

Kinovo²



Focus on growth

Kinovo plc
Annual Report and Accounts 2022



A leading UK provider of specialist property services centred on:

- Safety and regulatory compliance
- Home and community regeneration
- Energy efficient solutions

Strategic report

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Strong underlying progress

The continuing business performed very strongly amidst challenging macro-economic conditions with all three business divisions reporting growth with a combined increase in revenue of 36% and triple digit adjusted EBITDA growth.

Financial highlights (continuing operations)

Revenue (£m)

£53.3m



Adjusted EBITDA¹ (£m)

£4.2m



Underlying profit before tax from continuing operations (£m)

£3.8m



Basic earnings/(loss) per share (pence)

3.66p



Adjusted cash generated from operating activities² (£m)

£9.4m



Net debt³ (£m)

£0.3m



Cash (£m)

£2.5m



Operating highlights

- Strong performance from the continuing business despite considerable macro-economic pressures
- Streamlined operations focus on three strategic pillars:
 - Regulation: delivered 59% of revenues and grew by 30% year on year
 - Regeneration: grew by 61% during the year, now contributing 20% of total revenue
 - Renewables: accounts for 21% of total revenue, reporting 32% growth
- Investment in the business development team, contributed to winning a considerable number of new contracts during the period, diversifying the client base and increasing three-year visible revenues by 34% year-on-year from £105.0 million to £140.4 million⁴
- Full Microgeneration Certification Scheme (MCS) accreditation, including PAS2030 installer certification, enables access to further government funding initiatives
- ESGM strategic report sets our future commitments and key targets including our objective to be carbon neutral by March 2023 via offsetting our Scope 1 and 2 emissions within our operational boundary
- Investment in the training and upskilling of employees led to an improved operational performance
- Opening of a new office in Erith broadens and strengthens Kinovo's presence in South and South-East London



For the most up to date information visit our website at www.kinovopl.com

Whilst our continuing business has been a success, we encountered significant problems relating to the disposal of our non-core construction division, DCB (Kent) Limited, which has resulted in a £12.6 million reported loss.

¹ Adjusted EBITDA is earnings before tax, depreciation and amortisation and excluding non-underlying items. To align internal and bank covenant reporting it is also stated after a charge for lease payments, as set out in note 8 of the financial statements.

² Adjusted cash generated from operating activities is stated before tax and after lease payments and after adding back £nil (2021: £334,000) exceptional item cash payments incurred in the year ended 31 March 2022. It is also adjusted to reflect the payment of deferred HMRC payments to normal terms. Further analysis is set out in the Financial Review.

³ Net debt includes term and other loans, net of cash and excludes lease obligations.

⁴ Three year visible revenue represents the minimum identifiable revenues, over the following three year period, being contracted or anticipated spend as well as historical run rates, excluding DCB.

⁵ Additional information is set out in the Financial Review and note 30 to the financial statements.

Setting our purpose through a new identity

Kinovo plc is a leading UK provider of specialist property services centred on safety and regulatory compliance, home and community regeneration and sustainable living through the installation of efficient and greener energy alternatives.



Purpose

We raise living standards for people, families and communities, keeping them safe and making the possibilities of tomorrow a reality today.



Vision

We work together to lead in the provision of safe and sustainable property solutions and services that protects our customers, benefits the environment and enhances communities and the lives of our employees.

What we stand for – our Company values



Integrity

Lead with honesty and respectfulness.



Innovative

Look to the future and continuously improve the now.



Reliable

Always be there for our teammates, customers and communities.



Reputable

Hold ourselves to the highest possible standard.



Successful

Work together for the success of everyone.

What we do

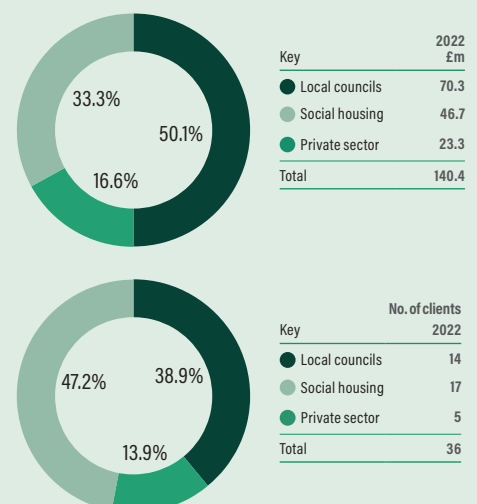
Kinovo delivers mechanical, electrical and building services through three long-established and complementary subsidiaries: Purdy, R Dunham and Spokemead. The Group offers a range of end-to-end specialist services, supported by shared central functions. Working in partnership with customers, we help them meet their own compliance and sustainability goals.

Kinovo's business structure is aligned to its segmental revenue streams as outlined in the table and in note 6 of the financial statements. Each revenue stream is currently assessed based on its progress towards the Company's three strategic pillars – the "3Rs".

	Mechanical		Electric		Build		Total	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Regeneration	1.0	0.2	5.7	4.9	2.8	1.5	10.6	7.1
Regulation	5.7	4.7	11.8	7.7	14.3	11.7	31.3	24.2
Renewable	9.1	7.4	2.3	1.3	—	—	11.4	8.6
Total	15.4	12.3	20.3	13.9	17.1	13.2	53.3	39.4

Our visible revenues by sector

Our customer base is distinguished by relationships with local authorities and housing associations, servicing the social and affordable housing sector. It also includes public buildings and education, as well as the commercial and private sector.



Our services today

Our three strategic pillars – the “3Rs” – encapsulate what we currently do as well as defining our strategy for the future.



Regulation

Safety and regulatory compliance

Our regulatory engineers carry out all the necessary compliance tests that are required by law to ensure that properties are kept safe and secure including:

- Electric
- Gas
- Access control systems
- Ventilation systems
- Fire alarm systems
- Water hygiene



Regeneration

Home and community regeneration

Our teams of skilled operatives undertake planned and reactive maintenance works including:

- Void works
- Legal disrepairs
- Vacant building conversions
- Reutilising unused space
- Improving habitual spaces
- Greener buildings
- Disabled adaptation works
- Kitchens and bathrooms



Renewables

Energy efficient solutions

We advise customers on how to enhance their sustainable credentials to help them work towards net zero goals and reduce energy costs. Our specialist engineers deliver and install accredited electrical, heating and building service solutions, including:

- Solar photovoltaic
- Ground source heat pumps
- Air source heat pumps
- Electric vehicle charging
- Energy efficient boilers
- Energy efficient lighting



P8 and 12

Read more information on our business model and strategy



£140.4m

of visible revenues

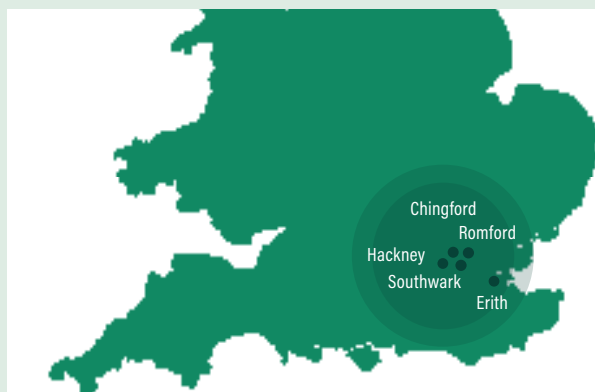
3+ years

typical length of services contracts

97.1%

of visible revenues are recurring

Locations



Key

Chingford – Kinovo Head Office and Purdy Head Office

Erith – Purdy Reactive Office serving South East London Boroughs

Hackney – Purdy Reactive Office serving the Hackney Borough

Romford – Purdy Customer Service Centre and R Dunham Head Office

Southwark – Spokemead Head Office

We are a people business

600,000

properties and schools supported, spanning a third of all London Boroughs

224

employees who are committed to making our ESGM goals a reality

10

mental health workplace responders

28%

female staff

25

apprentices

2

bi-annual “pulse” surveys to be conducted from 2022

A future that shows promise and continued growth

Sangita Shah
Non-Executive Chair



Overview

From the perspective of underlying business results, I am pleased to report the very strong performance amidst challenging macro-economic conditions. We have faced labour availability constraints resulting from Brexit, the continued impacts of the Covid-19 pandemic, cost inflation and supply chain issues, exacerbated by the war in Ukraine. Despite all of these uncertainties, the three business divisions reported a combined increase in revenue of 35% and triple digit adjusted EBITDA growth.

However, whilst our underlying business has been a success, we have encountered significant problems relating to the disposal of DCB (Kent) Limited, our former construction division. This is a regrettable situation. Whilst the Company, along with its legal advisers, believe it conducted the necessary due diligence regarding the disposal, we recorded a loss on the disposal of DCB of £12.6 million. Additional details are set out in the Financial Review and notes 30 and 32 of the financial statements.

Repositioning

In last year's Annual Report, Kinovo set out its strategic repositioning to focus on three key pillars: Regulation, Regeneration and Renewables. These pillars are centred around compliance and regulatory work under long-term contracts, being the foundation of our Company.

This streamlining of operations has allowed Kinovo to focus on areas where we possess strength and experience while foreseeing significant future growth opportunities.

Part of this repositioning has allowed us to focus time and capital on these specific areas. By streamlining our operations, we have been able to invest significantly in the bid team, as well as training and marketing. The results of this are evident through the underlying business performance last year, where we signed five contracts with new clients and one renewal.

ESG

ESG and sustainability are vitally important to us and a key tenet of our business ethos. We are authentically committed to our people and communities. For example, Kinovo continues to run prison outreach programmes, visiting prisons and participating in schemes to assist ex-prisoners with their rehabilitation and finding work. We also operate a successful apprenticeship programme that is now in its 30th year, with apprentices making up 10% of our workforce.

We also operate a number of important environmental initiatives. This year we achieved PAS 2030 and MCS accreditations, which set out the requirements and demonstrate the quality for retrofitting domestic low-carbon technologies, and introduced a "Free of Charge" electric vehicle charging installation scheme for retailers and leisure operators. While still in its early stages, we are developing and initiating a free EV charging installation model that sees customers sign long-term deals with Kinovo; this will extend beyond our usual client base of housing associations and councils into hospitality and leisure companies. We also extended our internal environmental credentials, increasingly making our workplaces greener through use of EV chargers and solar panels, and by installing a ground source heat pump at our Head Office.

People

Our people are the lifeblood of the company. They are, and always will be, of utmost importance to us. We believe our employee initiatives to be among the best in the property services sector and on AIM. We pride ourselves on ranking highly in terms of support around mental health and this year we provided training to a number of employees to become mental health workplace responders. We are also proud to have developed our employee bonus scheme, and have run a series of highly effective training programmes and continue to promote diversity and inclusion throughout the Company.

Looking ahead

The considerable difficulties we encountered from the disposal of our construction division sadly marred what was an excellent performance within the underlying business. Having shown the resilience and fortitude to overcome these difficulties, we very much look forward to putting the DCB issue behind us and forging forwards.

Sangita Shah
Non-Executive Chair
19 August 2022

Investment proposition

Kinovo plc is a leading UK provider of specialist property services centred on safety and regulatory compliance, home and community regeneration and sustainable living through the installation of efficient and greener energy alternatives.

Substantial visible recurring revenues based on long-term service contracts

During the year, Kinovo won, renewed or extended a number of contracts increasing our three-year visible revenues to £140.4 million – a 32% increase on 8 the previous year (excluding DCB (Kent) Limited). A particularly pleasing feature of our visible revenue growth is the increasing diversity of clients and type of work we are conducting.

Our service contracts typically span three years or more.

£140.4m

of visible revenues over the next three years

[▶ Read more on page 8](#)

Foundation of services meeting compliance and regulatory requirements

Our essential specialist services benefit from long-term market fundamentals, and attract higher premiums than standard building and facilities management contracting.

The regulatory environment is becoming more stringent and complex requiring considerable investment in training, skills and qualifications, leading to ever higher barriers to entry.

The transition towards green technologies is leading to the introduction of additional regulatory and compliance requirements, providing further opportunities for growth.

59%

of our business is regulatory led

[▶ Read more on page 9](#)

Strong cash generation enabling continued investment

Our ability to achieve consistently high levels of cash conversion is allowing us to invest in all areas of the business, to bring about greater efficiency, reduce operating costs, expand our core competencies and grow the Company. Our cash resources are enabling us to invest more into our communities as part of our environmental, social, governance and mental wellbeing ("ESGM") strategy, delivering greater social value and providing local people work opportunities.

223%

cash conversion (2021: 208%)*

[▶ Read more on page 22](#)

Reducing net debt levels

Continued strong cash generation allowed us to reduce our net debt position (excluding lease liabilities) by £2.4 million in the last year to 3 million (2021: £2.7 million).

Net debt levels have reduced by £6.9 million since 2020 and by £10.5 million since 2019.

£2.4m

reduction in net debt

[▶ Read more on page 19](#)

Government backed social value and net zero targets providing growth opportunities

In addition to the specialist services we currently offer, we have identified new competencies that we can offer to customers that are complementary to our existing skills base and are underpinned by regulation and compliance requirements.

The Board will also assess potential complementary acquisition opportunities that will diversify, broaden and deepen the range of services that we can offer.

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identified specialist skills and services for future growth

[▶ Read more on page 13](#)

* Adjusted cash generated from continued operating activities divided by Adjusted EBITDA, as set out in the Financial Review.

