Interest expense	893	1,100
Reclassified to liabilities relating to assets held for sale	(2,212)	(670)
Foreign exchange	(821)	(954)
<b>At 31 July</b>	<b>15,313</b>	<b>19,779</b>
- Current liabilities	2,823	3,492
- Non-current liabilities	12,490	16,287

Additions in FY21 relate to new leases in London and Manchester. The reduction due to lease termination relates to a lease exited in Denver, Colorado. The reclassifications of liabilities held for sale relate to leases in the name of incite entities. Reclassification of these leases took place on 31 July and payments under these leases in FY21 are included in the repayments figure above.

The following expenses were recognised in the consolidated income statement for continuing operations:

	2021 £'000	2020 £'000
<b>Continuing operations</b>		
Short-term lease expense	443	1,130
Low-value assets lease expense	-	41
Depreciation of right-of-use	1,979	3,178
Operating profit	2,422	4,349
Interest expense	769	1,100
<b>Profit before tax</b>	<b>3,191</b>	<b>5,449</b>

The total interest expense of £0.9 million includes £0.8 million continued operations and £0.1m discontinued operations.

The following lease cash flows were recognised in the Consolidated Cash Flow Statement:

	2021 £'000	2020 £'000
Total cash outflow for leases excluding discontinued operations in prior year	(4,114)	(4,443)
Total cash outflow for leases - discontinued operations in prior year	(100)	(400)
<b>Total cash outflow for leases</b>	<b>(4,214)</b>	<b>(4,843)</b>

# Notes to the Consolidated Financial Statements

Continued

## 16. Leases Continued

The maturities of the lease liabilities are as follows:

	2021 £'000	2020 £'000
Amounts payable:		
Within one year	2,823	3,492
In two to five years	7,171	8,963
After five years	5,319	7,324
<b>Lease liability at 31 July</b>	<b>15,313</b>	<b>19,779</b>

## 17. Investment Property

	Investment property £'000
<b>Cost:</b>	
At 31 July 2020	8,144
Additions	–
<b>At 31 July 2021</b>	<b>8,144</b>
<b>Accumulated depreciation:</b>	
At 31 July 2020	3,437
Charge	269
<b>At 31 July 2021</b>	<b>3,706</b>
<b>Net book value:</b>	
<b>At 31 July 2021</b>	<b>4,438</b>
At 31 July 2020	4,707

As at 31 July 2021, the Directors consider that the fair value of investment properties is not materially different from its net book value of £4.4 million. This was arrived at on the basis of a valuation carried out by CBRE on 25 November 2016, independent valuers not connected with the Group. The valuation conforms to International Valuation Standards.

An amount in relation to rental income from investment properties of £0.8 million (2020: £0.8 million) has been recognised in the Consolidated Income Statement, recorded as a credit to adjusted administrative expenses.

The Group has freehold land included within the £4.4 million with a net book value of £0.2 million (2020: £0.2 million). These assets have not been depreciated.

## 18. Goodwill and Other Intangible Assets

£'000

### Cost and carrying amount of goodwill:

<b>At 1 August 2019</b>	<b>85,662</b>
Acquisition of businesses	7,316
Impairment – continuing operations	(17,544)
Impairment – discontinued operations	(886)
Reclassified to assets held for sale	(5,500)
Foreign exchange	(1,038)
<b>At 31 July 2020</b>	<b>68,010</b>
Acquisition of businesses	2,182
Reclassified to assets held for sale	(601)
Foreign exchange	(1,219)
<b>At 31 July 2021</b>	<b>68,372</b>

Acquisition of businesses comprises the purchase of Cascade Data Labs. £0.6 million of goodwill related to Incite was reclassified to assets held for sale in the period. The exchange rate movement of £1.2 million (2020: £1.0 million) relates to goodwill balances held in respect of Solstice, Spire and Cascade, which are denominated in US Dollars.

Goodwill is allocated amongst the following cash-generating units:

	2021 £'000	2020 £'000
<b>Continuing operations:</b>		
Connect Europe (Formerly known as AmazeRealise)	31,294	31,294
Create Europe (Formerly known as The App Business)	8,378	8,378
Solstice	13,633	14,443
Spire Digital	6,907	7,316
Cascade Data Labs	2,182	–
Edit	5,978	5,978
Incite	–	601
	<b>68,372</b>	<b>68,010</b>

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

### Acquisitions and reclassifications

The Incite goodwill value was reclassified to assets held for sale in the period. Further details can be found in note 8. The Cascade goodwill arose on the acquisition of Cascade Data Labs in December 2020. Further details can be found in note 12.

### Assumptions

For those CGUs whose value is expected to be recovered primarily through continued trading, the recoverable amount is determined using a value-in-use calculation. The key assumptions for the value-in-use calculations are those regarding discount rates, terminal growth rates and cash flow forecasts in the medium term. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The Group prepares cash flow forecasts derived from five-year forecasts. These include Board-approved two-year forecasts for the financial periods 2022 and 2023, and forecasts based on a nominal revenue growth rate of 2.0% for the financial periods 2024, 2025 and 2026. A terminal nominal growth rate of 2% (2020: 2%) has been used in the value-in-use calculation to derive the terminal value for each CGU. The terminal growth assumption was applied for all CGUs tested via a value-in-use calculation.

# Notes to the Consolidated Financial Statements

Continued

## 18. Goodwill and Other Intangible Assets Continued

The pre-tax discount rate used for Connect Europe (formerly known as AmazeRealise), Create Europe (formerly known as The AppBusiness) UK-based CGUs, was 10.8% (2020: 11.9%). The pre-tax discount rate used for Solstice, Spire and Cascade, US-based CGUs, was 11.4% (2020: 14.1%).

For those CGUs whose value is expected to be recovered primarily through sale, the recoverable amount has been determined by measuring fair value less costs to sell. This applies to the Edit and Incite goodwill. Fair value was determined by reference to the consideration actually received after the balance sheet date in the case of Incite, and the estimated fair value less costs to sell in the case of Edit.

### CGUs whose values are recovered primarily through value in use

The key assumptions used in the value-in-use calculations and the sensitivities to short-term revenue growth and pre-tax discount rate assumptions are detailed below. Revenue drives the underlying profitability of the CGUs and is a KPI we use to measure growth. The pre-tax discount rate measures the Group's cost to capital. Capital is needed to drive growth through acquisitions and funding of working capital.

	Value-in-use assumptions:		Sensitivity of value in use to changes in key assumptions:	
	Pre-tax discount rate	Excess of value in use over carrying value £'000	Reduction in value in use arising from:	
			A reduction of the growth in revenue of 5% £'000	An increase in pre-tax discount by 2% £'000
Connect Europe (formerly known as AmazeRealise)	10.8%	19,422	13,750	12,625
Create Europe (formerly known as The App Business)	10.8%	40,451	2,529	10,220
Solstice	11.4%	214,333	42,844	40,877
Spire Digital	11.4%	35,691	9,441	6,706
Cascade Data Labs	11.4%	24,794	1,126	5,101

### Reasonably possible changes in key assumptions

The impairment test did not highlight any impairment of goodwill. The table above shows the impact on the value in use of a reduction of 5% in the growth of revenue and, separately, of an increase in the pre-tax discount rate to 12.80% for UK CGUs and 13.43% for US CGUs. The table shows that a reasonably possible reduction in the revenue growth rate of 5% or an increase in the discount rate by 2% would not result in an impairment of any of the CGUs.

### CGU whose values are recovered primarily through sale

The following CGUs had or are expected to have their recoverable amounts realised primarily through divestment, and were therefore tested by reference to fair value less cost to sell as detailed below:

	Goodwill £'000	Carrying value CGU £'000
Edit	5,978	5,401
Incite	601	(450)

Incite was sold subsequent to the year end date for cash proceeds of £14.6 million, net of costs and adjustments for debt and working capital, with a further £1m of cash consideration due on 31 July 2022. This was greater than the carrying value of the CGU.

The fair value less costs to sell of Edit are estimated to be greater than the carrying value of the CGU based on a diligenced offer received for the business from a credible buyer after the year end.

Therefore impairment tests did not highlight any impairment of goodwill.



**18. Goodwill and Other Intangible Assets** Continued**Other intangible assets**

	Computer software £'000	Customer relationships £'000	Proprietary techniques £'000	Trademarks £'000	Total £'000
<b>Cost:</b>					
At 1 August 2019	5,404	29,784	46,759	3,320	85,267
Acquisitions	5	1,800	6,221	1,170	9,196
Additions	213	–	–	–	213
Disposals	(26)	–	–	–	(26)
Reclassified to assets held for sale	(92)	–	–	(522)	(614)
Foreign exchange	(7)	(129)	(701)	(73)	(910)
At 31 July 2020	5,497	31,455	52,279	3,895	93,126
Acquisitions	–	2,322	–	–	2,322
Additions	82	–	–	–	82
Disposals	(3,031)	(11,713)	(15,066)	(1,296)	(31,106)
Foreign exchange	(7)	(208)	(917)	(126)	(1,258)
<b>At 31 July 2021</b>	<b>2,541</b>	<b>21,856</b>	<b>36,296</b>	<b>2,473</b>	<b>63,166</b>
<b>Accumulated amortisation:</b>					
At 1 August 2019	4,715	25,580	27,932	1,467	59,694
Charge for the period	236	2,805	6,620	1,137	10,798
Impairment (note 7)	–	–	522	1,306	1,828
Disposals	(26)	–	–	–	(26)
Reclassified to assets held for sale	(89)	–	–	(326)	(415)
Foreign exchange	(5)	(157)	(459)	(80)	(701)
At 31 July 2020	4,831	28,228	34,615	3,504	71,178
Charge for the period	201	2,937	5,336	395	8,869
Disposals	(3,031)	(11,713)	(15,066)	(1,296)	(31,106)
Foreign exchange	(6)	(167)	(544)	(130)	(847)
<b>At 31 July 2021</b>	<b>1,995</b>	<b>19,285</b>	<b>24,341</b>	<b>2,473</b>	<b>48,094</b>
<b>Net book value:</b>					
<b>At 31 July 2021</b>	<b>546</b>	<b>2,571</b>	<b>11,955</b>	<b>–</b>	<b>15,072</b>
At 31 July 2020	666	3,227	17,664	391	21,948

The research and development costs incurred during the period were estimated at £0.6 million (2020: £1.0 million). All research and development costs were expensed in the current and prior period.

# Notes to the Consolidated Financial Statements

Continued

## 18. Goodwill and Other Intangible Assets Continued

Customer relationship assets include customer contracts, order backlogs and non-contractual customer relationships. Proprietary techniques include models, algorithms and processes that are used to generate revenue from customers. These assets are recorded at fair value at the date of acquisition and are amortised over their estimated useful lives. Material customer relationships and proprietary techniques are disclosed below.

