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Kinovo PLC
09 July 2024

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Kinovo plc

("Kinovo", the "Group" or the "Company")

Final Results

Continued execution of growth strategy delivers Full Year Results ahead of original expectations

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 2024, with a full year performance ahead of prior market expectations, as announced on 2 May 2024.

Financial highlights (Continuing operations):

- Revenue increased by 2% to £64.1 million (FY23: £62.7 million)
    - reflecting a different revenue mix of workstreams in the year and the strategic exit from a private sector mechanical contract of £3.6 million in our Renewables division, impacting full year revenues
        - Regulation grew by 9% to £38.5m
        - Regeneration increased by 10% to £19.3m
        - Renewables reduced by 36% to £6.3m
- Adjusted EBITDA[1] increased by 23% to £6.7 million (FY23: £5.5 million)
- Adjusted Operating Profit[2] increased by 22% to £6.5 million (FY23: £5.3 million)
- Adjusted profit before tax[2] increased by 25% to £6.1 million (FY23: £4.9 million)
- Basic earnings per share increased 37% to 8.20p (FY23: 5.97p)
- Net cash[3] of £0.4 million (FY23: £1.1 million)
- Three year visible revenues[4] increased by 11% to £162.6 million (FY23: £146.4 million)
- Post period end, banking facilities renewed

Operating highlights:

- Continued execution of the growth strategy focusing on our three pillars of Regulation, Regeneration and Renewables
- Mix of works, operational efficiencies and cost management delivered profitability increases:
    - Gross margins increased by 3.1% from 26.3% to 29.4%
    - EBITDA margins strengthened by 1.8% from 8.7% to 10.5%
- Strong visibility of future revenues demonstrates the business' quality of earnings:
    - 99% of the three year visible revenues are recurring[5]
    - £69 million of our three year visible revenues are anticipated to be realised in FY25
    - Certain planned FY24 workstreams experienced client delays; now expected to be delivered in FY25
- Focus on diversification generates an 11% net increase in our overall client base
- Strategic investments to drive implementation and capitalise on market opportunities, including:
    - Strengthened efficiency within our collaborative support functions, contributing to overall margin improvements
    - Established a Retrofit team to focus on works relating to the Government's Decarbonisation objectives and related awards through the Social Housing Decarbonisation Fund
    - Geographic expansion with a new office in East Anglia which creates significant business development opportunities initiating with short-term awards which we are confident will be converted into longer term contracts
- Continued Business Development success leading to longer-term contracts at higher values, including:
    - An Electrical contract with The Hyde Group to deliver up to £40 million over the next 8 years
    - A two-year contract extension for the Mechanical Division with Haringey Council, with a historical value of approximately £3 million per annum
- Framework agreements also represent a significant growth driver, with awards during the year including:
    - The Greener Future Partnership's ("GFP") Decarbonisation Framework, leading to a direct award with an anticipated value of £4.8 million over 19 months
    - The Eastern Procurement Limited's Asset Improvement and Sustainability Framework, with a maximum estimated aggregate value of £156 million across five contractors over 4 years

Discontinued operations: DCB Kent:

- Post-period end, have agreed, in principle, resolution of the final of the nine projects in relation to DCB Kent ("DCB"), the former construction subsidiary
    - Full and final settlement agreed in principle at £2.2 million payable over an 18 month period
- Only one project remains in progress on site, which will be completed in July 2024, which, combined with the above, will finally conclude the DCB legacy projects
- Total cumulative net pre-tax cost to complete all the DCB projects is expected to be £12.9 million of which the pre-tax costs charged in FY24 was £7.6 million (FY23: £5.3 million)
    - Total costs to complete includes provision for the £2.2 million settlement in principle of the ninth project and excludes anticipated final account recoveries, contract variations and claims of up to £2.6 million, which would benefit the Group as and when they are realised
- At 31 March 2024 the outstanding balance of the £12.9 million total estimated cost to complete on the balance sheet payables was represented by £3.2 million provisions and £0.7 million trade creditors:
    - At 31 March 2024, cumulative cash of £9.0 million cash had been paid on the DCB projects, of which £7.4 million was paid in FY24
    - At end of Q1 FY25, a further £1.7 million cash had been paid, accumulating to £10.7 million
    - Net cash remaining to be paid after Q1 FY25, excluding the benefit of potential anticipated recoveries, is expected to be £2.2 million, representing the expected settlement of the final project set out above, payable over an 18 month period
- The remaining DCB commitments are expected to be funded from the strong cash generation of the continuing operations and existing finance facilities

Outlook:

- Having delivered another year of profitable growth, the Company remains steadfast in its growth strategy and commitment to driving value for shareholders
- The Company has made a positive start to FY25, underpinned by the momentum of FY24 and continued positive market drivers
- The anticipated end to the DCB legacy projects, provides the opportunity to fully focus on our continuing operations and the Company is confident of delivering another strong performance in the year ahead, in line with the Board's expectations

David Bullen, Chief Executive Officer of Kinovo, commented:

"Congratulations to the whole team for delivering what has been another positive year as we continue to execute our exciting growth strategy. Underpinned by regulatory and market drivers, our strategy to focus on the three pillars of Regulation, Regeneration and Renewables continues to bear fruit, with considerable growth in profitability that exceeded prior expectations, a number of considerable new contract wins and framework placings and growing visible revenues.

We are delighted that we are close to putting DCB behind us, which has taken significant resources away from our continuing operations, both operationally and financially. Positively, this episode demonstrated the robustness and resilience of our business, as well as the strength and commitment of our team, as we navigated through these challenges. With agreement in principle for the final DCB project and the eighth DCB project expecting to be completed in July 2024, we are pleased and motivated to shortly be fully focused on our core operations, rather than our past.

Trading in the new financial year has been encouraging so far, and we remain assured that our one-stop-shop offering focused on the three strategic pillars will maintain our momentum, whilst strengthening our trusted partnerships with our clients as we provide a best in class service to their residents.

We look forward to delivering another strong performance in the current financial year and are equally confident that the patience of our shareholders will be rewarded as our cash generative qualities and inherent value become increasingly evident and the final DCB legacy project is concluded."

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 Operating Profit and Adjusted Profit before tax stated before non-underlying items of £0.1 million (FY23: £0.5 million)

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 £6.0 million revenues awarded since 31 March 2024.

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

Overview

This has been a very pleasing year of solid organic growth, with underlying EBITDA year on year having increased by 23%. I am particularly delighted that we will shortly draw a line under the legacy project issues associated with the disposal of our construction business, DCB, with the completion of the eight projects and an agreed in principle settlement of the final project.

The Company, unfettered by the uncertainties relating to these legacy projects is will now be well positioned to forge forwards in terms of further growth in revenues, cash generation and shareholder value. To that end, our three-year visible revenues have increased by 11% to £162.6m.

This excellent performance is entirely attributable to the execution and commitment of all within the Company to focus on our strategic pillars of Regulation, Regeneration and Renewables.

Market

Kinovo has been a clear beneficiary of the political and legislative landscape with increasingly stringent building and housing regulations resulting in us winning more work consisting of longer and more valuable contracts. This trend is set to continue and is unlikely to be diminished with a new Labour government.

In terms of the capital markets, the London Stock Exchange reforms will assuredly provide a boost for liquidity and investment in small caps and small cap equity funds, allowing better access to capital for retail investors. It is pleasing to note that the UK is leading Europe in equity fundraising in terms of volume of equity placed. A resurgent stock market, coupled with excellent financial performance of the Company, will unquestionably benefit Kinovo and shareholders.

ESG

ESG remains a fundamental part of what drives Kinovo both in terms of day-to-day operations and in our values and commitments. We are moving to Scope 3 reporting and action and provide a detailed assessment of this in our section on Sustainability.

Our People

Unquestionably, our people are at the very heart of our business and it is due to their sustained commitment and efforts throughout the organisation that we have had such a successful year. These efforts were spearheaded by the Executive management team who have shown resilience in overcoming the recent challenges relating to DCB, our former construction business, and to whom I especially express my gratitude.

Outlook

This was a significant year, and I am excited and optimistic about the prospects for the business. As we drive organic growth, we may, alongside this, consider opportunistic bolt-on acquisitions. In time we hope to reinstate our dividend. Our focus now firmly remains on driving long-term shareholder value.