Our market is driven by regulation, critical need and carbon reduction targets, supporting long-term market fundamentals



Regulation

Kinovo's foundation is built on stringent non-discretionary regulatory and compliance requirements. These requirements exist regardless of any short-term market fluctuations.

Pressure from the public around health and safety standards is leading to stricter legislation, such as the Building Safety Act and Decent Homes Standards, increasing landlords' responsibility and spend to ensure the health and safety of their tenants and that properties are in a good state of repair.

The new Social Housing Regulation Bill, which was introduced to Parliament on 8 June 2022, will give greater power to the Regulator for Social Housing ("RSH") to hold landlords to account, impose unlimited fines for breaches, enter properties with only 48 hours' notice and force emergency repairs. This will only increase demand for our services.

The RSH forecasts £3.2 billion spending on capitalised repairs and maintenance in the twelve months to 31 March 2023. This will be the highest on record as housing providers catch up on delayed works due to the Covid-19 pandemic, scheduled safety works driven by the Building Safety Act (which are expected to cost councils up to £8.1 billion over the next ten years) and the need to meet net zero targets.

Furthermore, as the housing stock grows, the need for our services will only increase. The critical nature of these services is such that customers generally prefer not to change provider as long as we continue to deliver a quality and efficient service, facilitating longer-term relationships.



Regeneration

The UK has a critical need to increase the supply of affordable housing, particularly in locations where standard market rental prices are beyond many people's ability to pay.

The number of households on local authority housing lists could double to over two million in 2022 according to a 2021 report*, while the dire shortage of available social homes has been compounded by construction freezes brought about by the pandemic which saw around 100,000 new homes cut from the number that would have been built. Of the estimated 380,000 affordable homes per year needed for the next 15 years, the same report suggests that 100,000 would need to be earmarked as social rent, as part of the recovery from Covid-19, to deliver net zero housing and "level up" the nation. The amount of capital investment needed is estimated at over £10 billion per year.

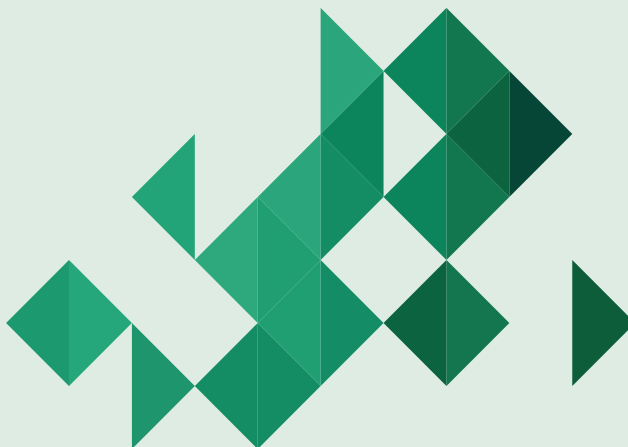
The need to improve the existing housing stock is also high on the agenda, taking a share of the estimated £3.2 billion being spent on capitalised repairs and maintenance. With more social and housing association homes being built, the demand for the maintenance, improvement and refurbishment services that Kinovo provides is set for long-term growth.

Kinovo has the opportunity to grow its existing customer base, provide a diversified end-to-end offering, and support its clients in meeting their own social goals. Following the introduction of the Public Procurement Notice ("PPN 06/20"), social value is a fundamental part of the bidding process for public sector contracts. Our ability to win contracts is dependent on our demonstration of historical performance where we have made a real difference in communities where we are active, as well as future social value commitments.

* Building Post-Pandemic Property, Clare Leckie, Rebecca Munro, and Mark Pragnellby, a report for the Association of Retained Council Housing, Local Government Association and National Federation of ALMOs, September 2021.



As the housing stock grows, the need for our services will only increase."



Renewables

Ahead of the UN COP26 in October 2021, the Government updated its strategy on how the UK will deliver on its commitment to reach net zero emissions by 2050, building on its ten-point plan and setting out a comprehensive economic strategy for how British businesses and consumers will be supported in making the transition to clean energy and green technology.

The Government estimates that its own financial commitments of around £26 billion will release a further £90 billion of private investment. The areas of specific interest to Kinovo include:

- £3.9 billion of new funding for decarbonising heat and buildings, including the new £450 million three-year Boiler Upgrade Scheme, so homes and buildings are warmer, cheaper to heat and cleaner to run; and
- an extra £350 million added to the existing £1 billion Government commitment to support the electrification of UK vehicles and their supply chains, and another £620 million for targeted electric vehicle grants and infrastructure, particularly local on-street residential charge points, with plans to put thousands more zero emission cars and vans onto UK roads through a zero-emission vehicle mandate.

These commitments are in addition to all new affordable homes needing to be “zero-carbon ready”, produce 75–80% less carbon dioxide and no longer connect to the gas grid from 2023, as well as the funding commitment to the Social Housing Decarbonisation Fund to continue upgrading the least efficient social housing.

Case study: Growing low-carbon revenues



In 2022, Purdy became a Microgeneration Certification Scheme (“MCS”) certified installer, affirming our competency, and our commitment to quality workmanship, customer care and continual improvement. MCS is an industry-led quality assurance scheme, which demonstrates the quality and reliability of approved low-carbon technologies and installation companies.

In undergoing the rigorous process to gain MCS certification, we have joined an important movement in the growth and installation of renewables in homes and businesses in the UK, and driving up standards.

The certification is opening new revenue streams for us to install and retrofit small scale renewable technologies such as solar PV, biomass, wind, heat pumps and heat products, and supports our commitment to tackling climate change.



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Read more about growing low-carbon revenues in our growth strategy.



A sustainable business with a clear purpose

Through investment in our people and competencies, and by embracing green technologies, we are creating a long-term sustainable business, supported by a clear purpose and strong values.

Our business is underpinned by

1. Skilled, dedicated people with a social purpose
2. Strong market fundamentals
3. Non-discretionary services that are immune to economic cycles
4. Recurring revenues and substantial forward earnings visibility
5. Increasing barriers to entry
6. Long-term client relationships

Our strategic pillars - the 3Rs

Our ambition
We aspire to a greener future for all.

Our responsibility
We strive to improve the lives of our clients and communities.

Our foundation
We have built the business on quality and compliance.



Photo: The Purdy renewables team installed two dual EV chargers at Whitehill Golf Club under its "Free of Charge" Installation Scheme.



Renewables

Providing energy efficient solutions that reduce carbon footprint.

£11.4m

revenues



Regeneration

Creating and enhancing dwellings and workplaces to support sustainable and resilient communities.

£10.6m

revenues



Regulation

Assuring safety and regulatory compliance standards in homes and places of work.

£31.3m

revenues

How we compete

1. Our purpose, vision, mission and Company values define the way we work.
2. A powerful track record providing high-quality services measured against client defined performance indicators.
3. Offering end-to-end services through three complementary subsidiaries that help our customers meet their own compliance and sustainability goals.
4. Delivering environmental and social value as part of our contract delivery, combined with a strong client value and proposition.
5. Going above and beyond for the communities we work with, providing outstanding customer service which is evidenced by resident satisfaction surveys.
6. Competitive pricing enabled by an efficient organisation structure.

How we are delivering value to our stakeholders

Client value

We are passionate about continually and proactively improving the quality, speed and creativity of our offering for our clients – especially in the fast-evolving world of ESGM. We work hard to ensure clients benefit from our ingenuity and to anticipate their current and future needs.

Employee value


The training and development of our people is the future of our Company. We support our employees in achieving their aspirations through strong culture and support. We welcome the contribution of every employee whether they are a school leaver or senior management. We actively look to recruit from the communities where we work. We offer on-the-job training and formal apprenticeships, and support our staff through vocational NVQs and chartered professional qualifications.

Social value

As our focus is in the social and affordable housing sector, our work in the community is not just limited to the remit of the projects that we carry out. Being on the ground on behalf of local authorities and housing associations, we understand the importance of our wider responsibility to support and safeguard the welfare of the residents within the communities and the added value that we can bring.

Investor value

Strong leadership, robust market fundamentals, long-term client relationships and a clear growth strategy have underpinned Kinovo's turnaround in the last three years and the Company's financial performance on continuing operations in the year to 31 March 2022.

 **P24** Read more information on our stakeholder engagement

Delivered a robust underlying performance

David Bullen

Chief Executive Officer



Overview

Kinovo delivered a strong financial performance in the current year, with robust underlying growth. The performance of the Group's continuing operations was all the more impressive given the many external challenges affecting the business community in general, including the effects of the Covid-19 pandemic, Russia's invasion of Ukraine, labour availability, cost inflation and supply chain pressures.

The performance was achieved as a result of the rebranding and repositioning of the Group as reported in last year's Annual Report, with our growth being driven by prioritising and focusing on our core strengths. We are now fully focused on our three strategic pillars ("3Rs"): Regulation, Regeneration and Renewables, and have continued to invest in key personnel and processes while simultaneously winning a considerable number of new contracts as well as extending existing relationships. The significant progress of the underlying business, despite the challenging environment, is a testament to the hard work and commitment of our people.

During the period, revenue from continuing operations increased by 35% to £53.3 million (2021: £39.4 million), with adjusted EBITDA rising by 102% to £4.2 million (2021: £2.1 million). Net debt fell to £0.3 million (2021: £2.7 million); a reduction of £10.5 million since 2019.

Our Regulation pillar, which assures safety and regulatory compliance in homes and workplaces, remains the foundation of our business, contributing to 59% of our revenues and delivering 30% growth during the year. Our Regeneration pillar benefits from remedial works that are borne out of our regulatory compliance focus and also concentrates on planned

and reactive maintenance spanning across all three divisions of mechanical, electrical and building services. This pillar grew significantly by 61% during the year and now contributes to 20% of our revenues. Our Renewables pillar has made good progress, growing by 32% during the year and accounting for 21% of our revenues. During the year, we obtained our Microgeneration Certification Scheme accreditation and subsequent PAS2030 certification enabling us access to government funding initiatives as a fully certified installer of solar photovoltaics, air source and ground source heat pumps. We have rolled out a free electric vehicle charger installation pilot scheme, securing customers under long-term contracts including an initial free period. Our opportunities in renewables are expected to continue to grow moving forwards.

Rebranding and repositioning

Following our rebranding and repositioning, Kinovo has provided both a clear understanding of our purpose and a differentiated proposition for our client base, prioritising our people, the quality of our services, the focus on our future and an unstinting commitment to make a positive difference to people's lives and the communities within which we work.

Through our marketing team, this initiative has facilitated deeper engagement and a closer connection with our stakeholders, strengthening our network and relationships. By creating our first Company and employee brochures, to recognising our frontline staff and rewarding individuals who best demonstrate our core values with employee of the month schemes and delivering our first ESGM strategy report, the positive development and progress of Kinovo is favourably recognised.

Business development

Complementing our rebranding and repositioning initiative, as a key driver for our organic growth prospects, we invested to strengthen the breadth and depth of our business development team, which is responsible for sourcing and securing new business opportunities. With the support of our new brand positioning and materials, the business development team have significantly leveraged the quality of our bids and streamlined our new business to target our key focus areas.

The value of this investment has already been demonstrated with a 32% increase on our three-year visible revenues over the year. During the period, Kinovo won, renewed or extended a number of contracts increasing our three-year visible revenues to £140.4 million from £105.0 million in the previous year. Examples of these include the renewal of our British Gas contract for three years, a new contract with London Borough of Wandsworth for up to seven years, and a new contract for up to four years with Sanctuary Housing. A particularly pleasing feature of our wins has been the increasing diversity of new clients that we have gained in the process, broadening the Group's penetration in the South East.

People

Prioritising our people is critical for Kinovo, both in terms of their welfare and career development, and we have enacted a number of initiatives to strengthen our dedication to this, ensuring our employees have access to continued support on both a personal and professional basis, are recognised and rewarded appropriately and have the opportunity to achieve their full development potential.

We have aligned all of our recruitment and appraisal processes with our core values to support our cultural change as an organisation. We have invested in specific training courses for individuals across the Group and all our subsidiary heads and senior managers have attended a bespoke Leadership and Management Training course during the year. This course will be provided to the next tiers of management and supervisors in the forthcoming year.

We are proud of the progress of our apprenticeship scheme, which now stands at 25 apprentices and represents 10% of our workforce. This demonstrates our commitment to developing local people and communities, underpinning our long-term vision for Kinovo. Alongside our apprenticeship scheme, in line with the growth of the Company, we are pleased to have facilitated a number of internal promotions amongst our staff across the different levels of seniority.

The challenges of wage inflation and labour availability in the employment market, coupled with the increasing cost of living crisis, are all well documented. In recognition of this, the Company has been proactive in evaluating its internal position with external benchmarking, which has resulted in an average pay increase across the Group of over 6%, post-appraisals, effective 1 April 2022. Specifically, amongst those who received a pay increase, the average increase equated to almost 9%.

During the year, we also focused on strengthening our wellbeing responsibilities for our staff. The increasing recognition of mental health in society, particularly following the pandemic, needs to be observed and we are playing a leading role among the property services sector in not just advocating awareness but implementing specific initiatives. We enrolled ten members of staff to complete certified level two training with St. John's Ambulance Service as mental health workplace responders and are looking to roll this scheme out further.