	Remaining amortisation period (months)	2021 £'000	2020 £'000
<b>Customer relationships:</b>			
Connect Europe (formerly known as AmazeRealise)	8	321	803
Edit	1	95	1,219
Spire	4	285	1,205
Cascade	29	1,870	–
		<b>2,571</b>	<b>3,227</b>

	Remaining amortisation period (months)	2021 £'000	Restated 2020 £'000
<b>Proprietary techniques:</b>			
Connect Europe (formerly known as AmazeRealise)	31	2,263	3,140
Solstice	43	3,424	4,639
Create Europe (formerly known as The App Business)	54	5,533	6,862
Spire	16	735	3,123
		<b>11,955</b>	<b>17,764</b>

Customer relationships related to Cascade arose in the context of the acquisition of Cascade Data Labs as detailed in note 12.

## 19. Investment in Joint Arrangement

	£'000
Balance at 31 July 2020	880
Disbursement from joint arrangement	(440)
Share of results of joint arrangement	700
Foreign exchange	(60)
<b>Balance at 31 July 2021</b>	<b>1,080</b>

The Group holds a 50% interest in Loop Integration LLC ("Loop"), incorporated in Illinois, USA. The business is an e-commerce consultancy specialising in Hybris software integration. During the period, there was a distribution from Loop of £0.4 million.

## 20. Other Financial Assets

	2021 £'000	2020 £'000
<b>Trade and other receivables</b>		
Amounts receivable for the sale of goods and services	23,161	15,437
Less: provision for impairment of trade receivables	(1,768)	(1,793)
Trade receivables	21,393	13,644
Accrued income	13,196	10,205
Other receivables	52	246
Prepayments and other assets	2,221	4,070
	<b>36,862</b>	<b>28,165</b>

The trade receivables balance increased significantly during the year, while the provision for impairment of trade receivables remained flat. This is due to improvement in the debtors aging during the year.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

	2021 £'000	2020 £'000
<b>Non-current assets</b>		
Other receivables	28	–

	2021 £'000	2020 £'000
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	44,971	24,408

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair value.

## 21. Derivative Financial Instruments

	2021 £'000	2020 £'000
<b>Derivative financial assets</b>		
Forward foreign currency contracts	13	48

	2021 £'000	2020 £'000
<b>Derivative financial liabilities</b>		
Forward foreign currency contracts	–	40

All forward foreign currency contracts are designated and effective as hedging instruments, which is further disclosed under note 29.

## 22. Trade and Other Payables

	2021 £'000	2020 £'000
Trade payables	6,565	5,649
Accruals for goods and services	7,178	6,747
Other taxes, social security and employee related liabilities	16,275	10,969
Other payables	599	1,145
	<b>30,617</b>	<b>24,510</b>

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

# Notes to the Consolidated Financial Statements

Continued

## 23. Loans

Loans	2021 £'000	2020 £'000
<b>Current liabilities</b>		
US Government loans	1,853	–
<b>Non-current liabilities</b>		
US Government loans	–	6,721
Bank loans – revolving credit facility	62,365	49,286
<b>Total loans</b>	<b>64,218</b>	<b>56,007</b>

### Bank loans – revolving credit facility

The Company's revolving multi-currency credit facility of £85.0 million was renewed in September 2021 and is committed until September 2025. Up to £10.5 million can be drawn as an overdraft facility. As at 31 July 2021, interest on loan drawdowns is charged at LIBOR plus a margin of 1.75%. The interest rate on loan drawdowns depends on the ratio of the Group's net debt to adjusted EBITDA on a pre-IFRS 16 basis. Interest on overdraft drawdowns is charged at an average rate of 2.00% (2020: 1.65%) over the UK base rate, and nil% (2020: 2.25%) over the US base rate, dependent on the currency of the loan. There were no USD-denominated overdrafts during the year.

As at 31 July 2021, the Group's outstanding loans within this facility were £62.4 million (2020: £49.3 million). The undrawn portion of this facility at 31 July 2021 was £22.6 million (2020: £35.7 million).

### US Government loans

In May 2020, the Group received £6.7 million in unsecured loans under the Paycheck Protection Program ("PPP") provided by the US Government, provided as part of the US CARES Act. £4.5 million of the PPP loan was forgiven by the US Government in FY21 and is recorded in adjusted other income. The remaining loan balance of £1.9 million after currency effects, and which bears an interest rate of 1%, will be repaid by May 2022.

The Directors consider that the carrying amount of the loans approximates to their fair value.

## 24. Deferred Income

	2021 £'000	2020 £'000
Deferred income	6,631	7,565

The reduction in deferred income relates to the reclassification of balances of c.£1 million associated with Incite to liabilities held for sale. All the deferred income recorded at 31 July 2020 was recognised as revenue in the current reporting period and all deferred income recorded at 31 July 2021 is expected to be recognised as revenue in the next 12 months.

## 25. Provisions

	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000
<b>Balance at 1 August 2019</b>	<b>2,167</b>	<b>1,090</b>	<b>3,257</b>
Charged to the Consolidated Income Statement	491	1,402	1,893
Utilised during the period	(627)	(570)	(1,197)
Release	(833)	(475)	(1,308)
Reclassified to liabilities held for sale	(118)	–	(118)
Currency	–	(18)	(18)
<b>Balance at 31 July 2020</b>	<b>1,080</b>	<b>1,429</b>	<b>2,509</b>
Charged to the Consolidated Income Statement	46	120	166
Utilised during the period	(246)	(797)	(1,043)
Release	–	(133)	(133)
Transfer	(130)	130	–
Reclassified to liabilities held for sale	(129)	–	(129)
Currency	–	(3)	(3)
<b>Balance at 31 July 2021</b>	<b>621</b>	<b>746</b>	<b>1,367</b>
Current	200	338	538
Non-current	421	408	829
	621	746	1,367

### Provision for repairs

Where the Group is committed under the terms of a lease to make repairs to leasehold premises, a provision for repairs is made for these estimated costs over the period of the lease. It is anticipated that these liabilities will crystallise between 2022 and 2029.

### Provision for reorganisation

The provision for reorganisation comprises redundancy payments, onerous property and other costs. The provision will be utilised when the restructuring completes or where such onerous properties are exited.

## 26. Deferred Tax

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 19% for UK operations (2020: 19%) and 28.51% for US operations (2020: 28.51%).

Deferred tax assets and liabilities are classified in the balance sheet as follows:

	2021 £'000	2020 £'000
Deferred tax assets	(3,524)	(2,477)
Deferred tax liabilities	4,030	2,496
	506	19

# Notes to the Consolidated Financial Statements

Continued

## 26. Deferred Tax Continued

The net movement in the net deferred tax liabilities is as follows:

	2021 £'000	2020 £'000
<b>At the beginning of the period 1 August 2020</b>	<b>19</b>	<b>1,317</b>
Acquisitions	—	1,793
Disposal	8	—
Credit to the Consolidated Income Statement	(1,878)	(2,314)
Items taken to other comprehensive income	3,401	(917)
Items taken directly to equity	(1,220)	(75)
Reclassified to liabilities relating to assets held for sale	60	45
Foreign exchange	116	170
<b>At the end of the period 31 July</b>	<b>506</b>	<b>19</b>

The individual movements in deferred tax liabilities/(assets) are as follows:

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Rolled over capital gains £'000	Short-term timing differences £'000	Share options £'000	Acquired intangible assets £'000	Total £'000
<b>Balance at 1 August 2019</b>	<b>573</b>	<b>1,133</b>	<b>69</b>	<b>(1,913)</b>	<b>(141)</b>	<b>1,596</b>	<b>1,317</b>
Acquisitions	—	—	—	—	—	1,793	1,793
(Credit)/charge to the Consolidated Income Statement	(1,662)	(603)	8	1,709	214	(1,979)	(2,313)
Items taken directly to other comprehensive income	(103)	(814)	—	—	—	—	(917)
Items taken directly to equity	—	—	—	—	(75)	—	(75)
Reclassified to liabilities relating to assets held for sale	41	4	—	—	—	—	45
Foreign exchange	85	—	—	—	—	84	169
<b>Balance at 31 July 2020</b>	<b>(1,066)</b>	<b>(280)</b>	<b>77</b>	<b>(204)</b>	<b>(2)</b>	<b>1,494</b>	<b>19</b>
Disposal – discontinued operations	8	—	—	—	—	—	8
(Credit)/charge to the Consolidated Income Statement	493	242	—	(455)	(542)	(1,616)	(1,878)
Items taken directly to other comprehensive income	—	3,401	—	—	—	—	3,401
Items taken directly to equity	—	—	—	—	(1,220)	—	(1,220)
Reclassified to liabilities relating to assets held for sale	—	—	—	60	—	—	60
Foreign exchange	244	—	—	—	—	(128)	116
<b>Balance at 31 July 2021</b>	<b>(321)</b>	<b>3,363</b>	<b>77</b>	<b>(599)</b>	<b>(1,764)</b>	<b>(250)</b>	<b>506</b>

## 26. Deferred Tax Continued

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Unrecognised gross tax losses, all of which have an unlimited life, are as follows:

	2021 £'000	2020 £'000
Unrecognised trading losses	1,891	820
Unrecognised capital losses	15,357	15,567
	17,248	16,387

## 27. Retirement Benefits

### Defined contribution schemes

The Group operates defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees. Payments to the schemes are expensed to the Consolidated Income Statement as they fall due. The total expense recognised in the Consolidated Income Statement for continuing operations of £2.9 million (2020: £1.8 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. At 31 July 2021, contributions of £1 million (2020: £0.9 million) due in respect of the 2021 reporting period had not been paid over to the schemes. The amounts were paid over subsequent to the balance sheet date, within the requisite time limits.

### St Ives Defined Benefit Pension Scheme

The Group operates the St Ives Defined Benefit Pension Scheme ("the Scheme") with assets held in separate trustee administered funds. Pension benefits are linked to a member's final salary at retirement and their length of service. The Scheme was closed to new entrants from 6 April 2002, and closed to future benefit accruals with effect from 31 August 2008.

The Scheme is a registered scheme under UK legislation and is contracted out of the State Second Pension. The Scheme has one current participating employer: Kin and Carta plc.

The Scheme was established from 30 September 1988 under trust and is governed by the Scheme's trust deed and rules dated 23 April 1991 and subsequent amendments. The directors of St Ives Pension Scheme Trustees Limited ("the Trustees") are responsible for the operation and the governance of the Scheme, including making decisions regarding the defined benefit pension scheme's funding and investment strategy in conjunction with the Company.

