

KBS Corporate Sales Ltd
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**K3 Capital Group Limited (formerly K3 Capital Holdings
Limited)**

Financial Statements

For the Year Ended

31 May 2016



BEEVER AND STRUTHERS

Chartered Accountants & Statutory Auditor

St. George's House
215 - 219 Chester Road
Manchester
M15 4JE

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Financial Statements

Year Ended 31 May 2016

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K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Strategic Report

Year Ended 31 May 2016

Principal Activities

The principal activity of the group is to act as Business Sales Specialists

The company holds 100% of the share capital of KBS Corporate Sales Limited, KBS Corporate Finance Limited and Knightsbridge Business Services Limited

Business Review

The directors are pleased to present an excellent set of results for the year under review. The financial year ended 31st May 2016 has been one of continued financial and strategic improvement for K3 Capital Group with record EBITDA of £3 2m posted for the year

Our premier brand, KBS Corporate has now established itself as a UK leading Business Sales Specialist having topped the Thompson Reuters league table in 2015 for the most small cap and mid-market deals in the UK and this positive trend continued with top spot credited to KBS Corporate again in the first half of 2016

In 2015, the Directors acquired a two-acre business park in Greater Manchester, on which a c12,000sqft unit has been refurbished over 9 months and allowed K3 to subsequently relocate to our new Head Office at KBS House this year.

Investment in our people is always a key priority and last year saw some key appointments including our head of Buyer Intelligence and Head of Data. It also saw the initiation of our graduate Academy program with four under-graduates joining for their gap year in 2016 with permanent places offered thereafter. With the addition to KBS Corporate Finance becoming recognised as an ICAEW Authorised Training Provider, this Academy process will continue for the foreseeable future as we place our faith in new talent across all business streams

We were also delighted to welcome Stuart Lees who joined our board as a non-executive director in September 2015. Stuart was one of the original founders of Arthur Andersen Corporate Finance, and latterly Managing Director of Altium. Stuart brings a wealth of experience and contacts and his mentoring adds significant value to the strategic direction of the Group.

As a board we continue to place great focus on our strategic direction and continue to drive excellence in all areas of our business

This excellent trend of financial and business performance has continued into our current financial year as the Group maintains its focus on being the UK's Leading Business Sales Specialist

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Strategic Report *(continued)*

Year Ended 31 May 2016

Financial Risk, Management Objectives and Policies

The directors recognise that the group's success is reliant on high levels of service and advice being delivered to its client base, and operates a pro-active strategy of monitoring the systems, advice and service levels provided by its consultants. Significant time and funds have been invested in FY16, and beyond, in respect of a group wide bespoke CRM system and Buyer Matching Engine that will allow a sophisticated level of automation in processes, allowing further expansion of the group whilst at the same time enhancing client service delivery.

The main risks arising from the group's activities relate to market risk, liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and these are summarised below.

Market risk

The group, like any other business, is exposed to a risk of a downturn in business.

The directors remain pro-active in addressing this risk and monitor performance on a daily basis. They consider that their in-depth involvement in the day to day running of the business is a key factor in mitigating any such risk.

Liquidity risk

The group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The group maintains excellent cash conversion with near 100% conversion of operating profit to cash. With a low fixed cost base, the group are able to manage liquidity risk by maintaining a provision of cash at any given time to cover taxation and provide relief in the event of lean times.

Interest rate risk

The group finances its operations through a mixture of retained profit and bank borrowings. The group's exposure to interest rate fluctuations on its borrowings is monitored on a regular basis, with sufficient cash reserves to repay any loans in event of interest rate rises.

Credit risk

The group's principle financial assets are cash and trade debtors. The principle credit risk arises from its trade debtors which are minimal as the group is typically remunerated prior to commencing services, or out of the completion proceeds directly from solicitors. There is no bad debt in the business due to such prudent accounting policies.

Future Developments

The directors envisage future growth from all areas of the business now that office restrictions have been removed. The move to a purpose built c12,000sqft office has allowed the bringing together of the main business with previously Manchester located corporate finance team, and enabled greater sharing of knowledge between staff. This has seen immediate benefits with the continuing growth in volume and size of transactions post year end. Staff numbers have continued to grow beyond 100 moving into 2017, that will see K3 grow its market share and further establish itself as a leading UK Business Sales Specialist.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Strategic Report *(continued)*

Year Ended 31 May 2016

This report was approved by the board of directors on 27 February 2017 and signed on behalf of the board by



A R Melbourne
Director

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

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Directors' Report

Year Ended 31 May 2016

The directors present their report and the financial statements of the group for the year ended 31 May 2016

Directors

The directors who served the company during the year were as follows.

