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Kinovo PLC
11 July 2023

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Kinovo Plc

("Kinovo" or the "Group")

Final results for the year ended 31 March 2023

Kinovo plc (AIM:KINO), the specialist property services Group that delivers compliance and sustainability solutions, announces its audited results for the year ended 31 March 2023.

Financial highlights (continuing operations):

- Revenue increased by 18% to £62.7 million (FY22: £53.3 million)
- Adjusted EBITDA[1] increased by 29% to £5.5 million (FY22: £4.2 million)
- Profit before tax up by 58% to £4.4 million (FY22: £2.8 million)
- Basic earnings per share increased 63% to 5.97p (FY22: 3.66p)
- Continued strong adjusted cash conversion[2] of 107% during the period (FY22: 223%)
- Net cash[3] of £1.1 million (net debt of £0.3 million in FY22)
- Repaid £2.5 million of HSBC Term Loan in full in FY23, ahead of schedule
- Three year visible revenues[4] of £146.4million (FY22: £140.4 million)

Operating highlights:

- The business continues to benefit from legislative drivers and a streamlined focus on three key areas: Regulation, Regeneration and Renewables
  - Regulation contributed 56% of total revenues (FY22: 59%), Regeneration 28% (FY22: 20%) and Renewables 16% (FY22: 21%)
- Operational efficiencies continue to mitigate inflationary pressures:
  - Gross margins increased 2.4% from 23.9% to 26.3%
  - EBITDA margins have strengthened by 0.8% from 7.9% to 8.7%
- Strong visibility of future revenues demonstrates the business' quality of earnings:
  - 98% of the three year visible revenues are recurring[5]
  - £64 million of the three year visible revenues are anticipated to be recognised in FY24
  - 71% of all term contracts have price-index linked clauses
- Greater number of contract wins with longer average lengths, including:
  - 5 year contract with The Hyde Group at an aggregate value of £25 million for electrical testing and associated works, with a potential value of £40 million over 8 years
  - £4 million contract over 2 years with the London Borough of Waltham Forest for electrical, commercial mechanical and associated builders works
- High-ranking placings on key frameworks, including several top place rankings, significantly increasing future revenue generation potential:
  - Three awards under the National Housing Maintenance Framework, at an estimated national value across the relevant contractors in aggregate of £200 million over 4 years
  - First position on the Hyde Framework Agreement for domestic and communal electrical testing
  - The Greener Future Partnership's Decarbonisation Framework with an estimated national value across the relevant contractors of £81 million until the end of 2025
- Continued delivery of ESG commitments:
  - Total energy consumed reduced by 23% and total carbon emissions by 22%
- Accreditations enhanced during the period to complement the scope of our offering, adopting a fabric first approach by gaining additional Trustmark PAS2030 certifications
- Significant headway has been achieved towards completion of the legacy DCB Kent construction projects (discontinued operations), with seven of the nine projects having reached agreements on contract terms and expected to be completed by the end of the current financial year and constructive dialogue ongoing to agree contracts regarding the other two. The estimated net costs to complete the projects continues to be £4.3 million. A £5.3 million loss is reported in the year ended 31 March 2023 with £1.0 million of anticipated recoveries recognised in future periods when they have been realised

Outlook:

- The Company continues to benefit from its clear and defined strategy as well as legislative drivers, positioning the business well to achieve further growth
  - Robust pipeline of further opportunities from both direct contract wins and awards under framework agreements
- The Board is confident of delivering strong performance going forwards, and is exploring partnership and other strategic opportunities to accelerate Kinovo's growth objective

David Bullen, Chief Executive Officer of Kinovo, commented:

"I am delighted to report a strong set of results in what has been a critical year of transition for Kinovo. We continue to reap the rewards of our strategic repositioning, focusing on three key areas of specialism: Regulation, Regeneration and Renewables. This, as well as key investments made within the business, mean we are submitting for and winning higher value contracts over longer average durations. As a result, our three-year visible revenues have increased to over £146 million.

We have also made significant progress with our contractual obligations relating to our former construction division, DCB Kent. We expect seven of the nine projects to be completed within FY24 and remain in constructive dialogue to agree contracts regarding the final two.

Looking ahead, we are confident that our strategy, business and underlying market drivers position the business well to achieve further growth on an organic basis. We also continue to assess the market for value accretive opportunities for the Group."

1 Adjusted EBITDA excludes non-underlying items (customer relationship amortisation and share based payment charge) and is stated after the effect of a charge for lease payments.

2 Adjusted net cash (being net cash generated from continuing operations before non-underlying items and tax and after lease payments, adjusted to reflect the payment of deferred HMRC payments to normal terms) divided by Adjusted EBITDA.

3 Includes cash and cash equivalents, net of bank loans and other loans and overdraft and excluding lease obligations.

4 Three year visible revenues represents the minimum identifiable revenues, over the following three year period; being contracted or anticipated spend as well as historical run rates. Visible revenues does not include potential income from framework agreements but does include £3.3 million revenues awarded since 31 March 2023.

5 Revenues arising from term contracts currently secured or anticipated to be renewed with an initial period spanning more than 12 months

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This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Chair's statement

The right strategy and the right people to deliver continued growth

Overview

This has been a critical year of transition for the business and, as such, I am delighted to report on such positive results, demonstrating strong momentum and turnaround. Following our strategic repositioning to focus on the three key pillars of Regulation, Regeneration and Renewables, our operations have been streamlined to focus on where we possess significant expertise and experience. As a result, the business is performing above expectations, with 18% year-on-year revenue growth and Adjusted EBITDA increasing by 29%. Kinovo is now primed to achieve further growth in-line with management's ambitious strategic targets.

Crucially, alongside the strategic repositioning, management has invested heavily in creating an inclusive high-performing culture and I firmly believe that this commitment to our people in terms of training and productivity has been a key driver in enabling growth. This has been reflected in our ability to retain our employees and attract high-calibre additional resource.

As reported last year, we experienced some complexities in the disposal of our non-core construction subsidiary, DCB Kent. It is gratifying to report that seven of the nine ongoing projects are expected to be completed within this financial year. This process is being well-managed by Kinovo, and the Company can now focus more on our core business, and delivering growth.

Market

Kinovo is reaping the rewards of its focused business model and position within the market. The business continues to benefit from regulatory tailwinds, such as legislation notably around Building and Fire Safety and Electrical Wiring. Our three key pillars are entirely complementary, which enable cross-selling opportunities. Our strong relationships with local authorities, and the holistic nature of our services, provides a one-stop shop to upsell additional works across our offering. And, by virtue of our continued contractual wins, renewals and client surveys, it is a service which is highly valued.

ESG

ESG and sustainability underpin all our operations at Kinovo. Our services all contribute to the net zero agenda, particularly under our Renewables pillar which we expect to grow meaningfully in the coming year.

Given this is a particular area of expertise, we are pleased to have local authorities turning to Kinovo as a voice of authority on ESG, and regularly receive feedback that we are ahead of the curve. This is a particular specialism for the business, and we hope to see this position increase as sustainability and ESG become a key imperative.

Outlook

I am hugely encouraged with the progress made during the last year, in spite of the challenging economic backdrop. Kinovo is in an excellent position to continue its growth. I am confident that we have the right strategy and the right people to achieve both medium and long-term shareholder value.

It would be remiss of me to not provide an update following the announcement of my intention to step down from the board last year. In line with good corporate practice and succession, we will look to effect this change but given the crucial period of transition of the business, and after careful deliberation it was unanimously agreed that I will continue in my capacity as chair until the point of time when the change will not disrupt but positively enable added value for all our stakeholders.

I would like to personally thank the Board - David and Clive - and Lee, our COO, for marshalling and enabling a successful year and I am confident that the Company will continue to thrive. Finally, it would be remiss of me not to extend my heartfelt gratitude to our employees, who have worked tirelessly and with diligence on a highly successful year: it is through their steadfast commitment that the business has thrived.

Sangita Shah
Chair
11 July 2023

Chief Executive Officer's review

Strong momentum in delivering our strategy

Overview

Kinovo has made significant progress this year and I am delighted to be able to report on the Group's continuing improved financial performance, a stronger balance sheet and strategic momentum.

We are pleased to report trading above management's previous expectations, with revenue from continuing operations for the year ended 31 March 2023 ("FY23") rising by 18% year on year to £62.7 million and Adjusted EBITDA increasing by 29% to £5.5 million. During the year, and ahead of schedule, we fully repaid the HSBC UK Bank Plc Term Loan ("HSBC Term Loan") of £2.5 million with our banking partners, HSBC. At 31 March 2023 we had a net cash position of £1.1 million (FY22: net debt £339,000).

Kinovo continues to benefit from our repositioning under three key pillars of Regulation, Regeneration and Renewables and we continue to invest in the business and its future growth.

There is a clear focus on executing our strategy through the delivery of operational excellence and the strengthening of our offering underpinned by our commitment to our people through retention, personal and professional development whilst being assured by a predictability of revenues driven from long-term contracts.

We have made good progress on each of our three key strategic pillars, with revenue from Regeneration and Regulation delivering year on year double digit increases of 41% and 11% respectively, whilst our Renewables pillar continues to progress and is expected to increase going forwards.

During the year, there have been numerous contract and framework wins and we continue to develop a robust pipeline of opportunities. Our three-year visible revenue outlook, which excludes any assumed revenues from our framework wins, has increased to £146.4 million. We are confident this positive momentum will continue with further direct awards in the year ahead.

Market

The market has experienced well-documented macro-economic pressures and, as in the previous year, the Group has not been immune to the challenges of inflation, labour shortages and supply chain issues. We have continued to positively manage and mitigate these challenges whilst delivering growth and demonstrating the robustness and resilience of our business model throughout.

The Government's commitment to ensure that all residents have a safe, secure, warm and dry home continues to increase landlords' compliance responsibilities with non-discretionary, regulatory-led drivers, specifically the Building Safety Act, Fire Safety Act and changes to the Electrical Wiring legislation. These have all materially increased demand for our services, as well as the regularity and scope for works completed under our Regulation and Regeneration pillars, providing further assurance to our outlook.

During the year, we also broadened our qualified criteria under the Trustmark PAS 2030 installer accreditation to include amongst others, energy efficient lighting systems and controls, electrical energy efficient heating, loft, floor, external, internal and cavity wall insulation, and water efficient taps and showers. This supports Kinovo's strategic objective to facilitate a "fabric-first" approach to energy efficiency - a necessity when considering the ageing social housing stock - and further strengthens our offering within our Renewables pillar beyond solar PV, electric vehicle charging, air source heat pumps and ground source heat pumps.

With our broadened accreditations in place, the recent award of £778 million by the Government through Wave 2.1 of the Social Housing Decarbonisation Fund, with additional match funding of £1.1 billion to be provided by recipients, offers exciting growth prospects that we are well placed to participate in.

The burgeoning legislative drivers in the market, coupled with our increased accreditations, dovetail with a significant number of framework awards during the year that cover the breadth of our service offering, presenting a clear opportunity for the business to capitalise on.

Strategy

The Group continues to prioritise its key strategic objectives, invest in our people and communities, expand core competencies, improve collaborative services, accelerate organic growth, consolidate our geographic position and acquire complementary businesses.

The strategy is grounded on delivering efficiency through operational excellence that is driven through three complementary services which enable cross-selling and opportunities to maximise revenue streams from both existing contracts and relationships, as well as new ones. Our goal is to be a specialist total service partner for our clients whereby we can fulfil, both efficiently and cost effectively, all their service needs. This enables the Group to build stronger relationships with clients, meaning a higher rate of contract retention with an ongoing expansion of revenue streams as well as higher average contract values.

Through our marketing and business development investments, there has been industry recognition of our strengthened position and offering, increasing the potential to diversify our client base further, improving selectivity within our bid process to maximise value and allowing us to constantly evaluate our supply chain to ensure as disciplined an approach to cost management as possible. The Group's focus on medium and long-term contracts, typically of three to five years, strengthens our long-term visibility.

Facilitated by our strategic repositioning and built on the three key strategic pillars, we have continued meaningful investment in our retention, recruitment and contract acquisition processes. Our focus on people balanced with a diverse sub-contractor base also positions the Group well to mitigate a considerable roadblock within the industry, being labour availability.

We are pleased with the progress of this strategy and have confidence in our organic growth prospects. Whilst this remains our core focus, we will also continue to explore potential opportunities where we can deliver clear strategic value.

People

We are pleased with our ongoing staff development and investment plan, in support of our growth strategy. While we are still feeling the effects of market forces and the pandemic, our employee headcount increased by 5% during the year, with the number of apprenticeships increasing to 14% of our employee base, positively positioning our business for the future.

A key part of this process is centred around employee retention and personal and professional development. I am pleased to be able to share that, during the year, 9% of our current employees have taken the opportunity to increase their responsibilities or expand their skills base through internal appointments. This serves to recognise and reward the efforts of our team members, to fuel aspiration and ambition within the Group, and demonstrates our commitment to individual career progression with further opportunities as the Group continues its growth path.

Our focus on people extends to our commitment in delivering social value in our communities. Raising living standards for people, families and communities is our purpose, and part of that ethos is to deliver social value on every contract. During the year, a few examples of the many initiatives that we are proud to have undertaken include facilitating mock interviews in various schools, painting community halls, creating and regenerating green spaces, donating to local food banks, and offering a regular canteen service to bring joy and connection to the socially excluded.

These have all had a direct and significant beneficial impact on the most vulnerable members of our local communities, ensuring as individuals and as an organisation, that we have an opportunity to give something back to society and make a positive difference to people's lives, whilst improving our own mindsets and wellbeing.

Outlook

Post period end, we have maintained our encouraging momentum and continue to drive our organic growth prospects by further diversifying our client base with new contract wins.