The Scheme's triennial technical valuation prepared by XPS Pensions Limited determines the cash deficit repair contributions payable by the Group. The last formal valuation showed a technical deficit of £28.4 million at April 2019. The technical valuation prepared on a "roll forward" basis as of June 2021, using the same funding assumptions, showed that the technical deficit had reduced to £2.0 million and was 99.5% funded at that date.

The bid value of the Scheme's assets as at 31 July 2021 was provided by River and Mercantile Solutions.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

# Notes to the Consolidated Financial Statements

Continued

## 27. Retirement Benefits *Continued*

The principal assumptions used for the purpose of the actuarial valuations are as follows:

	2021 per annum	2020 per annum
Discount rate	1.65%	1.40%
Expected rate of inflation	3.20%	2.80%
Expected rate of salary increases	nil	nil
Future pension increases	3.10%	2.75%

Assumed life expectancies for retirement at age of 65 are as follows:

	2021		2020	
	Male	Female	Male	Female
Members retiring immediately	21.1	23.1	21.1	23.0
Members retiring in 20 years time	22.4	24.6	22.4	24.6

The amount recognised in the Consolidated Balance Sheet in respect of the Scheme is as follows:

	2021 £'000	2020 £'000
Present value of funded obligations	400,514	395,547
Fair value of scheme assets	419,781	396,628
Retirement benefit surplus	19,267	1,081

Amounts recognised in the Consolidated Income Statement in respect of the Scheme as adjusting items are as follows:

	Note	2021 £'000	2020 £'000
Scheme administrative costs	7	773	624
Interest costs on defined benefit pension scheme obligations	9	5,458	7,992
Investment income on defined benefit pension scheme assets	9	(5,479)	(8,153)
Past service cost	7	604	–
		1,356	463

Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of the Scheme are as follows:

	2021 £'000	2020 £'000
Net measurement – losses – financial	(7,827)	(26,850)
Net measurement – (losses)/gains – experience	(3,755)	4,912
Net measurement – gains/(losses) – demographic	1,263	(1,497)
Return on assets, in excess of interest income recorded in the Consolidated Income Statement	28,196	16,077
	17,877	(7,358)



**27. Retirement Benefits** *Continued*

Changes in the present value of the Scheme obligations are as follows:

	2021 £'000	2020 £'000
Opening defined benefit obligation	395,547	379,227
Interest cost	5,458	7,992
Net measurement – losses – financial	7,827	26,850
Net measurement – (gains)/losses – demographic	(1,263)	1,497
Net measurement – losses/(gains) – experience	3,755	(4,912)
Benefits paid	(11,414)	(15,107)
Past service cost	604	–
Closing defined benefit obligation	400,514	395,547

The Group has an unconditional right to a refund of any surplus at the end of the Scheme's duration.

Changes in the fair value of the Scheme assets are as follows:

	2021 £'000	2020 £'000
Opening fair value of scheme assets	396,628	385,892
Interest income on scheme assets	5,479	8,152
Return on assets, excluding interest income, recorded in the Consolidated Statement of Comprehensive Income	28,196	16,077
Contributions by employer	1,665	2,238
Benefits paid	(11,414)	(15,107)
Scheme administrative cost	(773)	(624)
Closing fair value of Scheme assets	419,781	396,628

The fair value of the Scheme assets at the balance sheet date is analysed as follows:

	Value at 31 July 2021 £'000	Value at 31 July 2020 £'000
Equity instruments	109,652	172,903
Bonds	266,194	138,873
Other	43,935	84,852
	419,781	396,628

The Scheme's assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by the Group. Included within the Scheme assets noted above are £175.3 million (2020: £128.0 million) relating to pooled investment vehicles under a fiduciary management arrangement.

The Scheme exposes the Group to actuarial risks such as market (investment) risk, interest rate risk, inflation risk and longevity risk. The defined benefit pension scheme does not expose the Group to any unusual scheme-specific or company-specific risk.

Investment risk: the Scheme holds some of its investments in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide the best returns over the long term, any short-term volatility could cause additional funding to be required. Derivative contracts are used from time to time, which would limit losses in the event of a fall in equity markets.

# Notes to the Consolidated Financial Statements

Continued

## 27. Retirement Benefits Continued

Interest rate risk: the Scheme's liabilities are assessed using market rates of interest to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised as an adjusting item in the Consolidated Income Statement is also calculated using the market rate of interest. The Scheme's swap investments are expected to provide a degree of protection from any movement in the market rate of interest.

Inflation risk: a significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a hedge against inflation over the long term, rising inflation over the short term could lead to an increase in the deficit. The Scheme's swap investments are expected to provide a degree of protection from any short-term inflationary movements.

Longevity risk: in the event that members live longer than assumed, the liabilities may be understated, thus increasing any deficit.

A sensitivity analysis of the principal assumptions used to measure the defined benefit pension obligation as at 31 July 2021 is analysed as follows. Based on the assumptions set out above, the impact on the present value of the defined benefit obligations of changing the following individual assumptions (with all other assumptions remaining unchanged) is set out below. Assumption changes in the opposite direction would reduce liabilities by a similar magnitude.

	Change in assumption	Change £'000	31 July 2021 £'000
Discount rate	Reduce by 0.25%	17,740	418,254
Rate of Inflation (RPI)	Increase by 0.25%	13,844	414,358
Assumed life expectancy at age 65	Increase by 1 year	20,327	420,841

Approximately 35% of the plan assets were invested in return-seeking assets at 31 July 2021, providing a higher level of return over the longer period. This has reduced from 65% at 31 July 2020 and reflects a reduction in the level of asset risk adopted by the Scheme, following the substantial improvement in the level of technical funding in the year. Derivative instruments are in place to protect against significant falls in asset values and changes in interest and inflation rates. The level of risk to the Group of the Scheme reduced in the year and the strength of the Group's covenant over the Scheme has improved.

The Group paid deficit repair contributions of £1.0 million in 2021 (2020: £1.7 million), and will pay fixed contributions of £2.0 million in FY22, as well as further payments contingent on free cash flow generation in FY22, adjusted for certain pension items, in excess of the £2.0 million. Contributions payable in 2023 and beyond will be determined at the end of FY22. In the year, the Company also paid £0.4 million towards the cost of running the Scheme and £0.3 million of contributions in respect of the additional cost of staff who took early retirement on unreduced pensions, an option available to a small portion of the membership.

The liabilities of the Scheme are based on the current value of expected benefit payment cash flows to members of the Scheme over the next 75 years. The average duration of the liabilities is approximately 18 years.

The Scheme has one current participating employer: Kin and Carta plc. Kin and Carta plc is responsible for paying all contributions to the Scheme. Kin and Carta plc has an unconditional right to a refund of any surplus in the defined benefit pension scheme at the end of the Scheme's duration. Kin and Carta plc is also liable for all the liabilities on wind-up or withdrawal from the Scheme in accordance with the Scheme's trust deed and rules.

## 28. Financial Instruments

The financial instruments by category and maturity profile as at 31 July 2021 are as follows:

Financial instrument category	Note	2021 Amortised cost £'000	2020 Amortised cost £'000	2021 Fair value through profit and loss £'000	2020 Fair value through profit and loss £'000	Maturity profile
Trade and other receivables	20	36,862	28,165	–	–	Less than 12 months
Cash and cash equivalents	20	44,971	24,408	–	–	Less than 12 months
Trade and other payables	22	30,617	24,510	–	–	Less than 12 months
Derivative financial instruments – assets	21	–	–	13	48	Less than 12 months
Derivative financial instruments – liability	21	–	–	–	40	Less than 12 months
Deferred consideration payable	12	–	–	1,888	3,901	More than 12 months
US Government loans	23	1,853	6,721	–	–	Less than 12 months
Bank borrowings	23	62,365	49,286	–	–	Less than 12 months

The maturity profile is based on the remaining period between the balance sheet date and the contractual maturity date of the Group's financial assets/liabilities at 31 July 2021, based on contractual undiscounted receipts/payments.

## 29. Financial Risk Management

The Group's Treasury function is responsible for managing the Group's exposure to financial risk and operates within a defined set of policies and procedures reviewed and approved by the Board.

These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

At the 2021 period end, the Group's borrowings consisted of loan drawdowns under the Group's revolving multi-currency credit facility as well as US Government loans (refer to note 23). As at 31 July 2021, the Group's revolving multi-currency borrowings were set to mature within one to three months. The US Government loans will be repaid by May 2022. The loan drawdowns are interest bearing and are recorded on an undiscounted basis. Under the terms of the facility, the Group has the right to renew these borrowings until the expiration of the facility.

### Interest rate risk

The Group carries a cash flow risk where there are changes in the interest rate levied on the Group's borrowings as currently interest on the Group's borrowings is at floating rates. The Group finances its operations through a mixture of retained earnings and bank borrowings. Group policy is to constantly review the exposure risk to interest rate fluctuations in relation to the risk as a proportion of Group earnings and, wherever possible, with matching short-term deposits of surplus funds. The Group is not subject to fair value interest rate risk as the majority of debt is at floating rates.

### Interest rate management

An analysis of financial assets and liabilities exposed to interest rate risk by currency is set out below:

#### Financial assets subject to interest rate risk

	2021 £'000	2020 £'000
US Dollar	9,911	18,108
Sterling	34,096	5,797
Euro	340	331
Argentine Peso	616	172
Singapore Dollar	8	–
	44,971	24,408

# Notes to the Consolidated Financial Statements

Continued

## 29. Financial Risk Management Continued

The Group's financial assets comprise cash and cash equivalents, all of which attract interest at the relevant base rate.

### Financial liabilities subject to interest rate risk

	2021 £'000	2020 £'000
Sterling bank loans	30,000	15,000
US Dollar bank loans	32,365	42,565
	<b>62,365</b>	<b>57,565</b>

The Group's bank liabilities comprise loan borrowings, which bear interest at floating rates based upon Sterling and US Dollar LIBOR, and overdraft borrowings, which bear interest at floating rates based upon UK bank base rate.

The Group's finance lease liabilities and US Government loans are not subject to interest rate risk.

### Interest rate sensitivity analysis

The analysis shows the additional charge to the Consolidated Income Statement assuming that the amount of the liability outstanding at the balance sheet date was outstanding for the entire period. This analysis excludes US Government loans (see note 23):

	2021 £'000	2020 £'000
Assumed Sterling LIBOR of 1%	300	150
Assumed US Dollar LIBOR of 1%	324	343

The changes would not have impacted other equity reserves as all interest bearing financial assets and liabilities are subject to floating interest rates and their fair values do not fluctuate with changes in interest rates.