A J Ford
M C Clancy
J Rigby
S Daniels
A R Melbourne
S Lees

(Appointed 30 November 2015)

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Other Matters

On 25 April 2016 a special resolution was passed to change the name of the company from K3 Capital Holdings Limited to K3 Capital Group Limited

Disclosure of Information in the Strategic Report

Disclosures regarding future developments and financial instruments have been included in the Strategic Report.

Directors' Responsibilities Statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period

In preparing these financial statements, the directors are required to.

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Directors' Report *(continued)*

Year Ended 31 May 2016

Auditor

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

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

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 27 February 2017 and signed on behalf of the board by:



A R Melbourne
Director

Registered office.
KBS House
5 Springfield Court
Summerfield Road
Bolton
Lancashire
BL3 2NT

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Independent Auditor's Report to the Members of K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Year Ended 31 May 2016

We have audited the financial statements of K3 Capital Group Limited (formerly K3 Capital Holdings Limited) for the year ended 31 May 2016 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"

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

Respective Responsibilities of Directors and Auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 May 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

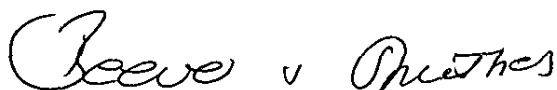
Independent Auditor's Report to the Members of K3 Capital Group Limited (formerly K3 Capital Holdings Limited) *(continued)*

Year Ended 31 May 2016

Matters on Which We are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Caroline Monk (Senior Statutory Auditor)

For and on behalf of
Beever and Struthers
Chartered Accountants & Statutory Auditor
St George's House
215 - 219 Chester Road
Manchester
M15 4JE

27 February 2017

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Consolidated Statement of Comprehensive Income

Year Ended 31 May 2016

		2016	2015 (restated)
	Note	£	£
Turnover	4	8,550,884	4,939,583
Gross profit		<u>8,550,884</u>	<u>4,939,583</u>
Distribution costs		80,297	74,771
Administrative expenses		<u>5,514,321</u>	<u>3,268,832</u>
Operating profit	5	<u>2,956,266</u>	<u>1,595,980</u>
Other interest receivable and similar income		1,845	527
Interest payable and similar charges	9	<u>126,629</u>	<u>25,524</u>
Profit on ordinary activities before taxation		<u>2,831,482</u>	<u>1,570,983</u>
Tax on profit on ordinary activities	10	<u>598,665</u>	<u>232,805</u>
Profit for the financial year and total comprehensive income		<u><u>2,232,817</u></u>	<u><u>1,338,178</u></u>

All the activities of the group are from continuing operations

The notes on pages 15 to 33 form part of these financial statements.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Consolidated Statement of Financial Position

31 May 2016

	Note	2016 £	2015 (restated) £
Fixed assets			
Intangible assets	13	2,617,985	2,847,265
Tangible assets	14	31,029	13,271
		<u>2,649,014</u>	<u>2,860,536</u>
Current assets			
Debtors	16	1,581,616	156,909
Cash at bank and in hand		1,530,520	971,400
		<u>3,112,136</u>	<u>1,128,309</u>
Creditors: amounts falling due within one year	17	<u>3,829,171</u>	<u>1,868,330</u>
Net current liabilities		<u>717,035</u>	<u>740,021</u>
Total assets less current liabilities		<u>1,931,979</u>	<u>2,120,515</u>
Creditors: amounts falling due after more than one year	18	431,095	655,382
Provisions			
Taxation including deferred tax	19	3,834	(119,617)
Net assets		<u>1,497,050</u>	<u>1,584,750</u>
Capital and reserves			
Called up share capital	24	131	1,500,054
Share premium account	25	9,999	—
Capital redemption reserve	25	1,500,025	1,500,025
Profit and loss account	25	(13,105)	(1,415,329)
Members funds		<u>1,497,050</u>	<u>1,584,750</u>

These financial statements were approved by the board of directors and authorised for issue on 27 February 2017, and are signed on behalf of the board by:



A R Melbourne
Director

Company registration number: 06102618

The notes on pages 15 to 33 form part of these financial statements.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Company Statement of Financial Position

31 May 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	14	11,894	—
Investments	15	5,596,517	5,596,517
		<u>5,608,411</u>	<u>5,596,517</u>
Current assets			
Debtors	16	1,676,130	—
Cash at bank and in hand		11,490	7,880
		<u>1,687,620</u>	<u>7,880</u>
Creditors: amounts falling due within one year	17	<u>3,980,078</u>	<u>928,661</u>
Net current liabilities		<u>2,292,458</u>	<u>920,781</u>
Total assets less current liabilities		<u>3,315,953</u>	<u>4,675,736</u>
Creditors: amounts falling due after more than one year	18	<u>431,095</u>	<u>655,382</u>
Net assets		<u>2,884,858</u>	<u>4,020,354</u>
Capital and reserves			
Called up share capital	24	131	1,500,054
Share premium account	25	9,999	—
Capital redemption reserve	25	1,500,025	1,500,025
Profit and loss account	25	1,374,703	1,020,275
Members funds		<u>2,884,858</u>	<u>4,020,354</u>