With seven of the nine ongoing projects relating to our former construction subsidiary DCB Kent, expected to be completed within this financial year, and the remaining two in constructive dialogue, we look forward with positivity to focusing solely on our core business and driving growth. More detail regarding the DCB projects is set out in the Financial Review.

We will continue to explore our strategic options while managing the organic growth opportunities under our three key pillars of Regulation, Regeneration and Renewables. We are confident of continuing to deliver strong performance, driving further sustainable growth.

David Bullen
Chief Executive Officer
11 July 2023

Financial review

Strong growth and future prospects

Trading review

Continuing operations

Kinovo has continued to deliver strong growth in revenues and earnings with robust cash generation from its continuing operations, despite the market challenges of supply chain inflation and material and labour availability during the period.

Revenues for the year ended 31 March 2023 ("FY23") grew 18% to £62.7 million (FY22: £53.3 million), demonstrating the strength of demand for the Group's specialist property services.

Gross profit of £16.5 million (FY22: £12.8 million) was achieved at a margin of 26.3% (FY22: 23.9%). Underlying administrative expenses of £11.3 million were up £2.6 million compared with the prior period (FY22: £8.7 million), reflecting the investment in new staff including business development and remuneration structures.

Adjusted EBITDA* (after the effect of a charge for lease payments) increased by 29% to £5.5 million (FY22: £4.2 million) with operating profit delivering £4.8 million (FY22: £3.1 million), up 57%.

Underlying operating profit, excluding non-underlying items, increased by 30% to £5.3 million (FY22: £4.1 million). Non-underlying items were £0.5 million (FY22: £1.0 million).

Profit before taxation for continuing operations was £4.4 million (FY22: £2.8 million) and profit after tax was £3.7 million (FY22: £2.3 million), reflecting the uplift in operating performance.

Details on progress relating to the discontinued operations are set out below and in note 31 to the financial statements.

Financial position and key indicators

Net cash (excluding lease liabilities) was £1.1 million at 31 March 2023 compared to net debt (excluding lease liabilities) of £339,000 in the prior year, reflecting continuing working capital efficiency and robust underlying operational cash generation from the continuing operations despite the cash absorbed by the discontinued operations during the year.

We focus on a range of KPIs to assess our performance. Our KPIs are both financial and non-financial and ensure that the Group targets its resources around its clients, operations and finance. Collectively they form an integral part of the way that we manage the business to deliver our strategic goals.

The key financial performance indicators for the year are set out below.

* The Board considers Adjusted EBITDA to be a key alternative performance measure ("APM") as it is the basis upon which the underlying management information is prepared and the performance of the business is assessed by the Board. It has also been the historical measure for the covenants under our banking arrangements.

	FY23 £'000	FY22 £'000	FY21 £'000
Continuing operations			
Income statement			
Revenue	**62,670**	53,325	39,369
Gross profit	**16,472**	12,767	9,291
Gross margin	**26.3%**	23.9%	23.6%
EBITDA[1] (excluding effect of lease payments)	**6,013**	4,600	2,763
Adjusted EBITDA[2] (including effect of lease payments)	**5,474**	4,237	2,096
Underlying operating profit[3]	**5,297**	4,091	2,010
Underlying profit before taxation[4]	**4,896**	3,822	1,572
Profit/(loss) after taxation	**3,713**	2,262	(252)
Basic earnings/(loss) per share[5]	**5.97p**	3.66p	(0.42p)
Adjusted earnings per share[6]	**6.76p**	5.33p	2.76p
Cash flow			
Net cash generated from operating activities	**5,488**	9,777	5,542
Adjusted net cash generated from operating activities[7]	**5,865**	9,442	4,360
Adjusted operating cash conversion[8] (%)	**107%**	223%	208%
Financial position			
Cash and cash equivalents	**1,322**	2,504	1,293
Term and other loans	**(177)**	(2,843)	(3,966)
Net cash/(debt)[9]	**1,145**	(339)	(2,673)
Trade receivables	**3,610**	4,977	5,564
Accrued income	**7,066**	5,247	8,634
Trade payables	**(13,025)**	(12,552)	(11,082)
Net liabilities	**(652)**	(143)	10,862
Discontinued operations			
(Loss)/profit after taxation	**-**	(549)	409
Loss on disposal	**(4,261)**	(12,595)	-
Net cash (absorbed)/generated by operating activities	**(2,750)**	(6,117)	272

1. Earnings before interest, taxation, depreciation and amortisation ("EBITDA") and excluding non-underlying items, as set out in note 8 of the financial statements.
2. Adjusted EBITDA excludes non-underlying items and is stated after the effect of a charge for lease payments, as set out below.
3. Underlying operating profit is stated before charging non-underlying items as set out in note 9 of the financial statements.
4. Underlying profit before taxation is stated after finance costs and before charging non-underlying items.
5. Basic earnings per share is the profit after tax divided by the weighted average number of ordinary shares.
6. Adjusted earnings per share is the profit before deducting non-underlying items after tax divided by the weighted average number of ordinary shares.
7. Net cash generated from continuing operations before tax and after lease payments in the period ended 31 March 2023. It is also adjusted to reflect the payment of deferred HMRC payments to normal terms.
8. Adjusted net cash generated from operating activities divided by Adjusted EBITDA.
9. Net cash/(debt) includes term and other loans and overdraft net of cash, and excludes lease obligations.

EBITDA reconciliation

Internal management information and historical reporting under the Group's banking facilities is focused on Adjusted EBITDA of £5.5 million (FY22: £4.2 million) which is stated after the effect of a charge for lease payments. Adjusted EBITDA has increased by 29% in FY23 and increased by 102% in FY22 compared to FY21.

Set out below is the basis for the calculation of Adjusted EBITDA.

	FY23 £'000	FY22 £'000	FY21 £'000
Continuing operations			
Profit before tax	4,408	2,792	(371)
Add back non-underlying items:			
Amortisation of customer relationships	385	940	1,582
Share based payment charge	103	90	27
Exceptional items	-	-	334
Underlying profit before tax	4,896	3,822	1,572
EBITDA adjustments:			
Finance costs	401	269	438
Depreciation of property, plant and equipment	131	130	82
Depreciation of right-of-use assets	513	336	654
Amortisation of software costs	72	44	17
Profit on disposal of property, plant and equipment	-	(1)	-
EBITDA	6,013	4,600	2,763
Adjustment for lease payments	(539)	(363)	(667)
Adjusted EBITDA	5,474	4,237	2,096

Non-underlying items

Non-underlying items are considered by the Board to be either exceptional in size, one-off in nature or non-trading related items and are represented by the following:

FY23 FY22 FY21

	FY23 £'000	FY22 £'000	FY21 £'000
Amortisation of customer relationships	**385**	940	1,582
Share based payment charge	**103**	90	27
Restructuring costs	**-**	-	334
Total	**488**	1,030	1,943

The share based payment charge reflects the impact attributed to the new share schemes established since 2021. Additional information on the schemes is set out in note 28.

Finance costs

Finance expenses were £401,000 (FY22: £269,000) and are represented by interest on bank borrowings and loans, other interest costs and other finance costs, being the amortisation of debt issue costs. There was no finance income in the year.

Tax

The Group tax position reflects an underlying charge of £695,000 on continuing activities set off by tax credits of £999,000 (FY22: £128,000) on discontinued activities and tax credits of £nil (FY22: £1.1 million) relating to the loss of disposal of DCB (Kent) Limited. No tax payments were made in the current or prior year. Overall, the Group has no tax liability at 31 March 2023.

The net deferred tax asset at 31 March 2023 was £610,000 (FY22: asset £306,000) comprising a deferred tax liability of £178,000 (FY22: £225,000), relating to the acquisition of intangible assets, right-of-use assets and short-term timing differences, and a deferred tax asset of £788,000 (FY22: £531,000), relating to unused tax losses, lease liabilities and share based payments.

Earnings per share

Basic earnings per share, from continuing operations, was 5.97 pence (FY22: 3.66 pence), an increase of 63%, based on profit after tax of £3.7 million (FY22: £2.3 million). The weighted average number of shares in issue was adjusted for the SIP share awards in the year ended 31 March 2022 as set out in note 24 of the financial statements. No shares were issued in the year ended 31 March 2023.

Adjusted earnings per share, from continuing operations, excluding non-underlying items, was up 27% to 6.76 pence (FY22: 5.33 pence). Diluted adjusted earnings per share was 6.70 pence (FY22: 5.25 pence), an increase of 28%.

Cash flow performance

Adjusted cash generated from continuing operations was £5.9 million (FY22: £9.4 million), resulting in an adjusted operating cash conversion of 107% (FY22: 223%).

Adjusted operating cash conversion is calculated as cash generated from continuing operations (after lease payments), after adding back exceptional item payments of £nil (FY22: £nil; 2021 £334,000) and adjusted for the effects of deferred HMRC repayments of £887,000 (FY22: repayments of £136,000; 2021: net deferred of £686,000), divided by Adjusted EBITDA of £5.5 million (FY22: £4.2 million), as set out below.

	FY23 £'000	FY22 £'000	FY21 £'000
Cash flow from operating activities (see note 25)	**2,738**	3,660	5,814
Adjustment for cash absorbed by/(generated from) discontinued activities	**2,750**	6,117	(272)
Net cash generated from continuing operating activities	**5,488**	9,777	5,542
Less operating lease payments	**(510)**	(471)	(667)
Less corporation tax received	**-**	-	(163)
	4,978	9,306	4,712
Add back exceptional restructuring costs	**-**	-	334
Net adjustment for deferred HMRC payments	**887**	136	(686)
Adjusted net cash generated from continuing operating activities	**5,865**	9,442	4,360
Adjusted EBITDA (see above and note 8)	**5,474**	4,237	2,096
Adjusted cash conversion (adjusted operating cash/Adjusted EBITDA)	**107%**	223%	208%

By arrangement with HMRC, VAT liabilities of £887,000 were deferred at 31 March 2022 and were fully repaid by 1 September 2022.

Cash conversion excluding the effect of a charge for lease payments was 106% (FY22: 208%).

The result reflects a combination of rigorous focus on reducing the time from order to cash receipts by the management teams of the continuing operations, improved purchasing card credit terms and timing of staff bonus payments.

The Group has a centralised treasury function and actively manages cash flows on both a daily and longer-term basis. The Group enjoys long-term client relationships with both its clients, being local Government organisations and other housing associations, and its supply chain partners.

Cash absorbed by discontinued operations amounted to a total of £2.75 million including working capital provided in April 2022, post disposal of DCB (Kent) Limited of £1.2 million (FY22: cash absorbed £6.1 million including working capital provided post disposal of DCB in January to March 2022 of £2.5 million).

Net debt

Kinovo had a net cash position at 31 March 2023 of £1.1 million compared to net debt of £339,000 at 31 March 2022, an improvement of £1.5 million as analysed in the table below and note 21 for full details of borrowings.

	FY23 £'000	FY22 £'000	FY21 £'000	FY20 £'000	FY19 £'000
Borrowings					
HSBC Term Loan	**-**	(2,534)	(3,533)	(3,333)	(5,000)
Other loan	**(34)**	(109)	(176)	(235)	(289)
Mortgage loan	**(143)**	(200)	(257)	(314)	(371)
Overdraft	**-**	-	-	(3,351)	(5,219)
	(177)	(2,843)	(3,966)	(7,233)	(10,879)
Cash and cash equivalents	**1,322**	2,504	1,293	19	21
Net cash/(debt)	**1,145**	(339)	(2,673)	(7,214)	(10,858)

During the year the Group repaid £2.7 million of HSBC Term Loan and other loans. £1.9 million represented scheduled repayments and £0.8 million accelerated repayment of the balance of the HSBC Term Loan as at 31 March 2023. Of the borrowings of £177,000 at 31 March 2023, £91,000 is repayable within one year, £57,000 payable in the year ending 31 March 2024 and the balance in the following financial year.

The net cash position at 31 March 2023 benefitted from the deferral, compared to original expectations of the timing of the payments for completion of the DCB projects, as detailed below.

Discontinued operations - DCB (Kent) Limited

Following its rebranding and strategic review, Kinovo determined that DCB (Kent) Limited ("DCB"), the Group's construction business, was non-core and was disposed in the year ended 31 March 2022.

On 16 May 2022, DCB filed for administration and as at the date of the financial statements, Kinovo has limited expectation of recovery of amounts owed under the terms of the disposal of DCB.

Kinovo had residual commitments under various parent company guarantees for the DCB construction projects and working capital support. Under the terms of the parent company guarantees, Kinovo is responsible for the completion of the projects.

The activities of DCB are presented as discontinued operations.

There are nine projects in total and six are now operating under new contracts, which we are managing, and another is being completed directly by the client. At 31 March 2023, three projects were on site. Four other contracts were signed as at 31 March 2023 and commenced post year end. The remaining two projects are in continuing positive discussions.

Three of the nine DCB contracts originally had performance bonds, which were indemnified by Kinovo plc, totalling

Three of the nine DCB contracts originally had performance bonds, which were indemnified by Kinovo plc, totalling £2.1 million. Only one bond remains outstanding to resolve at the date of the financial statements. Kinovo has engaged with the insurer, underwriter and client and although the outstanding bond of £860,000 could have been called at any time since DCB entered into administration, it is recognised by all parties that positive discussions are ongoing to identify solutions to enable the project to be completed and the bond novated.

The overall net cost to complete the construction projects is expected to be approximately £4.3 million. A £5.3 million pre tax loss is reported in the year ended 31 March 2023 with £1.0 million of anticipated recoveries recognised, in future periods, when they have been realised. At 31 March 2023 the outstanding balance on the costs to complete provision was £3.5 million. The loss after tax from discontinued operations of the former DCB construction projects was £4.2 million.

Full details of the discontinued operations are set out in notes 30 and 31.