DCB (Kent) Limited ("DCB")

During the year, we announced the disposal of DCB, a non-core construction division, as part of the streamlining of operations, and in line with our stated focus on our 3Rs. This was a strategic decision following my appointment in April 2019; it was always intended that DCB would be separated from the core operations and was catalysed following the decision by the founders Chris and Caroline Webster, at the end of June 2021, to resign and stand down from the business by the end of the 2021 calendar year.

As part of the disposal to MCG Global Limited ("MCG"), Kinovo agreed to provide working capital support to DCB, which was both time limited and forecasted to be cash neutral. In addition, at the time of the disposal there were in existence certain pre-existing parent company guarantees from Kinovo in relation to the ongoing projects within DCB. These parent company guarantees were to be transferred to MCG following

the disposal and expire on completion of the projects. The projects were expected to be completed during 2022, except one project which was expected to complete at the end of 2023. Despite a very robust pipeline of opportunities, disappointingly, DCB did not perform to Kinovo's expectations following the disposal and Kinovo was required to provide working capital support totalling £3.7 million. In May 2022, DCB went into administration and Kinovo has had to uphold certain parent company guarantees relating to nine construction projects in existence at the time of the disposal, none of which were transferred to MCG prior to the administration process. Kinovo has therefore taken control of these projects and is working closely with DCB's clients, making encouraging progress to provide positive solutions to complete the outstanding projects in a timely manner. Working with professional construction experts we have reached agreement, in principal, on a number of projects. We believe the total costs to complete for the nine projects will be approximately £4.0 million and we will be able to conclude these projects without the need for further external funding.

We also advised that we received a Letter Before Action from lawyers acting for MCG. The Company has taken legal advice, considers any claim brought by MCG to be without merit and has responded robustly whilst also considering our own counter claim.

Outlook

We are extremely pleased with the performance of the underlying business and look forward to developing this further during 2022. The Board remains conscious of inflationary headwinds, supply pressures and labour availability, and will maintain a disciplined approach to cost management. Despite these challenges, our performance in 2021/22, as well as the structured framework that we now have in place, leaves us confident that 2022/23 will be another year of strong underlying financial performance with quarter one Adjusted EBITDA 24% ahead of prior year.

We are in constructive discussions with our banking partner, HSBC UK Bank Plc, regarding the continuation of the current borrowing facilities and refinance of the term loan facility due for full repayment in September 2022. HSBC UK Bank Plc remain supportive and the Group has received formal credit approval confirming the renewal and refinance of these facilities. However, documentation is yet to be completed at the date of signing these financial statements.

David Bullen
Chief Executive Officer
19 August 2022

Case study: Developing talent



At Kinovo, we're ready to support anyone who wants to get on in their career, encouraging our staff to apply for internal positions, while helping them to develop their skills. In fact 18% of all our appointments went to internal candidates.

Charlie Harris joined Purdy in 2018 as a Gas Supervisor and quickly demonstrated his desire to progress. Two years later he was appointed as a Financial Supervisor. When a new opening for a Contract Manager came up a couple of months later, he applied. Charlie wasn't appointed as we didn't feel he had the breadth of experience and skills he needed to take on the greater operational responsibility. HR took the time to explain what was needed to be successful in the role and put in place an external and internal training programme to prepare him for the next step, including crucial people management skills.

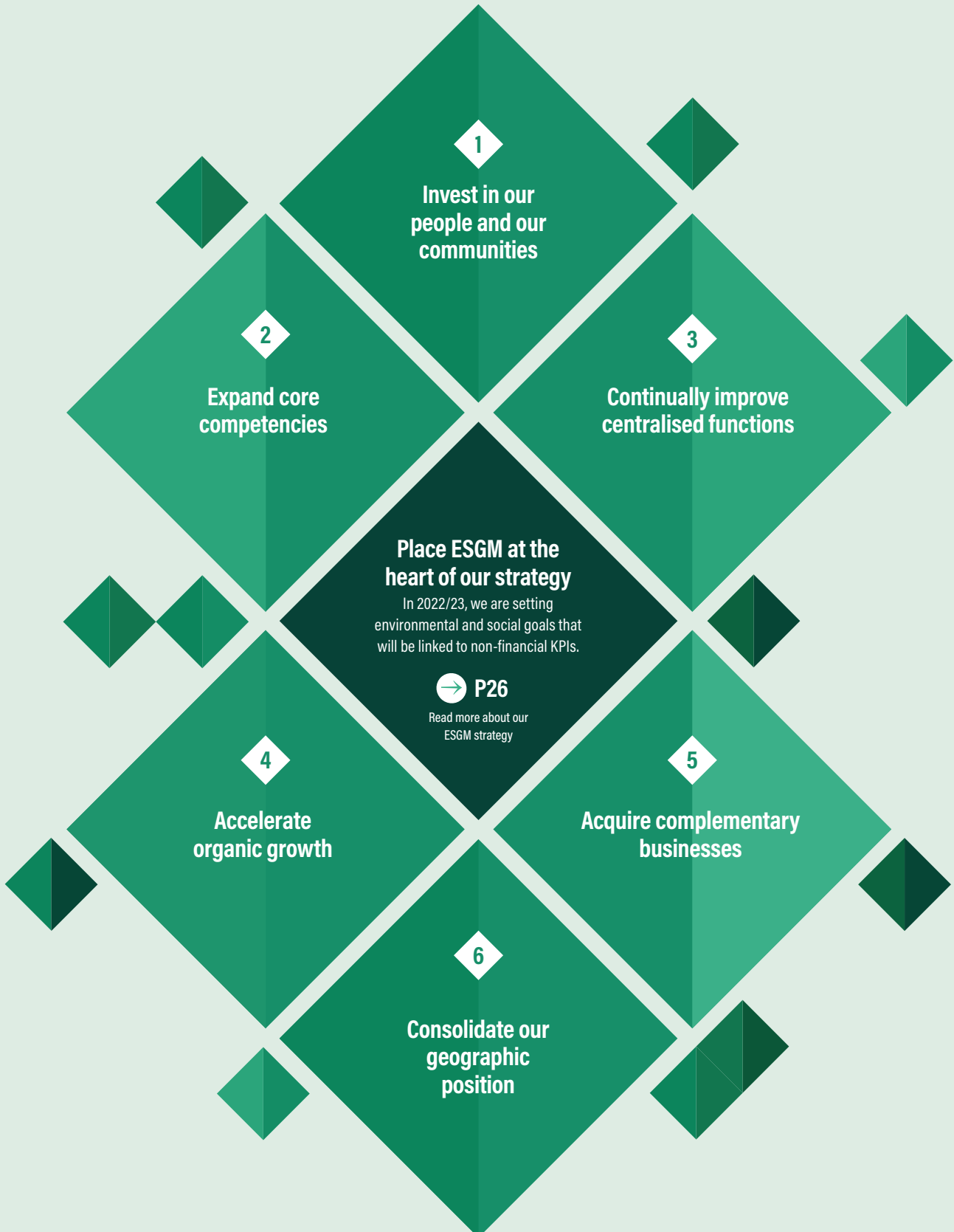
When the Contract Manager role came up again a year later, Charlie was more than ready to take the reins, increasing the size of the contract and thriving on the extra responsibility. He has continued to demonstrate a strong ambition and a desire to learn, and we will continue to support him in the next phase of his career.



P14 Read more about developing talent.

Our growth strategy

Following the strategic review, the Board set out its strategy to create long-term sustainable growth.





1

Kinovo is first and foremost a people business. We have invested significantly in our people through personal and professional development, training, and internal promotion. In the last year, we continued to deliver social value through volunteering and fundraising, and developed our ESGM strategy to set our social value goals for the future benefit of the communities we serve.

2

We have a clear roadmap of the additional essential, non-discretionary service areas that we will develop in the next five years. These all have higher barriers to entry, are consistent in demand, immune to economic cycles and underpinned by regulation and compliance requirements. In particular we are focusing on renewable and low-carbon technologies in support of our three strategic pillars.

3

We have made great progress in centralising our internal processes and systems in the last two years. Our shared services support the Group to ensure we apply high and consistent service levels, strong financial control and greater efficiency in managing our people, finances, and sales and marketing. With the majority of our support services now centralised, in 2022/23 we will be looking to introduce further efficiencies.

4

Our focus on long-term recurring revenue contracts provides us with significant forward earning visibility. In the last year, we have continued to invest in and centralise our business development team, helping us to win several new contracts.

In 2022/23, we are increasing our investment in our sales and marketing functions and business development team. With the support of external advisers, we will refine our business strategy to accelerate our organic growth. We will bring greater focus on the new business opportunities with both existing and new clients that we want to pursue in terms of type, scale and value, and what we can do to improve further our bid to win rate.

5

Although we did not complete an acquisition in 2021/22, we continue to seek potential acquisitions that will create value by bolstering our offering, by expanding our core competencies, or by providing operational scale. The support of external advisers will help us to identify potential acquisition targets.

6

In the last year, we have consolidated our position in London and the South East, establishing a new office and extending our new business reach to the area. In addition we have delivered successfully contracts in the Midlands, which provides a base from which we can target further growth in the area.

Over the next five years we are investing in new competencies:

Regulation

- Water hygiene
- Fire system installation
- Access control systems

Regeneration

- Fire alarm installation
- Smart metering
- Data installation
- CCTV

Renewables

- Air source and ground source heat pumps
- Heat recovery
- EV charging
- Solar photovoltaic

Investing in our people



We are first and foremost a people business which is why investing in our people is fundamental to our growth.”

Led by our Group HR Director, Dawn Kemp, Kinovo’s HR function has been transformed in the last two years into a centralised and co-ordinated department. Prior to this, HR was outsourced and each subsidiary was responsible for its own recruitment, training and development.

Our HR strategy is based on the principle that the continuous training and development of our people is the future of our Company. Kinovo is first and foremost a people business which is why investing in our people is fundamental to our growth.

We have a diverse workforce which is representative of the customers we serve. We support our people to meet their aspirations and encourage everyone at all levels to contribute ideas. Through our strong culture and our support, we make sure that everyone working at Kinovo has a voice. Our centralised HR department provides staff with a wide range of opportunities to broaden skills and facilitate career progression across our three long-established and complementary subsidiaries. In the future we would like to create an Academy to strengthen our capability for recruitment through apprenticeship schemes.



Recruitment

Kinovo recruits a wide range of staff based on the diversity of services we offer, with a team of over 200 employees including apprentices, back-office support, skilled engineers and senior managers.

We are committed to sustainable employment and work with local authorities to fill positions from the communities where we work, as well as under-represented groups. With almost one-third of our staff being women, we actively recruit women into all types of roles. We are a member of Women in Social Housing, and a registered Disability Confident Committed organisation.

Since last year, all our job vacancies are advertised on our own dedicated website and we encourage our current employees to apply for new opportunities. When we need to recruit from outside, we do this directly using the same tools as recruitment agencies including talent databases to find the right candidates.

We endeavour to attract and retain the best talent. As part of our social value commitments we help those who are struggling to get on the job ladder or who are re-entering the job market, such as ex-military, long-term unemployed, former prisoners or people who were made redundant during the pandemic.

To encourage young people into our industry, we foster strong relationships with schools and local colleges in and around the communities where we work, including offering work experience to twelve students during the year and attending career fairs for school leavers. We offer sponsorship to staff through higher education and through professional qualifications, providing paid time off to attend college or university.

Onboarding, training and development

With HR centralised, we are able to better manage individual and Group-wide training requirements, ensure we have the right skills in place and align our values in our recruitment and appraisal process. Every April, we undertake a training needs analysis to identify skills gaps and carried out performance reviews and annual appraisals to understand individual training needs. From this, we are investing in long-term individual plans for training and development. In making this commitment to our staff, we are able to guide and map our employees’ career paths and personal development. In this way, our staff



can add more value to clients, elevate their pay and feel more fulfilled professionally.

For training that takes place in the field, we require our staff to evidence the skills they have learnt so that we can identify any gaps. We provided leadership training to senior staff to give them the skills needed to manage teams.

All our staff have the same onboarding experience and we ensure that they understand their roles and responsibilities, how they can raise concerns and who to go to if they need additional support. We have regular touch points to make sure HR and line managers keep in regular contact with new recruits.

Pay and benefits

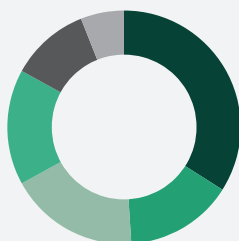
We recognise that the salaries our staff receive provide security and stability. We commit to various minimum wage schemes, such as the Living Wage, and are looking to pay above these levels. We have reviewed our pay and benefits packages, to make them fair, transparent and consistent across the Group. This includes pay banding so that people with comparable roles and responsibilities are similarly rewarded, as well as making our remuneration packages more competitive, including reviewing holiday entitlements, so that we can recruit and retain the best talent.

As part of this we introduced a reward and recognition scheme. Each month, we announce a Group-wide frontline employee and administrator of the month for their outstanding contribution. Nominations are put forward based on an employee’s performance aligned

People

224

staff



● Frontline staff	77
● Contract managers, supervisors and surveyors	34
● Customer service	40
● Support staff	35
● Apprentices	25
● Senior management	13

Gender

● Female	62
● Male	162

**Health, safety and mental wellbeing**

As an ISO 45001 employer, our employees' health and safety ("H&S") is at the forefront of how we look after our staff. Our robust H&S policies and programmes aim to have all staff perform their duties with the minimum chance of injury. Frequent training via written communication, training courses and toolbox talks ensures our staff are as aware of their safety as we are.