These financial statements were approved by the board of directors and authorised for issue on 27 February 2017, and are signed on behalf of the board by:



A R Melbourne
Director

Company registration number: 06102618

The notes on pages 15 to 33 form part of these financial statements.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Consolidated Statement of Changes in Equity

Year Ended 31 May 2016

	Note	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 June 2014		3,000,079	–	–	(1,753,482)	1,246,597
Profit for the year		–	–	–	1,338,178	1,338,178
Total comprehensive income for the year		–	–	–	1,338,178	1,338,178
Cancellation of subscribed capital		(1,500,025)	–	1,500,025	(1,000,025)	(1,000,025)
Total investments by and distributions to owners		(1,500,025)	–	1,500,025	(1,000,025)	(1,000,025)
At 31 May 2015 (as previously reported)		1,500,054	–	1,500,025	(1,194,221)	1,805,858
Prior period adjustments	23	–	–	–	(221,108)	(221,108)
At 31 May 2015 (restated)		<u>1,500,054</u>	<u>–</u>	<u>1,500,025</u>	<u>(1,415,329)</u>	<u>1,584,750</u>
Profit for the year		–	–	–	2,232,817	2,232,817
Total comprehensive income for the year		–	–	–	2,232,817	2,232,817
Issue of shares		27	9,999	–	–	10,026
Dividends paid and payable	12	–	–	–	(830,593)	(830,593)
Cancellation of subscribed capital		(499,950)	–	–	–	(499,950)
Conversion of debt to equity		(1,000,000)	–	–	–	(1,000,000)
Total investments by and distributions to owners		(1,499,923)	9,999	–	(830,593)	(2,320,517)
At 31 May 2016		<u>131</u>	<u>9,999</u>	<u>1,500,025</u>	<u>(13,105)</u>	<u>1,497,050</u>

The notes on pages 15 to 33 form part of these financial statements.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Company Statement of Changes in Equity

Year Ended 31 May 2016

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 June 2014	3,000,079	–	–	(1,217,237)	1,782,842
Profit for the year	–	–	–	3,237,537	3,237,537
Total comprehensive income for the year	–	–	–	3,237,537	3,237,537
Cancellation of subscribed capital	(1,500,025)	–	1,500,025	(1,000,025)	(1,000,025)
Total investments by and distributions to owners	(1,500,025)	–	1,500,025	(1,000,025)	(1,000,025)
At 31 May 2015	1,500,054	–	1,500,025	1,020,275	4,020,354
Profit for the year	–	–	–	1,185,022	1,185,022
Total comprehensive income for the year	–	–	–	1,185,022	1,185,022
Issue of shares	27	9,999	–	–	10,026
Dividends paid and payable	–	–	–	(830,594)	(830,594)
Cancellation of subscribed capital	(499,950)	–	–	–	(499,950)
Conversion of debt to equity	(1,000,000)	–	–	–	(1,000,000)
Total investments by and distributions to owners	(1,499,923)	9,999	–	(830,594)	(2,320,518)
At 31 May 2016	131	9,999	1,500,025	1,374,703	2,884,858

The notes on pages 15 to 33 form part of these financial statements.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Consolidated Statement of Cash Flows

Year Ended 31 May 2016

	2016	2015 (restated)
	£	£
Cash flows from operating activities		
Profit for the financial year	2,232,817	1,338,178
<i>Adjustments for</i>		
Depreciation of tangible assets	9,508	6,011
Amortisation of intangible assets	248,559	263,943
Impairment of intangible assets	—	(828,892)
Other interest receivable and similar income	(1,845)	(527)
Interest payable and similar charges	126,629	25,524
Tax on profit on ordinary activities	598,665	232,805
Accrued (income)/expenses	(291,750)	26,806
<i>Changes in</i>		
Trade and other debtors	(47,649)	83,767
Trade and other creditors	194,512	375,749
Cash generated from operations	3,069,446	1,523,364
Interest paid	(26,629)	(25,524)
Interest received	1,845	527
Tax paid	(232,899)	(170,513)
Net cash from operating activities	<u>2,811,763</u>	<u>1,327,854</u>
Cash flows from investing activities		
Purchase of tangible assets	(27,266)	(16,300)
Purchase of intangible assets	(19,279)	(6,751)
Cash advances and loans granted	(1,077,058)	(17,043)
Cash receipts from the repayment of advances and loans	—	853
Net cash used in investing activities	<u>(1,123,603)</u>	<u>(39,241)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	10,026	—
Proceeds from issue of shares classed as financial liabilities	50	—
Purchase of own shares	—	(1,000,000)
Proceeds from borrowings	—	250,000
Repayments of borrowings	(221,401)	(147,360)
Proceeds from loans from participating interests	12,878	—
Dividends paid	(830,593)	—
Dividends paid on shares classed as liabilities	(100,000)	—
Net cash used in financing activities	<u>(1,129,040)</u>	<u>(897,360)</u>

The consolidated statement of cash flows
continues on the following page.