The disposal of DCB has allowed the Group to harmonise its operations and increase the focus on its three strategic workflow pillars: Regulation, Regeneration and Renewables as demonstrated by the results delivered for FY23. These pillars are centred on compliance-driven, regulatory-led specialist services that offer long-term contracts, recurring revenue streams and strong cash generation.

Banking arrangements

The Group's debt facilities at 31 March 2023, with HSBC UK Bank Plc ("HSBC"), comprised a £nil (FY22: £2.5 million) Term Loan, fully repaid in the year, £2.5 million overdraft facility, which is renewed annually and due to renew in August 2023 (FY22: £2.5 million) and a balance of £143,000 (FY22: £200,000) on a mortgage loan. The Group also has a balance of £34,000 (FY22: £109,000) on a legacy loan with Funding Circle. Net debt analysis is set out above and full details of the borrowing facilities are set out in note 21 of the financial statements.

The Group made scheduled quarterly repayments on the HSBC Term Loan amounting to £1,768,000. At 31 March 2023, the Group made an additional payment of £766,000 to fully repay the outstanding balance.

The HSBC Term Loan facility had a number of financial covenants that were tested quarterly, being: (i) achievement of minimum levels of EBITDA; (ii) debt service cover; and (iii) interest cover. All financial covenants were achieved.
The Group also has a purchasing card facility of £6.0 million, which is renewed annually and due to renew in August 2023, with HSBC which is disclosed within trade creditors and detailed in note 23 of the financial statements.

Dividends

No interim dividend was paid (FY22: £nil). Due to the discontinued operations losses and the consequent financial position for Kinovo, the Board does not recommend the payment of a final dividend for the year ended 31 March 2023 (FY22: £nil). It remains the Board's priority to continue to professionally manage the completion of the outstanding discontinued operations projects, proactively manage the level of borrowings and strengthen the balance sheet, and to resume the payment of a dividend as soon as financial conditions allow.

Going concern

The financial position of the Group, its cash flows, the commitments to the discontinued operations, liquidity position and borrowing facilities are described above.

In assessing the Group's ability to continue as a going concern, the Board reviews and approves the annual budget and longer-term strategic plan, including forecasts of cash flows.

The Board also reviews the Group's sources of available funds and the level of headroom available against its committed borrowing facilities.

After considering the above factors including the expectation that HSBC UK Bank plc annual overdraft and purchasing card facilities will be renewed in August 2023, and possible sensitivities in trading performance, the Board has an expectation that Kinovo and the Group has adequate resources to continue in operational existence for the foreseeable future.

Whilst HSBC has indicated in writing its' continuing support to the Group and its' intention to seek approval for the annual facilities to be renewed, on the expiry of the current facility terms, the approval is yet to be completed. As a result, a material uncertainty remains, which may cast doubt on the Group's ability to continue as a going concern.

Positive discussions continue on the two remaining construction projects that are yet to agree new contracts and the remaining performance bond is expected to be novated as part of those discussions. The costs to complete across all nine projects represents a material judgement and is highlighted as an emphasis of matter in the Audit opinion. For these reasons, the Board continues to adopt the going concern basis in preparing the consolidated financial statements. Accordingly, these accounts do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group was unable to continue as a going concern. Further detail on going concern is set out in note 2.1.

Clive Lovett
Group Finance Director
11 July 2023

Independent auditor's report to the members of Kinovo plc

for the financial year ended 31 March 2023

Opinion

We have audited the financial statements of Kinovo Plc (the 'group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Group Statement of Cash Flows, the Group Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile. We conducted substantive audit procedures and evaluated the group's internal control environment. The components of the group are subject to individual statutory audit and were audited to their own individual materiality by the group audit team.

individual materiality by the group audit team.

For all entities that are subject to a full scope audit, we evaluated the controls in place at those components by performing walkthroughs over the financial reporting systems identified as part of our risk assessment. We also reviewed the accounts production process and addressed critical accounting matters. We then undertook substantive testing on significant classes of transactions and material account balances.

Emphasis of matter

We draw attention to notes 4.2(d) and 31 in the consolidated financial statements, which describe the costs to complete in relation to, and status of, the contracts entered into by DCB (Kent) Limited that DCB (Kent) Limited was unable to fulfil due to going into administration. Due to the parent company guarantee put in place prior to the disposal of DCB (Kent) Limited, the group is liable for completion of the contracts and has estimated the total provision required for the costs to complete for the 9 projects to be approximately £5.3 million, out of which £3.5 million is outstanding as at 31 March 2023.

Whilst the group used an expert to assist in determining these amounts, this is a material judgement which we considered needed to be highlighted to the users of the financial statements. Our opinion is not modified in this respect.

Key audit matters

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

The key audit matters were:

- Costs to complete on DCB (Kent) Limited onerous construction contracts
- Going concern

A description of each matter together with our audit approach is set out below.

Audit Area and Description	Audit Approach
Costs to complete on DCB (Kent) Limited onerous contracts As stated in the Emphasis of matter paragraph above and notes 4.2(d) and 31, there is significant judgement in estimating the cost to complete these contracts.	Our audit work included the following procedures: • We held discussions with management to understand the latest position of each project. • We reviewed relevant documentation and correspondence in relation to the projects, including reviewing an expert report prepared by management's external qualified surveyors detailing the latest position and estimated cost to complete of each project. We challenged management and the surveyors on the contents of the report, critically assessing the methodology and key assumptions made. • We considered evidence which contradicted the assertions as part of this process, as well as evidence which corroborated them. • We substantively tested transactions incurred pre-year end in respect of projects for which work had commenced in the year. • We reviewed the accounting treatment and related disclosures in the financial statements to ensure they complied with the relevant requirements of UK-adopted International Accounting Standards.
Going concern As detailed in note 2.1, there are several significant judgements which have been required to be made in the Directors' assessment of the going concern status of the group and specifically whether a material uncertainty exists in relation to going concern.	As noted in the material uncertainty related to going concern paragraph beneath, there are events or conditions which indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. The audit work we have conducted in this area is described in the paragraph referred to above.

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Due to the nature of the group we considered income to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the group to be £631,728 based on one percent of revenue during the period.

On the basis of our risk assessment, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group was 50% of materiality, namely £315,864.

We agreed to report to the Audit Committee all audit differences in excess of £31,586, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Material uncertainty related to going concern

We draw attention to note 2.1 to the financial statements, which indicates that the group is dependent on the continued support of its bank to continue in business and meet its liabilities as they fall due. The Board is currently in constructive discussions regarding the continuation of the overdraft and purchasing card facilities due for renewal in August 2023. HSBC UK Bank Plc remain supportive and the group has received written notification that the bank is progressing toward the approval of the renewal of these facilities. However, documentation is yet to be completed at the date of signing these financial statements.

Whilst management believe that the borrowing facilities will be able to be renewed, there can be no certainty in this respect.

As stated in note 2.1, these events or conditions, along with the other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the use of the going concern basis of accounting in the preparation of the group's financial statements is appropriate. Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- a critical assessment of the detailed cash flow projections prepared by the directors, which are based on their current expectations of trading prospects, extending the working capital facility and the performance bond not being called;
- reviewing the terms of the facilities available to the group;
- reviewing the Board's assessment of the group's obligations resulting from the administration of DCB (Kent) Limited;
- understanding the most recently available trading results post year end; and
- reviewing the appropriateness of the disclosures in Note 1.2.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the group financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

In preparing the group financial statements, the directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the FRC's website at https://wwww.frc.org.uk/auditors/auditor-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor's-responsibilities-for

This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the group.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, the rules of the Alternative Investment Market, and UK taxation legislation.

- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.

- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.

- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations, and reviewed board minutes for any evidence of.

- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

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.

Other matter

We have reported separately on the parent company financial statements of Kinovo Plc for the year ended 31 March 2023. That report includes details of the parent company key audit matters; how we applied the concept of materiality in planning and performing our audit of the parent company and an overview of the scope of our audit of the parent company. That report includes an emphasis of matter and a material uncertainty in relation to going concern.

Use of our report

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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

Andrew Barford
(Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

6th Floor
9 Appold Street
London
EC1A 2AP

Consolidated statement of comprehensive income
for the financial year ended 31 March 2023

		12 months to 31 March 2023			12 months to 31 March 2022		
		Underlying Items	**Non-underlying items (note 9)**	**Total**	Underlying Items	Non- underlying items (note 9)	Total
	Notes	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Continuing operations							
Revenue	5	**62,670**	**-**	**62,670**	53,325	-	53,325
Cost of sales		**(46,198)**	**-**	**(46,198)**	(40,558)	-	(40,558)
Gross Profit		**16,472**	**-**	**16,472**	12,767	-	12,767
Administrative expenses		**(11,175)**	**(488)**	**(11,663)**	(8,676)	(1,030)	(9,706)
Operating profit	7	**5,297**	**(488)**	**4,809**	4,091	(1,030)	3,061
Finance cost	11	**(401)**	**-**	**(401)**	(269)	-	(269)
Profit before tax		**4,896**	**(488)**	**4,408**	3,822	(1,030)	2,792
Income tax expense	13			**(695)**			(530)
Profit for the year attributable to the equity holders of the parent company from continuing operations				**3,713**			2,262
Discontinued operations							
Loss from discontinued operations (Note 31)		-	(4,261)	(4,261)	(549)	(12,595)	(13,144)
Total comprehensive loss for the period attributable to the equity holders of the parent company				(548)			(10,882)
Earnings/ (loss) per share							
From continuing operations							
Basic (pence)	14			**5.97**			3.66
Diluted (pence)	14			**5.92**			3.61
From total operations							
Basic (pence)	14			**(0.88)**			(17.62)
Diluted (pence)	14			**(0.88)**			(17.62)

Consolidated statement of financial position
as at 31 March 2023

	Notes	**2023 £'000**	**2022 £'000**
Assets			
Non-current assets			
Intangible assets	15	4,511	4,780
Property, plant and equipment	16	1,062	1,103
Right-of-use assets	17	929	786
Total non-current assets		6,502	6,669
Current assets			
Inventories	18	2,438	2,454
Deferred tax asset	29	610	306
Trade and other receivables	19	11,087	10,625

Cash and cash equivalents	20	1,322	2,504
Total current assets		15,457	15,889
Total assets		21,959	22,558
Equity and liabilities attributable to equity holders of the parent company			
Issued capital and reserves			
Share capital	24.1	6,213	6,213
Own shares	24.1	(850)	(850)
Share premium	24.2	9,245	9,245
Share-based payment reserve	28	113	74
Merger reserve	24.3	(248)	(248)
Retained earnings		(15,125)	(14,577)
Total equity		(652)	(143)
Non-current liabilities			
Borrowings	21	86	177
Lease liabilities	22	491	434
Total non-current liabilities		577	611
Current liabilities			
Borrowings	21	91	2,666
Lease liabilities	22	452	362
Trade and other payables	23	18,013	19,062
Provisions	31	3,478	-
Total current liabilities		22,034	22,090
Total equity and liabilities		21,959	22,558

The financial statements were approved by the Board and authorised for issue on 11 July 2023 and signed on its behalf by:

Clive Lovett
Group Finance Director
11 July 2023
Company registration number: 09095860

Consolidated statement of changes in equity

for the financial year ended 31 March 2023

	Issued share capital £'000	Share premium £'000	Own Shares	Share-based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2021	6,121	9,210	(850)	30	(248)	(3,401)	10,862
Loss and total comprehensive loss for the year	-	-	-	-	-	(10,882)	(10,882)
Issue of share capital (note 24.1) (net of issue costs)	92	35	-	(46)	-	-	81
Share-based payment charge	-	-	-	90	-	-	90
Dividend paid	-	-	-	-	-	(294)	(294)
Total transactions with owners recognised directly in equity	92	35	-	44	-	(294)	(123)
Balance at 31 March 2022	6,213	9,245	(850)	74	(248)	(14,577)	(143)
Loss and total comprehensive loss for the year	-	-	-	-	-	(548)	(548)
Purchase of own shares for SIP	-	-	-	(64)	-	-	(64)
Share-based payment charge	-	-	-	103	-	-	103
Total transactions with owners recognised directly in equity	-	-	-	39	-	-	39
Balance at 31 March 2023	**6,213**	**9,245**	**(850)**	**113**	**(248)**	**(15,125)**	**(652)**

Consolidated statement of cash flows

for the financial year ended 31 March 2023

	12 months ended 31 March 2023	12 months ended 31 March 2022

	Notes	£'000	£'000
Net cash generated from operating activities	25	**2,738**	3,660
Cash flow from investing activities			
Purchase of property, plant and equipment		**(90)**	(253)
Purchase of intangible assets		**(188)**	(142)
Net cash used in investing activities		**(278)**	(395)
Cash flow from financing activities			
Issue of new share capital (net of share issue costs)	24.1	**-**	81
Repurchase of own shares for SIP	24.1	**(64)**	-
Repayment of borrowings		**(2,666)**	(1,123)
Interest paid		**(401)**	(275)
Principal payments of leases		**(511)**	(443)
Dividends paid		**-**	(294)
Net cash used in financing activities		**(3,642)**	(2,054)
Net (decrease)/increase in cash and cash equivalents		**(1,182)**	1,211
Cash and cash equivalents at beginning of year		**2,504**	1,293
Cash and cash equivalents at end of year		**1,322**	2,504

The cash and cash equivalents for the year ended 31 March 2023 are represented by cash balances of £1,322,000 (2022: £2,504,000).

Notes to the consolidated financial statements

for the financial year ended 31 March 2023

1. Basis of preparation

Kinovo plc and its subsidiaries (together the "Group") operate in the mechanical, electrical and general building services industries. The Company is a public company operating on the AIM market of the London Stock Exchange ("AIM") and is incorporated and domiciled in England and Wales (registered number 09095860). The address of its registered office is 201 Temple Chambers, 3-7 Temple Avenue, London EC4Y 0DT. The Company was incorporated on 20 June 2014.