Sangita Shah
Chair
9 July 2024

Chief Executive Officer's review

Kinovo delivered an excellent performance ahead of previous expectations, achieving very strong profit growth on relatively modest revenue growth. This was achieved through a different mix of works, particularly reflecting the increased proportion of higher margin Electrical services in the year, underpinned by improved operational efficiency and robust cost base management. Furthermore, we have made significant progress as we continue to deliver on our strategic goals.

Revenue from continued operations grew to £64.1 million (FY23: £62.7 million). Revenue growth was held back by a number of planned work delays until FY25 and a year-on-year, £3.6 million reduction in revenue relating to the strategic exit from a private sector mechanical contract.

I am pleased that we delivered strong growth in profitability, with EBITDA rising by 23% to £6.7 million (FY23: 5.5 million), ahead of prior expectations of £6.2 million. Gross margins were 29.4% (FY23: 26.3%) and adjusted profit before tax grew by 25% to £6.1 million (FY23: £4.9 million). At 31 March 2024, cash balances were £0.5 million and our net cash position was £0.4 million (FY23: £1.1 million), which is after the impact of the total cash outflow of £7.4 million from the DCB legacy

£0.4 million (FY23: £1.1 million), which is after the impact of the total cash outflow of £7.4 million from the DCB legacy projects during the year.

This performance is a result of our clearly defined growth strategy, with the team focused on driving our three key pillars of Regulation, Regeneration and Renewables. Each represents a significant opportunity for the Group as we continue to execute our strategy and position Kinovo as a specialist one-stop-shop for all our clients' service needs to meet regulation and compliance requirements as well as national decarbonisation targets.

Revenues of £38.5 million for our Regulation pillar and £19.3 million under Regeneration saw year-on-year growth of 9% and 10% respectively, offset by Renewables reducing by 36% to £6.3 million. This performance in Renewables is predominantly due to the strategic exit from a private sector mechanical contract as mentioned above. An analysis of revenues from the three Rs to our segmental reporting is shown below.

	Build		Electrical		Mechanical		Total	
	FY24 £'m	FY23 £'m	FY24 £'m	FY23 £'m	FY24 £'m	FY23 £'m	FY24 £'m	FY23 £'m
Regulation	14.1	14.4	19.0	15.3	5.4	5.6	38.5	35.3
Regeneration	6.4	5.3	11.3	10.4	1.6	2.0	19.3	17.6
Renewable	—	—	1.6	2.3	4.7	7.4	6.3	9.8
Total	20.5	19.7	31.9	28.0	11.7	15.0	64.1	62.7

Kinovo won, renewed, or extended 13 contracts and framework agreements during the year. Three-year visible revenues continue to grow, with an increase of 11% at the year end to £162.6 million (FY23: £146.4 million), which includes £6.0 million awarded since 31 March 2024, as well as a further diversification of our portfolio with a net increase in our overall client base also of 11%. Of the three-year visible revenues are 99% recurring and £69 million of our three-year visible revenues are anticipated to be realised in FY25.

Market

During the year, we managed and mitigated a number of industry-wide macro-economic pressures, delivering a trusted partnership service and strengthening our reputation with our clients.

We continue to benefit from a number of regulatory and legislative drivers, including the Social Housing (Regulation) Act, the Building Safety Act, the Fire Safety Act and Electrical Wiring legislation, which have meaningfully increased demand for, and frequency of, our range of works across our operating areas and three growth pillars.

During the year, we continued to drive the development of our Renewables and Regeneration pillars by establishing a Retrofit team, which will focus on works relating to the Government's decarbonisation objectives and related awards through the Social Housing Decarbonisation Fund. There is a clear growth opportunity for Kinovo that our Retrofit offering can support local authorities and councils who are under time and administrative pressure to progress their initiatives and activities. The team has had an incredibly encouraging start, already generating a return on investment, and is delivering a number of additional new business development opportunities for the Group. The increased focus on decarbonisation across businesses in general will play to our advantage as a leading specialist operator within our regional markets.

Decarbonisation, along with the other key legislative and regulatory drivers, ensures a greater focus on compliance and raises quality standards for social housing residents and continues to deliver non-discretionary-led revenue opportunities for Kinovo, which our strong reputation will enable us to leverage.

Strategy

Our focus remains on driving shareholder value. We continue to reap the rewards of our strategy to focus on the three key growth pillars of Regulation, Regeneration and Renewables. This continues to deliver results, with each being supported by long-term market drivers as well as the investments in our teams and capabilities to deliver a best-in-class service and capitalise on cross-selling opportunities.

These internal investments include building our business development, procurement and service support teams, as well as strengthening our sales and marketing collateral. This is all underpinned by rigorous and robust cost management. Additionally, we ensure that we continuously develop our offering to enable us to improve the quality of our proposals for new projects, as well as enhancing our offering for existing clients.

The foundation of our business will continue to focus on driving organic growth, with a primary objective to continue to demonstrate the cash generative qualities of the business by building our cash reserves. We will, however, evaluate the market and may consider acquisitions in the future which are the right strategic fit for the Group.

Focusing on consolidating our geographic position, we identified Norfolk as a natural opportunity for organic geographic expansion. We have considered this for a while, believing that there is a rich opportunity for a high-quality specialist building services provider. The Norfolk office is already delivering, and has won several new clients.

Critically, the Norfolk team has generated a number of opportunities for us to demonstrate the quality of our works through initial short-term awards which we are confident will be converted into longer-term contracts as our partnerships develop. Most pleasingly the awareness of our businesses are increasing in Norfolk, which will prove invaluable as we continue to implement our growth plans to capitalise on the identified growth opportunity.

We continue to prioritise the diversification of our contract and client base, which was a key driver in our strong bottom-line performance this year. There have been a number of meaningful new contract wins, contract extensions and positions on framework agreements which saw us deliver a net increase of 11% to our overall client base.

Examples of these include:

- an electrical contract with The Hyde Group to deliver up to £40 million over the next eight years;
- a two-year contract extension for the Mechanical Division with Haringey Council, with a historical value of approximately £3 million per annum;
- a place on The Greener Future Partnership's ("GFP") Decarbonisation Framework which led to a direct award to Kinovo for the Building Services Division with an anticipated value of £4.8 million over 19 months to retrofit approximately 200 properties. The framework comprises five housing associations and over 300,000 homes, representing 9% of the total UK social housing market;
- a place on the Eastern Procurement Limited's Asset Improvement and Sustainability Framework, with a maximum estimated aggregate value of £156 million across a total of five contractors over a term of four years; and
- winning a place on three lots of The Hyde Group's Alternative Heating Servicing and Maintenance Services and Metering and Billing Services Framework with an estimated aggregate value of £132 million across a total of five contractors over a term of four years.

We anticipate a continued uplift in the value we are able to derive from our framework placings, and look forward to updating the market on these in the months ahead.

Our people are our greatest asset, and we continue to invest in their development. During the year, we engaged our staff with 3,983 hours of learning, with 20% of our employees attending management training, and over 8% of our staff progressing into more senior roles as we build out our team to leverage the opportunities ahead.

The sector is recognised as having an ageing skilled workforce and we remain committed to developing the next generation into our trades, ensuring we maintain a pipeline of qualified staff to support our continued growth. Despite a number of apprentices achieving their qualifications and graduating during the year, we are pleased to report that we have maintained our skills pipeline and apprentices account for 12% of our total employees.

We also see ourselves as a partner of our local communities, helping to leave a positive and lasting impact in the areas where we operate. During the year, we undertook a vast amount of initiatives to benefit our communities amounting to 1,066 volunteer hours ranging from clearing rubbish, installing security lighting, prison visits, facilitating mock interviews in local schools, painting and decorating communal areas in a domestic violence shelter, providing high-visibility vests for a primary school through to setting up a food bank with one of the oldest housing associations in the country, which our staff continue to attend on a regular basis.

Discontinued operations

I am pleased to report that we have made significant progress in relation to DCB Kent ("DCB"), our former construction subsidiary. Having agreed in principle the settlement of the final of the nine projects post period end, there is only one project in progress on site which will be completed in July 2024. Formal agreement on the final project and completion of the eighth project will, bring an end to this disappointing situation. This has had a massive impact on resources both operationally and financially, significantly hindering our valuation and growth opportunities.

On behalf of the Board, I would like to thank our shareholders for their patience and support as we navigated the challenges it brought to our business. In turn, I also extend our thanks to our team for its resilience, commitment and efforts regarding DCB - we are pleased and motivated to finally be fully focused on our future rather than our past.