The notes on pages 15 to 33 form part of these financial statements.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Consolidated Statement of Cash Flows *(continued)*

Year Ended 31 May 2016

	Note	2016 £	2015 (restated) £
Net increase in cash and cash equivalents		559,120	391,253
Cash and cash equivalents at beginning of year		971,400	580,147
Cash and cash equivalents at end of year		<u>1,530,520</u>	<u>971,400</u>

The notes on pages 15 to 33 form part of these financial statements.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements

Year Ended 31 May 2016

1. General Information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is KBS House, 5 Springfield Court, Summerfield Road, Bolton, Lancashire, BL3 2NT.

2. Statement of Compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting Policies

Basis of Preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going Concern

The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 June 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 34.

Consolidation

The financial statements consolidate the financial statements of K3 Capital Group Limited (formerly K3 Capital Holdings Limited) and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

3. Accounting Policies *(continued)*

Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a. **Tangible fixed assets.** Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

b. **Goodwill and intangible assets.** The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Revenue Recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Income Tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

3. Accounting Policies *(continued)*

Income Tax (continued)

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating Leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed five years.

Intangible Assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Amortisation

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

Goodwill	-	20 years straight line
Website costs	-	33% straight line

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

Tangible Assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

3. Accounting Policies *(continued)*

Depreciation

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

Fixtures and fittings	- 33% straight line
Equipment	- 33% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of Fixed Assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial Instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

3. Accounting Policies *(continued)*

Financial Instruments *(continued)*

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised

Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from

	2016	2015 <i>(restated)</i>
	£	£
Rendering of services	<u>8,550,884</u>	<u>4,939,583</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements (continued)

Year Ended 31 May 2016

5. Operating Profit

Operating profit or loss is stated after charging/(crediting):

	2016	2015 (restated)
	£	£
Amortisation of intangible assets	248,559	263,943
Depreciation of tangible assets	9,508	6,011
Reversal of impairment of intangible assets recognised in.		
Administrative expenses	—	(828,892)
Operating lease rentals	6,201	—

6. Auditor's Remuneration

	2016	2015 (restated)
	£	£
Fees payable for the audit of the financial statements	4,850	—
Fees payable to the company's auditor and its associates for other services		
Other non-audit services	—	4,305

7. Staff Costs

The average number of persons employed by the group during the year, including the directors, amounted to.

	2016 No.	2015 No
Management staff	5	—
Sales	33	27
Marketing/Administration	36	31
	74	58

The aggregate payroll costs incurred during the year, relating to the above, were.

	2016	2015 (restated)
	£	£
Wages and salaries	2,375,502	1,813,965
Social security costs	307,282	207,991
Other pension costs	9,476	—
	2,692,260	2,021,956

8. Directors' Remuneration

The directors aggregate remuneration in respect of qualifying services was

	2016	2015 (restated)
	£	£
Remuneration	548,328	650,181

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

8. Directors' Remuneration *(continued)*

Remuneration of the highest paid director in respect of qualifying services.

	2016	2015 <i>(restated)</i>
	£	£
Aggregate remuneration	<u>367,128</u>	<u>255,663</u>

The directors are considered to be the key management personnel.

9. Interest Payable and Similar Charges

	2016	2015 <i>(restated)</i>
	£	£
Interest on banks loans and overdrafts	26,629	25,524
Dividends paid on shares classed as debt	<u>100,000</u>	<u>—</u>
	<u>126,629</u>	<u>25,524</u>

10. Tax on Profit on Ordinary Activities

Major components of tax expense

	2016	2015 <i>(restated)</i>
	£	£
Current tax:		
UK current tax expense	499,532	250,196
Adjustments in respect of prior periods	<u>(24,318)</u>	<u>—</u>
Total current tax	<u>475,214</u>	<u>250,196</u>
Deferred tax:		
Origination and reversal of timing differences	3,590	2,858
Impact of change in tax rate	4,766	8,086
Impact of changes in accounting policies and material errors	<u>115,095</u>	<u>(28,335)</u>
Total deferred tax	<u>123,451</u>	<u>(17,391)</u>
Tax on profit on ordinary activities	<u>598,665</u>	<u>232,805</u>