### Foreign exchange risk

From time to time, the Group enters into contracts to supply material services to customers trading in the following regions:

- Europe at prices denominated in Euros;
- USA at prices denominated in US Dollars;
- Singapore at prices denominated in Singapore Dollars; and
- Canada at prices denominated in CAD Dollars.

### Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to cover specific foreign currency payments and receipts and to manage the risk associated with anticipated sale and purchase transactions. Forward foreign exchange contracts have been used to hedge the exchange rate risk arising from these commitments, which are designated as cash flow hedges. As at 31 July 2021, the aggregate amount of unrealised gains under forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on trade receivables and anticipated sale transactions amounted to £13,000. It is anticipated that the sales receipts will occur in the 12 months following the balance sheet date.

## 29. Financial Risk Management Continued

The following table details the forward currency contracts outstanding at the period end:

	Average exchange rate Sterling: foreign currency	Foreign currency LC '000	Contract value £'000	Notional value £'000
Sell Euros (up to 12 months)	1.16	2,450	2,106	2,090
Sell US Dollars (up to 12 months)	1.40	760	543	546

### Exchange rate sensitivity analysis

As at 31 July 2021, \$45 million dollars were drawn in US Dollars on the revolving credit facility and \$2.6 million were drawn on US Government loans.

The Group also faces foreign currency exposures on other assets and liabilities denominated in currencies other than the functional currency of its subsidiaries. In the normal course of business, the Group closely monitors its subsidiaries' net asset balances dominated in other currencies and where a potential and material foreign exchange loss risk is identified, the Group will hedge this exposure with its financial institutions.

### Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Consolidated Balance Sheet are net of provision for impairment of trade receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group's credit risk is relatively low as the Group maintains credit insurance for all of its UK and US operations up to a maximum aggregate claim in any one year of £7.5 million. In addition, its UK subsidiaries' sales are principally with a large number of counterparties and customers in the UK, and are denominated in Sterling.

Before accepting any new customers, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly.

Included in the Group's trade receivables balance are debtors with a carrying amount of £2.4 million (2020: £3.8 million), which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of impaired receivables:

	2021 £'000	2020 £'000
Between 0 and 59 days	159	170
Between 60 and 89 days	252	167
Between 90 and 119 days	11	240
120 days and above	506	454
	928	1,031

# Notes to the Consolidated Financial Statements

Continued

## 29. Financial Risk Management Continued

*Movement in provision for impairment of trade receivables*

	2021 £'000	2020 £'000
Balance at the beginning of the period	1,031	988
Impairment losses recognised	93	190
Impairment losses reversed	(196)	(147)
Balance at the end of the period	928	1,031

### Consideration of expected credit losses

In determining the recoverability of a trade receivable, the Group considers any change in the quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated, and being covered by credit insurance arrangements. Accordingly, the Directors believe that there is no further credit provision required in excess of the provision for impairment of trade receivables already recognised.

### Liquidity risk

The Group's policy is to maintain flexibility with respect to its liquidity position, by utilising short-term cash deposits and, where necessary, short-term bank borrowings for working capital, and longer-term borrowings for capital expenditure requirements. The Group has access to a revolving credit facility of £85.0 million. Up to £7.5 million of this facility can be drawn as an overdraft facility. The new facility will expire in September 2025. The contractual maturities of drawn down borrowings, as well as undrawn facilities, are detailed in note 23.

### Capital risk management

The Group manages its capital to ensure that entities in the Group will each be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents, and equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The Board have reviewed and discussed the Group's funding requirements and concluded that the Group is well served by its current funding arrangements and do not see any need to adjust the Group's capital in order to meet its objectives.

Interest on loan drawdowns is charged at LIBOR plus a margin of 1.75%. The interest rate on loan drawdowns depends on the ratio of the Group's net debt to adjusted EBITDA on a pre-IFRS 16 basis. Interest on overdraft drawdowns is charged at an average rate of 2.00% (2020: 1.65%) over the UK base rate, and nil% (2020: 2.25%) over the US base rate, dependent on the currency of the loan. There were no USD denominated overdrafts during the year.

The Group is subject to covenants on its borrowings (further discussed in the financial review section, in the CFO Report), which could be considered an externally imposed capital requirement. The Board continually monitors the Group's performance against its banking covenants and undertakes monthly reviews of working capital, cash forecasts, and headroom on banking covenants. At the period end, the Group's leverage ratio for bank covenant purposes was 0.99 times (2020: 1.4 times) against a maximum limit of 2.5 times, and interest cover was 14.7 times (2020: 6 times) against a minimum of 4 times. The Group has fully complied with the requirements of these covenants during the period under review and expects to continue to do so.

### 30. Share Capital

	Number of shares	Ordinary shares of 10p each £'000
<b>Issued and fully paid:</b>		
At 31 July 2020	168,760,058	16,876
Issued during the period	3,785,663	379
<b>At 31 July 2021</b>	<b>172,545,721</b>	<b>17,255</b>

All authorised and issued share capital is represented by equity shareholdings. The number of authorised and issued Kin and Carta plc ordinary shares as at 26 October 2021 was 172,548,720. 1,296,763 fully vested shares were issued in the period to satisfy deferred consideration payable to the former shareholders of Spire, which was acquired in the prior year, and further 2,311,944 shares were issued under a reverse vesting mechanism to settle a further portion of a deferred consideration payable in respect of Spire. These shares will fully vest in February 2023, subject to further service conditions. 174,288 shares were issued in the year to satisfy employee share option exercises under LTIP programs and 2,668 shares were issued to satisfy options exercised under SAYE plans.

### 31. Additional Paid-In Capital

	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Total £'000
Balance at 1 August 2019	60,237	9,190	1,238	70,665
Shares issued during the period	11,651	–	–	11,651
<b>Balance at 31 July 2020</b>	<b>71,888</b>	<b>9,190</b>	<b>1,238</b>	<b>82,316</b>
Shares issued during the period	4,197	–	–	4,197
<b>Balance at 31 July 2021</b>	<b>76,085</b>	<b>9,190</b>	<b>1,238</b>	<b>86,513</b>

The additional paid in capital includes share premium, the capital redemption reserve and the merger reserve. The capital redemption reserve represents the buyback of the Kin and Carta plc ordinary shares in prior periods. The merger reserve was derived from acquisitions made in prior periods. Additional details of the shares issued are in note 32 below.

### 32. Other Reserves

Other reserves in the Consolidated Statement of Changes in Equity is made up of additional paid in capital as detailed in note 31 above along with the following:

*ESOP reserve* representing Kin and Carta plc ordinary shares held in the Group's Employee Benefit Trust. Shares issued to settle consideration for acquisitions relates to 2,311,944 Kin and Carta plc shares that were issued to the former shareholders of Spire on 25 March 2021 to settle a portion of the deferred consideration payable (refer to note 12). These shares are under a reverse vesting mechanism and will vest in February 2023, subject to service conditions.

A portfolio of treasury shares consisting of 90,637 Kin and Carta plc ordinary shares held by the Company as at 31 July 2021 (2020: 90,637 Kin and Carta plc ordinary shares).

*Share option reserve* representing the cumulative charge related to the options granted to Group's employees over Kin and Carta plc ordinary shares.

*Hedging and translation reserve*, which includes amounts relating to foreign translation differences arising on the retranslation of reserves due to the Group's presentation in Sterling and the mark to market of hedging instruments designated as cash flow hedges.

# Notes to the Consolidated Financial Statements

Continued

## 33. Notes to the Consolidated Cash Flow Statement

### Reconciliation of cash generated from operations

	2021 £'000	Restated 2020 £'000
Operating loss from continuing operations	(2,268)	(33,331)
Operating profit from discontinued operations	8,604	2,287
Operating profit/(loss)	6,336	(31,044)
Adjustments for:		
Depreciation of property, plant and equipment	4,322	5,995
Amortisation of intangible assets	8,869	10,789
Impairment loss	456	22,790
Loss on disposal of property, plant and equipment	–	92
Share of profit from joint arrangement	(700)	(721)
Disbursement from joint arrangement	440	303
Share-based payment charge	1,944	272
Forgiveness of US Government loans	(4,541)	–
Gain on disposal of subsidiaries	(5,171)	–
Non-cash reductions in lease liabilities	(306)	(758)
Decrease in retirement benefit obligations	(286)	(1,614)
Net increase in contingent consideration required to be treated as remuneration	3,342	6,186
Decrease in provisions	(877)	(628)
Operating cash inflows before movements in working capital	13,828	11,662
(Increase)/decrease in receivables	(13,736)	11,003
Increase/(decrease) in payables	10,377	(2,189)
Decrease in deferred income	378	2,374
Cash generated from operations	10,847	22,850

### Analysis of financing liabilities

	1 August 2020 £'000	Draw down £'000	Repayment £'000	US Government loan forgiveness	Foreign exchange gains £'000	31 July 2021 £'000
<b>Current liabilities</b>						
US Government loans	6,721	–	(24)	(4,541)	(303)	1,853
<b>Non-current liabilities</b>						
Bank loans – revolving credit facility	49,286	30,000	(15,000)	–	(1,921)	62,365
<b>Total financing liabilities</b>	<b>56,007</b>	<b>30,000</b>	<b>(15,024)</b>	<b>(4,541)</b>	<b>(2,224)</b>	<b>64,218</b>

Cash and cash equivalents (which are presented as a single class of assets on the face of the Consolidated Balance Sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

The effective interest rates on cash and cash equivalents are based on current market rates.



### 34. Share-based Payments

The Company operates a number of share-based payment schemes for certain employees of the Group.

#### Long-term Incentive Plan 2010 ("LTIP")

Executive Directors and certain members of senior management have been granted nil-cost share options under the Company's LTIP program. Details of the LTIP are included on pages 154 and 166 of the Directors' Remuneration Report.

	2021 '000	2020 '000
<b>Number of options</b>		
Outstanding at the beginning of the period	5,856	3,724
Granted during the period	3,583	2,977
Lapsed during the period	(1,812)	(845)
Exercised during the period	(152)	–
Outstanding at the end of the period	7,475	5,856
Exercisable at the end of the period	22	–
Estimated % of options vesting over next three years	64%	63%

The fair value of the options granted in the current period under the LTIP scheme were measured using a Black-Scholes options pricing model. The inputs to the model are:

	LTIP
Weighted average mid-market share price (pence)	1.02
Weighted average exercise price	£nil
Expected life	3 years
Expected volatility	52.48%
Risk-free rate	2.00%
Dividend yield	0.03%
Weighted average fair value of the options (pence)	1.02

#### CSOP Incentive

Certain members of senior management have been granted share options at market value under the Company's CSOP program. Details of the LTIP are included on pages 154 and 166 of the Directors' Remuneration Report.