We offer all our staff annual health checks which include both physical and mental health. Last year we qualified our first mental health workplace responders and this year we will be encouraging volunteers to become qualified mental health workplace responders. With rising living costs we are aware that many people can struggle with finances. We therefore offer all our staff, and their families, access to HSBC's "Financial Wellbeing" advisers who can discuss concerns and provide advice.

Council, which will be the interface between our ESGM Committee and our workforce. This liaison means various groups can be heard in good time, with the Board acting on any recommendations.

Furthermore, we are enhancing our metric gathering and tracking processes, so we do not focus only on standard metrics, such as the gender pay gap, but we can also ensure there are no other pay biases based on demographics, such as ethnicity.

to the Group values. Our values are incorporated in employee appraisals and are taken into consideration in salary reviews and bonus allocations.

We are enormously proud that for the first time this year, we are also able to pay all our staff performance-based bonuses, which is unusual for our industry.

Internal communications and values

HR has been working closely with marketing to strengthen internal communication and collaboration to promote our unique culture and values across the Group.

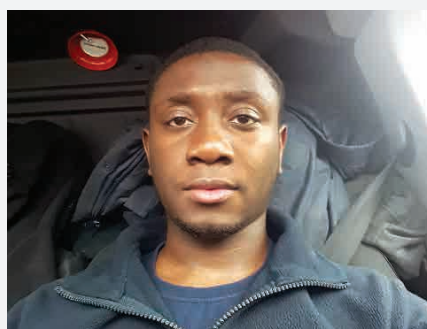
Together, we have sought to promote and embed our Group purpose, vision, mission and values, and ensure that they are understood and embraced in our working practices. Our activities included creating and installing signage in all our sites, updating our employee handbook which is available to all staff, and producing a corporate video and an employee brochure which explains "What it means to work at Kinovo".

RWorld - Kinovo's intranet - is our primary internal communication tool and is accessible to everyone. It provides news stories, vacancies, business wins and social events, and is designed to keep all our staff connected, especially those working in the field.

Later this year we will be introducing "pulse" surveys to understand better our staff concerns, what we are doing well and where we can improve.

Diversity, equality and inclusion

We have an incredibly diverse workforce, so our current focus is to ensure this diversity extends to every level and every department across Kinovo. For example, 69% of our workforce is currently male. We are enhancing the metrics we gather to highlight any areas where we can be more diverse and inclusive. Part of this process is the upcoming establishment of our Diversity and Inclusion Internal



Measuring our performance

The Group uses both financial and non-financial KPIs to measure and monitor its performance.

Financial KPIs

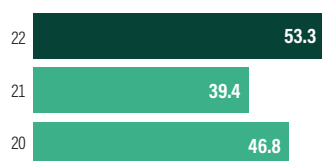
Organic growth drives performance from continuing operations

The Group’s alternative performance measures (“APMs”), which, when “Adjusted”, include the effect of lease payment charges. This reflects the basis upon which management information is prepared and is consistent with the calculation of bank covenants.

The information provided below covers only continuing operations on the basis that discontinued and disposed operations will have no impact on future performance.

Revenue (£m)

£53.3m



KPI definition

Revenue is based on the total amount received or receivable for services provided by reportable segment during the year. We aim to primarily grow our revenue organically, since organic growth gives a measure of business performance and our ability to win new contracts and increase the scope of existing contracts.

Performance

The Group delivered a strong performance on continuing operations as clients sought to catch up on works delayed during the Covid-19 pandemic, as well as growing the scope of work we are carrying out with existing clients and new contracts won.

Gross margin (%)

23.9%



KPI definition

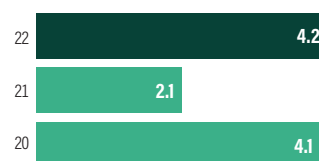
Gross margin is gross profit divided by revenues and is a key indicator of operational efficiency.

Performance

Gross margin increased marginally by 0.3% as a result of greater efficiencies from centralised back office and shared functions offsetting the wider market inflationary and supply chain pressures. The Board believes this can be improved further as changes bed in after our investments in the last two years and as new initiatives are introduced.

Adjusted EBITDA (£m)

£4.2m



KPI definition

EBITDA is defined as earnings before interest, tax, depreciation and amortisation and excluding non-underlying items as set out in note 8 to the consolidated financial statements. Adjusted EBITDA is stated after the effect of a charge for lease payments. EBITDA excluding the effect of lease payments was £4.8 million in 2022 (2021: £2.8 million).

The Board considered Adjusted EBITDA to be a key alternative performance measure (“APM”) as it is the basis upon which the underlying management information is prepared and the performance of the business is assessed by the Board. It is also the measure for the financial covenants under our banking arrangements.

Performance

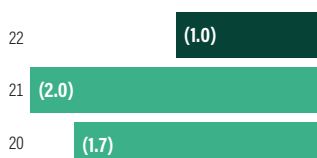
EBITDA has increased by 102% on 2021, showing the fast recovery of performance since the loosening of restrictions around the pandemic. The business has now grown revenues to a level greater than pre-pandemic; however, the effect has been dampened by inflationary pressure, resulting in modest EBITDA growth of £0.1 million on pre-pandemic levels. Additional information on the analysis and performance is included in the Financial Review.

Underlying profit/(loss) before tax (£m)

£3.8m



Non-underlying items (£m)



Profit/(loss) before tax (£m)



KPI definition

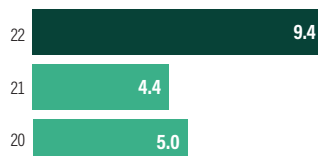
The Group's underlying profit before tax excludes non-underlying items such as amortisation of intangible assets and exceptional items, which are set out in note 9 to the consolidated financial statements.

Performance

The result for the year reflects the recovery in the underlying EBITDA performance, coupled with reductions in amortisation of customer relationship assets and reduced interest charges (driven by a lower level of net debt).

Adjusted net cash generated from operating activities (£m)

£9.4m



KPI definition

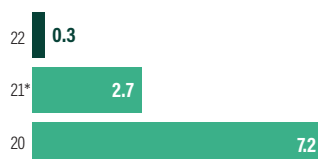
Adjusted net cash generated from operating activities is stated before non-underlying exceptional cash payments and corporation tax receipts/payments and after the effect of a charge for lease payments and adjusted for the effect of deferred HMRC liabilities.

Performance

Net operating cash generation is a key strategic priority for the Group. The adjusted net cash generated from operating activities in 2022 of £9.4 million translates to a cash conversion rate of 221% compared to 208% in 2021 and 110% in 2020, reflecting a rigorous focus on working capital improvements over the last three years. The Group has been able to fund growth by ensuring that cash collection is as efficient as possible, coupled with improved payment terms on the purchasing cards. The centralised treasury function actively manages cash flows on a daily and longer-term basis. Further analysis is included in the Financial Review. Cash and cash balances at the year end stood at £2.5 million (2021: £1.3 million).

Net debt (£m)

£0.3m



KPI definition

Net debt is the Group's balance at the reporting date of bank loans and other loans and overdraft less cash and cash equivalents. It does not include lease obligations.

Performance

Net debt reduced by £2.4 million, resulting from an increase in cash and cash equivalents of £1.2 million, and a reduction in loans of £1.2 million. Additional information on analysis and performance is included in the Financial Review and in note 26.

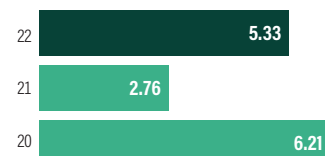
Basic earnings/(loss) per share (p)

3.66p



Adjusted earnings per share (p)

5.33p



KPI definition

Basic earnings/(loss) per share is the profit/(loss) after tax divided by the weighted number of ordinary shares. Adjusted earnings/(loss) per share is adjusted profit/(loss) after tax divided by the weighted number of ordinary shares.

Additional detail is set out in note 14 to the consolidated financial statements.

Performance

The improvement in earnings per share reflects the recovery of the business to pre-pandemic levels.

Key performance indicators (“KPIs”) continued

Non-financial KPIs

We worked with our clients to manage the impact of Covid-19

The performance of our service and operational KPIs has returned to or improved on pre-pandemic levels. Improvements over and above pre-pandemic results are the product of the strategic decision we made to segregate operational and financial supervisory roles, so that operational supervisors can now focus purely on productivity and quality, ensuring a high percentage of compliance and regulatory driven results.

In 2022 we will be reassessing the non-financial KPIs that we use to measure our performance, introducing KPIs that are better aligned to the direction and strategy of the business. This will include social value, environmental and human capital metrics.

Appointments made/kept (%)

90%



KPI definition

Appointments made/kept measures the number of planned appointments that were scheduled and attended by engineers within a specified time frame.

Performance

The performance during the year improved significantly as our engineers were able to access properties more easily in the aftermath of Covid-19, and as the Group segregated supervisory operational and financial roles. This has allowed operational supervisors to drive productivity, quality and performance.

Repairs (first-time fix) (%)

85%



KPI definition

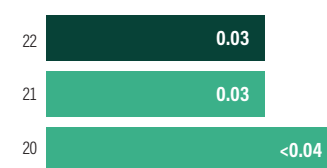
First-time fix measures the percentage of time an engineer is able to fix an issue the first time, without the need for additional visits, information or parts.

Performance

The performance during the year improved significantly as our engineers were able to access properties more easily in the aftermath of Covid-19. Pleasingly, there was a significant improvement on pre-pandemic results, reflecting the increased efficiency of our staff. This increased efficiency is due to the upskilling of engineers in a variety of skill sets, reducing the need for different engineers to fix a repair, and so increasing the first-time fix percentage.

Official complaints upheld (%)

0.03%



Target (%)

<1%



KPI definition

Complaints where the outcome was “upheld” are those where we investigated and found that something went wrong as an overall percentage of all jobs carried out throughout the year across all of our contracts. As part of the investigation process we also review how we responded to the complaint and any action taken to put things right.

Performance

As part of our service delivery we aim to minimise the complaints we receive. We accept this is not always possible and therefore aim to have less than 1% of upheld complaints across all our contracts.

Jobs completed on target (%)

89%



KPI definition

Jobs completed on target measures planned or responsive jobs that have been completed within a pre-determined time frame either on the first visit or on subsequent visits.

Performance

The performance during the year improved significantly as our engineers were able to access properties more easily in the aftermath of Covid-19. Pleasingly, there was a significant improvement on pre-pandemic results, reflecting the increased upskilling of our staff.

Resident satisfaction (%)

99%



KPI definition

Resident satisfaction is measured through resident surveys on the completion of each job and is a core operational KPI for most contracts. Residents can opt out of answering surveys.

Performance

Resident survey collections and performance levels returned to pre-pandemic levels.

Strong performance from continuing operations

Clive Lovett
Group Finance Director



Trading review

Continuing operations

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

Comparative revenues grew 35% to £53.3 million (2021: £39.4 million) for the year ended 31 March 2022, demonstrating robust recovery from the prior year impacts of Covid-19.

Gross profit of £12.8 million (2021: £9.3 million) was achieved at a margin of 23.9% (2021: 23.6%). Underlying administrative expenses of £8.7 million were up £1.4 million compared with the prior period (2021: £7.3 million) reflecting the investment in new staff including business development, bonus provisions and the effect of furlough grants in the prior year.

Adjusted EBITDA* (after the effect of a charge for lease payments) increased by 102% to £4.2 million (2021: £2.1 million) with operating profit from continuing operations delivering £3.1 million (2021: £67,000).

Underlying operating profit, excluding non-underlying items, increased by 104% to £4.1 million (2021: £2.0 million). Non-underlying items were £1.0 million (2021: £1.9 million) including £nil exceptional restructuring costs (2021: £334,000).

Profit before taxation for continuing operations was £2.8 million (2021: loss £371,000) and profit after tax was £2.3 million (2021: loss £252,000) reflecting the uplift in the performance of the continuing operations.

Discontinued operations

The Group's non-core construction business, DCB (Kent) Limited was disposed of during the year. Loss after tax for the discontinued operations was £549,000 and the loss on disposal amounted to £12.6 million for the year ended 31 March 2022. Further details are set out below and in note 30 to the financial statements.

Financial position and key indicators

Net debt (excluding lease liabilities) reduced £2.4 million from £2.7 million to £339,000 reflecting improved working capital efficiency and robust underlying operational cash generation from the continuing operations despite the cash absorbed by the discontinued operations during the year.

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

The key financial performance indicators for the year are set out below and described in more detail on pages 16 to 18.

* 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 assessed by the Board. It is also the measure for the covenants under our banking arrangements.

Financial review continued

Trading review continued

Financial position and key indicators continued

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Continuing operations		
Income statement		
Revenue	53,325	39,369
Gross profit	12,767	9,291
Gross margin	23.9%	23.6%
EBITDA ¹ (excluding effect of lease payments)	4,600	2,763
Adjusted EBITDA ² (including effect of lease payments)	4,237	2,096
Underlying operating profit ³	4,091	2,010
Underlying profit before taxation ⁴	3,822	1,572
Profit/(loss) after taxation	2,262	(252)
Basic earnings/(loss) per share ⁵	3.66p	(0.42p)
Adjusted earnings per share ⁶	5.33p	2.76p
Cash flow		
Net cash generated from operating activities	9,777	5,542
Adjusted net cash generated from operating activities ⁷	9,442	4,360
Adjusted operating cash conversion ⁸ (%)	223%	208%
Financial position		
Cash and cash equivalents	2,504	1,293
Term and other loans	(2,843)	(3,966)
Net debt ⁹	(339)	(2,673)
Trade receivables	4,977	5,564
Accrued income	5,247	8,634
Trade payables	(12,552)	(11,082)
Net (liabilities)/assets	(143)	10,862
Discontinued operations		
(Loss)/profit after taxation	(549)	409
Loss on disposal	(12,595)	—
Net cash (absorbed)/generated by operating activities	(6,117)	272

1. Earnings before interest, taxation, depreciation and amortisation ("EBITDA") and excluding non-underlying items, as set out in note 8 of the financial statements.