The Group's financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with UK adopted International Accounting Standards, the International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Boards ("IASB") that are effective or issued and early adopted as at the time of preparing these financial statements and in accordance with the provisions of the Companies Act 2006.

The Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as they have been adopted by the United Kingdom, that are relevant to its operations and effective for accounting periods beginning on 1 April 2023.

The preparation of financial statements requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in notes 2 and 4. The functional and presentational currency of the Group is Pounds Sterling (£) rounded to the nearest thousand. The principal accounting policies adopted by the Group are set out in note 2.

2. Summary of significant accounting policies

2.1. Going concern

The Directors have adopted the going concern basis in preparing these accounts after assessing the risks as set out below and the Group's business activities, together with factors that are likely to affect its future development and position, as set out in the Group Chief Executive Officer's Review.

During the current year Kinovo repaid its £2.5 million Term loan with HSBC in its entirety. At 31 March 2023 the Group was in a net cash position of £1.1m, with only £0.2m of borrowings remaining, relating to a historic mortgage and Funding Circle loan.

During the prior year Kinovo disposed of its non-core construction based subsidiary DCB (Kent) Limited ("DCB").

On 16 May 2022, DCB filed for administration and as at the date of the financial statements Kinovo has limited expectation of recovery of amounts owed under the terms of the disposal of DCB. See notes 30 and 31.

Kinovo had residual commitments under various Parent Company Guarantees for the DCB construction projects and working capital support. Under the terms of the parent company guarantees, Kinovo is responsible for the completion of the projects.

The overall estimated net cost to complete the construction projects is expected to be £4.3 million. A £5.3 million loss is reported in the year ended 31 March 2023 with £1.0 million of anticipated recoveries recognised, in future periods, when they have been realised. There are nine projects in total and six are now operating under new contracts and another is being completed directly by the client. At 31 March 2023, three projects were on site. Four other contracts were signed as at 31 March 2023 and commenced post year end. The remaining two projects are in continuing positive discussions. At 31 March 2023 the outstanding balance on the costs to complete provision was £3.5 million.

Three of the nine DCB contracts originally had performance bonds, which were indemnified by Kinovo plc, totalling £2.10 million. One performance bond was terminated by the client. The second bond and corresponding contract has been novated to a Group subsidiary and is indemnified by Kinovo under this new contract. The insolvent event, when DCB entered administration, that could have led to the performance bond being called has therefore been eliminated. Discussions continue on the third project with an expectation that the contract and performance bond will be similarly novated, which is the client's preference. Kinovo has engaged with the insurer, underwriter and client and although the outstanding bond of £860,000 could have been called at any time since DCB entered into administration, it is recognised by all parties that positive discussions are ongoing to identify solutions to enable the project to be completed and novate the bond.

The continuing business traded strongly in the year ended 31 March 2023 and is expected to grow further, strengthening existing relationships with its' client base, mobilising the new contracts it has won and securing new business opportunities through the established business development team.

In assessing the Group's ability to continue as a going concern, the Board reviews and approves the annual budget and longer-term strategic plan, including forecasts of cash flows.

In building these budgets and forecasts, the Board has considered the expected costs to complete the DCB construction projects and the market challenges of supply chain inflation and material and labour availability on the trading of the Group.

Although the Group has felt the challenges from a difficult trading environment coupled with the cash requirements of the discontinued operations, it has succeeded in continuing to grow, improve margins and generate significant cash to move from a net debt to net cash position during the course of the year.

HSBC Bank UK plc has indicated in writing its continuing support to the Group and its intention to seek approval for the annual overdraft and purchasing card facilities to be renewed for a further twelve months on the expiry of the current facility terms at the end of August 2023. The facilities are expected to be utilised during the going concern period.

The Directors expect that the cash generated by the continuing business and the extension of the HSBC facilities will fund the costs to complete the construction projects and continue to drive the growth of the core operations.

After taking into account the above factors and possible sensitivities in trading performance, the Board has reasonable expectation that Kinovo plc and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future.

Whilst HSBC has indicated in writing its' intention to approve the renewal of its' annual overdraft and purchasing card facilities with Kinovo, the approval is yet to be completed. At the date of signing the financial statements, two of the nine construction projects are yet to agree new contracts and one performance bond is outstanding. As a result, a material uncertainty remains, which may cast doubt on the group's ability to continue as a going concern.

The Directors are confident that the HSBC facilities will be renewed, new or novated contracts entered into on the construction projects and the associated performance bond also novated.

For these reasons, the Board continues to adopt the going concern basis in preparing the consolidated financial statements. Accordingly, these accounts do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

2.2. Basis of consolidation

The consolidated financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 March each year. Subsidiaries are entities that are controlled by the Company. The definition of control involves three elements: power over the investee; exposure or rights to variable returns; and the ability to use power over the investee to affect the amount of the investors' returns. This should be read in conjunction with note 4.1(c). The Group generally obtains power through voting rights.

The consolidated financial statements incorporate the financial information of Kinovo plc and its subsidiaries. Subsidiary companies are consolidated from the date that control is gained. The subsidiaries of the Group are detailed in note 6 of the Parent company financial statements. All intra-group transactions, balances, income and expense are eliminated on consolidation.

2.3. Business combinations and goodwill

Business combinations are accounted for using the acquisition method, with the exception of the acquisition of P&R Installation Company Limited. The acquisition method involves the recognition at fair value of all identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the Consolidated Statement of Financial Position at their fair values, which are also used as the bases of subsequent measurement in accordance with the Group accounting policies.

The acquisition of P&R Installation Company Limited did not meet the definition of a business combination as the company was not a business and therefore falls outside the scope of IFRS 3 (Revised) "Business Combinations". As IFRS does not provide specific guidance in relation to Group reorganisations it defers to the next appropriate GAAP, being UK GAAP. The acquisition of P&R Installation Company Limited by the Company has therefore been accounted for in accordance with the principles of merger accounting as set out in Section 19 of FRS 102. Costs relating to acquisitions in the year are expensed and are included in administrative expenses.

Goodwill arising on acquisitions is recognised for an acquisition as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Where applicable, the consideration for an acquisition includes any assets or liabilities resulting from a contingent consideration arrangement, measured at fair value at the acquisition date. Subsequent changes in such fair values are adjusted against the cost of acquisition where they result in additional information, obtained within one year from the acquisition date, about facts and circumstances that existed at the acquisition date. All other subsequent changes in fair value of contingent consideration classified as an asset or liability are recognised in accordance with IAS 39, either in profit or loss or as a change to other comprehensive income. Changes in fair value of contingent consideration classified as equity are not recognised.

2.4. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the provision of the Group's services. Revenue is recognised by the Group, net of value added tax, based upon the following:

- Mechanical services - Mechanical services are supplied under a term contract or framework agreement with both local authority and corporate customers that usually span three or more years. These contracts will outline a number of services that the Group is retained to provide to the customer ranging from boiler servicing and meter connections to installing central heating solutions. These services will be provided on request from the customer, and work will be charged based on the customer rate card. Each service is considered to have a single performance obligation, and generally takes less than a day to complete. Revenue is only recognised at the point that the service is complete. Invoicing only occurs once the customer has agreed that the relevant service has been received and completed. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Any work completed but not yet agreed with the customer/invoiced is recognised as accrued income.

- Building services - Building services contracts typically range between one and six years and can range from ad-hoc maintenance work to long-term construction contracts. Long-term construction contracts are only held within the DCB (Kent) Limited business, and with the disposal of this subsidiary during the year, it is not anticipated to have any such contracts in the future:
  - Long-term construction contracts: During the course of a project an independent surveyor will conduct a monthly valuation of the work done and issue a certification of the stage of completion, which is the trigger for an invoice to be generated and a stage payment to be made as per the terms of the contract. These monthly valuations are seen to represent the performance obligations that have been satisfied under the terms of the contract, as they reflect the benefit that has been transferred to the customer. The Group thus recognises the revenue in line with the certified stage of completion. If there is a delay in receiving the certification of work, revenue will be recognised based on management's estimate of the value of the performance obligation fulfilled. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Revenue recognisable in relation to work completed is recognised as accrued income until invoiced.

    A twelve-year warranty is issued on any new build developments completed. Any claims made within the first two years of the warranty are the responsibility of the Group to rectify. The subsequent ten years are then covered by a third-party warranty provider. No warranty claims have previously been made against the Group, and therefore no provision for potential warranty claims is made within these financial statements.
  - Maintenance work: Maintenance work is supplied under a term contract or framework agreement which sets out the range of services the Group is retained to provide to the customer including refurbishments, replacements of kitchens and bathrooms, window installations and painting and decorating. These services will be provided on request from the customer, and work will be charged based on the customer rate card. Each service is considered to have a single performance obligation, and generally take less than a day to complete. Revenue is only recognised at the point that the service is complete. Invoicing only occurs once the customer has agreed that the relevant service has been received and completed. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Any work completed but not yet agreed with the customer/invoiced is recognised as accrued income.
- Electrical services - Electrical services are supplied under a term contract or framework agreement with both local authority and corporate customers that usually spans three or more years. These contracts will outline a number of services that the Group is retained to provide to the customer including servicing, maintenance, emergency call-outs and rewires. These services will be provided on request from the customer, and work will be charged based on the customer rate card. Each service is considered to have a single performance obligation, and generally takes less than a day to complete. Revenue is only recognised at the point that the service is complete. Invoicing only occurs once the customer has agreed that the relevant service has been received and completed. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Any work completed but not yet agreed with the customer/invoiced is recognised as accrued income.

It is considered by management that the above revenue recognition policies are suitable for recognising revenue arising from the Group's key market verticals. All revenue streams are wholly attributable to the principal activity of the Group and arise solely within the United Kingdom. Note 5 gives further detail of any work in progress and accrued income balances recognised in relation to contracts with customers.

2.5. Operating profit and non-underlying items

Operating profit comprises the Group's revenue for the provision of services, less the costs of providing those services and administrative overheads, including depreciation of the Group's non-current assets.

Underlying operating profit before the deduction of exceptional costs and other adjusting items is one of the key measures used by the Board to monitor the Group's performance. Exceptional costs are disclosed on the face of the Consolidated Statement of Comprehensive Income as "non-underlying items".

These non-underlying items comprise costs that are considered by the Board to not relate to the underlying financial performance of the Group and are separately analysed so that the users of the accounts can compare trading performance on a like-for-like basis. Costs falling within this category will have one or more of the following attributes:

- one-off transactions not relating to current or future trading;
- non-cash items such as amortisation and impairment of financial assets and share based payment charges; and
- exceptional in size such that they distort the understanding of underlying trading activities.

2.6. Dividends

The Group has a policy of paying dividends to shareholders in accordance with the amount recommended by the Directors. If the Directors believe the dividends are justified by the profits of the Group available for distribution, they also pay interim dividends. Dividends are recognised when they become legally payable. In the case of interim dividends, this is when dividends are paid. In the case of final dividends, this is when the dividends are approved by the shareholders at the Annual General Meeting.

2.7. Segmental reporting

The Board of Directors of Kinovo plc (which is considered to be the Chief Operating Decision Maker) has identified the reportable segments to be mechanical services, building services and electrical service. Direct costs are allocated to the appropriate segment as they arise and central overheads are apportioned based on management's estimated allocation of the underlying utilisation of resources. Operating segments are presented in a manner consistent with internal reporting, with inter-segment revenue and expenditure eliminated on consolidation. The segmental reporting is outlined in note 6.

2.8. Intangible assets

In accordance with IFRS 3, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that future economic benefits embodied in the asset will flow to the Group.

Software expenditure is capitalised as an intangible asset if the asset created can be identified, if it is probable that the asset created will generate future economic benefits and if the development cost of the asset can be measured reliably.

Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. Amortisation expense is charged to administrative expenses in the income statement on a straight line basis over its useful life.

The identifiable intangible assets and associated periods of amortisation are as follows:

- Customer relationships - over the period expected to benefit, typically seven years.

years

- Software and development costs - over four years.

2.9. Impairment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows: cash-generating units ("CGUs"). As a result, some assets are tested individually for impairment, and some are tested at CGU level. Goodwill is allocated to CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill or CGUs that include goodwill and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for CGUs to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2.10. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated to write off the cost of the assets, net of anticipated disposal proceeds, over the expected useful lives of the assets concerned as follows:

Freehold property	- 2% on freehold building cost.
Long leasehold improvements	- 5% on long leasehold improvements cost.
Office and computer equipment	- 25% reducing balance.
Fixtures and fittings	- 25% reducing balance.
Motor vehicles	- 25% reducing balance.

Freehold land is not depreciated.

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the Statement of Comprehensive Income.

The residual values and economic lives of assets are reviewed by the Directors on at least an annual basis and are amended as appropriate.

2.11. Impairment of property, plant and equipment

At each Statement of Financial Position date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an 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.

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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. For assets other than goodwill, where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the Statement of Comprehensive Income, net of any depreciation or amortisation that would have been charged since the impairment.

2.12. Inventories

Raw materials and consumables are measured at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Work in progress is measured at the lower of cost and net realisable value. Cost comprises direct materials and direct labour costs that have been incurred in advance of the performance obligations on contracts being completed.

2.13. Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for expected credit losses are recognised in the Statement of Comprehensive Income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term trade and other receivables when the recognition of interest would be immaterial.

The Group incurs costs in advance of new contracts commencing in association with preparatory work to ensure the contract can be delivered from day one. These costs are included within work in progress and released over the life of the contract.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(c) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(d) Trade and other payables
Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the "effective interest rate" to the carrying amount of the liability.