	2021 '000	2020 '000
<b>Number of options</b>		
Outstanding at the beginning of the period	–	–
Granted during the period	3,379	–
Lapsed during the period	(255)	–
Exercised during the period	–	–
Outstanding at the end of the period	3,124	–
Exercisable at the end of the period	–	–
Estimated % of options vesting over next three years	64%	–

# Notes to the Consolidated Financial Statements

Continued

## 34. Share-based Payments Continued

The fair value of the options granted in the current period under the LTIP scheme were measured using a Black-Scholes options pricing model. The inputs to the model are:

	LTIP
Weighted average mid-market share price (pence)	0.67
Weighted average exercise price	0.67
Expected life	3 years
Expected volatility	52.48%
Risk-free rate	2.00%
Dividend yield	0.03%
Weighted average fair value of the options (pence)	0.22

### Save As You Earn Share Option Plan ("Sharesave Plan")

The Company has granted share options to eligible employees under an HMRC-approved all-employee Sharesave Plan. Details of the plan are included on page 155 of the Directors' Remuneration Report.

A reconciliation of the movement in the share options is shown below:

	Number of options		Weighted average exercise price	
	2021 '000	2020 '000	2021	2020
Outstanding at the beginning of the period	453	651	0.83	0.94
Granted during the period	–	–	–	–
Lapsed during the period	(202)	(198)	0.83	1.18
Outstanding at the end of the period	251	453	0.83	0.83
Exercisable at the end of the period	4	–	–	–
Estimated % of options vesting in the future years	100%	100%		

### Employee Share Purchase Plan ("ESP Plan")

The Company has granted share options to eligible employees under an Employee Share Purchase Plan. Details of the Plan are included on page 155 of the Directors' Remuneration Report.

A reconciliation of the movement in the related share options is shown below:

	Number of options		Weighted average exercise price	
	2021 '000	2020 '000	2021	2020
Granted and outstanding at the end of the period	161	–	0.92	–
Exercisable at the end of the period	–	–	–	–
Estimated % of options vesting in the future years	88%	0%		

The Group recognised a charge of £2.0 million (2020: charge of £0.3 million) relating to equity-settled share-based payments other than in the context of acquisitions. The exercise price of options outstanding at 31 July 2021 ranges between £nil and £1.01.

### Share-based contingent consideration required to be treated as remuneration

The Group recognised a charge for share-based payment of £1.8 million (2020: £0.6 million) relating to contingent consideration for acquisitions made in the current period, which is recorded as part of deemed remuneration in adjusting items (note 7).

### 35. Hedging and Translation Reserves

#### Hedging reserve and translation reserve

The reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges and the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the Parent's functional currency, being Sterling.

Losses transferred from the hedging and translation reserves into Consolidated Income Statement during the period are included in the following line items in the Consolidated Income Statement:

	2021 £'000	2020 £'000
Revenue	(13)	(52)

### 36. Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. No material related party transactions have been entered into during the period, which might reasonably affect the decisions made by the users of these financial statements.

No executive officers of the Company or their associates had transactions with the Group during the period.

#### Loop Integration LLC

The Group holds a 50% interest in Loop Integration LLC ("Loop"), incorporated in Delaware, USA. Loop is an e-commerce consultancy specialising in Hybris software integration. The Group earned revenue of £0.5 million (2020: £nil) from Loop and incurred £4.2 million charges (2020: £0.6 million) for services received.

On 31 July 2021, the Group owed Loop Integration LLC £1.3 million (2020: £0.4 million), Loop Integration LLC owed the Group £0.1 million (2020: £0.1 million) for services rendered and £nil (2020: £nil) in respect of a loan.

During the year, the Group received distributions of £0.4 million from Loop (2020: £0.2 million) and loan repayments of £nil (2020: £0.2 million).

#### Simoleon LLC

SpireMedia, Inc (d.b.a. Kin and Carta Denver) a 100% subsidiary was acquired by the Group in November 2019. Simoleon LLC ("Simoleon") used to provide office space to Kin and Carta Denver in a lease that ended in December 2020. Simoleon LLC is partly controlled by Adam Hasemeyer and Michael Gellman with another third party, and they also controlled Kin and Carta Denver before it was acquired by the Group. Adam Hasemeyer and Michael Gellman became employees of the Group following the acquisition of Spire. During the year, Kin and Carta Denver paid \$114,570 (2020: \$174,488) to Simoleon LLC for office space. There were no outstanding amounts due to Simoleon LLC at 31 July 2021.

#### Aggregate Directors' remuneration

The Group considers the Directors of Kin and Carta plc to be the key management personnel whose remuneration is disclosed in the Remuneration Report, above, under the Corporate Governance section.

# Notes to the Consolidated Financial Statements

Continued

## 37. List of Undertakings

In accordance with section 409 of the Companies Act 2006, a full list of related undertakings, the country of incorporation, the registered office address and the percentage of equity owned is disclosed below, as at 31 July 2021.

### Subsidiaries

Unless otherwise stated, the subsidiary undertakings below are wholly owned and the share capital disclosed comprises ordinary shares (or the local equivalent thereof), which are directly or indirectly held by Kin and Carta plc. These undertakings were controlled by the Group on 31 July 2021, and their results are fully consolidated into the Group's financial statements.

As of 31 July 2021, the trading subsidiaries were as follows:

Principal subsidiaries	Note	Place of incorporation	Nature of business
Cascade Data Labs, LLC	h	United States of America	Digital Transformation
Edit Agency Limited	a	England and Wales	Digital Transformation
Incite Marketing Planning Limited	a, q	England and Wales	Digital Transformation
Incite New York LLC	c, j, q	United States of America	Digital Transformation
Kin and Carta Connect Europe Limited	d	Scotland	Digital Transformation
Kin and Carta Create Europe Limited	a	England and Wales	Digital Transformation
Kin and Carta Partnerships Limited	a	England and Wales	Digital Transformation
Kin and Carta Partnerships LLC	e, j	United States of America	Digital Transformation
Relish Agency Limited	a	England and Wales	Digital Transformation
Solstice Consulting LLC	e, j	United States of America	Digital Transformation
Solstice Mobile Argentina Srl	f	Argentina	Digital Transformation
SpireMedia, Inc. (d.b.a. Kin and Carta Denver)	g, k	United States of America	Digital Transformation

As of 31 July 2021, the other subsidiaries were as follows:

Other subsidiaries	Note	Place of incorporation
Amaze Limited	a	England and Wales
Amaze (Europe) Limited	a	England and Wales
Amaze Communication Services Limited	a	England and Wales
Amaze (Holdings) Limited	a	England and Wales
Amaze Communication Services (Holdings) Limited	a	England and Wales
Amaze Technology Limited	a	England and Wales
Branded3 Search Limited	a, l	England and Wales
Fripp, Sandeman and Partners Limited	a	England and Wales
Kin and Carta Advise Europe Limited	a	England and Wales
Kin and Carta Advisory LLC	c, j	United States of America
Kin and Carta Former HoldCo Limited	a, o	England and Wales
Kin and Carta Group Limited	a	England and Wales
Kin and Carta Illinois LLC	e, j	United States of America
Kin and Carta Investments Limited	a	England and Wales
Kin and Carta Manager (Holding Companies) LLC	c, j	United States of America
Kin and Carta Manager (Operations) LLC	c, j	United States of America
Kin and Carta Manager Holdings LLC	c, j	United States of America
Kin and Carta Marketing Planning Singapore Pte. Ltd	b, p	Singapore

Other subsidiaries	Note	Place of incorporation
Kin and Carta Marketing Services (Delaware) LLC	c, j	United States of America
Kin and Carta Marketing Services (Singapore) Pte. LLC	b	Singapore
Occam DM Limited	a, i	England and Wales
Okana Systems Limited	a, i	England and Wales
Realise Holdings Limited	d	Scotland
Response One Holdings Limited	a, n	England and Wales
Solstice Consulting Argentina LLC	c, j	United States of America
Solstice Consulting Latin America LLC	c, j	United States of America

Non-trading subsidiaries	Note	Place of incorporation
Kin + Carta Limited	a	England and Wales
Pollen Health (US) LLC	c	United States of America
SouthWest Mailing Limited	a	England and Wales
St Ives Blackburn Limited	a	England and Wales
St Ives Burnley Limited	a	England and Wales
St Ives Direct Edenbridge Limited	a	England and Wales
St Ives Direct Leeds Limited	a	England and Wales
St Ives Financial Limited	a	England and Wales
St Ives Pension Scheme Trustees Limited	a	England and Wales
St Ives Westerham Press Limited	a	England and Wales

### Other related undertaking

The related undertaking below is recognised using the equity method of accounting and the membership interest disclosed is held by a subsidiary of the Group.

Non-trading subsidiaries	Note	Percentage
Loop Integration LLC	c, i	50

- a. Registered office: 11 Soho Street, Soho, London, W1D 3AD, United Kingdom as at 31 July 2021. In September 2021, the registered office address changed to Spitfire Building, 71 Collier Street, London, N1 9BE with the exception of Incite Marketing Planning Limited whose registered office address remained at 11 Soho Street.
- b. Registered office: 38 Beach Road, #29-11 South Beach Tower, 189767, Singapore.
- c. Registered office: 200 Bellevue Parkway, Suite 210, Wilmington, Delaware 19809, United States.
- d. Registered office: Quay House, 142 Commercial Street, Edinburgh, EH6 6LB, United Kingdom.
- e. Registered office: 100 N. LaSalle, Suite 500, Chicago, Illinois 60602-3554, United States.
- f. Registered office: Solstice Argentina, Aguirre 1169, Ciudad Autonoma de Buenos Aires, Argentina.
- g. Registered office: 7700 E. Arapahoe Road, Suite 220 Centennial, CO 80112, United States.
- h. Registered office: 8130 SW Beaverton-Hillsdale Hwy, Portland, OR 97225, United States.
- i. Ordinary, A Preferred Ordinary, B Ordinary, C Ordinary, D Ordinary, Deferred Ordinary.
- j. Membership interest.
- k. Class A Common Stock.
- l. Ordinary, A Ordinary, B Ordinary.
- m. Ordinary, and A Ordinary.
- n. A Ordinary, B Ordinary.
- o. On 1 September 2020, Pragma Holdings Limited changed its name to Kin and Carta Former HoldCo Limited.
- p. On 14 September 2021, Incite Marketing Planning Singapore Pte. Ltd changed its name to Kin and Carta Marketing Planning Singapore Pte. Ltd.
- q. On 28 September 2021, Incite Marketing Planning Limited and Incite New York LLC were divested to a third party and Kin + Carta's interest in the entities ceased.

### 38. Post-Balance Sheet Events

On 28 September 2021, the Group completed the sale of Incite. Further details are in note 8.