Outlook

The new financial year has started positively, in line with the Board's expectations, and our momentum continues with the ongoing facilitation of the market's legislative and decarbonisation drivers. Buoyed by the imminent end of the DCB legacy projects and the opportunity to fully commit to our continuing operations, we are confident of delivering another strong performance in the year ahead and are equally confident that the patience of our shareholders will be rewarded as our cash generative qualities and inherent value become increasingly evident and the final DCB legacy project is concluded.

David Bullen
Chief Executive Officer
9 July 2024

Financial review

Strong profit growth resulting from increasing regulation and legislation drivers

Trading review

Continuing operations

Kinovo delivered a strong trading result and cash generation from its continuing operations of specialist property services focusing on electrical, build and mechanical.

Adjusted EBITDA (after the effect of a charge for lease payments) increased by 23% to £6.7 million (FY23: £5.5 million) with operating profit from continuing operations delivering £6.4 million (FY23: £4.8 million), an increase of 33%.

Adjusted profit before taxation for continuing operations was £6.1 million (FY23: £4.9 million), an increase of 25% and basic earnings per share were up 37% to 8.20p (FY23: 5.97p).

Revenues increased 2% to £64.1 million (FY23: £62.7 million) with electrical services up 16%, building services up 2% and mechanical services down 22% as a result of the different revenue mix of workstreams and the strategic exit from a private sector contract. As a result of the change in revenue mix, gross margin increased by 3.1% to 29.4% (FY23: 26.3%). Gross profit increased by 15% to £18.9 million (FY23: £16.5 million).

Underlying administrative expenses of £12.4 million increased £1.2 million (11%) compared to £11.2 million in the prior year.

Profit after tax for the continuing businesses was £5.1 million (FY23: £3.7 million), an increase of 38%.

Kinovo has substantially completed the fulfilment of its commitments on the DCB construction projects as set out in the Chief Executive Officer Review and below. Discontinued operations reported a loss after tax of £5.7 million in the period (FY23: loss £4.3 million).

As a result of the discontinued operations result, the Group has reported a total loss for the period of £0.6 million (FY23: loss £0.5 million).

Financial position and key indicators

Net cash (excluding lease liabilities) was £0.4 million at 31 March 2024 compared to net cash (excluding lease liabilities) of £1.1 million in the prior year, reflecting continuing working capital efficiency and robust underlying operational cash generation from the continuing operations of £5.9 million (FY23: £5.9 million), despite the cash absorbed by the discontinued operations during the year of £7.4 million (FY23: £2.8 million).

We focus on a range of financial and non-financial KPIs to assess our performance 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 on the following pages.

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.

	FY24	FY23	FY22	FY21
	£'000	£'000	£'000	£'000

Continuing operations				
Income statement				
Revenue	**64,137**	62,670	53,325	39,369
Gross profit	**18,886**	16,472	12,767	9,291
Gross margin	**29.4%**	26.3%	23.9%	23.6%
EBITDA[1] (excluding effect of lease payments)	**7,331**	6,013	4,600	2,763
Adjusted EBITDA[2] (including effect of lease payments)	**6,715**	5,474	4,237	2,096
Adjusted operating profit[3]	**6,483**	5,297	4,091	2,010
Adjusted profit before taxation[4]	**6,143**	4,896	3,822	1,572
Profit after taxation	**5,128**	3,713	2,262	(252)
Basic earnings per share[5]	**8.20p**	5.97p	3.66p	(0.42p)
Adjusted earnings per share[6]	**8.36p**	6.76p	5.33p	2.76p
Cash flow				
Net cash generated from operating activities	**7,809**	5,488	9,777	5,542
Adjusted net cash generated from operating activities[7]	**5,885**	5,865	9,442	4,360
Adjusted operating cash conversion[8] (%)	**88%**	107%	223%	208%
Financial position				
Cash and cash equivalents	**489**	1,322	2,504	1,293
Term and other loans	**(86)**	(177)	(2,843)	(3,966)
Net cash/(debt)[9]	**403**	1,145	(339)	(2,673)
Trade receivables	**4,866**	3,610	4,977	5,564
Accrued income	**7,677**	7,066	5,247	8,634
Trade payables	**(14,654)**	(13,025)	(12,552)	(11,082)
Net (liabilities)/assets	**(1,081)**	(652)	(143)	10,862
Discontinued operations				
(Loss)/profit after taxation	**—**	—	(549)	409
Loss on disposal after taxation	**(5,737)**	(4,261)	(12,595)	—
Net cash (absorbed)/generated by operating activities	**(7,427)**	(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 Adjusted operating profit is stated before charging non-underlying items as set out in note 9 of the financial statements.
4 Adjusted 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 2024. 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.

Adjusted EBITDA reconciliation

Internal management information and reporting under the Group's banking facilities is focused on Adjusted EBITDA of £6.7 million (FY23: £5.5 million), which is stated after the effect of a charge for lease payments. Adjusted EBITDA has increased by 23% in FY24 following an increase of 29% in FY23 compared to FY22.

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

	FY24 £'000	FY23 £'000	FY22 £'000	FY21 £'000
Continuing operations				
Profit before tax	**6,039**	4,408	2,792	(371)
Add back non-underlying items:				
Amortisation of customer relationships	**—**	385	940	1,582
Share based payment charge	**103**	103	90	27
Exceptional item	**—**	—	—	334
Underlying profit before tax	**6,142**	4,896	3,822	1,572
EBITDA adjustments:				
Finance costs	**341**	401	269	438
Depreciation of property, plant and equipment	**148**	131	130	82
Depreciation of right-of-use assets	**585**	513	336	654
Amortisation of software costs	**116**	72	44	17
Profit on disposal of property, plant and equipment	**—**	—	(1)	—
EBITDA	**7,332**	6,013	4,600	2,763
Adjustment for lease payments	**(617)**	(539)	(363)	(667)
Adjusted EBITDA	**6,715**	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:

	FY24 £'000	FY23 £'000	FY22 £'000	FY21 £'000
Amortisation of customer relationships	**—**	385	940	1,582
Share based payment charge	**103**	103	90	27
Exceptional item	**—**	—	—	334
Total	**103**	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 £0.3 million (FY23: £0.4 million) 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 £0.9 million (FY23: £0.7 million) on continuing activities set off by tax credits of £1.9 million (FY23: £1.0 million) on discontinued activities. No tax payments were made in the current or prior year.

Overall, the Group has no tax liability at 31 March 2024.

The net deferred tax asset at 31 March 2024 was £1.6 million (FY23: asset £0.6 million), comprising a deferred tax liability of £0.3 million (FY23: £0.2 million) relating to right-of-use assets and a deferred tax asset of £1.9 million (FY23: £0.8 million) relating to unused tax losses, lease liabilities and share based payments.

Earnings per share

Basic earnings per share, from continuing operations, was 8.20 pence (FY23: 5.97 pence), an increase of 37%, based on profit after tax of £5.1 million (FY23: £3.7 million). The weighted average number of shares in issue was adjusted for the SIP share awards in the year ended 31 March 2024 as set out in note 24 of the financial statements.

Adjusted earnings per share, from continuing operations, excluding non-underlying items, was up 24% to 8.36 pence (FY23: 6.76 pence). Diluted adjusted earnings per share was 8.25 pence (FY23: 6.70 pence), an increase of 23%.

Cash flow performance

Adjusted cash generated from continuing operations was £5.9 million (FY23: £5.9 million), resulting in an adjusted operating cash conversion of 88% (FY23: 107%).

Adjusted operating cash conversion is calculated as cash generated from continuing operations (after lease payments), and adjusted for the effects of deferred HMRC repayments of £1.3 million (FY23: repayments of £0.9 million), divided by Adjusted EBITDA of £6.7 million (FY23: £5.5 million), as set out below.

	***FY24 £'000**	*FY23 £'000	FY22 £'000	FY21 £'000
Cash flow from operating activities (see note 25)	**382**	2,738	3,660	5,814
Adjustment for cash absorbed by/(generated from) discontinued activities	**7,427**	2,750	6,117	(272)
Net cash generated from continuing operating activities	**7,809**	5,488	9,777	5,542
Less operating lease payments	**(582)**	(511)	(471)	(667)
Less corporation tax received	**—**	—	—	(163)
	7,227	4,977	9,306	4,712
Net adjustment for deferred HMRC payments	**(1,342)**	887	136	(686)
Add exceptional item	**—**	—	—	334
Adjusted net cash generated from continuing operating activities	**5,885**	5,864	9,442	4,360
Adjusted EBITDA (see above and note 8)	**6,715**	5,474	4,237	2,096
Adjusted cash conversion (Adjusted operating cash/Adjusted EBITDA)	**88%**	107%	223%	208%

By arrangement with HMRC, VAT liabilities of £1.3 million were deferred at 31 March 2024. A monthly repayment plan has been agreed with HMRC with full repayment of deferred VAT by 30 September 2024. The arrangement was necessary, in response to the unexpected calling of the performance bond on a DCB project at the end of February 2024. The terms of the performance bond required almost immediate settlement although, as set out below, in the discontinued operations section, Kinovo has managed to mitigate the impact, as part of the final DCB project settlement.