(e) Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

2.14. Current and deferred tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current tax
Tax payable is based on taxable profit for the year. Taxable profit differs from net profit reported in the Statement of Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other years 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 by the Statement of Financial Position date. As the Group has brought forward losses there is no tax payable for the year to 31 March 2023. Details of the tax charge on ordinary operations and tax credit on discontinued operations during the year and tax losses available in future periods are outlined in note 13.

(b) Deferred tax
Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying value of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax assets/liabilities are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is charged or credited to the Statement of Comprehensive Income except when it relates to items credited or charged directly in equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is calculated at the tax rates and laws that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and 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 assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax 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.

2.15. Leases
The Group leases various premises, vehicles and equipment. Rental contracts are typically made for fixed periods of six months to 20 years but may have extension options. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate the lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price or a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in the financing conditions since the third-party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise small items of office equipment and IT.

2.16. Employee benefits

The Group operates defined contribution pension schemes for certain employees of the Group. The assets of the schemes are held separately from those of the Group in an independently administered fund. The pension costs charged to profit or loss are the contributions payable to the scheme in respect of the accounting period.

All Group companies are in compliance with their pension obligations and have auto-enrolled, offering all employees the opportunity to participate.

2.17. Share based payments

The Group issues equity-settled share based payment transactions to certain employees. Equity-settled share-based payment transactions are measured at fair value at the date of grant. The calculation of fair value at the date of grant requires the use of management's best estimate of volatility, risk free rate and expected time to exercise the options. Details regarding the determination of the fair value of equity-settled transactions are set out in note 28.

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 the number of equity instruments that will eventually vest. At each reporting 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 profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

2.18. Onerous contracts

In accordance with IAS 37, assessment of whether any contracts within the business are onerous is made on an ongoing basis. A contract is deemed to be onerous at the point at which the unavoidable costs of meeting the contract outweigh the expected future economic benefit. In making this assessment the following costs are considered:

- Any incremental costs associated with delivery, ie direct labour, materials etc
- An allocation of other direct costs, ie depreciation for machinery involved etc.

At the point these expected costs outweigh the future benefit, the full value of the future expected loss will be provided for as an onerous contract.

2.19. New standards and interpretations

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing on 1 April 2022:

- Reference to the Conceptual Framework (Amendment to IFRS3)
- Property, Plant and Equipment: Proceeds before intended use (Amendment to IAS 16)
- Onerous Contracts: Cost of Fulfilling a Contract (Amendment to IAS 37)
- Annual Improvements to IFRS Standards 2018 - 2020 Cycle

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.20. New standards and interpretations not yet adopted

The following new accounting standards and interpretations are currently in issue but not effective for accounting periods commencing on 1 April 2022 and therefore have not been early adopted by the Group:

- Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

3. Financial risk management

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks and provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

3.2. Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange and security prices.

(a) Interest rate risk

(a) Interest rate risk

The Group has exposure to interest rate risk by virtue of its borrowings with HSBC UK Bank Plc, which attract a variable rate of interest at a mark-up to the base rate. Details of actual interest rates can be found in note 21 to these consolidated financial statements. No hedging arrangements are currently in place but the Board keeps this under constant review.

3.3. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's cash balances and trade receivables balances. The Group's customers are primarily local authorities and housing associations with high credit ratings.

The Group has a number of policies for managing the credit risk of its new and existing customers, and has dedicated functions focused on cash conversion, collection and management.

The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk and therefore only financial institutions with a minimum rating of B are used. Currently the Group bank accounts are held primarily with HSBC UK Bank Plc which has a Fitch rating of AA-.

3.4. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash reserves to meet the Group's working capital requirements. Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow.

As at 31 March 2023, the Group had cash and cash equivalents of £1,322,000 (2022: £2,504,000).

The Group has a centralised treasury function and actively manages cash flows on both a daily and longer-term basis.

3.5. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to shareholders. The Group funds its expenditure on commitments from existing cash and cash equivalent balances.

There are no externally imposed capital requirements.

Financing decisions are made by the Board of Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

The capital structure of the Group consists of cash and cash equivalents and equity, comprising issued share capital and retained profits.

4. Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during year. The estimates and associated judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

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

In the process of applying the Group's accounting policies, management has decided the following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the consolidated financial statements.

4.1. Critical judgements in applying the Group's accounting policies

(a) Valuation of accrued income

Work completed under either a framework agreement or term contract for gas services, building services and electrical services is recognised as accrued income until it has been billed to the client. A level of judgement is involved in determining whether the Group has met all of the required performance obligations necessary in order to recognise the revenue. Accrued income of £7.1 million was recognised within the Statement of Financial Position at 31 March 2023 (2022: £5.2 million).

(b) Share based payment charge

The Black Scholes model and the Monte Carlo simulation have been used to calculate the appropriate charge for the share options issued across the Group's share option plans in the current and previous years. The use of these models to calculate a charge involves using a number of judgements to establish the appropriate inputs to be entered into the models, covering areas such as exercise restrictions and behavioural considerations of scheme members. Full details of judgements used within the calculation to derive the charge are given within note 28. Underlying estimates and a full sensitivity analysis have not been disclosed as management does not feel that any reasonable change would materially influence the interpretation of the charge.

(c) Timing of the disposal of DCB (Kent) Limited

During the prior year the Group disposed of DCB (Kent) Limited ("DCB"), the full details of which are set out further in note 30. The disposal was by sale of 100% of the share capital to a third party; however, no completion accounts were required as part of the transaction. Therefore, the sale and purchase agreement had no explicit date of transfer for the business. As such, management has reviewed a number of factors when identifying the effective disposal date and has determined that control was transferred as at the 30 November 2021. The subsidiary was therefore no longer consolidated within the results from that point onwards.

(d) Timing of DCB (Kent) Limited impairments

The Group recognised £12.6 million of exceptional items in the prior year in relation to losses arising on the disposal of DCB. As management was no longer able to access the accounting records for DCB due to the disposal of the company and its subsequent administration, it is not possible to ascertain whether there is any element of this exceptional cost that should be deemed a change in accounting estimate or relate to other factors. Management concluded that the most appropriate treatment was to take the full impact of the write-offs as an exceptional item within the prior year Statement of Comprehensive Income.

(e) Tax treatment of disposal

There is a tax credit of £1.1m included in the prior year loss on disposal of £12.6m on DCB as disclosed in note 30. Management engaged with third party tax specialists to identify the appropriate tax treatment of the different aspects of the loss on disposal and based on relevant judgements and interpretation of tax legislation, it is managements expectation that £1.1 million of tax credits will be recoverable from the losses. If a different viewpoint and interpretation of tax legislation were applied, it might be concluded that the credit would not be recoverable.

(f) Non adjusting post balance sheet event

As part of the obligations under the terms of the sale of DCB (see note 30 for details on the disposal), the Group continues to provide parent company guarantees (PCG's) on certain construction projects of DCB which run through to their practical completion. On administration of DCB the outstanding obligations under the PCG's were assumed by Kinovo plc. The total net expected cost to complete the projects has been determined as £4.3 million (including professional fees and expenses). Please see note 31 for further detail.

As at 31 March 2022 it was anticipated that existing DCB contracts could be completed at reasonable cost, and new business could be secured to support the cashflow of the business. Kinovo continued to provide working capital funding to support the business during the year. However, DCB was placed into administration on 16 May 2022.

The liability under the PCG's was considered to be a non adjusting post balance sheet event at 31 March 2022. The estimated cost to complete have been fully provided for in the year ending 31 March 2023.

4.2. Key sources of estimation uncertainty

(a) Customer relationships

Customer relationship assets recognised on acquisition are considered to have the following key areas of estimate:

- Determining the useful economic life of customer relationships and the corresponding rate of amortisation is considered a critical estimate. Management is required to predict the future time frame over which customer relationships will continue to generate a positive contribution to Group cash flow. This estimate is made on a case-by-case basis and will reflect management's latest plans and long-term forecasts for the related contracts. Amortisation of customer relationships has resulted in a charge to the Statement of Comprehensive Income of £0.4 million during the year (2022: £1.1 million including the charge allocated to discontinued operations).
- The valuation of customer relationships requires the use of estimates, as the valuation model utilises assessments of both future cash flows and appropriate discount factors. The valuation of customer relationship assets held within the Statement of Financial Position was £nil (2022: £0.4 million).

No acquisitions have been made in the current year. See note 15.1 for full details on the estimates applied by management in valuing customer relationships arising on past acquisitions.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimate of the value in use of the cash-generating units ("CGUs") to which goodwill has been allocated. The value in use calculation involves an estimate of the future cash flows of the CGUs and also the selection of appropriate discount rates to calculate present values. Future cash flows are estimated based on contract value and duration, together with margin based on past performance. Change in contract values and duration, together with margins achieved, could result in variations to the carrying value of goodwill. In addition, an adverse movement in the discount factor due to an increased risk profile or a change in the cost of debt (increase in interest rates) would also result in a variation to the carrying value of goodwill. The primary sensitivity is the discount rate; however, the Directors consider that there is no reason to believe it is not appropriate. See note 15.2 for details on the key estimates used within the impairment test for goodwill, along with the Group's sensitivity analysis.

(c) Right-of-use assets

Management is required to make a number of estimates in recognising right-of-use assets. These key estimates are considered to be:

- estimation of the lease term, which is done on a lease-by-lease basis;
- determination of the appropriate rate to discount the lease payments. This is set with reference to the Group's incremental cost of borrowing. The incremental rate was 3.4% in the current year (2022: 3.4%); and
- assessment of whether a right-of-use asset is impaired. An impairment is considered to be present where the net present value of future cash benefit of utilising the asset within the business, or if applicable potential sub-lease income if the asset is no longer required, is less than the net present value of future lease payments.

Management considers all facts and circumstances including its past practice and business plans in making this estimate on a lease-by-lease basis.

At 31 March 2023 the Group holds £0.9 million of right-of-use assets (2022: £0.8 million). Management has reviewed the future benefit and costs of the underlying assets and has not identified the need to recognise any impairment.

(d) Cost to complete on DCB onerous construction contracts

Following the disposal of the non-core subsidiary DCB Kent Ltd (DCB) in January 2022, the business subsequently entered administration in May 2022, as detailed in the Kinovo plc 2022 annual report. Under parent company guarantees, signed prior to the disposal of DCB, Kinovo has a commitment to complete the DCB construction projects. Nine projects were ongoing at the point the company entered administration. The Kinovo plc 2022 annual report set out the expected costs to complete the projects amounting to £4.3 million. Management still consider this total amount to be the best estimate of the likely outcome of the projects. Please see note 31 for further details.

These costs to complete have been accounted for in the current year as a provision for onerous contracts. £1.8m of the provision has subsequently been utilised. The costs have been classified as losses from discontinued operations in line with IFRS 5.

5. Revenue

All results in the current and prior period derive from continuing operations and all revenues arose in the UK.

There are six customers who individually contributed 16%, 12%, 9%, 7%, 7% and 6% respectively towards the revenue (2022: five contributing 21%, 12%, 10%, 8%, and 7%).

The Group has recognised the following assets within the Statement of Financial Position related to contracts with customers:

	2023 £'000	2022 £'000
Current assets relating to contracts with customers:		
Trade receivables	**3,610**	4,977
Work in progress	**2,005**	2,029
Accrued income	**7,066**	5,247
	12,681	12,253

As set out in note 2.12, work in progress balances arise where costs are incurred in advance of the performance obligations required to recognise revenue having been met, and therefore the costs are recognised as an asset.

Accrued income relates to performance obligations that have been satisfied, but the invoice has not yet been raised to the customer.

There are no long-term construction contracts held within continuing operations.

There are no long-term construction contracts held within continuing operations.

Services are provided under framework agreements and therefore not considered to have any unsatisfied performance obligations as at 31 March 2023.

6. Segmental reporting
The Board of Directors (Chief Operating Decision Maker) has determined an operating management structure aligned around the three core activities of the Group, with the following operating segments applicable:

- Mechanical services: the Group offers a range of services within the mechanical services segment which is inclusive but not limited to: boiler servicing, meter connections and installing central heating solutions.
- Building services: the Group offers a range of services which is inclusive but not limited to: refurbishment, replacements of kitchens and bathrooms, window installations and painting and decorating.
- Electrical services: the Group offers a range of services within the electrical services segment which is inclusive but not limited to: servicing, maintenance, emergency call-outs and rewires.

The Board adopts the operating profit before exceptional items and amortisation of acquisition intangibles as the profit measure. The following is an analysis of the Group's revenue and operating profit before non-underlying items, for continuing operations, by reportable segment:

	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Mechanical services	**15,022**	15,418
Building services	**19,686**	18,057
Electrical services	**27,962**	19,850
Total revenue	**62,670**	53,325

Reconciliation of operating profit before non-underlying items to profit before taxation from continuing operations:

	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Operating profit before exceptional items and amortisation of acquisition intangibles by segment		
Mechanical services	**1,527**	1,981
Building services	**1,494**	1,576
Electrical services	**4,099**	1,903
Unallocated central costs	**(1,823)**	(1,369)
Total operating profit before non-underlying items	**5,297**	4,091
Amortisation of acquisition intangibles	**(385)**	(940)
Share-based payment charge	**(103)**	(90)
Exceptional costs	**-**	-
Operating profit	**4,809**	3,061
Finance costs	**(401)**	(269)
Profit before tax	**4,408**	2,792

Only the Group Consolidated Statement of Comprehensive Income is regularly reviewed by the Chief Operating Decision Maker and consequently no segment assets or liabilities are disclosed under IFRS 8.

7. Operating profit
Operating profit for the continuing business is stated after charging all costs including non-underlying items which are detailed in note 9.

	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Inventory recognised as an expense in cost of sales	**9,992**	9,670
Staff costs	**11,742**	9,649
Depreciation	**131**	130
Depreciation of right of use assets	**513**	336
Amortisation of software costs	**72**	44
Profit on disposal of property, plant and equipment	**-**	(1)
Auditor's remuneration	**114**	117
Auditors tax compliance 2022	**-**	9
Non-audit remuneration	**2**	2

Tax compliance work was not provided for by the auditors in the current year.