# Company Balance Sheet

Company number 01552113

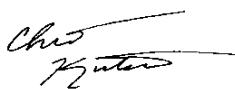
	Note	31 July 2021 £'000	31 July 2020 £'000
<b>Fixed assets</b>			
Intangible assets	6	471	541
Tangible assets	5	-	167
Investment property	7	4,587	4,857
Investments	8	175,871	209,168
Retirement benefit surplus	14	19,267	1,083
		<b>200,196</b>	<b>215,816</b>
<b>Current assets</b>			
Debtors	10	8,312	11,070
Cash at bank and in hand		22,485	26
Assets held for sale	9	-	9,791
Derivative financial instruments	11	13	-
		<b>30,810</b>	<b>20,887</b>
<b>Creditors: Amounts falling due within one year</b>			
Bank loans and overdrafts	13	-	(11,358)
Trade and other creditors	12	(15,558)	(16,756)
Finance Lease payable	12	-	(71)
Derivative financial instruments	11	-	(40)
<b>Net current assets/liabilities</b>		<b>15,252</b>	<b>(7,338)</b>
<b>Total assets less current liabilities</b>		<b>215,448</b>	<b>208,478</b>
<b>Creditors: Amounts falling due after more than one year</b>			
Bank loans and overdrafts	13	(30,000)	(49,286)
Provisions for liabilities	15	(12)	(234)
Deferred taxation	18	(2,615)	(245)
<b>Net assets</b>		<b>182,821</b>	<b>158,713</b>
<b>Capital and reserves</b>			
Called up share capital	16	17,255	16,876
Share premium account	16	76,085	71,888
Other reserves	17	13,878	11,919
Profit and loss account		75,603	58,030
<b>Total equity</b>		<b>182,821</b>	<b>158,713</b>

The profit for the financial year for the Company was £3.0 million (2020: £1.5 million). These financial statements on pages 256 and 257 were approved by the board of directors on 26 October 2021 and signed on its behalf by

**J Schwan**  
Chief Executive Officer

**Chris Kutsor**  
Chief Financial Officer

  
Name: J Schwan  
Title: Director

  
Name: Chris Kutsor  
Title: Director

# Company Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital Redemp- tion Reserve £'000	ESOP reserve £'000	Treasury shares £'000	Share option reserve £'000	Profit and loss account £'000	Total £'000
<b>Balance at 1 August 2019</b>	<b>15,343</b>	<b>60,237</b>	<b>9,190</b>	<b>1,238</b>	<b>(21)</b>	<b>(163)</b>	<b>804</b>	<b>64,228</b>	<b>150,856</b>
Implementation of IFRS16	—	—	—	—	—	—	—	(204)	(204)
<b>Balance at 1 August 2019 restated</b>	<b>15,343</b>	<b>60,237</b>	<b>9,190</b>	<b>1,238</b>	<b>(21)</b>	<b>(163)</b>	<b>804</b>	<b>64,024</b>	<b>150,652</b>
Profit for the year	—	—	—	—	—	—	—	1,499	1,499
<b>Other comprehensive expense:</b>									
Actuarial loss on defined benefits pension scheme	—	—	—	—	—	—	—	(7,359)	(7,359)
Tax charge on items taken directly to equity	—	—	—	—	—	—	—	1,859	1,859
<b>Total comprehensive expense</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(4,001)</b>	<b>(4,001)</b>
Dividends	—	—	—	—	—	—	—	(1,993)	(1,993)
Recognition of share-based contingent consideration deemed as remuneration	—	—	—	—	—	—	647	—	647
Purchase of own shares	—	—	—	—	(47)	—	—	—	(47)
Share Placement	1,533	11,651	—	—	—	—	—	—	13,184
Recognition of share-based payments	—	—	—	—	—	—	271	—	271
<b>Balance at 31 July 2020</b>	<b>16,876</b>	<b>71,888</b>	<b>9,190</b>	<b>1,238</b>	<b>(68)</b>	<b>(163)</b>	<b>1,722</b>	<b>58,030</b>	<b>158,713</b>
Profit for the year	—	—	—	—	—	—	—	3,008	3,008
<b>Other comprehensive income:</b>									
Actuarial gain on defined benefits pension scheme	—	—	—	—	—	—	—	14,476	14,476
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>17,484</b>	<b>17,484</b>
Shares issued to settle consideration for the Group's acquisitions	360	4,197	—	—	—	—	(2,919)	—	1,638
Shares issued to settle employee share options	19	—	—	—	—	—	(129)	110	—
Purchase of own shares	—	—	—	—	(59)	—	—	—	(59)
Settlement of share-based payment using own shares	—	—	—	—	59	—	(38)	(21)	—
Recognition of share-based payments	—	—	—	—	—	—	1,944	—	1,944
Recognition of share-based contingent consideration deemed as remuneration for a subsidiary	—	—	—	—	—	—	1,881	—	1,881
Tax on share-based payments	—	—	—	—	—	—	1,220	—	1,220
<b>Balance at 31 July 2021</b>	<b>17,255</b>	<b>76,085</b>	<b>9,190</b>	<b>1,238</b>	<b>(68)</b>	<b>(163)</b>	<b>3,681</b>	<b>75,603</b>	<b>182,821</b>

# Notes to the Company Financial Statements

## 1. Accounting Policies

Kin and Carta plc is a public company limited by shares incorporated and domiciled in the United Kingdom ("UK") and registered in England and Wales under the Companies Act 2006. The address of the registered office is The Spitfire Building, 71 Collier Street, London, N1 9BE.

The separate financial statements of the company are presented as required by the Companies Act 2006 as applicable to companies using FRS 101 'Reduced Disclosure Framework'. The financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The separate financial statements have been prepared on a historical cost basis, except for the remeasurement to fair value of investment property and certain financial assets and liabilities as described in the accounting policies below.

### Financial Reporting Standard 1 – reduced disclosure exemptions

The Company is taking advantage of the applicable disclosure exemptions permitted by FRS 101 in its financial statements, which are summarised below:

Standard	Disclosure exemption
IFRS 2, 'Share-based Payment'	<ul style="list-style-type: none"> <li>• Para 45(b) – number and weighted average exercise prices of share options</li> <li>• Para 46–52 – fair value disclosures for share options</li> </ul>
IFRS 7, 'Financial Instruments: Disclosures'	<ul style="list-style-type: none"> <li>• Full exemption</li> </ul>
IFRS 13, 'Fair Value Measurement'	<ul style="list-style-type: none"> <li>• Para 91–99 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities</li> </ul>
IAS 1, 'Presentation of the Financial Statements'	<ul style="list-style-type: none"> <li>• Para 10(d) – statement of cash flows</li> <li>• Para 10(f) – a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective statement of items in its financial statements, or when it reclassifies items in its financial statements</li> <li>• Para 16 – statement of compliance with all IFRS</li> <li>• Para 38 – present comparative information in respect of paragraph 79(a)(iv) of IAS 1</li> <li>• Para 38A – requirement for minimum of two primary statements, including cash flow statements</li> <li>• Para 38B–D – additional comparative information</li> <li>• Para 40A–D – requirements for a third statement of financial position</li> <li>• Para 111 – cash flow statement information</li> <li>• Para 134–136 – capital management disclosures</li> </ul>
IAS 7, 'Statement of Cash Flows'	<ul style="list-style-type: none"> <li>• Full exemption</li> </ul>
IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'	<ul style="list-style-type: none"> <li>• Para 30 &amp; 31 – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective</li> </ul>
IAS 24, 'Related Party Disclosures'	<ul style="list-style-type: none"> <li>• Para 17 and 18A– key management compensation</li> <li>• The requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member</li> </ul>

The equivalent disclosures are given in the consolidated financial statements on pages 194 to 198 and notes 1 to 36.

As permitted by section 408(3) of the Companies Act 2006, the income statement of the Company is not presented in this Annual Report. The Company has not published its individual cash flow statement as its liquidity, solvency and financial adaptability are dependent on the Group rather than its own cash flows.



## 1. Accounting Policies Continued

### Going Concern

The Company has access to the Group's multi-currency credit facility of £85 million and was refinanced in September 2021. This new credit facility is committed until September 2025. The volume of the facility remains unchanged at £85 million.

The Company's access to the credit facility is dependent on the Group meeting the covenant requirements put in place by the Group's lender banks. At 31 July 2021, and date of approving the Company and Group financial statements, the Company and Group were in compliance with the lender banks covenant requirements.

At 31 July 2021, the Group's ratio of net debt to Adjusted EBITDA was 1.0 times (2020: 1.8 times) on a pre-IFRS 16 basis. The ratio of net debt to Adjusted EBITDA for bank covenant purposes was 0.99 times (2020: 1.47 times).

The Group's net debt decreased during the year from £31.6 million to £19.2 million primarily due to operating cash flow generation as well as the proceeds of the Hive disposal in December 2020 partially offset by the acquisition of Cascade Data Labs in the same month. At 31 July 2021, the Company had drawn £30.0 million and the Group had drawn £62.4 million (31 July 2020: the Company £49.3 million and the Group £49.3 million) on its credit facility, leaving an unutilised commitment of £22.6 million (2020: £35.7 million). At 31 July 2021 the Company had cash and equivalents of £22.5 million and the Group had cash and cash equivalents of £45.0 million (2020: Company £0.03 million and the Group £24.4 million). The sale of Incite on 28 September 2021 resulted in a net cash inflow of £14.6 million for the Group.

At the date of signing these financial statements the Company had fully settled the £30.0 million which was drawn at 31 July 2021 under the £85.0 million credit facility.

The Company participates in the Group's centralised treasury arrangements and so shares the banking arrangements with its subsidiaries. The directors have performed an assessment on the Company's ability to recover intercompany debtors and recoverability of investments in its subsidiaries. Considering this and the key risks that are relevant to the Company as detailed on pages 102 to 110 of the Group's annual report, the Directors deemed that there were no material uncertainties surrounding going concern. On that basis, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore have prepared the financial statements on a going concern basis.

The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below. The accounting policies have been applied consistently throughout the financial statements.

# Notes to the Company Financial Statements

Continued

## 1. Accounting Policies Continued

### (a) Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Loans to subsidiaries are classified as investments where they are long term funding in nature.

### (b) Critical accounting judgements and key sources of estimation uncertainty

In the course of applying the Group's accounting policies the following estimations and accounting judgements have been made which could have a significant effect on the results of the Group were they subsequently found to be inappropriate.

#### *Carrying value of investments*

The assessment of the carrying value of investments requires the estimation of future cash flows from the businesses owned and operated by the subsidiaries which compose the Company's investments. These forecast cash flows are subject to uncertainty and if the actual cash flows are lower than those forecast, this could result in an impairment in the investments.