2. Adjusted EBITDA excludes non-underlying items and is stated after the effect of a charge for lease payments, as set out below.

3. Underlying operating profit is stated before charging non-underlying items as set out in note 9 of the financial statements.

4. Underlying profit before taxation is stated after finance costs and before charging non-underlying items.

5. Basic earnings per share is the profit after tax divided by the weighted average number of ordinary shares.

6. Adjusted earnings per share is the profit before deducting non-underlying items after tax divided by the weighted average number of ordinary shares.

7. Net cash generated from continuing operations before tax and after lease payments and adding back Enil (2021: £334,000) exceptional items in the period ended 31 March 2022. 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 debt includes term and other loans, and overdraft net of cash, and excludes lease obligations.

EBITDA reconciliation

Internal financial reporting and reporting under the Group's banking facilities is focused on Adjusted EBITDA of £4.2 million (2021: £2.1 million) which is stated after the effect of a charge for lease payments.

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

	2022 £'000	2021 £'000
Continuing operations		
Profit before tax	2,792	(371)
Add back non-underlying items:		
Amortisation of customer relationships	940	1,582
Share based payment charge	90	27
Exceptional items	—	334
Underlying profit before tax	3,822	1,572
EBITDA adjustments:		
Finance costs	269	438
Depreciation of property, plant and equipment	130	82
Depreciation of right-of-use assets	336	654
Amortisation of software costs	44	17
Profit on disposal of property, plant and equipment	(1)	—
EBITDA	4,600	2,763
Adjustment for lease payments	(363)	(667)
Adjusted EBITDA	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:

	2022 £'000	2021 £'000
Amortisation of customer relationships	940	1,582
Share based payment charge	90	27
Restructuring costs	—	334
Total	1,030	1,943

The share based payment charge reflects the impact attributed to the new share schemes established in 2021. Additional information on the schemes is set out in note 28. There is no charge in 2022 for legacy schemes which have completely vested or the options which have been cancelled.

Restructuring costs in 2021 for continuing operations comprise redundancy and notice period costs and other related restructuring costs to align operational skill sets with the strategic repositioning of the business.

Finance costs

Finance expenses were £269,000 (2021: £438,000) and are represented by interest on bank borrowings and loans, other interest costs and other finance costs, being the amortisation of debt issue costs. There was no finance income in the year.

Tax

The Group tax position reflects an underlying charge of £530,000 on continuing activities set off by tax credits of £128,000 on discontinued activities and £1.1 million relating to the loss of disposal of DCB (Kent) Limited. £nil tax was received in the year by continuing operations (2021: £163,000) due to recovery of tax paid in the prior year.

Overall the Group has no tax liability at 31 March 2022 with approximately £1.6 million unused tax losses.

The net deferred tax asset at 31 March 2022 was £306,000 (2021: liability £699,000) comprising a deferred tax liability of £225,000 (2021: £1.1 million), relating to the acquisition of intangible assets, right-of-use assets and short-term timing differences, and a deferred tax asset of £531,000 (2021: £387,000), relating to unused tax losses, lease liabilities and share-based payments.

Earnings per share

Basic earnings per share, from continuing operations, was 3.66 pence (2021: loss 0.42 pence), based on profit after tax of £2.3 million (2021: loss £252,000). The weighted average number of shares in issue was adjusted for the SIP share awards in the year as set out in note 24 of the financial statements.

Adjusted earnings per share, from continuing operations, excluding non-underlying items, was 5.33 pence (2021: 2.76 pence). Diluted adjusted earnings per share was 5.15 pence. There was no earnings per share dilution in 2021 as the outstanding share options granted were priced above the average share price for the year.

Trading review continued

Cash flow performance

Adjusted cash generated from continuing operations was £9.4 million (2021: £4.4 million) resulting in an adjusted operating cash conversion of 221% (2021: 208%).

Adjusted operating cash conversion is calculated as cash generated from continuing operations (after lease payments), after adding back exceptional item payments of £nil (2021: £334,000) and adjusted for the effects of deferred HMRC repayments of £136,000 (2021: net deferred £686,000), divided by Adjusted EBITDA of £4.2 million (2021: £2.1 million), as set out below.

	2022 £'000	2021 £'000
Statutory cash generated from operations (see note 25)	3,660	5,814
Adjustment for cash absorbed by/(generated from) discontinued activities	6,117	(272)
Net cash generated from continuing operating activities	9,777	5,542
Less operating lease payments	(471)	(667)
Less corporation tax received	—	(163)
	9,306	4,712
Add back exceptional restructuring costs	—	334
Net adjustment for deferred HMRC payments	136	(686)
Adjusted net cash generated from continuing operating activities	9,442	4,360
Adjusted EBITDA (see above and note 8)	4,237	2,096
Adjusted cash conversion (adjusted operating cash/Adjusted EBITDA)	223%	208%

Total HMRC VAT liabilities of £1.02 million were deferred at 31 March 2021 and were fully repaid by 31 January 2022. In March 2022, the Group agreed arrangements with HMRC to defer VAT payments and at 31 March 2022 deferred VAT was £887,000. At the date of approval of the financial statements, £770,000 had been repaid and the remaining £117,000 will be fully repaid by 1 September 2022.

Cash conversion excluding the effect of a charge for lease payments was 208% (2021: 181%).

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

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

Cash absorbed by discontinued operations amounted to a total of £6.1 million (2021: cash generated £272,000) including working capital provided post disposal of the business on 12 January 2022 until 31 March 2022 of £2.5 million.

Net debt

Net debt reduced by £2.4 million in the period (2021: reduced by £4.5 million). At 31 March 2022, net debt amounted to £339,000 (2021: £2.7 million) as analysed in the table below and note 21 for full details of borrowings.

	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Borrowings				
Term loans	2,534	3,533	3,333	5,000
Other loans	109	176	235	289
Mortgage loans	200	257	314	371
Overdraft	—	—	3,351	5,219
	2,843	3,966	7,233	10,879
Cash and cash equivalents	(2,504)	(1,293)	(19)	(21)
Net debt	339	2,673	7,214	10,858

Discontinued operations

Following its rebranding and strategic review, Kinovo determined that DCB (Kent) Limited ("DCB"), the Company's construction business, was non-core and initiated a process to dispose of the business.

On 12 January 2022, DCB was disposed of for an initial consideration of £1 and deferred consideration of up to a maximum of £5.0 million dependent upon various performance criteria.

Kinovo was committed to providing working capital support (which also included provisions for recovery of any surplus working capital) until 31 July 2022 and retained liability under various parent company guarantees for the DCB construction projects, subject to the acquirer, MCG Global Limited ("MCG"), endeavouring to transfer the guarantees. The Directors expectation for the working capital support was that it would be cash neutral.

Despite a very robust pipeline of opportunities, disappointingly, DCB did not perform to Kinovo's expectations following the disposal and Kinovo was required to provide working capital support totalling £3.7 million.

On 16 May 2022, DCB filed for administration. Kinovo is the largest creditor of DCB according to the preliminary report of the joint administrators. As at the date of the financial statements Kinovo has limited expectation of recovery of the amounts owed or deferred consideration under the terms of the disposal of DCB.

DCB did not perform to Kinovo's expectations following the disposal and working capital funding had been provided, up to the date of administration of DCB, amounting to £3.7 million and no parent company guarantees had been transferred to MCG. Under the terms of the parent company guarantees, Kinovo is responsible for the completion of the projects.

The activities of DCB have been presented as discontinued operations until the effective transfer of control of the business and the comparatives of the Consolidated Statement of Comprehensive Income have been re-presented for the year ended 31 March 2021.

Loss after tax for the discontinued operations was £549,000 (2021: profit £409,000).

The loss on disposal of DCB amounted to £12.6 million including £3.7 million write-off of working capital funding provided between January 2022 and April 2022, disposal of £9.9 million net assets including £2.4 million residual intangible fixed asset comprising goodwill and customer relationship and capitalised inter-company other net assets of £5.5 million, offset by tax losses.

The net cost to complete the construction projects is expected to be approximately £4.0 million plus legal and professional fees and is considered to be a non-adjusting post balance sheet event as the administration of DCB was not envisaged at the

balance sheet date. Three of the projects also have performance bonds, which are indemnified by Kinovo plc, totalling £2.10 million. Kinovo has engaged with insurers, underwriters and clients and although these bonds technically could be called at any time, since DCB entered into administration, it is recognised by all parties that whilst discussions are ongoing to identify solutions to enable the projects to be completed that the bonds would not be called.

Full details of the discontinued trading operations and the loss on disposal and the non-adjusting post balance sheet event relating to the net costs to complete the DCB construction projects are set out in notes 30 and 32.

The disposal of DCB has allowed the Group to harmonise its operations and increase the focus on its three strategic workflow pillars: Regulation, Regeneration and Renewables. 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 2022, with HSBC UK Bank Plc, comprised a £2.5 million term loan, £2.5 million overdraft facility and £200,000 mortgage loan. The Group also has a £109,000 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 financial covenants on the HSBC UK Bank Plc term loan facility are tested quarterly and they are: (i) achievement of minimum levels of EBITDA; (ii) debt service cover; and (iii) interest cover. All financial covenants for the year ended 31 March 2022 were achieved as were the financial covenants on the unaudited results for the quarter to 30 June 2022.

The scheduled £500,000 quarterly term loan repayment was made on 31 May 2022. The next quarterly repayment is due on 31 August 2022, which the Group expects to repay, with the balance on the term loan of £1.5 million scheduled to be repaid by 30 September 2022.

The Group and HSBC UK Bank Plc are in constructive discussions regarding the continuation of the current borrowing facilities and refinance of the term loan facility due for full repayment in September 2022. HSBC UK Bank Plc remain supportive and the Group has received formal credit approval confirming the renewal and refinance of these facilities. However, documentation is yet to be completed at the date of signing these financial statements.

Dividends

A final dividend for the year ended 31 March 2022 was paid in September 2021. No interim dividend was paid. Due to the loss after tax on non-continuing activities, the loss on disposal of DCB and the consequent financial position for Kinovo, the Board does not

recommend the payment of a final dividend for the year ended 31 March 2022. It remains the Board's priority to continue to reduce the level of net debt and to resume the payment of a dividend as soon as financial conditions allow.

Going concern

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

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

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

After taking into account the above factors, including the expectation that the HSBC UK Bank Plc term loan facility will be refinanced, and possible sensitivities in trading performance, the Board has an expectation that Kinovo and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future.

Although HSBC UK Bank Plc credit approval has been agreed confirming the renewal and refinancing of facilities, as the documentation has yet to be completed and the agreement with clients on the DCB projects was outstanding at the date of signing the financial statements, technically, a material uncertainty remains, which may cast significant doubt on the group's ability to continue as a going concern. Discussions are at an advanced stage on each of these matters and the Board is confident that new agreements will be executed. For this reason, 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. Further detail on going concern are set out in note 2.1.

Clive Lovett
Group Finance Director
19 August 2022

Listening to our stakeholders

The Board makes every effort to understand the interests and expectations of the Group's stakeholders, and to reflect these in the choices it makes in order to create long-term sustainable value.

The Board of Directors of Kinovo consider, both individually and collectively, that they have acted in a way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, taking into account the factors listed in Section 172 of the Companies Act 2006. The principles underpinning Section 172 are not only considered at Board level, they are embedded throughout Kinovo.

The Group's purpose is to raise living standards for people, families and communities, keeping them safe and making the possibilities of tomorrow a reality today. Our business strategy encourages continuous improvement and sustainability in our chosen markets whilst embracing our passion for innovation and environmental, social and governance excellence.

Kinovo is a people-focused business, and our leadership team is committed to putting our stakeholders at the very core of how we operate. As a specialist property services group, we are only as good as our ability to meet the needs of our clients; that is what drives everything we do in terms of commitment to, and investment in, our own people.

Engagement with our shareholders and wider stakeholder groups plays an essential role throughout Kinovo's business. We are aware that each stakeholder group requires a tailored engagement approach in order to foster effective and mutually beneficial relationships. Our understanding of stakeholders is then factored into boardroom discussions, regarding the potential long-term impacts of our strategic decisions on each group, and how we might best address their needs and concerns.

In addition, effective engagement with stakeholders at Board level and throughout our business is crucial to fulfilling Kinovo's purpose. While the importance of giving due consideration to our stakeholders is not new, we are taking the opportunity this year to explain in more detail how the Board engages with our stakeholders. We keep in close contact with investors, employees, customers, suppliers and local communities so we are aware of their views. This ensures we can appropriately consider their interests in decision making.

Throughout this Annual Report, we provide examples of how we:

- take into account the likely consequences of long-term decisions;
- foster relationships with stakeholders;
- understand the importance of engaging with our employees;
- understand our impact on our local community and the environment; and
- demonstrate the importance of behaving responsibly.