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

10. Tax on Profit on Ordinary Activities *(continued)*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.83%)

	2016	2015 <i>(restated)</i>
	£	£
Profit on ordinary activities before taxation	2,831,482	1,570,983
Profit on ordinary activities by rate of tax	566,297	327,236
Adjustment to tax charge in respect of prior periods	(24,318)	—
Effect of expenses not deductible for tax purposes	76,472	(103,612)
Effect of capital allowances and depreciation	(7)	(100)
Effect of different UK tax rates on some earnings	—	(430)
Utilisation of tax losses	(4,327)	(15)
Rounding on tax charge	9	1,640
Effect of research and development relief	(20,218)	—
Impact of changes in rate of tax	4,757	8,086
Tax on profit on ordinary activities	598,665	232,805

11. Profit for the Year of the Parent Company

The profit for the financial year of the parent company was £1,185,022 (2015: £3,237,537).

12. Dividends

Equity dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2016	2015 <i>(restated)</i>
	£	£
Dividends on Ordinary A equity shares	200,488	—
Dividends on Ordinary B equity shares	200,488	—
Dividends on Ordinary C equity shares	429,617	—
	830,593	—

Dividends on shares classed as debt

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2016	2015 <i>(restated)</i>
	£	£
Dividends on Preferred A Ordinary shares classed as debt	100,000	—

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

13. Intangible Assets

Group	Goodwill £	Website costs £	Total £
Cost			
At 1 June 2015 (as restated)	4,711,739	56,910	4,768,649
Additions	–	19,279	19,279
At 31 May 2016	4,711,739	76,189	4,787,928
Amortisation			
At 1 June 2015	1,884,696	36,688	1,921,384
Charge for the year	235,587	12,972	248,559
At 31 May 2016	2,120,283	49,660	2,169,943
Carrying amount			
At 31 May 2016	2,591,456	26,529	2,617,985
At 31 May 2015	2,827,043	20,222	2,847,265

The company has no intangible assets

14. Tangible Assets

Group	Long leasehold property £	Fixtures and fittings £	Equipment £	Total £
Cost				
At 1 June 2015 (as restated)	–	75,104	205,807	280,911
Additions	11,894	1,230	14,142	27,266
At 31 May 2016	11,894	76,334	219,949	308,177
Depreciation				
At 1 June 2015	–	73,892	193,748	267,640
Charge for the year	–	899	8,609	9,508
At 31 May 2016	–	74,791	202,357	277,148
Carrying amount				
At 31 May 2016	11,894	1,543	17,592	31,029
At 31 May 2015	–	1,212	12,059	13,271

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

14. Tangible Assets *(continued)*

Company	Long leasehold property £
Cost	
Additions	11,894
At 31 May 2016	<u>11,894</u>
Depreciation	
At 1 Jun 2015 and 31 May 2016	<u>—</u>
Carrying amount	
At 31 May 2016	<u>11,894</u>
At 31 May 2015	<u>—</u>

15. Investments

The group has no investments.

Company	Shares in group undertakings £
Cost	
At 1 Jun 2015 as restated and 31 May 2016	<u>5,596,517</u>
Impairment	
At 1 Jun 2015 as restated and 31 May 2016	<u>—</u>
Carrying amount	
At 1 Jun 2015 and 31 May 2016	<u>5,596,517</u>

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

Subsidiary undertakings	Country of incorporation	Class of share	Percentage of shares held
KBS Corporate Sales Limited	England and Wales	Ordinary shares	100
KBS Corporate Finance Limited	England and Wales	Ordinary shares	100
Knightsbridge Business Services Limited	England and Wales	Ordinary shares	100

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements (continued)

Year Ended 31 May 2016

16. Debtors

	Group		Company	
	2016	2015 (restated)	2016	2015 (restated)
	£	£	£	£
Trade debtors	38,317	24,000	–	–
Amounts owed by group undertakings	–	–	774,999	–
Amounts owed by undertakings in which the company has a participating interest	194,101	17,043	–	–
Prepayments and accrued income	439,751	98,659	–	–
Directors loan account	900,000	–	900,000	–
Other debtors	9,447	17,207	1,131	–
	<u>1,581,616</u>	<u>156,909</u>	<u>1,676,130</u>	<u>–</u>

17. Creditors: amounts falling due within one year

	Group		Company	
	2016	2015 (restated)	2016	2015 (restated)
	£	£	£	£
Bank loans and overdrafts	224,287	221,401	224,287	221,401
Payments received on account	10,800	46,110	–	–
Trade creditors	151,438	92,478	–	–
Amounts owed to group undertakings	–	–	2,255,791	705,760
Amounts owed to undertakings in which the company has a participating interest	12,878	–	–	–
Accruals and deferred income	992,848	829,239	–	1,500
Corporation tax	495,215	252,900	–	–
Social security and other taxes	418,729	383,973	–	–
Shares classed as financial liabilities	1,500,000	–	1,500,000	–
Other creditors	22,976	42,229	–	–
	<u>3,829,171</u>	<u>1,868,330</u>	<u>3,980,078</u>	<u>928,661</u>