#### *Assets held for sale*

The reclassification of investments as Assets held for sale involves a judgment of the likelihood of a sale taking place within 12 months of the balance sheet date which is not entirely within the control of the Company.

#### *Retirement benefits obligations*

The calculation of retirement benefits obligations requires estimates to be made of discount rates, inflation rates, future salary and pension increases and mortality. The net surplus in the Consolidated Balance Sheet for the retirement benefits scheme was £19.3million (2020: surplus of £1.1 million). A sensitivity analysis can be found in note 28 to the consolidated Financial Statements.

## 2. Profit from Operations

As permitted by Section 408 of the Companies Act 2006, no profit and loss account of the Company is included in these financial statements. The profit for the financial year for the Company was £3.0 million (2020: £1.5 million).

## 3. Auditors' Remuneration

Fees paid to the auditors in respect of their audit of the Company were £317,000 (2020: £240,000).

## 4. Employee Information

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

	2021 Number	2020 Number
Administration	59	55

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	7,370	3,685
Social security costs	273	258
Other pension costs	251	103
	7,894	4,046

Disclosure of individual directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those elements specified for audit by the Financial Conduct Authority are shown in the tables in the Remuneration Report on pages 146 to 174 and form part of these parent company financial statements. Further details of share-based payments are contained in note 34 in the notes to the consolidated financial statements.

## 5. Tangible Assets

	Land and buildings Short leases £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Right of use buildings £'000	Total £'000
<b>Cost:</b>					
At 01 August 2020	822	673	403	—	1,898
Adoption of IFRS16	—	—	—	2,772	2,772
Additions	—	—	3	—	3
Disposals	—	(298)	—	—	(298)
At 31 July 2020	822	375	406	2,772	4,375
Additions	—	—	—	—	—
Disposals	(822)	(375)	(406)	(2,772)	(4,375)
At 31 July 2021	—	—	—	—	—
<b>Accumulated depreciation and impairment:</b>					
At 01 August 2020	597	570	264	—	1,431
Adoption of IFRS16	—	—	—	2,425	2,425
Charge	147	41	32	185	405
Disposals	—	(293)	—	—	(293)
Impairment	78	—	—	162	240
At 31 July 2020	822	318	296	2,772	4,208
Charge	—	12	—	—	12
Impairment	—	45	110	—	155
Disposals	(822)	(375)	(406)	(2,772)	(4,375)
At 31 July 2021	—	—	—	—	—
<b>Net book value:</b>					
At 31 July 2021	—	—	—	—	—
At 31 July 2020	—	57	110	—	167

Following the decision to vacate the property permanently, the Right of use asset was impaired in full. Impairments were also recorded in leasehold improvements in the property.

# Notes to the Company Financial Statements

Continued

## 6. Intangible Assets

	Software £'000
<b>Cost:</b>	
At 1 August 2019	648
Additions	209
Disposals	(18)
At 31 July 2020	839
Additions	82
Disposals	(74)
At 31 July 2021	847
<b>Accumulated amortisation and impairment:</b>	
At 1 August 2019	190
Charge	126
Disposals	(18)
At 31 July 2020	298
Charge	152
Disposals	(74)
At 31 July 2021	376
<b>Net book value:</b>	
At 31 July 2021	471
At 31 July 2020	541

## 7. Investment Property

	Investment Property £'000
<b>Cost:</b>	
At 1 August 2019	7,926
Additions	18
At 31 July 2020 and 31 July 2021	7,944
<b>Accumulated depreciation and impairment:</b>	
At 1 August 2019	2,820
Charge	267
At 31 July 2020	3,087
Charge	270
At 31 July 2021	3,357
<b>Net book value:</b>	
At 31 July 2021	4,587
At 31 July 2020	4,857

At 31 July 2021, the fair value of investment properties is not materially different from its net book value of £4.6 million. This was arrived at on the basis of a valuation carried out by CBRE, independent valuers not connected with the Group. The valuation conforms to International Valuation Standards.

Within Investment Property, the Company has freehold land with a net book value of £0.2 million (2020: £0.2 million), these assets have not been depreciated.

Rental income of £0.8 million (2020: £0.8 million) in relation to the investment properties have been recorded to the profit and loss account in the current year.

## 8. Investments

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 37 of the consolidated financial statements.

	Shares in subsidiaries at cost £'000	Loans to subsidiaries £'000	Total £'000
At 1 August 2020	76,381	134,967	211,348
Transfer to asset held for sale	(9,791)	–	(9,791)
Loan advances	–	20,818	20,818
Loan repayments	–	(7,902)	(7,902)
Impairment	–	(1,936)	(1,936)
Foreign exchange revaluation	–	(3,369)	(3,369)
At 31 July 2020	66,590	142,578	209,168
Capital contribution	5,000	–	5,000
Reversal of impairments	450	–	450
Loan advances	–	12,212	12,212
Loan repayments	–	(48,046)	(48,046)
Foreign exchange revaluation	–	(2,913)	(2,913)
At 31 July 2021	72,040	103,831	175,871

## 9. Assets Held for Sale

On 16 December 2020, Hive was divested for a consideration of £13.8 million before adjustments for cash, debt and working capital items received in cash at completion. Hive was classified as held for sale at 31 July 2020.

## 10. Debtors

	2021 £'000	2020 £'000
<b>Within one year</b>		
Trade Debtors	11	435
Amounts owed by Group undertakings	7,617	9,815
Other debtors	74	33
Prepayments and accrued income	610	787
	<b>8,312</b>	<b>11,070</b>

Amounts owed by group undertakings are repayable on demand. They are non-interest bearing and unsecured.

## 11. Derivative Financial Instruments

Derivative financial assets	2021 £'000	2020 £'000
Forward foreign currency contracts	13	–
Derivative financial liabilities	2021 £'000	2020 £'000
Forward foreign currency contracts	–	40

# Notes to the Company Financial Statements

Continued

## 12. Creditors and Finance Lease Liability

	2021 £'000	2020 £'000
<b>Amounts falling due within one year:</b>		
Bank loans and overdrafts (note 13)	–	11,358
<b>Trade and other creditors:</b>		
Amounts owing to Group undertakings	8,034	10,340
Trade creditors	900	771
Corporation tax payable	1,755	1,534
Tax and social security	276	235
Other creditors	375	1,027
Accruals and deferred income	4,218	2,849
	<b>15,558</b>	<b>16,756</b>

	2021 £'000	2020 £'000
<b>Amounts falling due after more than one year:</b>		
Bank loans and overdrafts (note 13)	30,000	49,286
Deferred tax	2,615	245
	<b>32,615</b>	<b>49,531</b>

Amounts owed by group undertakings are repayable on demand. They are non-interest bearing and unsecured.

	2021 £'000	2020 £'000
<b>Lease liability recognised under IFRS16</b>		
Balance at 1 August	71	593
Repayments	(71)	(539)
Interest expense	–	17
Balance at 31 July	–	71

## 13. Borrowings And Finance Obligations

	2021 £'000	2020 £'000
<b>Amounts falling due within one year</b>		
Bank overdrafts	–	11,358
<b>Amounts falling due after more than one year</b>		
Bank loans	30,000	49,286

The Company has access to a multi-currency credit facility of £85 million which is committed until September 2025, of which up to £7.5 million can be drawn as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin of 1.75%. The interest on loan drawdowns is depending on the ratio of the Group's net debt to EBITDA excluding adjusting items. Interest on overdraft drawdowns is charged at an average rate of 2.00% (2020: 1.65%) over the UK base rate.

As at 31 July 2021, the Group's outstanding loans within this facility were £62.4 million (2020: £49.3 million). The undrawn portion of this facility at 31 July 2021 was £22.6 million (2020: £35.7 million).

### 13. Borrowings And Finance Obligations Continued

The Group is subject to covenants on its borrowings, specifically maximum permitted limits on leverage, measured quarterly as Group net borrowings divided by trailing 12 month Adjusted Group EBITDA, and minimum permitted limits on interest cover, measured quarterly as Adjusted Group EBIT divided by group interest charges. Both covenants are measured on a pre-IFRS 16 'frozen GAAP' basis and include pro forma adjustments for acquisitions and disposals. At the year end, the Group's leverage ratio for bank covenant purposes was 1.0 times (2020: 1.4 times) against a maximum limit of 2.5 times, and interest cover was 14.7 times (2020: 6 times) against a minimum of 4 times. The Group has fully complied with the requirements of these covenants during the year under review and expects to continue to do so.

The Company's overdraft and loans are guaranteed by certain UK subsidiary undertakings and the Company guarantees the loans and overdrafts of those UK subsidiary undertakings. At 31 July 2021, the aggregate liability for the Company under this guarantee amounted to £67.2 million (2020: £60.6 million). The aggregate value of overdraft liabilities related to those subsidiaries which are guaranteed by the Company amounted to £nil (2020: £nil).

At 31 July 2021, there was no loan or overdraft secured against the assets of the Company (2020: £Nil). The directors consider that the carrying amount of the loans and overdrafts approximates their fair value.

The Company has guaranteed amounts payable to certain property landlords and suppliers and customers of its trading subsidiaries. The maximum aggregate liability under these financial guarantees is £16.8 million (2020: £20.6 million).

### 14. Retirement Benefits

	2021 £'000	2020 £'000
Retirement benefit surplus	19,267	1,083

The Company participates in both the defined benefit and defined contribution schemes operated by Kin and Carta Group plc. The assets and liabilities of the defined benefit scheme are held in separate trustee-administered funds. The pension costs are based on pension costs across the Group as a whole. For the defined contribution scheme, the income statement charge represents contributions payable.

The Group is required to account for the defined benefit scheme under International Accounting Standard 19 – Employee Benefits ('IAS 19'). The IAS 19 disclosures are included in note 27 of the notes to the consolidated financial statements.

# Notes to the Company Financial Statements

Continued

## 15. Provisions For Liabilities

	2021 £'000	2020 £'000
Provision for repairs	12	130
Provision for reorganisation	–	104
	12	234

	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000
At 1 August 2020	130	104	234
Charge to profit and loss account	12	–	12
Utilisation	(130)	(104)	(234)
<b>At 31 July 2021</b>	<b>12</b>	<b>–</b>	<b>12</b>

The provision for repairs as at 31 July 2021 relates to the dilapidation of a property for which the Company is responsible. Provisions held as at 31 July 2021 are estimated to be utilised in the financial year ending 31 July 2022.

The provision for reorganisation relates to costs on an onerous lease for a property, which has fully utilised in the current year.