This section serves as our Section 172 statement and should be read in conjunction with the Strategic Report and the Company's Corporate Governance Statement. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term.

The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

At a time of continued uncertainty due to the ongoing impacts of Covid-19, the Company has continually reassessed and analysed its business strategy with the key focus being minimising the impact on critical workstreams, ensuring business continuity and conserving cash flows. As such, increased stakeholder engagement and open communication have become increasingly important in decision making for the Board. Key decisions taken during the year following consultations with key stakeholders are included in the table opposite.

The Covid-19 pandemic has presented challenges for our entire community. We have been focused on supporting our stakeholders at a time when it has not been easy to have physical group gatherings, which are such an important component in building and maintaining a community spirit. Following the easing of Covid-19 restrictions in the UK, the Company expects to resume its regular physical face to face interactions with various stakeholders internally and externally. We consider them to be important in maintaining open communications and team cohesion.

The table opposite acts as our Section 172(1) statement by setting out the key stakeholder groups, their interests and how Kinovo has engaged with them over the reporting period. However, given the importance of stakeholder focus, long-term strategy and reputation, these themes are also discussed throughout this Annual Report.



Engagement with our shareholders and wider stakeholder groups plays an essential role throughout Kinovo's business."

Stakeholder	Their interests	How we engage	2021/22 highlights
Our employees	<ul style="list-style-type: none"> • Training, development and career prospects • Health and safety • Working conditions • Diversity and inclusion • Human rights and modern slavery • Fair pay and employee benefits 	<ul style="list-style-type: none"> • Workforce posters and communications • Formulation of ongoing training and development opportunities • Whistleblowing procedures • Publication of Modern Slavery Statement • Anti-Corruption and Bribery Statement • Employee benefits packages • Employee engagement questionnaires and site visits • Staff intranet 	<ul style="list-style-type: none"> • Our activities in 2021/22 can be found on page 14
Our contractors and suppliers	<ul style="list-style-type: none"> • Terms and conditions of contract • Health and safety on site • Working conditions • Human rights and modern slavery • Diversity and inclusion 	<ul style="list-style-type: none"> • All contractors are locally sourced where possible • Initial meetings and negotiations • Prompt payment • Frequent communication through management team • Sub-contractor assessment approval chain • Supplier contracts 	<ul style="list-style-type: none"> • Standardising contractual terms to comply with IR35 legislative changes
Our investors	<ul style="list-style-type: none"> • Capital growth and dividends • Comprehensive review of financial performance of the business • Business sustainability • High standard of governance • Success of the business • Ethical behaviour • Director experience • Awareness of long-term strategy and direction • Improving market perception of the business 	<ul style="list-style-type: none"> • Annual Report • Company website • Shareholder circulars • AGM • Stock exchange announcements • Frequent communications through briefings with management 	<ul style="list-style-type: none"> • Robust results from continuing operations • Took the strategic decision to dispose of DCB in order to focus on core service-based business, and reduce future volatility in earnings associated with the construction industry • Increased visible revenues to support clarity of outlook • Continued focus on reducing Group debt levels
Our clients and partners	<ul style="list-style-type: none"> • Timely and informative end-to-end service • Ease of access to information regarding job timelines • Health and safety on site • Data security • Environmental credentials • Alignment of social values 	<ul style="list-style-type: none"> • Company reports • Client meetings with management • Marketing and communications • Annual Report • AGM • Company website 	<ul style="list-style-type: none"> • Developed social value and environmental credentials as part of bid/tender processes • Worked with a key client to identify joint initiatives to support communities and local people • Included social value information from all new suppliers • Centralised and upgraded our IT systems to improve data security
Regulatory bodies	<ul style="list-style-type: none"> • Compliance with regulations • Worker pay and conditions • Gender pay • Health and safety • Brand reputation • Waste and environment • Insurance 	<ul style="list-style-type: none"> • Company website • Stock exchange announcements • Annual Report • Direct contact with regulators • Compliance updates at Board meetings • Direct contact with regulators • Consistent risk, health and safety review 	<ul style="list-style-type: none"> • Adhered to regulatory changes in respect of each of our service disciplines to keep sites safe and allow our staff to work safely
Community and environment	<ul style="list-style-type: none"> • Sustainability • Road safety • Human rights • Energy usage • Recycling • Waste management • Community outreach and CSR 	<ul style="list-style-type: none"> • Philanthropy • Volunteering • Corporate social responsibility planning policy • Workplace recycling policies and processes • Environment policy • Curated travel plans for each job • Introduction of CSR initiatives with clients • Low-emission vehicles used in Company fleet 	<ul style="list-style-type: none"> • Partnered with financial advice charity Stepchange so that we can help tenants who are struggling financially to get professional advice • Began offering EV charging installation as part of our services • Increased the scope of our environmental and carbon data gathering reporting • Introduced alternative energy sources to our offices including solar panels, EV chargers and ground source heat pumps to reduce our environmental impact • Issued press release relating to our Head Office carbon footprint reduction • Ensured that tenants and communities were kept safe during engineer visits • Supported tenants in need during lockdowns by arranging food deliveries • Supported local communities through charitable donations and volunteering

Building a stronger future

In 2021, we launched a rebranding and repositioning of the Group, under the new name Kinovo. "Kin" relates to family, our people, our subsidiaries, our clients and our communities. It also forms part of the word "kinetic", a type of motion that gains more energy as it accelerates. The word "novo" is from the Latin word meaning to make new. Collectively, this characterises our future – a renewed family focused on our competence, agility and values.

Our purpose as a leading UK provider of specialist property services is simple, yet deeply meaningful to us: we raise living standards for people, families and communities, making the possibilities of tomorrow a reality today. We are aligning what we do every day to our vision: we work together to lead the provision of safe and sustainable property solutions and services that protects our customers, benefits the environment and enhances communities and the lives of our employees.

Placing ESGM at the heart of our strategy

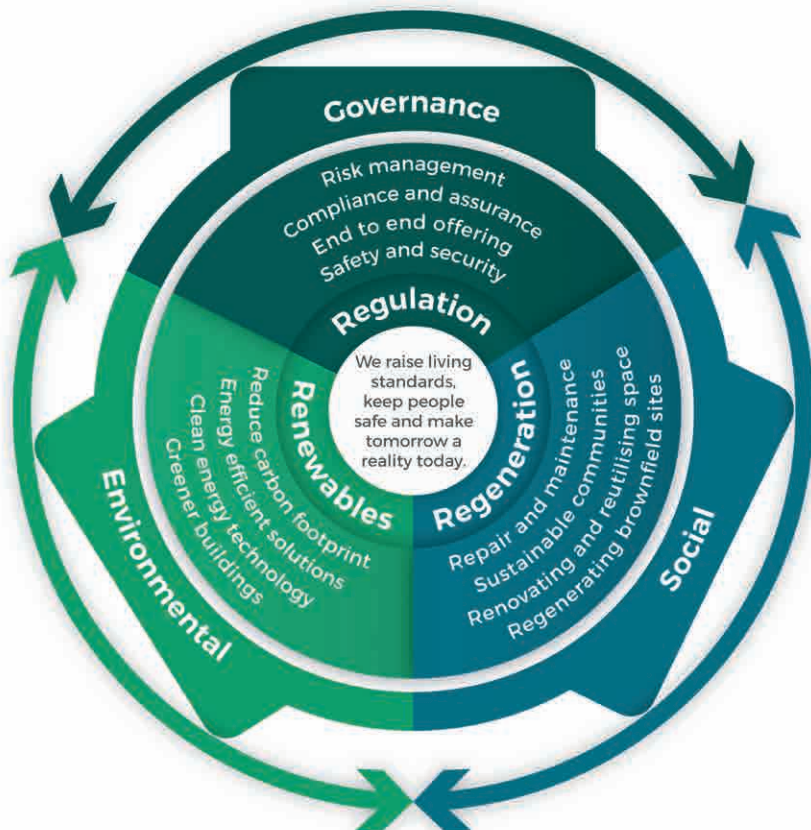
Environmental, social, governance and mental wellbeing ("ESGM") is powering our future. It is not only a reporting tool – it is the heart of our strategy. This is why we have organised our business around our 3 Rs. These three strategic pillars will ensure that everything we do has ESGM at the core. It will make Kinovo greener, happier, healthier and more successful. Major benefits from each of these directly help us support our customers, our team, our stakeholders and many others who we value in our ecosystem.

Our journey has already started with significant momentum and we are committed to reaching the goals under our ESGM umbrella – our progress particularly in relation to our energy and carbon reporting and goals is detailed below. Further details can be found in our dedicated ESGM report which is available on our website.



It is imperative that we put our words into action. Accordingly, our performance will be tracked and independently verified via metrics spanning our focus on the environment, our team and client interactions up to 31 March 2023.

Sangita Shah
Chair
19 August 2022



Key

- 1 Environmental
- 2 Social
- 3 Governance

Aligning our ESGM strategy with the UN SDGs

Each of these SDGs aligns closely to our core vision, values and offering. We have put in place processes to capture metrics for each, so we can track our impact, with the year to 31 March 2023 being our baseline year.











1 Environment

Protecting our planet

Fighting climate change

Climate change is a huge challenge facing mankind. An increase in global temperature by more than 1.5°C from pre-industrial levels is seen as the environmental tipping point, which will forever change life on Earth. As a large organisation that uses resources and generates CO₂ emissions, we are committed to reducing our contribution to climate change by setting a net zero target for 2040 at the latest.

Kinovo spent several months evaluating its operations and identifying what activities result in carbon emissions as part of our net zero strategy. The following items represent our carbon emissions inventory:

Scope 1	Scope 2	Scope 3
<p>Stationary combustion (gas) </p> <p>Transport </p>	<p>Electricity </p>	<p>Category 1: Purchased goods and services </p> <p>Category 4: Upstream transport and distribution </p> <p>Category 5: Waste </p> <p>Category 6: Business travel </p> <p>Category 7: Employee commuting </p>

Protecting our planet continued

1 Environment continued

Fighting climate change continued

We have worked extensively to create an action plan to reduce each scope and category's CO₂ emissions and have set the following goals:

- 1 **Reduce gross CO₂ emissions by more than 50% by 2030**
- 2 **Become carbon neutral by March 2023 via offsetting our Scope 1 and 2 emissions from within our operational boundary**
- 3 **Become net zero by 2040**

We will achieve this through:

Resource efficiency

Kinovo procures a large volume of materials to fulfil our service offering. We are engaging with our suppliers to identify those who are ESGM aware and are on a similar journey. We are focusing on limiting needless travel of raw materials across the globe, especially when more local options exist.

We are also continually examining how we can avoid buying and using single use items, as well as avoiding items that are made from scarce resources, or are difficult to recycle. We have shifted our preference to items that include recycled materials.

Moving towards renewable energy

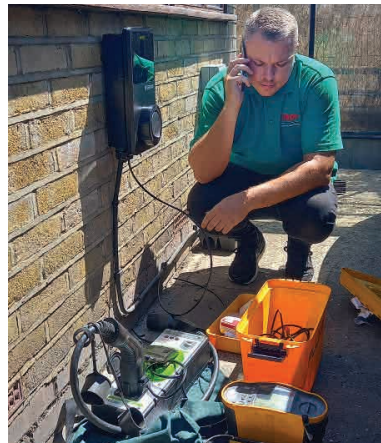
We are reviewing our lighting across all our offices and renewing all our electricity contracts so that by the end of 2023 all our bought-in electricity will come from renewable sources. Because renewable gas is scarce, we are investigating how to move away from gas over time, replacing these systems with electrical systems powered by renewable sources. We are investing heavily in capital expenditure programmes to reduce the volume of energy we use, installing solar panels and ground source heat pumps. For example, we are reviewing the lighting across all our offices and will replace non-LED lighting with energy efficient alternatives. We have appointed Green Champions across our business to ensure that energy-saving practices are shared with all our staff.

Fleet transition

We are transitioning to an EV fleet and are encouraging our staff to do the same. We already have some EVs and hybrid vehicles, which we will increase as leases on our existing fleet expire. We have started installing EV charging points across our office locations.

Offsetting

Until new green technologies that will allow us to meet our goals, we will offset residual emissions from Verra verified nature-based programmes, which also contribute to our Sustainable Development Goals ("SDGs").

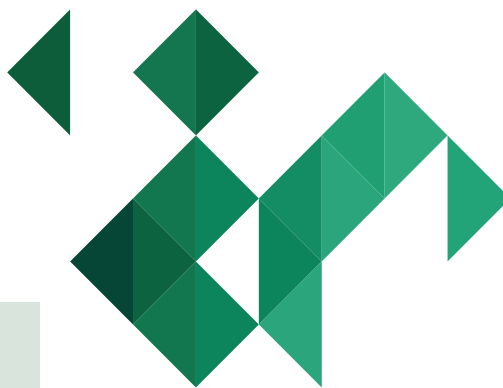


Case study: Supporting the EV revolution

The number of EVs on UK roads is set to soar over the next decade, and could reach over 3.8 million by 2030 from 952,260 registered EVs at the end of 2021 – an increase of 302% according to a report published by GoCompare. We are playing our part in rolling out the infrastructure our nation needs to charge our cars and harnessing £1.3 billion of Government grants, including the Workplace Charging Scheme.