The depreciation and amortisation charges as stated in the table above are included within administrative expenses in the Consolidated Statement of Comprehensive Income.

8. EBITDA for continuing operations
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")
EBITDA is calculated as follows:

	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Underlying profit before tax from continuing operations	**4,896**	3,822
Finance costs	**401**	269
Depreciation of property, plant and equipment	**131**	130
Depreciation of right of use assets	**513**	336
Amortisation of software costs	**72**	44
Profit on disposal of property, plant and equipment	**-**	(1)
EBITDA from continuing operations (before lease payment charges)	**6,013**	4,600
Lease payment charge	**(539)**	(363)
Adjusted EBITDA from continuing operations (after lease payment charges)	**5,474**	4,237

9. Non-underlying items
Operating profit includes the following items which are considered by the Board to be either exceptional in size, one-off in nature or non-trading related items as defined in note 2.5.

	12 months ended	12 months ended

	31 March 2023 £'000	31 March 2022 £'000
Amortisation of customer relationships (a)	**385**	940
Share-based payment charge (b)	**103**	90
	488	1,030

(a) Amortisation and impairment of customer relationships
Amortisation of acquisition intangibles was £385,000 for the year (2022: £940,000) and relates to amortisation of the customer relationships identified by the Directors on the acquisition of Purdy. In 2022 the charge related to Purdy and Spokemead.

(b) Share-based payment charge
A number of Group share option schemes are in place and new options have been granted during the year as detailed in note 28. The share-based payment charge has been separately identified as it is a non-cash expense for the Group.

10. Employee expenses
The average number of employees (including Directors) employed during the year was:

	12 months ended 31 March 2023 No.	12 months ended 31 March 2022 No.
Management	**38**	36
Administration	**56**	56
Engineers	**130**	127
	224	219

The aggregate remuneration of the above employees (including Directors) comprised:

	12 months ended 31 March 2023 No.	12 months ended 31 March 2022 No.
Wages and salaries	**10,344**	8,623
Social security costs	**1,137**	815
Pension costs	**261**	211
	11,742	9,649

The remuneration of the Directors and other key management personnel of the Group is shown in note 27 and the Remuneration Committee Report.

11. Finance costs and finance income
The Group received no finance income in either the current or prior period.

	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Interest payable on bank borrowings and loans	**140**	161
Interest payable on lease liabilities	**30**	33
Other finance costs	**231**	75
	401	269

12. Dividends
The Directors do not recommend a final dividend for the year ended 31 March 2023. A final dividend of 0.5 pence per share for the year ended 31 March 2021 was paid in September 2021.

No interim dividend was paid in the year or for the previous year.

	12 months ended 31 March 2023		12 months ended 31 March 2022	
	Per share p	**Total paid £'000**	Per share p	Total paid £'000
Dividend paid during the year relating to final dividend declared for previous period	**-**	**-**	0.5	294
Interim dividend paid during the year	**-**	**-**	-	-
	-	**-**	0.5	294

13. Income tax
13.1. Components of income tax (credit)/expense

	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Current income tax expense		
Current income tax charge in relation to continuing operations	**960**	901
Current income tax credit in relation to discontinued operations	**-**	(129)
Utilisation of tax losses from disposal	**(960)**	(772)
Total current tax	**-**	-
Deferred tax		
Credit in connection with intangible assets acquired	**(72)**	(243)
Movement in brought forward tax losses	**(209)**	-
Credit for tax losses from disposal not utilised in the year	**-**	(306)
Short-term timing differences	**(3)**	(110)
Charge for lease liabilities recognised on adoption of IFRS 16	**28**	28
Credit for right of use asset recognised on adoption of IFRS 16	**(28)**	(28)
Credit for share-based payment charge	**(20)**	(17)
Total deferred tax	**(304)**	(676)
Total income tax charge for continuing operations	**695**	530
Total tax credit for discontinued operations	**(999)**	(128)
Tax credit recognised on disposal of DCB (Kent) Limited	**-**	(1,078)

Tax credit recognised on disposal of DCB (Kent) Limited	-	(1,078)
Income tax credit reported in income statement	**(304)**	(676)

13.2. Tax reconciliation

The tax assessed in each period differs from the standard rate of corporation tax in the UK. The differences are explained below.

	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Loss on ordinary activities before taxation	**(852)**	(11,558)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2022: 19%)	**(162)**	(2,196)
Effects of:		
Exceptional items not allowable for corporation tax	**-**	1,530
Non-deductible expenses	**66**	296
Movement in brought forward tax losses	**(208)**	-
Carry forward of tax losses not utilised in the year	**-**	(306)
	(304)	(676)

14. Earnings per share

14.1. Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the result attributable to shareholders divided by the weighted average number of ordinary shares in issue during the year.

Basic earnings per share amounts are calculated by dividing net profit for the year or period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The Group has potentially issuable shares all of which relate to the Group's share options issued to Directors and employees.

Basic and diluted profit per share from continuing operations is calculated as follows:

	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Profit used in calculating basic and diluted earnings per share for continuing operations	**3,713**	2,262
Loss used in calculating basic and diluted earnings per share for total operations	**(548)**	(10,882)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**62,137,757**	61,755,891
Weighted average number of shares for the purpose of diluted earnings per share	**62,689,167**	62,637,298
Basic earnings per share (pence) for continuing operations	**5.97**	3.66
Diluted earnings per share (pence) for continuing operations	**5.92**	3.61
Basic loss per share (pence) for total operations	**(0.88)**	(17.62)
Diluted loss per share (pence) for total operations	**(0.88)**	(17.62)

Options over 5,439,968 ordinary shares remained outstanding as at 31 March 2023 (2022: 5,059,190) as detailed in note 28.

Details of loss per share for discontinued operations are set out in note 31.

14.2. Adjusted earnings per share

Profit after tax is stated after deducting non-underlying items totalling £488,000 (2022: £1,030,000) as set out in note 9 and the impact of these items on corporation tax. Non-underlying items are either exceptional in size, one-off in nature or non-trading related items. These are shown separately on the face of the Consolidated Statement of Comprehensive Income.

The calculation of adjusted basic and adjusted diluted earnings per share is based on the result attributable to shareholders, adjusted for non-underlying items, divided by the weighted average number of ordinary shares in issue during the year.

	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Profit after tax	**3,713**	2,262
Add back:		
Amortisation of customer relationships	**385**	940
Share-based payment charge	**103**	90
Exceptional costs	**-**	-
Impact of above adjustments on corporation tax	**-**	-
Adjusted profit after tax	**4,201**	3,292
Number of shares		
Weighted average number of shares for the purpose of adjusted earnings per share	**62,137,757**	61,755,891
Weighted average number of shares for the purpose of diluted adjusted earnings per share	**62,689,167**	62,637,298
Adjusted earnings per share (pence) for continuing operations	**6.76**	5.33
Diluted adjusted earnings per share (pence) for continuing operations	**6.70**	5.25

15. Intangible assets

	Software costs £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2022	343	11,708	4,192	16,243
Additions in the year	188	-	-	188
At 31 March 2023	**531**	**11,708**	**4,192**	**16,431**
Amortisation				
At 1 April 2022	140	11,323	-	11,463
Charge for the year	72	385	-	457
At 31 March 2023	**212**	**11,708**	**-**	**11,920**
Net book value				
At 31 March 2022	203	385	4,192	4,780
At 31 March 2023	**319**	**-**	**4,192**	**4,511**

15.1. Customer relationships

15.1. Customer relationships

The customer relationships intangible assets arise on acquisition of subsidiaries when accounted for as a business combination and relate to the expected value to be derived from contractual and non-contractual customer relationships. The value placed on the contractual customer relationship is based on the expected cash revenue inflows over the estimated remaining life of each existing contract. The value placed on the non-contractual customer relationships is based on the expected cash inflows based on past revenue performance by virtue of the customer relationship, but using an attrition rate depending on the length of the relationship. Associated cash outflows have been based on historically achieved margins and overhead run rates per £1 of revenue. The net cash flows are discounted at a rate which the Directors consider is commensurate with the risks associated with capturing returns from the customer relationships.

The estimated life for customer relationships is based on the average of the contracted remaining life of contracted relationships and estimated life of the non-contractual relationships.

	Purdy	Spokemead	R. Dunham	Total
Attrition rate where relationship <5 years	80%	n/a	n/a	
Attrition rate where relationship >5 years	50%	n/a	n/a	
Discount rate	13.30%	12.84%	15.79%	
Estimated life of relationship at date of acquisition	7 years	7.5 years	1.5 years	
Fair value of customer relationships at date of acquisition	£5,586,000	£5,922,000	£200,000	£11,708,000
Current carrying value of customer relationships	-	-	-	-

15.2. Goodwill

Goodwill on consolidation arises on the excess of cost of acquisition over the fair value of the net assets acquired on purchase of the company. Each subsidiary is its own CGU for the purposes of the goodwill calculation and impairment reviews and is monitored on an ongoing basis by the Board.

The goodwill allocated to each subsidiary entity is presented below:

	Purdy £'000	Spokemead £'000	R. Dunham £'000	Total £'000
Allocation of goodwill	1,719	1,186	1,287	4,192

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2023 and 2022 reporting periods, the recoverable amount of the cash-generating units ("CGUs") was determined based on the value in use calculations which require the use of key assumptions. The calculations use cash flow projections based on the level of recurring revenue from secured contracts, which have already been won and are expected to be won in the future. Cash flows beyond five years are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them. The same assumptions have been used across the CGUs as they are all considered to operate in markets with similar characteristics.

Key assumptions	2023	2022
Long-term growth rate (used after 5 years)	**1.9%**	1.5%
3 to 5-year growth rate	**5%**	6.0%
Pre-tax discount rate	**16.3%**	15.6%

15.3. Sensitivity review

Management has performed a range of sensitivity analysis around movements in both the discount rates and future growth rates used within the model and does not anticipate that any realistic changes in the assumptions would cause the assets to be impaired.

16. Property, plant and equipment

At 31 March 2023

	Freehold land £'000	Freehold property £'000	Long leasehold improvements £'000	Motor vehicles £'000	Fixtures and fittings £'000	Office and computer equipment £'000	Total £'000
Cost							
At 1 April 2022	300	617	-	-	55	596	1,568
Additions	-	26	-	-	34	30	90
At 31 March 2023	**300**	**643**	**-**	**-**	**89**	**626**	**1,658**
Depreciation							
At 1 April 2022	-	148	-	-	29	288	465
Charge for the year	-	26	-	-	13	92	131
At 31 March 2023	**-**	**174**	**-**	**-**	**42**	**380**	**596**
Net book value							
At 1 April 2022	300	469	-	-	26	308	1,103
At 31 March 2023	**300**	**469**	**-**	**-**	**47**	**246**	**1,062**

At 31 March 2022

	Freehold land £'000	Freehold property £'000	Long leasehold improvements £'000	Motor vehicles £'000	Fixtures and fittings £'000	Office and computer equipment £'000	Total £'000
Cost							
At 1 April 2021	300	555	198	237	93	1,203	2,586
Additions	-	62	-	15	58	118	253
Disposals	-	-	(198)	(252)	(96)	(725)	(1,271)
At 31 March 2022	300	617	-	-	55	596	1,568
Depreciation							
At 1 April 2021	-	123	118	132	86	820	1,279
Charge for the year	-	25	15	22	10	119	191
Disposals	-	-	(133)	(154)	(67)	(651)	(1,005)
At 31 March 2022	-	148	-	-	29	288	465
Net book value							
At 1 April 2021	300	432	80	105	7	383	1,307
At 31 March 2022	300	469	-	-	26	308	1,103

Freehold land and building property was included at its net book value of £784,000 at the date of acquisition, being the fair value of the land and buildings at £815,000, less accumulated depreciation of £31,000. The property was valued by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of investment property being valued, Savills (UK) Limited, as at 22 May 2015 on the existing use value basis in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The critical assumptions made relating to its valuation are the market rent at £65,000 per annum and the yield at 8.00%.

The bank loans detailed in note 21 are secured on the property, plant and equipment of the Group. The bank facility does not impose any restrictions of use on the assets.

17. Right-of-use assets

	Leasehold property £'000	Motor vehicles £'000	Office and computer equipment £'000	Total £'000
Cost				
At 1 April 2022	263	992	56	1,311
Additions	-	656	-	656
Disposals	-	(392)	(56)	(448)
At 31 March 2023	**263**	**1,256**	**-**	**1519**
Depreciation				
At 1 April 2022	7	468	50	525
Charge for the year	52	456	5	513
Disposals	-	(393)	(55)	(448)
At 31 March 2023	**59**	**531**	**-**	**590**
Net book value				
At 31 March 2022	256	524	6	786
At 31 March 2023	**204**	**725**	**-**	**929**

	Leasehold property £'000	Motor vehicles £'000	Office and computer equipment £'000	Total £'000
Cost				
At 1 April 2021	1,251	1,119	164	2,534
Additions	261	300	3	564
Disposals	(1,249)	(427)	(111)	(1,787)
At 31 March 2022	263	992	56	1,311
Depreciation				
At 1 April 2021	285	475	86	846
Charge for the year	77	333	35	445
Disposals	(355)	(340)	(71)	(766)
At 31 March 2022	7	468	50	525
Net book value				
At 31 March 2021	966	644	78	1,688
At 31 March 2022	256	524	6	786

18. Inventories

	2023 £'000	2022 £'000
Raw materials	**433**	425
Work in progress	**2,005**	2,029
	2,438	2,454

19. Trade and other receivables

	2023 £'000	2022 £'000
Current		
Trade receivables	**3,610**	4,977
Other receivables	**173**	122
Prepayments	**238**	279
Accrued income	**7,066**	5,247
	11,087	10,625

The ageing of trade receivables that are past due but not impaired is shown below:

	2023 £'000	2022 £'000
Between 1 and 2 months	**629**	813
Between 2 and 3 months	**107**	74
More than 3 months	**281**	1
	1,017	888

An allowance for doubtful debt of £29,000 (2022: £Nil) has been recognised in the above balance for trade receivables. This is a specific provision resulting from a commercial agreement rather than an issue with collection. Management does not consider that there are any further issues over recoverability, due to the creditworthiness of the customer profile and little historical issue of default.