The bank loan is repayable in monthly instalments and is secured by fixed and floating charge over the assets of the companies within the group. Interest is charged at a combination of 3% above LIBOR and 3% above Base Rate

18. Creditors: amounts falling due after more than one year

	Group		Company	
	2016	2015 (restated)	2016	2015 (restated)
	£	£	£	£
Bank loans and overdrafts	<u>431,095</u>	<u>655,382</u>	<u>431,095</u>	<u>655,382</u>

The bank loan is repayable in monthly instalments and is secured by fixed and floating charge over the assets of the companies within the group. Interest is charged at a combination of 3% above LIBOR and 3% above Base Rate.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

19. Provisions

Group	Deferred tax (note 20) £
At 1 June 2015 (as restated)	(119,617)
Additions	3,580
Charge against provision	116,208
Unused amounts reversed	3,663
At 31 May 2016	<u>3,834</u>

The company does not have any provisions.

20. Deferred Tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2016	2015 (restated)	2016	2015 (restated)
	£	£	£	£
Included in provisions (note 19)	<u>3,834</u>	<u>(119,617)</u>	<u>-</u>	<u>-</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2016	2015 (restated)	2016	2015 (restated)
	£	£	£	£
Accelerated capital allowances	3,834	254	-	-
Deferred income	-	(119,871)	-	-
	<u>3,834</u>	<u>(119,617)</u>	<u>-</u>	<u>-</u>

21. Employee Benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £9,476 (2015: £Nil)

No balances were outstanding at the year end or the previous year end.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

22. Financial Instruments

The carrying amount for each category of financial instrument is as follows:

Financial assets that are debt instruments measured at amortised cost

	Group 2016	2015 <i>(restated)</i>
	£	£
Trade debtors	38,317	24,000
Amounts owed by participating interests	194,101	17,043
Directors loan account	900,000	–
	<u>1,132,418</u>	<u>41,043</u>

Financial liabilities measured at amortised cost

	Group 2016	2015 <i>(restated)</i>
	£	£
Bank loan	655,382	876,783
Trade creditors	151,438	92,478
Amounts owed to participating interests	12,878	–
Accruals	202,706	194,456
Shares classed as financial liabilities	1,500,000	–
	<u>2,522,404</u>	<u>1,163,717</u>

23. Prior Period Errors

In the previous accounting period the directors undertook a review of the value of goodwill. As a result of this review it was determined that the impairment charge incurred in previous years was no longer valid and should be reversed. The full impairment charge of £1,050,000 was reversed in the 2015 financial statements.

However, following a further review of the carrying value of goodwill in the 2016 financial statements it transpired that the reversal of the impairment charge was not in accordance with the requirements of UK GAAP. The accounting regulations permit a reversal of an impairment charge on goodwill but restricts any reversal so that the carrying value of goodwill does not exceed what it's written down value would have been, had the impairment charge not been made but instead had been amortised in accordance with the adopted accounting policy. This resulted in the carrying value of goodwill being overstated by £221,108 in the previous financial statements.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

24. Called Up Share Capital

Issued, called up and fully paid

	2016		2015 <i>(restated)</i>	
	No.	£	No.	£
Amounts presented in equity:				
Ordinary A shares of £0.0001 (2015 - £1) each	250,000	25	250,000	250,000
Ordinary B shares of £0.0001 (2015 - £1) each	250,000	25	250,000	250,000
Preferred A Ordinary shares of £- (2015 - £1) each	-	-	1,000,000	1,000,000
Ordinary C shares of £0.0001 each	357,143	36	535,715	54
Ordinary D shares of £0.0001 each	89,286	9	-	-
Ordinary E shares of £0.0002 each	44,643	9	-	-
Ordinary F shares of £0.0003 each	26,786	8	-	-
Ordinary G shares of £0.0005 each	17,857	9	-	-
Ordinary H shares of £9 each	1	9	-	-
Ordinary V shares of £1 each	1	1	-	-
	<u>1,035,717</u>	<u>131</u>	<u>2,035,715</u>	<u>1,500,054</u>
Amounts presented in liabilities:				
Preferred A Ordinary shares of £1 each	1,000,000	1,000,000	-	-
B Preference shares of £1 each	500,000	500,000	-	-
	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>

The number of shares outstanding at the year end date for all other classes of shares is consistent with the prior year

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

24. Called Up Share Capital *(continued)*

On 5 April 2016 a share reorganisation was undertaken as follows:

1. The Ordinary A and Ordinary B shares of £1 each in issue were subdivided into 2,500,000,000 shares in each category of £0.0001 each.
2. A new class of share, Ordinary V of £1 each, was created. One share was issued at a premium of £9,999.
3. 2,499,750,000 Ordinary A and Ordinary B shares of £0.0001 each were cancelled.
4. A new class of share, B Preference of £1 each, was created. 500,000 shares were issued at par.
5. 178,572 Ordinary C shares of £0.0001 each, owned by certain shareholders, were redesignated as 89,286 Ordinary D shares of £0.0001 each, 44,643 Ordinary E shares of £0.0001 each, 26,786 Ordinary F shares of £0.0001 each and 17,857 Ordinary G shares of £0.0001 each.
6. 44,643 Ordinary E shares of £0.0001 each were issued at par.
7. 53,572 Ordinary F shares of £0.0001 each were issued at par.
8. 71,428 Ordinary G shares of £0.0001 each were issued at par.
9. The Ordinary E shares of £0.0001 each were subdivided and reclassified into 44,643 Ordinary E shares of £0.0002 each.
10. The Ordinary F shares of £0.0001 each were subdivided and reclassified into 26,786 Ordinary F shares of £0.0003 each.
11. The Ordinary G shares of £0.0001 each were subdivided and reclassified into 17,857 Ordinary G shares of £0.0005 each.
12. A further new class of share, Ordinary H of £9.00 each, was created. One share was issued at par.

The H Ordinary share carries the right to attend, speak and vote at any general meeting of the company and on a poll to cast 5% of the votes attached to the equity shares.

The V Ordinary share carries the right to attend, speak and vote at any general meeting of the company and on a poll to cast such number of votes as would when aggregated with the voting rights attributable to all the other equity shares held by that shareholder and his privileged relations entitle that shareholder and his privileged relations together to cast 50.1% of the votes attached to the shares in the company from time to time at all general meetings.

The holders of the Ordinary A, B, C, D, E, F and G shares carry the right to attend, speak and vote at any general meeting of the company and on a poll to cast between them the remaining balance of the voting rights attached to the shares in the company pro rata to their shareholdings.

The Preferred A Ordinary shares and B Preference shares do not carry any right to vote at any general meeting, unless any amount of dividend on the respective shares is outstanding. The Preferred A Ordinary shares are entitled to a cumulative dividend of 10% per annum of the amount paid up on the shares. The B Preference shares are entitled to a cumulative dividend of 5% per annum of the amount paid up on the shares.

25. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

Profit and loss account - This reserve records retained earnings and accumulated losses.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements (continued)

Year Ended 31 May 2016

26. Analysis of Changes in Net Debt

	At 1 Jun 2015	Cash flows	At 31 May 2016
	£	£	£
Cash at bank and in hand	971,400	559,120	1,530,520
Debt due within one year	(221,401)	(15,764)	(237,165)
Debt due after one year	(655,382)	224,287	(431,095)
	<u>94,617</u>	<u>767,643</u>	<u>862,260</u>

27. Reconciliation of Net Cash Flow to Movement in Net Debt

	2016	2015 (restated)
	£	£
Increase in cash and cash equivalents in the year	559,120	391,253
Proceeds from borrowings	—	(250,000)
Repayments of borrowings	221,401	147,360
Proceeds from loans from participating interests	(12,878)	—
Change in net funds	<u>767,643</u>	<u>288,613</u>
Net funds/(debt) at 1 June 2015	<u>94,617</u>	<u>(193,996)</u>
Net funds at 31 May 2016	<u>862,260</u>	<u>94,617</u>

28. Operating Leases

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

	Group		Company	
	2016	2015 (restated)	2016	2015 (restated)
	£	£	£	£
Not later than 1 year	121,449	13,879	—	—
Later than 1 year and not later than 5 years	109,256	183,561	—	—
	<u>230,705</u>	<u>197,440</u>	<u>—</u>	<u>—</u>

29. Contingencies

The group companies, including K3 Capital Group Limited, have entered into a debenture dated 22 May 2014 for securing all monies due by K3 Capital Group Limited in respect of the bank loan facility. This represents a fixed and floating charge over the group's assets. The balance outstanding at 31 May 2016 was £655,382 (2015: £876,783).

30. Directors' Advances, Credits and Guarantees

At the balance sheet date, Anthony Ford, a director, owed the company £900,000 (2015: £nil). This amount is disclosed within other debtors.

During the year one director, Stuart Lees, invoiced the group for his services through a separate business, Signia CF. The amount charged amounted to £41,485 (2015: £nil) and there were no balances outstanding as at 31 May 2016.

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

31. Related Party Transactions

Group

The group has taken advantage of the provisions in Section 479A of the Companies Act 2006 which permits subsidiary companies to claim exemption from audit, provided the conditions specified in that section are met. The group has met the specified conditions

During the year the group was charged costs totalling £920,324 (2015: £357,850) from Triskell LLP (of which Anthony Ford is a designated member). The amount owed by Triskell LLP as at 31 May 2016 was £150,000 (2015: £Nil).