***** At 31 March 2023, £0.4 million (at 31 March 2024: £nil) of cash receipts were received in advance, with a corresponding impact on cash generated in FY24. Cash conversion restated for the effect of the accelerated cash receipts would be 94% for FY24 (FY23: 100%).

Cash absorbed by discontinued operations in the period amounted to £7.4 million (FY23: £2.8 million including working capital provided in April 2022, post disposal of DCB (Kent) Limited of £1.2 million). Set out below is an analysis of the net cash flows (absorbed)/generated by DCB resulting from the costs to complete the projects post administration of DCB and the contracted working capital support and underlying cash flow pre-administration of DCB.

	FY24 £'000	FY23 £'000	FY22 £'000	FY21 £'000
DCB costs to complete	**(7,428)**	(1,523)	—	—
DCB cash flow pre-administration	**—**	(1,227)	(6,117)	227
Total	**(7,428)**	(2,750)	(6,117)	227

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.

Net cash

Kinovo had a net cash position at 31 March 2024 of £0.4 million compared to net cash of £1.1 million at 31 March 2023, a reduction of £0.7 million as analysed in the table below and note 21 for full details of borrowings. The reduction in net cash reflects the payments required to fund the DCB projects mitigated by the strong operating cash flow from the continuing businesses and the deferral of HMRC liabilities at 31 March 2024.

	FY24 £'000	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	**(86)**	(143)	(200)	(257)	(314)	(371)
Overdraft	**—**	—	—	—	(3,351)	(5,219)
	(86)	(177)	(2,843)	(3,966)	(7,233)	(10,879)
Cash and cash equivalents	**489**	1,322	2,504	1,293	19	21
Net cash/(debt)	**403**	1,145	(339)	(2,673)	(7,214)	(10,858)

During the year, the Group repaid £91,000 of mortgage and other loans (FY23: £2.7 million of HSBC Term Loan and other loans). Of the borrowings of £86,000 at 31 March 2024, £57,000 is repayable within one year and the balance in the following financial year.

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 January 2022.

On 16 May 2022, DCB filed for administration and as at the date of these financial statements, Kinovo has limited expectation of, and has not provided for, the 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 were nine DCB projects in total with seven finalised at the date of the signing of the financial statements and another due for completion during July 2024. On the remaining project, Kinovo has reached agreement in principle, to settle the obligation under the construction contract and parent company guarantee, releasing Kinovo from its obligations to complete the project. The expected full and final settlement of a fixed amount of £2.2 million is payable over a period of 18 months from July 2024. A total of £0.9 million had already been provided for in the Company accounts under the previously forecasted costs to complete the DCB legacy projects. The agreement removes the risk from possible future cost overruns or claims from this final DCB legacy project.

A performance bond of £0.9 million remains outstanding on the final project. The bond was called at the end of February 2024 but with Kinovo's continuing engagement with the insurer, underwriter and client and the ongoing discussions between the parties, the bond holder agreed to defer payment obligations. The agreement in principle of the settlement of the final project includes the cancellation of the performance bond once Kinovo has fulfilled the equivalent value of the bond to the client.

On 8 March 2024, the Group announced that it expected the overall net cost to complete the construction projects to be approximately £8.7 million, an increase of £2.9 million on previous expectation resulting from unexpected remedial works partly related to the adverse weather of winter 2023/24 but mainly as a result of poor legacy workmanship.

The net costs to complete of £8.7 million included anticipated claims made by Kinovo as a result of poor sub-contractor workmanship and other contractual recoveries which had not been confirmed at the date of the signing of the financial statements. The potential recoveries by Kinovo of up to approximately £2.6 million are required to be recognised in future periods, as and when they have been realised.

With the agreement in principle of the settlement in of the final project and the deferral of the recognition of the potential recoveries to future periods as and when realised, the reported net costs to complete all the projects has increased to a total of £12.9 million with a £7.6 million (FY23: £5.3 million) pre-tax loss reported in the year ended 31 March 2024.

At 31 March 2024, the outstanding costs to complete provision was £3.2 million which together with £0.7 million in trade payables, represents the balance of the total £12.9 million due to be fulfilled.

A total of £9.0 million has been paid in FY23 and FY24 on the fulfilment of the project obligations with a further £1.7 million paid in the first quarter of FY25. Other than the outstanding amounts on the settlement in principle of the final project, Kinovo has paid, at the end of the first quarter of FY25, almost all of the net costs to complete the projects. The settlement on the final project is expected to be payable during FY25 and FY26 set off by final account recoveries, claims and retentions. Each of the projects, except the final project, has the usual industry standard post completion defect period of 12 months. We are not aware of or expecting any claim under these arrangements. The agreement in principle on the final project represents full and final settlement and therefore there would not be a defects period.

The remaining DCB commitments are expected to be funded from the strong cash generation from the continuing operations and existing finance facilities.

In 2023, £1.2 million was also paid to DCB for contracted working capital support which is in addition to the £12.9 million costs to complete the DCB projects. The total amount paid relating to DCB in 2023 including the working capital support of £1.2 million was £2.7 million.

Set out below is an analysis of the DCB costs paid and payable.

Cash paid and payable in relation to the DCB project costs	**£'000**
Cash paid	
FY23	1,523
FY24	7,428
Q1 FY25	1,725
Cumulative cash paid at end of Q1 FY25	**10,676**
Cash payable	
Settlement of final project	2,200
Other	34
Total reported costs to complete DCB projects (excluding potential recoveries)	**12,910**

Additional details of the discontinued operations are set out in note 30.

The disposal of DCB 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 FY24. 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 2024, with HSBC UK Bank plc ("HSBC"), comprised a £2.5 million overdraft facility, which was renewed post year end until April 2025 and a balance of £86,000 (FY23: £143,000) on a ten-year mortgage loan. In the period, the Group fully repaid the balance (FY23: £34,000) 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 also has a purchasing card facility of £6.0 million, which was renewed on 31 May 2024, with HSBC which is disclosed within trade creditors and detailed in note 23 of the financial statements. To align with HSBC standard terms on this product, the facility is scheduled to reduce by £1.4 million on 30 September 2024.

Dividends

No interim dividend was paid (FY23: £nil). Due to the discontinued operations commitments and the consequent financial position of Kinovo, the Board does not recommend the payment of a final dividend for the year ended 31 March 2024 (FY23: £nil). It remains the Board's priority to complete the outstanding discontinued operations obligations, 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 on 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 possible sensitivities in trading performance, the Board has an expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

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
9 July 2024

The following pages have been extracted from the audited financial statements

Independent auditor's report to the members of Kinovo plc

for the financial year ended 31 March 2024

Opinion

We have audited the financial statements of Kinovo plc (the 'group') for the year ended 31 March 2024 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and notes to the consolidated 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 2024 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.

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.

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.

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

Audit Area and Description	Audit Approach
Completeness of onerous contract provisions 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 originally undertaken by DCB (Kent). Management estimated the total provision required for the losses for the 9 projects to be approximately £12.9 million, out of which £3.2 million remains outstanding as at 31 March 2024.	Our audit work included, but was not limited to, the following procedures: • We held discussions with management to understand the latest position of each project. • We reviewed and critically assessed 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 costs 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 confirmed amounts included in the provision at settlement value to the draft settlement agreement from the customer, subject to contract. • We considered advice provided by management's legal advisers to establish if future claims were likely on specified contracts. • We considered evidence which contradicted the assertions made by management 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. We concluded that the approach adopted by management in determining the amount of the provision as at the reporting date was acceptable and in accordance with the requirements of UK adopted International Accounting Standards, specifically IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

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 £676,000 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 £338,000.