"We are also offering a "Free of Charge" Installation Scheme to retail and leisure facilities. Under this scheme, we carry the initial cost of installation in return for a percentage of the cost of energy bought by end users, with a payback period varying over different contract lengths."

John Lord, Managing Director, Purdy



Streamlined Energy and Carbon Reporting

Overall carbon intensity

2.42 tCO₂e per employee
YOY 20.28% ↓

698.16 tCO₂e
tCO₂e YOY 11% ↓

Carbon and consumption by type

Natural gas

78,055 kWh

14.30 tCO₂e
tCO₂e YOY 57.81% ↓

Carbon intensity

0.05 tCO₂e per employee
headcount

YOY 62.13% ↓

Electricity

133,923 kWh

28.44 tCO₂e
tCO₂e YOY 41.89% ↓

0.10 tCO₂e per employee
headcount

YOY 47.84% ↓

Transport

2,813,514 kWh

665.42 tCO₂e
tCO₂e YOY 6.88% ↓

YOY - year-on-year change

2.27 tCO₂e per employee
headcount

YOY 16.41% ↓ Employee headcount - metric equivalent

This report summarises our energy usage, associated emissions, energy efficiency actions and energy performance under the Government policy Streamlined Energy and Carbon Reporting ("SECR"), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Implemented

- Installation of solar PV at Head Office
- Addition of EV to the transport fleet
- GSHP fitted at the Head Office location

It also summarises, in the appendix, the methodologies utilised for all calculations related to the elements reported under energy and carbon.

Kinovo is a UK incorporated business. Under the new SECR legislation we are mandated to include energy consumption, emissions, intensity metrics and all energy efficiency improvements implemented in our most recent financial year.

We are proud to say we achieved 100% verifiable data coverage with no estimations required.

Year 2

Scope 1 direct emissions (combustion of natural gas and transportation fuels) for this year of reporting are

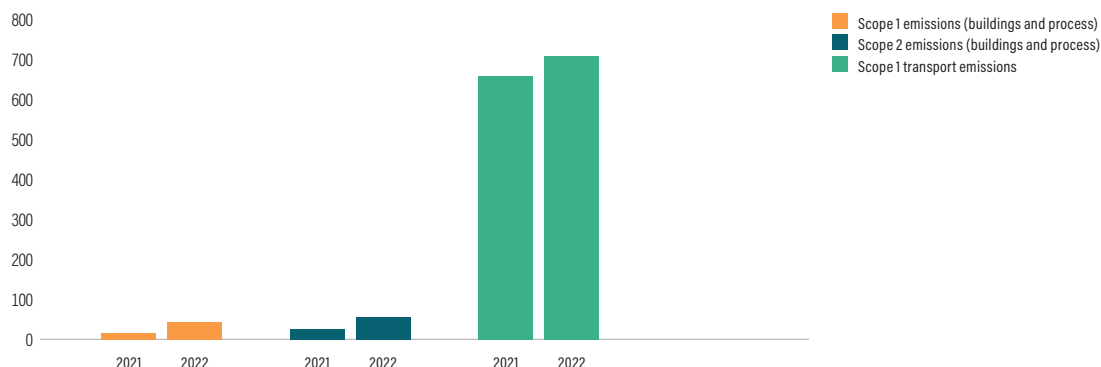
679.72 tCO₂e, resulting from the direct combustion of 2,891,569 kWh of fuel. This represents a carbon reduction of 9.18% from last year.

Scope 2 indirect emissions (purchased electricity) for this year of reporting are 28.44 tCO₂e, resulting from the consumption of 133,923 kWh of electricity purchased and consumed in day-to-day business operations. This represents a carbon decrease of 57% from last year.

Our operations have an intensity metric of 2.42 tCO₂e employee headcount for this reporting year.

This represents a reduction in operational carbon intensity of 5.07% from our previous reporting year.

Scope 1 and 2 (tCO₂e): this reporting period vs previous reporting period



1 Environment continued

Streamlined Energy and Carbon Reporting continued

Consumption (kWh) and greenhouse gas emissions (tCO₂e) totals

The following figures show the consumption and associated emissions for this reporting year for our operations, with figures from the previous reporting period included for comparison.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.

Totals

The total consumption (kWh) figures for energy supplies reportable by the Group are as follows:

Utility and Scope	2021/22 consumption kWh	2020/21 consumption kWh
Grid-supplied electricity (Scope 2)	133,923	209,892
Gaseous and other fuels (Scope 1)	78,055	173,458
Transportation (Scope 1)	2,813,514	2,972,123
	3,025,492	3,356,474

The total emission (tCO₂e) figures for reportable energy supplies are as follows. Conversion factors utilised in these calculations are detailed in the appendix:

Utility and Scope	2021/22 consumption tCO ₂ e	2020/21 consumption tCO ₂ e
Grid-supplied electricity (Scope 2)	28.44	48.93
Gaseous and other fuels (Scope 1)	14.30	33.88
Transportation (Scope 1)	655.42	714.57
	698.16	797.40

Intensity metric

An intensity metric of tCO₂e per employee headcount has been applied for our annual total emissions.

The methodology of the intensity metric calculations is detailed below, and results of this analysis are as follows:

	2021/22 consumption intensity metric	2020/21 consumption intensity metric
tCO ₂ e/employee headcount	2.42	3.03

Energy efficiency improvements

We are committed to year-on-year improvements in our operational energy efficiency. As such, a register of energy efficiency measures available to us has been compiled, with a view to implementing these measures in the next five years.

Measures ongoing and undertaken through 2021/22:

- GSHP fitted at our Head Office serving one wing of the building;
- Installed a new ten-panel PV system to Head Office to reduce the Scope 2 emissions consumed by the Group's operations; and
- Fitted two electric vehicle charging points to Head Office and added two electric vehicles to our fleet to reduce the Group's reliance on combustion engine vehicles.

Measures prioritised for implementation in 2022/23:

- Ongoing compliance with energy reporting legislation: Kinovo is mandated to comply with the Energy Savings Opportunity Scheme ("ESOS") and as such produces a summary of all available energy efficiency improvements on a four-year cycle. This will be completed again in line with the 2023 Phase 3 compliance deadline. Recommendations found within the Phase 2 reporting are being reviewed and will be acted on where practical.
- Energy and environment strategy: Kinovo has committed to become carbon neutral by March 2023 via offsetting our Scope 1 and 2 emissions from within our operational boundary.

Reporting methodology

Scope 1, 2 and 3 consumption and CO₂e emissions data has been calculated in line with the 2019 UK Government environmental reporting guidance. Emissions Factor Database 2021 version 1 has been used, utilising the published kWh gross calorific value ("CV") and kgCO₂e emissions factors relevant for reporting period 1 April 2021 to 31 March 2022.

All consumption data for Kinovo was complete for the reporting year, and as such no estimations were required.

For properties where Kinovo is indirectly responsible for utilities (i.e. via a landlord or service charge), an average consumption for properties with similar operations was calculated at meter level and applied to the properties with no available data.

Intensity metrics have been calculated using total tCO₂e figures and the selected performance indicator has been agreed with Kinovo for the relevant reporting period, including an employee headcount of 293.



2 Social value

Making a difference together

Creating social value is incredibly important to us and is something we have delivered for several years. Kinovo's customer base is distinguished by relationships with local authorities and housing associations, servicing the social and affordable housing sector. It also includes public buildings and education, as well as the commercial and private sector.

The introduction of PPN 06/20 in September 2020 has cemented our focus on social value, echoing the Government's key social value themes. In addition to fighting climate change through our environmental-focused activities we are actively:

Helping local communities to build prosperity within the communities by creating new businesses, jobs and skills

- We help those in need: local food banks, schools and community initiatives within the local areas where we work.
- We identify local suppliers in the communities where we operate to provide us with the products and services we deliver.
- We seek out small and medium-sized enterprises ("SMEs") which deliver exceptional service levels but which are often overlooked within formal, prescriptive tenders due to their size.

Committed to equal opportunity to reduce the disability employment gap and tackle workforce inequality

- Diversity, equality and inclusion ("DE&I") are key to what we stand for: equal opportunities are given to all those we seek to employ along with support for those who may be at a disadvantage.
- Our employees come from wide ethnic, religious and cultural backgrounds and this diversity is representative of the clients we serve as well as our suppliers and communities.
- Modern slavery is often an invisible challenge, as it exists within complex supply chains. To counter this, we have created a series of checks and processes to ensure that the incidence of modern slavery within our supply chain is limited/eradicated.
- We track a wide range of metrics to ensure we deliver on our values in this area.
- We offer job roles to those who may otherwise struggle to find employment based on their personal circumstances. This could be down to an individual's age, disability or lack of training. We aim to overcome whatever barrier there is and offer them a role within Kinovo. Once employed, on-the-job training is supplemented by internal and external training.

£36.3m
total impact of our social value*

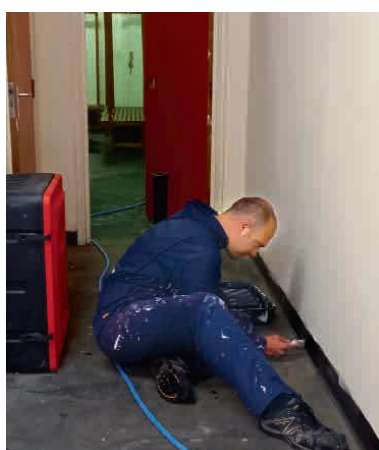
Community donations

£247,019
(IM113)

466
apprenticeship weeks
£107,646 (IM28)

2,720
staff learning intervention hours
£62,098 (IM33)

* Calculated by Thrive software based on ImpactUK framework which aligns directly with UK governments Social Value Model and PPN06/20 requirements



Case study: Adding social value

We always incorporate activities and initiatives that generate value for local people and communities into our bids, and in some cases this is a requirement. In these instances the value we add is measured by our clients.

One example is the work we do for Enfield Council where, amongst other activities, we provide repairs and maintenance for approximately 130 properties. As part of our contract, we committed to delivering £54,822 in social value between 2020 and 2022, by offering a job to a colleague who had been long-term unemployed, and by providing work experience, training opportunities, education and career support sessions, and volunteering.

We are enormously proud that the calculated total value delivered came in at **£686,590**, over twelve times our commitment, and representing a social and local economic value add of 55% on our contract value.

As well as being a fantastic outcome, we know that results like this only serve to strengthen our client relationships and our position to grow the size and scope of the work we do.

3 Governance

Evolving as one

Kinovo does not operate in a silo. We rely on valued partners for their support and we also impact many others. We see each stakeholder as critical to our success and it is vital that they feel valued as partners.

The Board takes into account the expectations and interests of its stakeholders when making decisions. To find out more about the Group's engagement with stakeholders in 2021/22 see page 24.

In 2022/23 we are rolling out a series of stakeholder communication programmes to understand our stakeholders' goals and ambitions, especially related to ESGM, and expectations from us as a partner.

We will also share our goals, values and vision with them, illustrating how they are a critical part of our collective journey, and we will elaborate on how they can support us. We will evaluate any new stakeholders to ensure they align with our values before allowing them to join us.

P41 Further information on our systems of governance can be found in the Governance Report



Mental wellbeing and people - supporting one another

At Kinovo, we believe a happy and healthy workforce will always deliver a better outcome and that the key to mental wellbeing at work is to have the right people in the right roles, with the right support.

We take a holistic view of our employees' welfare by ensuring we look after both their mental and physical wellbeing. We are also sympathetic to the fact that challenges at home can also impact a person's work.

- We have mental health workplace responders who can help spot signs of stress and can positively intervene. Our bi-annual "pulse" surveys can also highlight areas where staff are struggling with their mental and physical wellbeing.
- We actively engage with our staff to ensure we have a good understanding of their physical and mental wellbeing.
- We commit to undertake annual health surveillance checks.

- We have several Level 2 mental health workplace responders to identify when staff may be suffering from a mental health episode and to be able to offer support and signpost to relevant external organisations for additional help.
- We run the "Cycle to Work" scheme, part of the Green Commute Initiative, which is designed to promote a greener environment and healthier lifestyles.
- We recently introduced additional holiday days to every member of staff and ensure that they are taken periodically throughout the year.
- Moving forward, our support will include an Employee Assistance Programme ("EAP"), which means partnering with an external specialist company to help support our staff members whenever they need it.

P14 More information on how we support and invest in our people can be found on page 14



Our ESGM goals for 2023

Achieving our ESGM goals will be a marathon of positive disruption and discovery, not a sprint – for management, employees, clients and suppliers alike. We are delighted that our journey has already started with great momentum including our goal to reach net zero by 2040. Some may argue that 18 years or less is a very ambitious timetable, but we see it as a positive rallying cry to achieve what we must do for the good of our planet, our people and our profitability.