The Group's exposure to credit risk is discussed in note 26 to the consolidated financial statements, including how the Group assesses the credit quality of potential new customers and its policy for providing against overdue invoices.

The average credit period taken on invoiced sales of services as at 31 March 2023 is 21 days (31 March 2022: 34 days). No interest was charged on overdue receivables during the year.

The Directors believe that the carrying value of the trade and other receivables is considered to represent its fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable shown above. The Group does not hold any collateral as security. In 2022 the bank loans detailed in note 21 are secured on trade receivables of £4,977,000.

The Group's trade and other receivables are all denominated in Pounds Sterling.

20. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. The Group's cash and cash equivalents are held at floating interest rates and are primarily held at HSBC UK Bank Plc which has an AA- credit rating as assessed by Fitch Ratings. The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

	2023 £'000	2022 £'000
Cash at HSBC UK Bank Plc	**1,311**	2,495
Other cash and bank balances	**11**	9
	1,322	2,504

21. Borrowings

The maturity analysis of borrowings, inclusive of finance charges, is included below. All of the loans are denominated in Pounds Sterling.

Pounds Sterling.

	2023 £'000	2022 £'000
Non-current borrowings		
Bank and other borrowings:		
Term loans	**-**	-
Other loans	**-**	34
Mortgage loans	**86**	143
Total non-current borrowings	**86**	177
Current borrowings:		
Bank and other borrowings:		
Term loans	**-**	2,534
Other loans	**34**	75
Mortgage loan	**57**	57
Total current borrowings	**91**	2,666
Bank and other borrowings:		
Term loans	**-**	2,534
Other loans	**34**	109
Mortgage loans	**143**	200
Total borrowings	**177**	2,843

The fair value of the borrowings outstanding as at 31 March 2023 is not materially different to its carrying value since interest rates applicable on the loans are close to the current market rates.

During the year ended 31 March 2023 the Group had a Term loan with HSBC Bank UK plc with an outstanding balance brought forward, at 1 April 2022, of £2,533,000 repayable by two quarterly payments of £500,000 and a termination payment, on 30 September 2022, of £1,533,000. On 30 September 2022, the Group refinanced the Term loan, extending the repayment period by twelve months to 30 September 2023, repayable by four quarterly payments of £383,250.

Two quarterly payments were made to schedule on 30 November 2022 and 28 February 2023 and Kinovo accelerated full repayment of the balance of the Term loan of £766,500 on 31 March 2023.

(a) Working capital facilities

At 31 March 2023 the Group had an unused £2.5 million working capital facility with HSBC UK Bank Plc. The facility has an interest rate of 3% above base rate and is repayable on demand. All cash at bank balances are denominated in Pounds Sterling.

(b) Bank and other loans

Term loans

At 1 April 2022, the Group had a Term loan in place with HSBC UK Bank plc of £2,533,000. As set out above, this Term loan was fully repaid by 31 March 2023. Interest was payable at 4.00% plus compounded reference rate based on SONIA.

Mortgage loan

A ten-year mortgage loan of £570,000 with HSBC UK Bank Plc was drawn down in July 2015, with interest payable at 1.9% above base rate. The mortgage is held over the freehold property of Purdy known as Brooklyn Lodge, Mott Street, Chingford, London E4 7RW. £143,000 remained unpaid at the end of the period.

Other loan

A five-year term loan, originally drawn down in September 2018 of £317,000 with Funding Circle, was assumed by the Group on the acquisition of R. Dunham in November 2018 and is unsecured. The loan is repayable by fixed monthly instalments of £7,024 and interest is at a fixed rate of 11.9%. £34,000 remained unpaid at the end of the period.

(c) Security

Bank loans are secured on related property, plant and equipment and debtor books of the Group.

In respect of bank debt there is an Unlimited Composite Company Guarantee given by Kinovo plc, Purdy, P&R, Spokemead and R. Dunham to secure all liabilities of each borrower.

22. Lease liabilities

As at 31 March 2023 the following amounts are included in the Statement of Financial Position in relation to non-cancellable leases:

	2023 £'000	2022 £'000
Lease liabilities		
Current	**452**	**362**
Non-current	**491**	**434**
	943	**796**

The maturity analysis of obligations under non-cancellable leases is shown in the following table:

	2023 £'000	2022 £'000
No later than 1 year	**452**	362
Later than 1 year and no later than 5 years	**491**	434
After 5 years	**-**	-
	943	796

The interest expense recognised through the Consolidated Statement of Comprehensive Income during the year in relation to lease liabilities was £30,000 (2022: £33,000).

23. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	**13,025**	12,552
Other payables	**63**	388
Other taxation and social security	**1,977**	3,167
Accruals	**2,948**	2,955
	18,013	19,062

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing.

The Directors consider that the carrying value of trade and other payables approximates their fair value as the impact of discounting is insignificant.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame and no interest has been charged by any suppliers as a result of late payment of invoices.

Included within trade payables is a balance of £4,609,000 (2022: £3,077,000) on a purchasing card facility provided by HSBC UK Bank Plc. The purchasing card is typically used to facilitate administration and reporting of costs on maintenance contracts at a granular level. Payment terms for Kinovo plc on the purchasing cards are typically 60-90 days, which aligns with existing credit terms with suppliers. Approved suppliers benefit from increased volumes and receive funds upfront from HSBC UK Bank Plc. Based on the nature of the transactions the Board considers it appropriate to disclose the balance within trade creditors.

The average credit period taken on trade purchases (excluding those settled on purchasing card) is 66 days (2022: 85 days). Trade purchases include the purchase of materials and subcontractor costs.

24. Share capital and reserves

24.1. Ordinary shares

Ordinary shares of £0.10 each	2023 £'000	2022 £'000
At the beginning of the year	**6,213**	6,121
Issued in the year	**-**	92
At the end of the year	**6,213**	6,213
Number of shares		
At the beginning of the year	**62,137,757**	61,214,703
Issued in the year	**-**	923,054
At the end of the year	**62,137,757**	62,137,757

Issued in the year

During 2022 the company issued 923,025 of shares to allocate to members of the SIP scheme (Please see note 28 for further details on the SIP). 17.5p was paid for 461,527 of these shares, a total consideration of £81,000. This was allocated as £46k of share capital, and £35k of share premium. The remaining 461,527 shares were a share-based payment for the members of the scheme, and therefore 10p per share (a total consideration of £46k) was transferred to share capital from the share based payment reserve as payment for these. No share capital has been issued in the current year.

The company repurchased 364,402 of its own shares during the year for £132,000 at 36p per share. These shares will be held in trust to use to settle obligations under the SIP scheme as they become due. £68,000 was received from the SIP Trust in contribution towards this, thus the total purchase netted to £64,000.

During the year ended March 2021, the Company issued a total of 2,492,858 ordinary shares to RBC Cees Trustee (Nominees) Limited for £850,000. These shares are to be held for future redemption by members of the JSOP scheme subject to successful achievement of vesting conditions. Within the Group accounts the share trust is consolidated and the £850,000 value of shares is shown in equity as the Group ownership of own share capital.

24.2. Share premium

	2023 £'000	2022 £'000
At the beginning of the year	**9,245**	9,210
Issued in the year (net of share issue costs)	**-**	35
At the end of the year	**9,245**	9,245

24.3. Merger reserve

	2023 £'000	2022 £'000
At the end of the year	**(248)**	(248)

25. Note to the Consolidated Statement of Cash Flows

	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Cash flow from operating activities		
Loss before income tax	**(852)**	(11,558)
Adjustments for:		
Net finance cost	**401**	275
Profit on disposal of property, plant and equipment	**-**	(1)
Depreciation	**645**	636
Amortisation of intangible assets	**457**	1,139
Impairment of intangible assets	**-**	2,296
Share-based payments	**103**	90
Movement in receivables	**(461)**	6,101
Movement in payables	**2,428**	4,670
Movement in inventories	**17**	12
	2,738	3,660

26. Financial instruments

The Group's principal financial assets are cash and cash equivalents and trade and other receivables. All financial assets are classified as loans and receivables.

The Group's principal financial liabilities are financing liabilities and trade and other payables. All financial liabilities are held at amortised cost.

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

26.1. Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- cash and cash equivalents;
- trade and other receivables;
- trade and other payables;
- borrowings; and
- leases.

The Group held the following financial assets at each reporting date:

	2023 £'000	2022 £'000
Loans and receivables:		
Trade receivables	**3,610**	4,977
Accrued income	**7,066**	5,247
Other receivables	**411**	401
Cash and cash equivalents	**1,322**	2,504
	12,409	13,129

The Group held the following financial liabilities at each reporting date:

	2023 £'000	2022 £'000
Held at amortised cost:		
Bank loans and overdrafts	**177**	2,843
Lease liabilities	**943**	796
Accruals	**2,948**	2,955
Trade payables	**13,025**	12,552
Other payables including tax and social security	**2,040**	3,555
Provisions	**3,478**	-
	22,611	22,701

26.2. Financial risk management

The Group's treasury function monitors and manages the financial risks in relation to its operations. These risks include those arising from interest rate risk, credit risk, liquidity risk and capital risk. The Group seeks to minimise the effects of these risks by using effective control measures. The Group's policies for financial risk management are outlined below.

(a) Interest rate risk management

The Group finances its operations through a combination of retained earnings and bank borrowings from major financial institutions, with a minimum Fitch rating of B, at floating rates of interest above the Bank of England base rate. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's treasury function reviews its risk management strategy on a regular basis and gives careful consideration to interest rates when considering its borrowing requirements and where to hold its excess cash.

The Group currently has loans totalling £0.2 million (2022: £2.8 million) at variable interest rates. The Group is exposed to interest rate risk on some of its financial assets, being its cash and cash equivalents. The interest rate receivable on these balances at 31 March 2023 was at an average rate of less than 1% (2022: less than 1%).

The Group's policy is to minimise interest charges through active cash management. Interest charged on the Group's borrowings is kept under constant review.

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's trade and other receivables and its cash balances. The Group has an established credit policy under which each new customer is analysed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The maximum exposure the Group will bear with a single customer is dependent upon that customer's credit rating, the level of anticipated trading and the time period over which the relationship is likely to run.

Social housing customers are typically local authorities or housing associations and the nature of which means the credit risk is minimal. Other trade receivables contain no specific concentration of credit risk with amounts recognised representing a large number of receivables from various customers.

(c) Trade and other receivables

The Group is exposed to the risk of default by its customers. At 31 March 2022, the Group had 6 customers with an outstanding balance over £250,000 (31 March 2022: 3). An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. A specific provision against receivables of £29,000 has been recognised at March 23 in relation to settlement of commercial negotiations on one client (2022: £nil) in the Statement of Financial Position as outlined in note 19.

There are no other significant concentrations of credit risk at the balance sheet date.

At 31 March 2023, the Group held no collateral as security against any financial asset. The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(d) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk management is to ensure it will always have sufficient liquidity to meet the Group's working capital requirements. Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow.

The Directors manage liquidity risk by regularly reviewing cash requirements by reference to short-term cash flow forecasts and medium-term working capital projections prepared by management and operate a centralised treasury function and actively manage cash flows on both a daily and longer-term basis.

The Group had total available working capital facilities at an interest rate of 3.0% over base rate amounting to £2,500,000 with HSBC UK Bank Plc as at 31 March 2023. The Group maintains a good relationship with its bank, which has a high credit rating. As at 31 March 2023, the Group had cash and cash equivalents of £1,322,000 (2022: £2,504,000).

The table below shows the maturity profile of the Group's non-derivative financial liabilities:

2023	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Non-derivative financial liabilities					
HSBC mortgage	**57**	**57**	**29**	**-**	**143**
HSBC term loan	**-**	**-**	**-**	**-**	**-**

Funding Circle unsecured loan	**34**	**-**	**-**	**-**	**34**
Trade payables	**13,025**	**-**	**-**	**-**	**13,025**
	13,116	**57**	**29**	**-**	**13,202**

2022	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Non-derivative financial liabilities					
HSBC mortgage	57	57	86	-	200
HSBC term loan	2,534	-	-	-	2,534
Funding Circle unsecured loan	75	34	-	-	109
Trade payables	12,552	-	-	-	12,552
	15,218	91	86	-	15,395

(e) Capital management risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders through the optimisation of debt and equity.

The capital structure of the Group consists of net debt as disclosed below and equity as disclosed in the Consolidated Statement of Changes in Equity.

	2023 £'000	2022 £'000
Net cash/(debt) comprised as follows:		
Cash and cash equivalents	**1,322**	2,504
Bank borrowings and overdrafts	**(177)**	(2,843)
Lease liabilities	**(943)**	(796)
	202	(1,135)

The movement in the net cash/(debt) position for the year can be reconciled as follows:

	2022 £'000	Cash movements £'000	Interest charges £'000	New lease agreements £'000	Disposals £'000	**2023 £'000**
Cash and cash equivalents	2,504	(1,182)	-	-	-	**1,322**
Bank borrowings and overdrafts	(2,843)	2,666	-	-	-	**(177)**
Lease liabilities	(796)	539	(30)	(656)	-	**(943)**
	(1,135)	2,023	(30)	(656)	-	**202**

27. Related party transactions

During the year, Kinovo plc paid the Non-Executive Chair of Kinovo plc, Sangita Shah the sum of £60,000 in relation to additional time spent on DCB including liaising with lawyers and advisors. These amounts were paid to Odyssean Enterprises Limited, a company in which Sangita Shah has an interest.