We agreed to report to the Audit Committee all audit differences in excess of £33,000, 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included, but was not limited to:

- Evaluating management's forecasting accuracy based on historical budgets versus actual performance;
- Reviewing and critically assessing the detailed cash flow projections up to September 2025
- Comparison of projected performance to past performance;
- Reviewing and critically assessing the Board's assessment of the group's obligations resulting from the administration of DCB (Kent) Limited and timing thereof;
- Reviewing the terms of the working capital facilities available to the group and assessing headroom available in the projections;

in the projections;

- Sensitising cash flows for variations in trading performance and the group's obligations from the administration of DCB (Kent) Limited;
- Understanding the most recently available trading results for the group after the reporting date; and
- reviewing the appropriateness of the disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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 adopted International Accounting Standards, 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 2024. 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 in relation to in the carrying value of the parent company's investment in Spokemead Maintenance Limited.

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.

Colin Turnbull
(Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

6th Floor
9 Appold Street
London
EC1A 2AP

9 July 2024

Consolidated statement of comprehensive income
for the financial year ended 31 March 2024

		12 months to 31 March 2024			12 months to 31 March 2023		
Continuing operations	Notes	**Underlying items £'000**	**Non-underlying items (note 9) £'000**	**Total £'000**	Underlying items £'000	Non-underlying items (note 9) £'000	Total £'000
Revenue	5	**64,137**		**64,137**	62,670		62,670

Revenue	5	**64,137**	-	**64,137**	62,670	-	62,670
Cost of sales		**(45,251)**	-	**(45,251)**	(46,198)	-	(46,198)
Gross Profit		**18,886**	-	**18,886**	16,472	-	16,472
Administrative expenses		**(12,403)**	**(103)**	**(12,506)**	(11,175)	(488)	(11,663)
Operating profit	7	**6,483**	**(103)**	**6,380**	5,297	(488)	4,809
Finance cost	11	**(341)**	-	**(341)**	(401)	-	(401)
Profit before tax		**6,142**	**(103)**	**6,039**	4,896	(488)	4,408
Income tax expense	13			**(911)**			(695)
Profit for the year attributable to the equity holders of the parent company from continuing operations				**5,128**			3,713
Discontinued operations							
Loss from discontinued operations	30	-	**(5,737)**	**(5,737)**	-	(4,261)	(4,261)
Total comprehensive loss for the period attributable to the equity holders of the parent company				**(609)**			(548)
Earnings/(loss) per share							
From continuing operations							
Basic (pence)	14			**8.20**			5.97
Diluted (pence)	14			**8.08**			5.92
From total operations							
Basic (pence)	14			**(0.97)**			(0.88)
Diluted (pence)	14			**(0.97)**			(0.88)

Consolidated statement of financial position

as at 31 March 2024

	Notes	2024 £'000	2023 £'000
Assets			
Non-current assets			
Intangible assets	15	**4,514**	4,511
Property, plant and equipment	16	**1,073**	1,062
Right-of-use assets	17	**1,183**	929
Total non-current assets		**6,770**	6,502
Current assets			
Inventories	18	**2,612**	2,438
Deferred tax asset	29	**1,612**	610
Trade and other receivables	19	**12,907**	11,087
Cash and cash equivalents	20	**489**	1,322
Total current assets		**17,620**	15,457
Total assets		**24,390**	21,959
Equity and liabilities attributable to equity holders of the parent company			
Issued capital and reserves			
Share capital	24.1	**6,279**	6,213
Own shares	24.1	**(850)**	(850)
Share premium	24.2	**9,289**	9,245
Share based payment reserve	28	**172**	113
Merger reserve	24.3	**(248)**	(248)
Retained earnings		**(15,723)**	(15,125)
Total equity		**(1,081)**	(652)
Non-current liabilities			
Borrowings	21	**29**	86
Lease liabilities	22	**606**	491
Total non-current liabilities		**635**	577
Current liabilities			
Borrowings	21	**57**	91
Lease liabilities	22	**594**	452
Trade and other payables	23	**21,032**	18,013
Provisions	30	**3,153**	3,478
Total current liabilities		**24,836**	22,034
Total equity and liabilities		**24,390**	21,959

The financial statements on were approved by the Board and authorised for issue on 9 July 2024 and signed on its behalf by:

Clive Lovett
Group Finance Director
9 July 2024
Company registration number: 09095860

Consolidated statement of changes in equity

for the financial year ended 31 March 2024

	Issued share capital £'000	Share premium £'000	Own shares £'000	Share based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2022	6,213	9,245	(850)	74	(248)	(14,577)	(143)
Loss and total comprehensive loss for the year	-	-	-	-	-	(548)	(548)

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)
Loss and total comprehensive income for the year	-	-	-	-	-	(609)	(609)
Share issue for SIP	66	44	-	(33)	-	-	77
Share based payment charge	-	-	-	103	-	-	103
Transfer to retained earnings for share options exercised	-	-	-	(11)	-	11	-
Total transactions with owners recognised directly in equity	66	44	-	59	-	11	180
Balance at 31 March 2024	**6,279**	**9,289**	**(850)**	**172**	**(248)**	**(15,723)**	**(1,081)**

Consolidated statement of cash flows

for the financial year ended 31 March 2024

	Notes	**12 months ended 31 March 2024 £'000**	12 months ended 31 March 2023 £'000
Net cash generated from operating activities	25	**382**	2,738
Cash flow from investing activities			
Purchase of property, plant and equipment		**(159)**	(90)
Purchase of intangible assets		**(119)**	(188)
Net cash used in investing activities		**(278)**	(278)
Cash flow from financing activities			
Issue of new shares SIP	24.1	**77**	-
Repurchase of own shares for SIP	24.1	-	(64)
Repayment of borrowings		**(91)**	(2,666)
Interest paid		**(341)**	(401)
Principal payments of leases		**(582)**	(511)
Net cash used in financing activities		**(937)**	(3,642)
Net decrease in cash and cash equivalents		**(833)**	(1,182)
Cash and cash equivalents at beginning of year		**1,322**	2,504
Cash and cash equivalents at end of year		**489**	1,322

The cash and cash equivalents for the year ended 31 March 2024 are represented by cash balances of £489,000 (2023: £1,322,000).

Notes to the consolidated financial statements

for the financial year ended 31 March 2024

1. Basis of preparation

Kinovo plc and its subsidiaries (together the "Group") operate in the specialist mechanical, electrical and building services markets. 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

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis. The Group's business activities, together with factors that are likely to affect its future development and position are set out below and in the Group Chief Executive Officer's Review on pages [•] and [•].

The continuing business traded strongly in the year ended 31 March 2024, continuing to grow, improve margins and maintain a net cash position at the end of the year.

It is expected to grow further, extending its' client base, developing the new contracts it has won and securing new business opportunities through its placing on various framework agreements and from the work of the 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 market challenges and uncertainties including the availability of labour and supply chain resources to grow the business activities.

Kinovo had residual commitments under various parent company guarantees for its former construction business, DCB. Under the terms of the parent company guarantees, Kinovo was responsible for the completion of nine projects.

Five projects have been completed by Kinovo and another has been substantially finished with completion due during July 2024. One project was completed directly by the client and another client was placed into Administration with Kinovo not expecting to have any further commitment on the project. Kinovo has reached a settlement in principle of £2.2 million on the final project which will be payable by instalments over an eighteen month period from July 2024. A performance bond amounting to £860,000 is outstanding on the final project but as part of the settlement this will be cancelled once Kinovo has paid cumulative amounts to the client equivalent to the value of the bond.

Other than the outstanding amounts on the settlement of the final project, Kinovo has paid, at the date of signing of the financial statements, almost all of the gross costs to complete the projects with recoveries expected in future periods.

The HSBC Bank UK plc overdraft and purchasing card facilities were renewed after the year end, through to the end of April 2025. 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 renewal of the HSBC facilities will provide the financial capacity to facilitate the growth of the core operations and support the completion of the DCB project liabilities.

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.

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. 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 on page [•]. 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 one 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, including air source heat pumps under decarbonisation projects. These services will be provided on request from the customer, and work will be charged based on the customer schedule of rates. Each service is considered to have a single performance obligation, and generally takes between a couple of hours and a few days 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 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, alongside retrofit of insulation. These services will be provided on request from the customer, and work will be charged based on the customer schedule of rates. Each service is considered to have a single performance obligation, and generally takes between a couple of hours and a few days 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 one 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, rewires, as well as installation of solar PV and other renewable energy sources. These services will be provided on request from the customer, and work will be charged based on the customer schedule of rates. Each service is considered to have a single performance obligation, and generally takes between a couple of hours and a few days 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 principle 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 services. 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.
- 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 property, plant and equipment 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 2024. Details of the tax charge on ordinary operations and tax credit on discontinued operations during the year 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 5 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.