During the year, Anthony Ford, invoiced the group for his services. The amount charged amounted to the group was £47,500 (2015: £27,482) No amounts were outstanding

During the year the group provided a loan of £175,020 (2015: £Nil) to K3 Estates LLP (of which the directors, except for Stuart Lees, are designated members) The loan has been provided on an interest free basis with no fixed repayment schedule

Company

K3 Capital Group Limited is the parent entity of the group. The group has taken advantage of the exemption available under Section 33 FRS 102 not to disclose transactions with wholly owned subsidiary undertakings

32. Intercompany Guarantee

It has been accepted by the Board of Directors, that the following subsidiaries have been exempt for an audit under section 479A of the Companies Act 2006.

KBS Corporate Sales Limited – UK registration number 04141555 ✓

KBS Corporate Finance Limited – UK registration number 08924449

Knightsbridge Business Sales Limited – UK registration number 08924297

33. Controlling Party

In the opinion of the directors, Anthony Ford is the ultimate controlling party by virtue of his majority share of voting rights arising from his shareholding in K3 Capital Group Limited

34. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The group and the company transitioned to FRS 102 on 1 June 2014

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements (continued)

Year Ended 31 May 2016

34. Transition to FRS 102 (continued)

Reconciliation of equity

Group	1 June 2014			31 May 2015		
	As previously stated £	Effect of transition £	FRS 102 (as restated) £	As previously stated £	Effect of transition £	FRS 102 (as restated) £
Fixed assets	3,328,547	–	3,328,547	2,860,536	–	2,860,536
Current assets	768,343	36,290	804,633	1,069,000	59,309	1,128,309
Creditors' amounts falling due within one year	(829,687)	(475,732)	(1,305,419)	(1,233,547)	(634,783)	(1,868,330)
Net current liabilities	(61,344)	(439,442)	(500,786)	(164,547)	(575,474)	(740,021)
Total assets less current liabilities	3,267,203	(439,442)	2,827,761	2,695,989	(575,474)	2,120,515
Creditors' amounts falling due after more than one year	(633,390)	–	(633,390)	(655,382)	–	(655,382)
Provisions	2,604	99,622	102,226	(254)	119,871	119,617
Net assets	2,636,417	(339,820)	2,296,597	2,040,353	(455,603)	1,584,750
Capital and reserves	1,586,417	(339,820)	1,246,597	2,040,353	(455,603)	1,584,750

Reconciliation of equity

No transitional adjustments were required for the company.

Reconciliation of profit or loss for the year

	Year ended 31 May 2015		
	As previously stated £	Effect of transition £	FRS 102 (as restated) £
Turnover	5,098,634	(159,051)	4,939,583
Distribution costs	(74,771)	–	(74,771)
Administrative expenses	(3,291,851)	23,019	(3,268,832)
Operating profit	1,732,012	(136,032)	1,595,980
Other interest receivable and similar income	527	–	527
Interest payable and similar charges	(25,524)	–	(25,524)
Tax on profit on ordinary activities	(253,054)	20,249	(232,805)
Profit for the financial year	1,453,961	(115,783)	1,338,178

K3 Capital Group Limited (formerly K3 Capital Holdings Limited)

Notes to the Financial Statements *(continued)*

Year Ended 31 May 2016

34. Transition to FRS 102 *(continued)*

Reclassification of intangible assets

As a consequence of the transition to FRS 102 on 1 June 2014 the group has reclassified website costs, that were previously held in tangible fixed assets, to intangible fixed assets. The reclassification has had no material effect on the presentation of the Consolidated Statement of Financial Position or Consolidated Statement of Comprehensive Income. Further details of the change in classification can be seen in the notes to the financial statements.

Revenue recognition

At the transition date the directors undertook a review of the group's revenue recognition policy resulting in a change of policy. Previously under old UK GAAP the group had recognised revenue for services at the invoice date even though certain services, within the sales mix, were provided under contract over 6 or 12 months. As a result of the directors' review, although the majority of the contractual service is delivered to customers early in the contract period, it was determined that it would be more appropriate to defer income recognition over the contract term using key internal milestones.

This change in accounting policy resulted in the recognition of a deferred income liability at 1 June 2014 of £475,732 with a corresponding reduction in turnover in the period. In addition certain commission payments, linked to the contracts, were prepaid totalling £36,290, reducing wage costs by an equivalent amount. In accordance with FRS 102 a deferred tax asset of £99,622 was also recognised on the reduction in trading profit arising from these changes. At 31 May 2015 the deferred income liability had increased to £634,783, prepaid commissions had increased to £59,309 and the deferred tax asset increased to £119,871, with movements reflected in profit and loss for the year.