27.1. Key management compensation

The Group's key management is considered to comprise the Directors of Kinovo plc and the Chief Operating Officer. The aggregate remuneration of the key management is as follows:

	2023 £'000	2022 £'000
The aggregate remuneration comprised:		
Aggregate emoluments	**1,358**	764
Share-based payments	**52**	36
Total remuneration	**1,410**	800

The remuneration of the highest paid Director during the year was £453,000 (2022: £262,000). The remuneration of individual Directors is disclosed in the Remuneration Committee Report. The aggregate emoluments includes related party transactions as set out in note 27.

There were no other transactions with Directors or key personnel to disclose.

28. Share-based payments

As at 31 March 2023 the Group maintained four share-based payment schemes for employee remuneration, a Share Incentive Plan ("SIP"), Company Share Option Plan ("CSOP"), Joint Share Ownership Plan ("JSOP") and Enterprise Management Incentive ("EMI").

Share Incentive Plan ("SIP")

The SIP is an HMRC-approved scheme plan open to all employees. The plan was established on 1 August 2020. Employees were invited to buy shares in the Company at a price, of 17.5 pence, being the market price immediately prior to the date of establishment of the plan. The acquisition of the shares is funded through a salary sacrifice scheme with monthly deductions taken through payroll over a 12-month accumulation period. At the end of the accumulation period (31st July 2021) the SIP Trust used the contributions to acquire the shares on behalf of the employees ("partnership shares"). Further tranches were rolled out on the 1 August 2021 and 1 August 2022, operating on the same basis as the original, however with a share purchase price of 34.0 pence and 23.5p respectively. At 31 March 2023 employees had accumulated contributions of £52,200 on the FY23 scheme (2022: £49,585 in relation to FY22 scheme).

Employees are also awarded a matching share for each partnership share acquired. Once awarded these shares are held in trust, and are subject to forfeiture, in accordance with the scheme rules, for three years. The retention rate has been estimated as 82%.

The SIP is considered a hybrid financial instrument with characteristics of both share and option awards and linked to a twelve-month accumulation contract. The obligation of the Company arose when the plan was established, at the beginning of the accumulation period. The employee pays the market value for the partnership shares and therefore no share-based payment charge is recognised. The matching shares give rise to a share-based payment charge based on the market value of the shares at the date the plan was established adjusted for the risk of forfeiture.

Company Share Option Plan ("CSOP")

The CSOP is open to all employees at the discretion of the Remuneration Committee. In the year ended 31 March 2021, the Company issued four CSOP awards totalling 1,772,142 ordinary shares at market prices ranging from 20.50 pence to 35.00 pence.

There were 50,000 shares awarded through CSOP in the year ended 31 March 2023, issued an exercise price of 31.5p (2022: nil). All other conditions are in line with previous awards.

The vesting period is for three years, during which the holder must remain in the employment of the Group. There are no performance conditions attached to the awards. No shares have vested yet.

The CSOP and EMI schemes were valued using the Black Scholes model. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model.

covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

Joint Share Ownership Plan ("JSOP")

The JSOP is open to certain senior Executives at the discretion of the Remuneration Committee. In the year ended 31 March 2021, the Company issued two JSOP awards, 250,000 ordinary shares of 10 pence each on 21 December 2020 at the market price of 26.0 pence and 2,242,858 ordinary shares of 10 pence each on 5 March 2021 at the market price of 35.0 pence, to three senior Executives. There were no JSOP awards in the year ended 31 March 2023 (2022: nil).

Under the JSOP, shares in the Company are jointly purchased at fair market value by the participating Executives and the trustees of the JSOP trust, with such shares held in the JSOP trust.

Under IFRS, the awards are treated as a share-based payment arrangement. The JSOP trust holds the shares of the JSOP until such time as the JSOP shares are vested and the participating Executives exercise their rights under the JSOP.

The JSOP trust is granted a non-interest-bearing loan by the Company in order to fund the purchase of its interest in the JSOP shares. The loan held by the trust is eliminated on consolidation in the financial statements of the Group.

The Company funded portion of the share purchase price is deemed to be held as own shares until such time as they are transferred to the employee and is recorded as a reduction in equity.

The award on 21 December 2020 had no performance conditions. The awards on 5 March 2021 vest based on certain non-market conditions and specific fair market share price hurdles, as defined by the plan.

Under the JSOP and subject to the vesting of the participants' interest, participating Executives will, when the JSOP shares are sold, be entitled to a share of the proceeds of sale equal to the growth in market value of the JSOP shares versus the exercise price, net of Executives' cash contribution at inception, as agreed for each grant (the "Carry Charge").

The balance of the proceeds will remain to the benefit of the JSOP trust and will be applied to the repayment of the loan originally made by the Company to the JSOP trust. Any funds remaining in the JSOP trust after settlement of the loan and any expenses of the JSOP trust are for the benefit of the Company. No shares have vested at 31 March 2023 (2022: nil).

The JSOP awards are valued based on the component conditions comprising each of the awards. Components of awards containing non-market-based conditions and awards with no performance conditions are valued using the Black Scholes model. Components of awards with market-based performance conditions are determined by the Monte Carlo simulation.

A number of estimates and judgements are required to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

Having established the full value of the JSOP awards using the Black Scholes model and Monte Carlo simulation outlined above, a deduction is made in respect of the anticipated Carry Charge in order that the expense recorded in the financial statements only represents the participating Executives' net interest in the awards.

Enterprise Management Incentive Scheme ("EMI")

The EMI options scheme was open to all employees at the discretion of the Remuneration Committee. In the year ended 31 March 2023, no grants were awarded and the majority of the grants have now been cancelled.

The vesting period is for three years, during which the holder must remain in the employment of the Group subject to the discretion of the Remuneration Committee. They can be exercised at any time from the date of vesting to the day before the tenth anniversary of their grant and are not subject to performance conditions.

The net charge recognised for share-based payments in the year was £103,000 (2022: £90,000 including discontinued operations) analysed as follows:

	2022 £'000	2021 £'000
SIP	**32**	19
CSOP	**24**	24
JSOP	**47**	47
	103	90

All share-based employee remuneration will be settled in equity. Options are generally exercisable at a price equal to the market price of the Kinovo plc shares on the day immediately prior to the date of the grant. Options are forfeited if the employee leaves the Group before the Options vest except in specific circumstances allowed by the terms of the schemes.

	SIP	CSOP	JSOP	EMI/ unapproved	Total
Number					
At 1 April 2021	644,754	1,772,142	2,492,858	500,000	5,409,754
Granted	610,185	-	-	-	610,185
Exercised	(531,944)	-	-	-	(531,944)
Lapsed	(83,805)	(345,000)	-	-	(428,805)
At 31 March 2022	639,190	1,427,142	2,492,858	500,000	5,059,190
Granted	541,340	50,000	-	-	591,340
Exercised	(194,713)	-	-	-	(194,713)
Lapsed	(15,849)	-	-	-	(15,849)
At 31 March 2023	**969,968**	**1,477,142**	**2,492,858**	**500,000**	**5,439,968**
Weighted average exercise price (pence)					
At 1 April 2022	-	24.8	34.1	95.0	
Granted	-	31.5	-	-	
Lapsed	-	-	-	-	
At 31 March 2023	-	**25.0**	**34.1**	**95.0**	
Assumptions used in estimating the fair value					
Exercise price (pence)	17.5-34.0	20.5-35.0	26.0-35.0	95.0	
Expected dividend yield	n/a	1.00%	1.00%	2.15%	
Risk free rate	n/a	0.50%	0.50%	4.00%	
Expected volatility	n/a	35.00%	35.00%	45.70%	
Expected life	4 years	3 years	3 years	6.5 years	

Expected volatility for the CSOP and JSOP awards is based upon the historical volatility as adjusted for management expectations over the life of the schemes. The expected life is based upon scheme rules and reflects management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

The risk free interest rate for the CSOP and JSOP awards is based upon the expected yield of UK gilts over the expected life of the awards.

The Company has applied an expected dividend yield of 1% for the CSOP and JSOP awards as the Company anticipates making dividend payments during the expected life of the awards.

29. Deferred tax

The following are the significant deferred tax liabilities and assets recognised by the Group and the movements thereon during the current and prior reporting period.

	Intangible assets acquired £'000	Unused tax losses £'000	Short-term timing differences £'000	Right-of-use assets £'000	Lease liabilities £'000	Share-based payments £'000	Total £'000
At 1 April 2021	(620)	-	(145)	(321)	330	57	(699)
Credit/(charge) to Statement of Comprehensive Income or recognised directly through shareholders, equity	243	306	112	28	(28)	17	678
Disposal of DCB (Kent) Limited	305	-	30	143	(151)	-	327
At 31 March 2022	(72)	306	(3)	(150)	151	74	306
Credit/(charge) to Statement of Comprehensive Income or recognised directly through shareholders, equity	72	209	3	(28)	28	20	304
At 31 March 2023	**-**	**515**	**-**	**(178)**	**179**	**94**	**610**

	2023 £'000	2022 £'000
Deferred tax asset	**788**	531
Deferred tax liability	**(178)**	(225)
Net deferred tax asset	**610**	306

30. Sale of business

On 12 January 2022, the Group disposed of 100% of the share capital of DCB (Kent) Limited ("DCB"). As set out in note 4.1, the effective date of transfer of control was as at 1 December 2021 and is accounted for as disposed as at that date.

A total deferred consideration of up to £5 million was due on the sale consisting of:

- £1.9 million payable on successful completion of current projects;
- £2.1 million payable on trade settlements of these current projects; and
- £0.5 million payable on the results of the next two years dependent on achievement of performance targets.

However, DCB went into administration on 16 May 2022. Management therefore does not expect that any of this consideration will be receivable, and as such has not recognised any anticipated proceeds from the sale of the business.

Loss on disposal of DCB (Kent) Limited recognised in prior year

	2022 £'000
Consideration received or receivable:	
Cash	**-**
Cash fair value of contingent consideration	**-**
Total disposal consideration	**-**
Carrying amount of net assets disposed	**(9,930)**
Other write-offs and provisions required as a result of disposal	**(3,743)**
Tax credit from disposal	**1,078**
Total loss on disposal of DCB (Kent) Limited	**(12,595)**

31. Discontinued operations

Following its rebranding and strategic review, Kinovo determined that DCB (Kent) Limited ("DCB"), the Group's construction business, was non-core and was disposed in the year ended 31 March 2022.

On 16 May 2022, DCB filed for administration and as at the date of the financial statements Kinovo has limited expectation of recovery of amounts owed under the terms of the disposal of DCB.

Kinovo had residual commitments under various parent company guarantees for the DCB construction projects and working capital support. Under the terms of the parent company guarantees, Kinovo is responsible for the completion of the projects.

The activities of DCB are presented as discontinued operations.

There are nine projects in total and six are now operating under new contracts and another is being completed directly by the client. At 31 March 2023, three projects were on site. Four other contracts were signed as at 31 March 2023 and commenced post year end. The remaining two projects are in continuing positive discussions.

Three of the nine DCB contracts originally had performance bonds, which were indemnified by Kinovo plc, totalling £2.10 million. Only one bond remains outstanding to resolve at the date of the financial statements. Kinovo has engaged with the insurer, underwriter and client and although the outstanding bond of £860,000 could have been called at any time since DCB entered into administration, it is recognised by all parties that positive discussions are ongoing to identify solutions to enable the project to be completed and the bond novated.

The overall net cost to complete the construction projects is expected to be approximately £4.3 million. A £5.3 million loss is reported in the year ended 31 March 2023 with £1.0 million of anticipated recoveries recognised, in future periods, when they have been realised. At 31 March 2023 the outstanding balance on the costs to complete provision was £3.5 million with £1.8 million utilised in the year.

Full details of the discontinued trading operations and the loss on disposal and the non-adjusting post balance sheet event relating to the net costs to complete the DCB construction projects are set out in notes 30 and 33.

The disposal of DCB has allowed the Group to harmonise its operations and increase the focus on its three strategic workflow pillars: Regulation, Regeneration and Renewables as demonstrated by the results delivered for FY23. These pillars are centred on compliance-driven, regulatory-led specialist services that offer long-term contracts, recurring revenue streams and strong cash generation.

Financial performance and cash flow information from discontinued operations

	2023 £'000	2022 £'000
Revenue	532	13,432
Cost of sales	(5,792)	(11,780)
Gross (loss)/profit	(5,260)	1,652
Underlying administrative expenses	-	(2,168)
Operating loss before non-underlying items	(5,260)	(516)
Non-underlying administrative expenses:		
Amortisation of customer relationships	-	(155)

Share-based payment charge	-	-
Loss on disposal	-	(12,595)
Restructuring costs	-	-
Total non-underlying administrative expenses	-	(12,750)
Operating loss	(5,260)	(13,266)
Finance costs	-	(6)
Loss before taxation	(5,260)	(13,272)
Income tax credit	999	128
Loss for the period	(4,261)	(13,144)
Loss per share from discontinued operations		
Basic (pence)	(6.86)	(21.28)
Diluted (pence)	(6.86)	(21.28)
Cash flows from discontinued operations		
Net cash outflow from operating activities	(2,750)	(1,453)
Net cash outflow from investing activities	-	(10)
Net cash outflow from financing activities	-	(16)
Net reduction in cash generated by the subsidiary	(2,750)	(1,479)

32. Ultimate controlling party

The Directors consider that there is no ultimate controlling party of Kinovo plc.

33. Events after the balance sheet date

Details of the status of the DCB projects and performance bonds has been provided in Note 31.

There have been no other post balance sheet events.