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:

- 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.; and
- 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 2023:

- IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)
- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies
- Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules
- Amendments to IAS 8 Accounting Polices, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

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 2023 and therefore have not been early adopted by the Group:

- 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)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

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

The Group has exposure to interest rate risk by virtue of its borrowings with HSBC UK Bank Plc, which attract 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 2024, the Group had cash and cash equivalents of £489,000 (2023: £1,322,000).

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 £7.7 million was recognised within the Statement of Financial Position at 31 March 2024 (2023: £7.1 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) Tax treatment of disposal

There is a tax credit of £1.1 million included in 2022 loss on disposal of £12.6 million on DCB. 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.

(d) Costs to complete legacy DCB construction projects

As part of the obligations under the terms of the sale of DCB, the Group continues to provide parent company guarantees (PCG's) on nine 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. At the date of signing the financial statements seven of the projects were finalised, one was in progress on site due for completion in July 2024 and settlement of £2.2 million on the final project was agreed in principle. The total expected cost to complete all the projects, including the settlement on the final project has been determined as £12.9 million which has been fully provided at 31 March 2024.

At 31 March 2024, the outstanding provision for completion of the projects was £3.2 million which includes £2.2 million in respect of the settlement in principle on the final project. Management have made the judgement that the settlement on the final project will be completed in accordance with the agreed commercial terms and conditions. Furthermore they have judged that the project in progress on site will be completed in line with the forecast cost and that there is unlikely to be material post completion remediation work required on the projects.

4.2. Key sources of estimation uncertainty

(a) 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.

(b) 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 8.1% in the current year (2023: 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 2024 the Group holds £1.2 million of right-of-use assets (2023: £0.9 million). Management has reviewed the future benefit and costs of the underlying assets and has not identified the need to recognise any impairment.

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

There are four customers who individually contributed 12%, 12%, 11% and 11% respectively towards the revenue (2023: two contributing 16% and 12%).

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

	2024 £'000	2023 £'000
Current assets relating to contracts with customers:		
Trade receivables	**4,866**	3,610
Work in progress	**2,261**	2,005
Accrued income	**7,677**	7,066
	14,804	12,681

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.

Services are provided under framework agreements and therefore not considered to have any unsatisfied performance obligations as at 31 March 2024.

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, including air source heat pumps under decarbonisation projects.
- **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, alongside retrofit of insulation.
- **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, rewires, as well as installation of solar PV and other renewable energy sources.

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 2024 £'000	12 months ended 31 March 2023 £'000
Mechanical services	**11,670**	15,022
Building services	**20,555**	19,686
Electrical services	**31,912**	27,962
Total revenue	**64,137**	62,670

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

	12 months ended 31 March 2024 £'000	12 months ended 31 March 2023 £'000
Operating profit before exceptional items and amortisation of acquisition intangibles by segment		
Mechanical services	**1,167**	1,527
Building services	**1,419**	1,494
Electrical services	**5,585**	4,099
Unallocated central costs	**(1,688)**	(1,823)
Total operating profit before non-underlying items	**6,483**	5,297
Amortisation of acquisition intangibles	**-**	(385)
Share based payment charge	**(103)**	(103)
Operating profit	**6,380**	4,809
Finance costs	**(341)**	(401)
Profit before tax	**6,039**	4,408

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 2024 £'000	12 months ended 31 March 2023 £'000
Inventory recognised as an expense in cost of sales	**11,876**	9,992
Staff costs	**13,116**	11,742
Depreciation	**148**	131
Depreciation of right of use assets	**585**	513

Amortisation of software costs	**116**	72
Auditor's remuneration	**125**	114
Non-audit remuneration	-	2

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 2024 £'000	12 months ended 31 March 2023 £'000
Underlying profit before tax from continuing operations	**6,142**	4,896
Finance costs	**341**	401
Depreciation of property, plant and equipment	**148**	131
Depreciation of right of use assets	**585**	513
Amortisation of software costs	**116**	72
EBITDA from continuing operations (before lease payment charges)	**7,332**	6,013
Lease payment charge	**(617)**	(539)
Adjusted EBITDA from continuing operations (after lease payment charges)	**6,715**	5,474

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 31 March 2024 £'000	12 months ended 31 March 2023 £'000
Amortisation of customer relationships (a)	-	385
Share based payment charge (b)	**103**	103
	103	488

(a) Amortisation and impairment of customer relationships

Amortisation of acquisition intangibles was £nil for the year (2023: £385,000). In 2023 the charge related to amortisation of the customer relationships identified by the Directors on the acquisition of Purdy.

(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 2024 No.	12 months ended 31 March 2023 No.
Management	**43**	38
Administration	**63**	56
Engineers	**142**	130
	248	224

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

	12 months ended 31 March 2024 £'000	12 months ended 31 March 2023 £'000
Wages and salaries	**11,685**	10,344
Social security costs	**1,113**	1,137
Pension costs	**318**	261
	13,116	11,742

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 2024 £'000	12 months ended 31 March 2023 £'000
Interest payable on bank borrowings and loans	**77**	140
Interest payable on lease liabilities	**36**	30
Other finance costs	**228**	231
	341	401

12. Dividends

The Directors do not recommend a final dividend for the year ended 31 March 2024 (2023: £nil).

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

13. Income tax

13.1. Components of income tax charge

	12 months ended 31 March 2024 £'000	12 months ended 31 March 2023 £'000
Current income tax expense		

Current income tax expense		
Current income tax charge in relation to continuing operations	**940**	960
Current income tax credit in relation to discontinued operations	**(1,912)**	-
Carry forward tax losses arising in the year	**972**	
Utilisation of tax losses from disposal	-	(960)
Total current tax	-	-
Deferred tax		
Credit in connection with intangible assets acquired	-	(72)
Movement in brought forward tax losses	**(972)**	(209)
Short-term timing differences	-	(3)
Charge for lease liabilities recognised on adoption of IFRS 16	**118**	28
Credit for right of use asset recognised on adoption of IFRS 16	**(121)**	(28)
Credit for share based payment charge	**(26)**	(20)
Total deferred tax	**(1,001)**	(304)
Total income tax charge for continuing operations	**911**	695
Total tax credit for discontinued operations	**(1,912)**	(999)
Income tax credit reported in income statement	**(1,001)**	(304)

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 2024 £'000	12 months ended 31 March 2023 £'000
Profit on ordinary activities before taxation	**(1,610)**	(852)
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 25% (2023: 19%)	**(403)**	(162)
Effects of:		
Non-deductible expenses	**44**	66
Movement in brought forward tax losses	**(569)**	(208)
Other	**(73)**	-
	(1,001)	(304)

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 are calculated as follows:

	12 months ended 31 March 2024 £'000	12 months ended 31 March 2023 £'000
Profit used in calculating basic and diluted earnings per share for continuing operations	**5,128**	3,713
Loss used in calculating basic and diluted earnings per share for total operations	**(609)**	(548)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**62,528,742**	62,137,757
Weighted average number of shares for the purpose of diluted earnings per share	**63,393,296**	62,689,167
Basic earnings per share (pence) for continuing operations	**8.20**	5.97
Diluted earnings per share (pence) for continuing operations	**8.08**	5.92
Basic loss per share (pence) for total operations	**(0.97)**	(0.88)
Diluted loss per share (pence) for total operations	**(0.97)**	(0.88)

Diluted earnings per share includes potentially dilutive equity instruments. These instruments are anti-dilutive in the current and prior year in respect of the loss per share for total operations.

Options over 5,404,142 ordinary shares remained outstanding as at 31 March 2024 (2023: 5,439,968) as detailed in note 28.

Details of loss per share for discontinued operations are set out in note 30.

14.2. Adjusted earnings per share

Profit after tax for continuing operations is stated after deducting non-underlying items totalling £103,000 (2023: £488,000) 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 2024 £'000	12 months ended 31 March 2023 £'000
Profit after tax	**5,128**	3,713
Add back:		
Amortisation of customer relationships	-	385
Share based payment charge	**103**	103
Impact of above adjustments on corporation tax	-	-
Adjusted profit after tax	**5,231**	4,201
Number of shares		
Weighted average number of shares for the purpose of adjusted earnings per share	**62,528,742**	62,137,757
Weighted average number of shares for the purpose of diluted adjusted earnings per share	**63,393,296**	62,689,167
Adjusted earnings per share (pence) for continuing operations	**8.36**	6.76
Diluted adjusted earnings per share (pence) for continuing operations	**8.25**	6.70

Diluted adjusted earnings per share includes potentially dilutive equity instruments.