## 16. Called Up Share Capital and Share Premium Account

	Number of shares	Ordinary shares of 10p each £'000	Share premium account £'000
Issued and fully paid at 1 August 2019	153,426,476	15,343	60,237
Share issue	15,333,580	1,533	11,651
<b>At 31 July 2020</b>	<b>168,760,056</b>	<b>16,876</b>	<b>71,888</b>
Share issue	3,785,665	379	4,197
<b>At 31 July 2021</b>	<b>172,545,721</b>	<b>17,255</b>	<b>76,085</b>

All authorised and issued share capital is represented by equity shareholdings.

1,296,763 fully vested shares were issued in the period to satisfy deferred consideration payable to the former shareholders of Spire, an indirect subsidiary of the Company, which was acquired in the prior year and a further 2,311,944 shares were issued under a reverse vesting mechanism to settle a further portion of a deferred consideration payable in respect of Spire. These shares will fully vest in February 2023, subject to further service conditions. 174,288 shares were issued in the year to satisfy employee share option exercises under LTIP programs and 2,670 shares were issued to satisfy options exercised under SAYE plans.

The number of authorised and issued Kin and Carta plc ordinary shares as at 26 October 2021 was 172,548,720 (5 November 2020: 168,760,058).

## 17. Other Reserves

The movements in reserves are disclosed in the Company's Statement of Changes in Equity. At 31 July 2021, the Company held a portfolio of treasury shares consisting of 90,637 Kin and Carta plc ordinary shares.



## 18. Deferred Tax

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 19% (2020: 19%).

Net deferred tax balances are classified as deferred tax liabilities in the balance sheet. The net movement in the deferred tax liabilities is as follows:

	2021 £'000	2020 £'000
<b>At the beginning of the period 1 August</b>	245	1,347
Charge to the Consolidated Income Statement	189	331
Items taken to Other Comprehensive Income	3,401	(1,433)
Items taken directly to equity	(1,220)	–
<b>At the end of the period 31 July</b>	<b>2,615</b>	<b>245</b>

The individual movements in deferred tax liabilities/(assets) are as follows:

	Investment Property £'000	Retirement benefit obligations £'000	Short-term timing differences £'000	Share options £'000	Total £'000
<b>Balance at 1 August 2019</b>	897	1,133	–	(683)	1,347
Charge to the Consolidated Income Statement	–	–	–	331	331
Items taken directly to Other Comprehensive Income	–	(1,342)	–	(91)	(1,433)
<b>Balance at 31 July 2020</b>	897	(209)	–	(443)	245
Charge/(credit) to the Consolidated Income Statement	139	83	(2)	(31)	189
Items taken directly to Other Comprehensive Income	–	3,401	–	–	3,401
Items taken directly to equity	–	–	–	(1,220)	(1,220)
<b>Balance at 31 July 2021</b>	<b>1,036</b>	<b>3,275</b>	<b>(2)</b>	<b>(1,694)</b>	<b>2,615</b>

## 19. Related Party Transactions

Details on related party transactions can be found in note 36 to the Consolidated Financial Statements.

As noted under the accounting policies, the company is taking advantage of the exemption with regards to separate disclosure of related party transactions.

# Notes to the Company Financial Statements

Continued

## 20. Statement of Guarantee

The Company has signed a statement of guarantee in respect of the liabilities of a number of subsidiary companies as at 31 July 2021 under section 479C of the Companies Act 2006. As a result, the following subsidiaries are exempt from the requirements of the UK Companies Act 2006 in relation to the audit of individual accounts for the year ended 31 July 2021 by virtue of s479A of that Act:

Company	Company registration number
Amaze Limited	2830448
Amaze (Europe) Limited	6418202
Amaze (Holdings) Limited	6417738
Amaze Communication Services (Holdings) Limited	2670935
Amaze Communication Services Limited	2051287
Amaze Technology Limited	06385430
Branded3 Search Limited	6479012
Fripp, Sandeman and Partners Limited	1284879
Kin + Carta Limited	11403627
Kin and Carta Advise Europe Limited	11442056
Kin and Carta Former Holdco Limited (Formerly Pragma Holdings Limited)	6831479
Kin and Carta Group Limited	08417677
Kin and Carta Investments Limited	00190460
Kin and Carta Partnerships Limited	09569438
Occam DM Limited	05095081
Okana Systems Limited	3877530
Realise Holdings Limited	SC306420
Relish Agency Limited	11456907
Response One Holdings Limited	6724581
SouthWest Mailing Limited	05502768
St Ives Blackburn Limited	1396772
St Ives Burnley Limited	5464477
St Ives Direct Edenbridge Limited	00565977
St Ives Direct Leeds Limited	3067683
St Ives Financial Limited	00872411
St Ives Pension Scheme Trustees Limited	02286545
St Ives Westerham Press Limited	483880

# Shareholder Information

## Corporate information

Further information about the Group can be found on our website [kinandcarta.com](http://kinandcarta.com).

This year's Annual Report and Accounts, as well as copies of past years' Annual Reports and Accounts, half year statements and shareholder circulars, are available to view and download from our investor website. Regulatory announcements and press releases made during the year, and in past years, are also available to view in the Regulatory News section of the investor website [investors.kinandcarta.com](http://investors.kinandcarta.com).

## Shareholding enquiries

The Company's share register is maintained by Link Asset Services, who are able to deal with shareholders' queries, including in respect of any of the following matters:

- transfer of shares;
- change of name or address;
- registering the death of a shareholder;
- lost share certificates;
- lost or out of date dividend warrants; and
- the payment of dividends directly into a bank or building society accounts.

Their contact details are: Kin and Carta plc Shareholder Services, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL United Kingdom.

Link's shareholder helpline telephone number is 0371 664 0300. If you are outside the United Kingdom, please call +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Link's lines are open between 9.00am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Alternatively, you can email your query to our registrars at [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk) although, for legal reasons, they may subsequently require you to confirm any instruction in writing.

## Unauthorised brokers ('boiler room scams')

Shareholders should be very wary of any unsolicited calls or correspondence offering to buy or sell shares at a discounted price. These calls are typically from fraudsters operating 'boiler rooms'. Boiler rooms use increasingly sophisticated means to approach investors and often leave their victims out of pocket. If you are concerned that you may have been targeted by fraudsters please contact the FCA Consumer Helpline on 0800 111 6768.

## Cautionary statement

This Annual Report and Accounts contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Kin and Carta plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

## Glossary

Abbreviation	Definition
AGM	Annual general meeting
AI	Artificial intelligence
API	Application programming interface
APM	Alternative performance measure
Articles	The articles of association of Kin and Carta plc
B2B	Business-to-business
B2C	Business-to-consumer
B Corporation or B Corp	A globally recognised assessment framework to assist companies to become more responsible by considering the impact of their decisions on their clients, community, people, suppliers and the environment
Board	The Board of Directors of Kin and Carta plc
CAGR	Compound annual growth rate
Cascade Data Labs	Cascade Data Labs, LLC, a data science firm, organised in Oregon and acquired by the Group on 23 December 2020
Code	FRC's UK Corporate Governance Code published in July 2018, a copy of which can be found on the Financial Reporting Council's website ( <a href="http://frc.org.uk">frc.org.uk</a> )
Companies Act	Companies Act 2006 (as amended)
Company	Kin and Carta plc, a public limited company incorporated in England and Wales with registered number 1552113, whose registered office is at The Spitfire Building, 71 Collier Street, London, N1 9BE
COVID-19	The pandemic of the severe acute respiratory syndrome coronavirus 2 that causes coronavirus disease 2019
CDS	Connective Digital Services (a team within our Operations platform, who provide information technology services to the Group including digital defence, digital development opportunities, and digital experiences)
DBS	Deferred Bonus Scheme
Dollar or \$	Unless otherwise specified, all references to Dollars or \$ Dollar symbol are to the currency of the US
Edit	Edit Agency Limited, a company incorporated in England and Wales with registered number 3624881
eNPS	Employee net promoter score
EPS	Earnings per share
ESG	Environmental, social and corporate governance
EU	European Union
EVP	Employee value proposition
EX	Employee experience
Forthcoming AGM	The annual general meeting of the Company to be convened on 14 December 2021
FRC	Financial Reporting Council
FTSE All-Share	The aggregation of the FTSE 100, FTSE 250 and FTSE Small Cap indices
GMP	Guaranteed minimum pensions

Abbreviation	Definition
Hive	The Health Hive Group Limited and its subsidiaries and The Health Hive (US) LLC, being healthcare communications businesses, sold by the Group on 16 December 2020
IAS	International Accounting Standards
IDEA	Inclusion, diversity, equity and awareness
IFRS	International Financial Reporting Standards
Incite	Incite Marketing Planning Limited, a company incorporated in England and Wales with registered number 3909059, and Incite New York LLC, a company formed in Delaware, sold by the Group on 28 September 2021
IoT	Internet of things
IT	Information technology
Kin + Carta Americas	Cascade Data Labs, Spire, Solstice Consulting LLC, and Solstice Mobile Argentina Srl
Kin + Carta Europe	Kin and Carta Advise Europe Limited, Kin and Carta Connect Europe Limited and Kin and Carta Create Europe Limited
Kin + Carta or Group	The Company and its subsidiary undertakings
KPI	Key performance indicator
LTIP	Long-term incentive plan
MACH	Microservices based, API-first, Cloud-native SaaS and Headless ecosystem technology
M&A	Mergers and acquisitions
Pillars	Our three distinct sets of digital transformation capabilities: Advise, Create and Connect
Pragma	Pragma Consulting Limited, a leading commercial advisor for investors and operators in mixed use, airports and retail property, sold by the Group on 31 August 2020
PwC	PricewaterhouseCoopers LLP
Regions	Kin + Carta Americas and Kin + Carta Europe
Relish	Relish Agency Limited, a company incorporated in England and Wales, with registered number 11456907
ROI	Return on investment
Solstice Consulting LLC or Kin and Carta U.S.	Solstice Consulting LLC (d.b.a. Kin and Carta U.S.), a digital transformation consulting firm, organised in Illinois
Spire or Kin and Carta Denver	SpireMedia Inc. (d.b.a. Kin and Carta Denver), a digital transformation consulting firm, organised in Colorado and acquired by the Group on 26 November 2019
Triple bottom line	Giving consideration to people, profit and planet
UX	User experience
Ventures	Edit (including its sister company Relish) form our Ventures arm. Hive, Incite and Pragma were divested in December 2020, September 2021 and August 2020 respectively and were operated as ventures during the year until their divestment

Kin and Carta plc  
The Spitfire Building  
71 Collier Street  
London  
NI 9BE

---

Telephone +44 (0) 20 7928 8844

Email [cosec@kinandcarta.com](mailto:cosec@kinandcarta.com)

Website [www.kinandcarta.com](http://www.kinandcarta.com)

Find us online @kinandcarta

**KIN+ CARTA**