15. Intangible assets

	Software costs £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost				

Cost				
At 1 April 2023	531	11,708	4,192	16,431
Additions in the year	119	-	-	119
At 31 March 2024	**650**	**11,708**	**4,192**	**16,550**
Amortisation				
At 1 April 2023	212	11,708	-	11,920
Charge for the year	116	-	-	116
At 31 March 2024	**328**	**11,708**	-	**12,036**
Net book value				
At 31 March 2023	319	-	4,192	4,511
At 31 March 2024	**322**	-	**4,192**	**4,514**

	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

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	Dunhams	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	Dunhams £'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 2024 and 2023 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	**2024**	2023
Long-term growth rate (used after 5 years)	**1.9%**	1.9%
3 to 5-year growth rate	**5.0%**	5.0%
Pre-tax discount rate	**12.7%**	16.3%

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 2024

	Freehold land £'000	Freehold property £'000	Motor vehicles £'000	Fixtures and fittings £'000	Office and computer equipment £'000	Total £'000
Cost						
At 1 April 2023	300	643	-	89	626	1,658
Additions	-	-	16	33	110	159
At 31 March 2024	**300**	**643**	**16**	**122**	**736**	**1,817**
Depreciation						
At 1 April 2023	-	174	-	42	380	596
Charge for the year	-	47	4	19	78	148
At 31 March 2024	-	**221**	**4**	**61**	**458**	**744**
Net book value						
At 1 April 2023	300	469	-	47	246	1,062
At 31 March 2024	**300**	**422**	**12**	**61**	**278**	**1,073**

At 31 March 2023

At 31 March 2023

	Freehold land £'000	Freehold property £'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**

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 facilities detailed in note 26 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 2023	263	1,256	-	1,519
Additions	83	914	-	997
Disposals	-	(696)	-	(696)
At 31 March 2024	**346**	**1,474**	-	**1,820**
Depreciation				
At 1 April 2023	59	531	-	590
Charge for the year	60	525	-	585
Disposals	-	(538)	-	(538)
At 31 March 2024	**119**	**518**	-	637
Net book value				
At 1 April 2023	204	725	-	929
At 31 March 2024	**227**	**956**	-	**1,183**

	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**	**-**	**1,519**
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**

18. Inventories

	2024 £'000	2023 £'000
Raw materials	**351**	433
Work in progress	**2,261**	2,005
	2,612	2,438

19. Trade and other receivables

	2024 £'000	2023 £'000
Current		
Trade receivables	**4,866**	3,610
Other receivables	**77**	173
Prepayments	**287**	238
Accrued income	**7,677**	7,066
	12,907	11,087

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

	2024 £'000	2023 £'000
Between 1 and 2 months	**573**	629
Between 2 and 3 months	**37**	107
More than 3 months	**46**	281
	656	1,017

No allowance for doubtful debt has been made as management does not consider that there are any issues over recoverability, due to the creditworthiness of the customer profile and little historical issue of default.

In 2023, an allowance for doubtful debt of £29,000 was recognised in the above balance for trade receivables. This was a specific provision resulting from a commercial agreement rather than an issue with collection.

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 2024 is 28 days (31 March 2023: 21 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.

The bank facilities detailed in note 26 are secured on the trade receivables of £4,866,000 (2023: £3,610,000).

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.

	2024 £'000	2023 £'000
Cash at HSBC UK Bank Plc	**486**	1,311
Other cash and bank balances	**3**	11
	489	1,322

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

	2024 £'000	2023 £'000
Non-current borrowings		
Bank and other borrowings:		
Other loans	-	-
Mortgage loans	**29**	86
Total non-current borrowings	**29**	86
Current borrowings:		
Bank and other borrowings:		
Other loans	-	34
Mortgage loan	**57**	57
Total current borrowings	**57**	91
Bank and other borrowings:		
Other loans	-	34
Mortgage loans	**86**	143
Total borrowings	**86**	177

The fair value of the borrowings outstanding as at 31 March 2024 is not materially different to its carrying value since interest rates applicable on the loans are close to the current market rates.

(a) Working capital facilities
At 31 March 2024 the Group had an unused £2.5 million working capital facility with HSBC UK Bank Plc. The facility has an interest rate of 2.85% above base rate and is repayable on demand. All cash at bank balances are denominated in Pounds Sterling.

The £2.5 million working capital facility with HSBC UK Bank Plc was renewed after the period end until April 2025, at an interest rate of 3.5% above base rate and is repayable on demand.

(b) Other loans
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. £85,500 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 Dunhams in November 2018 and was fully repaid in 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 Dunhams to secure all liabilities of each borrower.

22. Lease liabilities
As at 31 March 2024 the following amounts are included in the Statement of Financial Position in relation to non-cancellable leases:

	2024 £'000	2023 £'000
Lease liabilities		
Current	**594**	452
Non-current	**606**	491
	1,200	943

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

	2024 £'000	2023 £'000
No later than 1 year	**594**	452
Later than 1 year and no later than 5 years	**606**	491
	1,200	943

The interest expense recognised through the Consolidated Statement of Comprehensive Income during the year in relation to lease liabilities was £36,000 (2023: £30,000).

23. Trade and other payables

	2024 £'000	2023 £'000
Trade payables	**14,654**	13,025
Other payables	**88**	63
Other taxation and social security	**3,488**	1,977
Accruals	**2,802**	2,948
	21,032	18,013

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 £4,126,000 (2023: £4,609,000) 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 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 85 days (2023: 66 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	**2024 £'000**	2023 £'000
At the beginning of the year	**6,213**	6,213
Issued in the year	**66**	-
At the end of the year	**6,279**	6,213
Number of shares		
At the beginning of the year	**62,137,757**	62,137,757
Issued in the year	**650,457**	-
At the end of the year	**62,788,214**	62,137,757

Issued in the year

During the year the Company issued 650,457 of shares to allocate to members of the SIP scheme (Please see note 28 for further details on the SIP). 23.5p was paid for 325,229 of these shares, a total consideration of £77,000. This was allocated as £33,000 of share capital,and £44,000 of share premium. The remaining 325,228 shares were a share based payment for the members of the scheme, and therefore 10p per share (a total consideration of £33,000) was transferred to share capital from the share based payment reserve as payment for these.

During 2023 the Company repurchased 364,402 of its own shares 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

	2024 £'000	2023 £'000
At the beginning of the year	**9,245**	9,245
Issued in the year (net of share issue costs)	**44**	-
At the end of the year	**9,289**	9,245

24.3. Merger reserve

	2024 £'000	2023 £'000
At the beginning and end of the year	**(248)**	(248)

25. Note to the Consolidated Statement of Cash Flows

	12 months ended 31 March 2024 £'000	12 months ended 31 March 2023 £'000
Cash flow from operating activities		
Loss before income tax	**(1,610)**	(852)
Adjustments for:		
Net finance cost	**341**	401
Depreciation	**732**	645
Amortisation of intangible assets	**116**	457
Share based payments	**103**	103
Movement in receivables	**(1,820)**	(461)
Movement in payables	**3,019**	(1,050)
Movement in provisions	**(325)**	3,478
Movement in inventories	**(174)**	17
	382	2,738

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:

	2024 £'000	2023 £'000
Loans and receivables:		

Loans and receivables:		
Trade receivables	**4,866**	3,610
Accrued income	**7,677**	7,066
Other receivables	**364**	411
Cash and cash equivalents	**489**	1,322
	13,396	12,409

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

	2024 £'000	2023 £'000
Held at amortised cost:		
Bank loans and overdrafts	**86**	177
Lease liabilities	**1,200**	943
Accruals	**2,802**	2,948
Trade payables	**14,654**	13,025
Other payables including tax and social security	**3,576**	2,040
Provisions	**3,153**	3,478
	25,471	22,611

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 £85,500 (2023: £176,500) 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 2024 was at an average rate of less than 1% (2023: 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 principlely 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 required 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 2024, the Group had 6 customers with an outstanding balance over £250,000 (31 March 2023: 6). 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. No allowance for doubtful debts has been recognised in the current year. In 2023, a specific provision against receivables of £29,000 was recognised in relation to settlement of commercial negotiations on one client.

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

At 31 March 2024, 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 2.85% over base rate amounting to £2,500,000 with HSBC UK Bank Plc as at 31 March 2024. The Group maintains a good relationship with its bank, which has a high credit rating. As at 31 March 2024, the Group had cash and cash equivalents of £489,000 (2023: £1,322,000).

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

2024	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**	**29**	-	-	**86**
Funding Circle unsecured loan	-	-	-	-	-
Lease liabilities	594	444	134	28	1,200
Trade and other payables and accruals	21,032	-	-	-	21,032
Provisions	2,349	804			3,153
	24,032	**1,277**	134	28	**25,471**

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
Funding Circle unsecured loan	34	-	-	-	34
Lease liabilities	452	286	157	48	943
Trade and other payables and accruals	18,013	-	-	-	18,013
Provisions	3,478				3,478
	22,034	343	186	48	22,611

(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.

	2024 £'000	2023 £'000
Net cash comprised as follows:		
Cash and cash equivalents	**489**	1,322
Bank borrowings and overdrafts	**(86)**	(177)
Lease liabilities	**(1,200)**	(943)
	(797)	202

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

	2023 £'000	Cash movements £'000	Interest charges £'000	New lease agreements £'000	Disposals £'000	**2024 £'000**
Cash and cash equivalents	1,322	(833)	-	-	-	**489**
Bank borrowings and overdrafts	(177)	91	-	-	-	**(86)**
Lease liabilities	(943)	583	(36)	(997)	193	**(1,200)**
	202	(159)	(36)	(997)	193	**(797)**

	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 2023, 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 advisers. These amounts were paid to Odyssean Enterprises Limited, a company in which Sangita Shah has an interest.

There have been no related party transactions in the current year.

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:

	2024 £'000	2023 £'000
The aggregate remuneration comprised:		
Aggregate emoluments	**1,313**	1,460
Share based payments	**52**	52
Total remuneration	**1,365**	1,512

The remuneration of the highest paid Director during the year was £498,000 (2023: £513,000). The remuneration of individual Directors is disclosed in the Remuneration Committee Report. The aggregate emoluments in the prior year includes related party transactions as set out in note 27. There were no related party transactions in 2024.

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

The 2023 comparative has been adjusted by £102,000 to reflect finalisation of the FY23 bonus award, paid in 2024.

28. Share based payments
As at 31 March 2024 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 twelve-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, 1 August 2022, and 1 August 2023 operating on the same basis as the original, however with a share purchase price of 34.0 pence, 23.5 pence and 44.5 pence respectively. At 31 March 2024 employees had accumulated contributions of £56,102 on the FY24 scheme (2023: £52,200 in relation to FY23 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.

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. At 31 March 2024, 1,402,142 CSOP awards had vested but had not been exercised.

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 2024 (2023: nil).

Under the JSOP, shares in the Company were 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 and subject to board discretion.

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. 2,492,858 shares have vested at 31 March 2024 (2023: nil) but have not been exercised.

Under the JSOP , 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.

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 (2023: £103,000) analysed as follows:

	2024 £'000	2023 £'000
SIP	**45**	32
CSOP	**15**	24
JSOP	**43**	47
	103	103

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 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
Granted	470,026	-	-	-	470,026
Exercised	(346,073)	-	-	-	(346,073)
Lapsed	(84,779)	(75,000)	-	-	(159,779)
At 31 March 2024	**1,009,142**	**1,402,142**	**2,492,858**	**500,000**	**5,404,142**
Weighted average exercise price (pence)					
At 1 April 2023	-	25.0	34.1	95.0	
Granted	-	-	-	-	
Lapsed	-	31.5	-	-	
At 31 March 2024	-	**24.8**	**34.1**	**95.0**	
Assumptions used in estimating the fair value					
Exercise price (pence)	17.5-44.5	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 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

shareholders, equity	72	209	3	(28)	28	20	304
At 31 March 2023	-	515	-	(178)	179	94	610
Credit/(charge) to Statement of Comprehensive Income or recognised directly through shareholders, equity	-	973	-	(118)	121	26	1002
At 31 March 2024	-	**1,488**	-	**(296)**	**300**	**120**	**1,612**

	2024 £'000	2023 £'000
Deferred tax asset	**1,908**	788
Deferred tax liability	**(296)**	(178)
Net deferred tax asset	**1,612**	610

30. 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, five have been completed by Kinovo and one project is in progress on site and scheduled to be completed by Kinovo in July 2024. Another was completed directly by the client and another client itself was placed into administration with no further obligation expected. On the remaining project Kinovo has agreed, in principle, to settle, for £2.2 million, payable over eighteen months, the obligation under the construction contract and parent company guarantee, releasing Kinovo from its obligations to complete the project. £860,000 of the £2.2 million settlement is payable in three equal monthly instalments from July 2024. The balance is payable by fifteen equal monthly instalments thereafter.

Three of the nine DCB contracts originally had performance bonds, which were indemnified by Kinovo plc, totalling £2.10 million. Only one bond of £860,000 remains outstanding relating to the final project. The bond was called at the end of February 2024 but with Kinovo's continuing engagement with the insurer, underwriter and client and the ongoing discussions between the parties, the bond holder agreed to defer payment obligations. The settlement in principle of the final project will include the cancellation of the performance bond once Kinovo has fulfilled, after three months, the equivalent value of the bond to the client.

On 8 March 2024 the Group announced that it expected the overall net cost to complete the construction projects to be approximately £8.7 million, an increase of £3.4 million on the costs to complete forecast reported at 31 March 2023 of £5.3 million, resulting from unexpected remedial works partly related to the adverse weather of winter 2023/24 but mainly as a result of poor legacy workmanship.

The net costs to complete of £8.7 million included anticipated claims made by Kinovo as a result of poor sub-contractor workmanship and other contractual recoveries which had not been confirmed at the date of signing of the financial statements. The potential recoveries, of up to approximately £2.6 million are required to be recognised in future periods, when they have been realised.

With the settlement in principle on the final project (net of £0.9 million already provided in the expected cost to complete provision) and the deferral of the recognition of potential recoveries to future periods, the reported pre-tax costs to complete all the projects has increased to a total of £12.9 million with a £7.6 million (FY23: £5.3 million) pre-tax loss reported in the year ended 31 March 2024.

A total of £9.0 million has been paid in FY23 and FY24 on the fulfilment of the project obligations with a further £1.7 million paid in the first quarter of FY25. Other than the outstanding amounts on the settlement in principle of the final project, Kinovo has paid, at the end of the first quarter almost all of the gross costs to complete the projects. The settlement on the final project will be payable during FY25 and FY26 set off by final account recoveries, claims and retentions.

At 31 March 2024 the outstanding balance on the costs to complete provision was £3.2 million representing the balance of the total £12.9 million due to be fulfilled. £0.7 million costs had been incurred at 31 March 2024 that were paid after the year end. An analysis of the movement on the provision is set out below.

	2024 £'000	2023 £'000
At the beginning of the year	**3,478**	-
Cost to complete provision	**7,649**	5,260
Costs incurred	**(7,974)**	(1,782)
At the end of the year	**3,153**	3,478

The fulfilment of the remaining cost to complete commitments are expected to be funded from cash flows from the strong cash generation from the underlying operations and existing banking facilities which were renewed post year end.

In 2023, £1.2 million was also paid to DCB for contracted working capital support which is in addition to the £12.9 million costs to complete the DCB projects. The total amount paid relating to DCB in 2023 including the working capital support of £1.2 million was £2.7 million.

The disposal of DCB 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 FY24. 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

	2024 £'000	2023 £'000
Revenue	**3,878**	532
Cost of sales	**(11,527)**	(5,792)
Gross loss	**(7,649)**	(5,260)
Underlying administrative expenses	**-**	-
Operating loss	**(7,649)**	(5,260)
Finance costs	**-**	-
Loss before taxation	**(7,649)**	(5,260)
Income tax credit	**1,912**	999
Loss for the period	**(5,737)**	(4,261)
Loss per share from discontinued operations		
Basic (pence)	**(9.17)**	(6.86)
Diluted (pence)	**(9.17)**	(6.86)
Cash flows from discontinued operations		
Net cash outflow from operating activities	**(7,428)**	(2,750)
Net cash outflow from investing activities	**-**	-
Net cash outflow from financing activities	**-**	-
Net reduction in cash generated by the subsidiary	**(7,428)**	(2,750)

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

32. Events after the balance sheet date
Details of the status of the DCB projects and post period end agreed in principle the settlement of the final project and outstanding performance bond is set out in note 30.

There have been no other post balance sheet events.

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