It is imperative that we put words into action and our performance will be tracked via metrics spanning our focus on the environment, our staff and our client interaction. Our ESGM goals (and how our progress will be measured) for our financial year, ending 31 March 2023, are as follows:

Environment

Carbon footprint

- Calculate our full carbon footprint spanning Scope 1 and 2 and material Scope 3 items (tCO₂e for each Scope and category)
- Set a net zero date
- Become carbon neutral by the end of 2023 via offsetting our Scope 1 and 2 emissions from within our operational boundary (net tCO₂e)

Energy

- All renewing electricity contracts to be from 100% renewable electricity (% electricity from renewable sources)

Moving away from fossil fuels

- Introducing additional EV and hybrid vehicles to our fleet (number of EV or hybrid vehicles introduced)
- Ensuring all our office locations have at least one EV charge point (number of EV charge points installed)

Social

Our people

- Issue a staff engagement survey seeking their views on several key topics/areas related to their work (% staff response and key survey results)
- Set up an Employee Assistance Programme (“EAP”)

Supply chain

- Engage all Tier 1/material suppliers on their ESGM journey via an ESGM assessment survey (% of Tier 1 suppliers that have completed the ESGM assessment survey)
- Create an ESGM Supplier Code of Conduct for all Tier 1/material suppliers to sign up to (% of Tier 1 suppliers that have signed the Supplier Code of Conduct)

Supporting communities

- Create a communities committee with an allocated budget and remit for community programmes (£ spent and hours committed)

Governance

- Issue an ESGM materiality survey to key clients and investors (% response from stakeholders asked to take part)



“
Achieving our ESGM goals
will be a marathon of positive
disruption and discovery.”



Mitigating our risks

The Board, through the Audit Committee, assesses the Group’s risks on an ongoing basis and maintains a risk register which is updated quarterly. Risk governance culture is embedded across the Group. There are three main types of risks faced by the Group:

- strategic risks;
- financial risks; and
- operational risks.

There are, from time to time, unprecedented risks that the Group faces outside of normal operations that can become material, such as Covid-19, which is discussed in the Chair’s Statement and Corporate Governance Report.

Strategic

Risk description	Mitigation	Changes
Profitable growth		
<p>Risk level: High</p> <p>Change: </p> <p>Our growth is dependent on our ability to win new business, and retain and increase the amount of work we do for our existing customers. It also relies on our ability to successfully bid, mobilise, operate and manage contracts profitably.</p> <p>Key risks: Not winning bids, mispricing bids, not understanding or meeting customers’ needs and failing to deliver expected levels of service, supply chain and material price increases and availability.</p> <p>KPIs associated with risk: Cash generation, PBT, forward visible revenues, customer compliance and customer satisfaction.</p>	<p>We have continued to develop our risk mitigation practices strengthening our bid team, mobilisation and contract management processes, as well as new systems of governance, financial systems and reporting, and operational oversight.</p> <ul style="list-style-type: none"> • The Executive management has oversight of bids submitted, ensuring they are priced appropriately. • We have a central and standard bid and mobilisation function to provide oversight of new business processes and contracts. • Our interdependent operational and finance systems achieve operational efficiencies and transparent reporting. • Our Group-wide IT system supports contract mobilisation and delivery, and provides real-time KPI data; any potential problems are identified early and accurately. • Productivity and efficiency are monitored and managed through engineers’ trackers and Personal Digital Assistants (“PDAs”). • Good relationships with a range of suppliers and sub-contractors. • Place bulk material orders to secure stock. • Continue to develop and train existing labour force through the ongoing apprenticeship schemes in place. • Mechanisms within client contracts that enable pricing reviews and uplifts aligned to cost increases. 	<ul style="list-style-type: none"> • Continue to diversify our skills base and invest in gaining energy efficiency accreditations including the relevant certification for electric vehicle charging and microgeneration schemes. • Incorporated social value targets into all our bids, and defined our ESGM strategy to set social value and environmental goals to support our sustainability credentials. • Further investment in our bid, sales and marketing teams will take place in 2023 to support defining and developing potential market and customer targets. • The disposal of DCB, subject to completion of current projects, exits the Group from the construction market.
Reputational management		
<p>Risk level: Low</p> <p>Change: </p> <p>Maintaining our reputation is vital to the success of our business. A loss in confidence from our customers and the residents we serve will affect our ability to retain and win business. This in turn can adversely affect our financial performance and growth prospects.</p> <p>Key risks: Failing to deliver expected levels of service or meet customer needs, inadequate financial control processes, failure to comply with regulatory requirements, an incident involving major harm to one of our people or clients/partners and corrupt practices involving fraud or bribery. In severe cases it could result in financial penalties, losses of key contracts, an inability to win new business and challenges in retaining key staff and recruiting new staff.</p> <p>KPIs associated with risk: EBITDA, PBT, client losses, service compliance, customer complaints upheld and accident rates.</p>	<p>The Board focuses on strengthening the Group’s reputation by providing a high-quality service, meeting or exceeding its client defined KPIs, and bringing social value to the communities it serves. Kinovo’s corporate governance structures ensure the Group and its people behave as good corporate citizens, through open and clear lines of communication, transparency and accountability.</p> <ul style="list-style-type: none"> • The Group uses the services of an independent Company Secretary, ONE Advisory, to support corporate governance and advise on improvements. • Kinovo adopts standardised Group policies that all subsidiaries must adhere to, including incident management, crisis management, gifts and hospitality, anti-bribery and corruption and whistleblowing. • Centralised back office and support functions ensure strong and regular communication between subsidiaries and Group level. 	<ul style="list-style-type: none"> • Communicated the Group’s strategy, purpose, mission and values with all staff. • Introduced values-based criteria into the staff appraisal system, performance-based bonus scheme and monthly staff recognition awards. • Published and communicated the Group ESGM strategy to all staff. Social value and environmental targets will be set with the baseline year to 31 March 2023. • Undertook a customer and stakeholder relationship management programme. • Group intranet (RWorld) used to communicate internally.

Financial

Risk description	Mitigation	Changes
Financial controls		
<p>Risk level: High</p> <p>Change: </p> <p>Ensuring we have strong financial controls, access to funding and effective cash conversion is essential to our ability to deliver our contracts and grow our business.</p> <p>Key risks: Cash flow issues, increased cost of borrowing, failure to meet financial obligations and deliver our services, inability to pay our staff and suppliers, and inaccurate financial forecasts leading to poor business decisions.</p> <p>KPIs associated with risk: Revenue, EBITDA and net debt.</p>	<p>We have financial control procedures to oversee and monitor financial performance and cash conversion including daily monitoring of bank balances, weekly cash flow reporting and regular financial performance and balance sheet reviews, which include detailed working capital reviews and forecasts.</p> <p>We have good banking, debt finance and equity relationships and improving levels of gearing for our business.</p> <ul style="list-style-type: none"> Centralised treasury function, actively managing cash flows on both a daily and longer-term basis. Centralised financial IT systems. Group-wide governance systems for the reporting of commercial elements of new bids to allow for accurate financial forecasting and planning. Segregated operational and financial supervisory duties within the contract management team. Engagement of third party consultant to manage the costs to complete on the DCB (Kent) Limited ("DCB") construction projects. 	<ul style="list-style-type: none"> Completed a review of the internal systems and finance function and confirmed that the department works efficiently and effectively without the need for external support. Continued to harmonise and streamline reporting across the Group. Continued to invest in our finance function to ensure it is adequately resourced and that there was no diminished report and control environment as a result of lockdown under Covid-19.
Compliance and regulation		
<p>Risk level: Medium</p> <p>Change: </p> <p>Delivering on our contractual obligations and meeting and reporting against agreed service levels directly affects our ability to retain and win new business. In order to conduct our business, we need to work to regulatory frameworks and comply with legal requirements.</p> <p>Key risks: Financial penalties, legal notices, contractual penalties, early contract termination, inability to bid for certain contracts and damage to our reputation.</p> <p>KPIs associated with risk: Revenue, cash conversion, net debt and customer compliance.</p>	<p>Overall responsibility for HSE, service delivery and ensuring staff have the right qualifications and understand their legal obligations lies with the centralised Executive management and the COO and CEO specifically.</p> <ul style="list-style-type: none"> Group-wide Compliance Committee. Centralised HR to oversee training and skills needs. Standard operating procedures to ensure consistent service delivery for employees. Subsidiaries follow internationally recognised management systems for quality as required for their services. All staff accreditation and qualifications are up to date and maintained. Call administration and contract administrators work together to ensure timely responses. Operational and financial supervisory duties within contract management teams are segregated. Engagement of third-party industry experts to effectively manage the completion of the DCB (Kent) Limited construction projects. 	<ul style="list-style-type: none"> Individual skills and development plans developed for all staff. The disposal of DCB, subject to completion of current projects, exits the Group from the construction market.

Operational

Significant health, safety or environmental incident		
<p>Risk level: Medium</p> <p>Change: </p> <p>Due to the nature of our work, the potential to cause significant harm to our employees, our business partners or members of the public, or to damage the environment will always exist. We are committed to safeguarding our people and protecting the environment wherever we operate.</p> <p>Key risks: Injury or loss of life for both employees and customers, damage to reputation, and loss of confidence from our customers and residents.</p> <p>KPIs associated with risk: Accident rates, customer complaints upheld, customer satisfaction and customer compliance.</p>	<p>Kinovo is committed to the highest standards of safety, health, environment and quality ("SHEQ") performance.</p> <ul style="list-style-type: none"> Performance is monitored through our certified ISO Health and Safety, Quality and Environmental Management Systems. Centralised SHEQ function to maintain consistency and quality across the Group. In addition to annual audits by the governing body, weekly inspections are conducted and external advisers carry out audits each month or more if required. Staff are required to report incidents immediately and these are reported in detail at each Board meeting to identify any failings that led to an incident, and how improvements can be made. The Compliance Committee monitors and oversees health and safety strategy and performance, regulatory compliance and risk management. The centralised HR department provides oversight of training requirements. 	<ul style="list-style-type: none"> All staff policies are available on the Group intranet system (RWorld) and are provided as part of the employee induction process. Continued to follow Covid-19 related health and safety guidelines and provided PPE to staff.

Risk management and principal risks continued

Operational continued

Risk description	Mitigation	Changes
IT		
<p>Risk level: Medium/low</p> <p>Change: </p> <p>We are reliant on our IT infrastructure to be able to conduct our work. IT provides the platform for our contract management and business support activities. We are reliant on these systems to improve our operational efficiency and they provide the foundation for our administrative functions and financial reporting.</p> <p>Key risks: Inability to deliver services on time and efficiently, inaccurate financial and operating reporting, inability to raise invoices on work completed and reputation damage.</p> <p>KPIs associated with risk: First-time fix, customer complaints upheld, customer satisfaction, revenue and PBT.</p>	<p>The Group operates a centralised IT infrastructure and uses technology to communicate with its customers. Residents are demanding increasingly sophisticated and personalised communication channels to engage with their landlord and their repairs service provider to track and manage repair histories and to manage reactive repairs. Tenant engagement and empowerment remains a high priority, as the sector strives to embrace digital inclusion. Ensuring these systems are secure, current and available is a high priority for the Group.</p> <ul style="list-style-type: none"> • Central IT system ensures consistent service delivery and reporting, financial reporting, procurement, HR communications and IT security. • IT system integrated across subsidiaries to support contract mobilisation and delivery. Service delivery data is accessed and reported in real time. • IT security systems and policies to mitigate against systems failure and potential cyber-attacks. • Upgrading of PDA devices for security and Cyber Essentials. • Daily IT systems and security checks and full security audits conducted annually. • Group-wide intranet system (RWorld) used to communicate both internally and externally to ensure all engineers have visibility in the field. • Use open platforms such as MS Teams to ensure a high level of availability and accessibility including on-site PDAs. 	<ul style="list-style-type: none"> • Installed a new telephone and reporting software that includes web chat to improve engagement with our residents and to improve efficiency. • Improve our AccuServ system (a robust asset management and data input system), including a “find my engineer” for residents.
Attracting and retaining skilled people		
<p>Risk level: High</p> <p>Change: </p> <p>Attracting and retaining skilled people at all levels of the business is critical to the sustainability of the business. This is particularly the case in ensuring we have access to a diverse range of views and experience and in attracting expertise at both managerial and operational levels where the market is increasingly competitive. We need to maintain good relations with our staff, and invest in their training and the development of their careers.</p> <p>Key risks: Inability to motivate and retain talent, poor service levels, unable to fulfil contractual obligations and the need to rely on contract staff impacting service quality and financial performance.</p> <p>KPIs associated with risk: Customer satisfaction, customer complaints and PBT.</p>	<p>We offer all our staff opportunities to develop their careers and gain wider experience. We provide training and competency at all levels of the business from apprentices to senior management, and ensure that we can successfully manage the changing profile of the Group. A succession plan exists for key management and incentive programmes are in place.</p> <ul style="list-style-type: none"> • Centralised HR function oversees skills and people requirements. • Dedicated internal recruitment resource. • Group share incentive plan and management share option schemes. • Values-based staff appraisals to ensure consistent measurements are used to benchmark performance, identify talent and manage succession. • Individual skills and development plans in place. • Apprenticeship schemes in place and support of staff through higher education to develop skills and competencies. • Succession planning for key management and talent programme to provide the experience, skills and training needed to take on management positions. • RWorld used to communicate internally. • All job vacancies advertised internally and existing staff are encouraged to seek promotions and apply for new opportunities. 	<ul style="list-style-type: none"> • Monthly “pulse” surveys to be introduced in 2022 to better understand staff concerns. • Reviewed pay and benefits packages to make them more competitive in order to attract and retain staff; introduced pay banding. • Introduced performance related bonus scheme, with first bonus paid in 2022. • Promoted the Group purpose, vision, mission and values internally. • Introduced employee of the month. • Introduced annual health check to include both physical and mental health; mental health workplace responders available. • Plan to establish a Diversity and Inclusion Internal Council, which will be the interface of our ESGM Committee and our workforce.



Corporate governance

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An experienced Board

The Board is responsible for the Group's systems of financial controls and maintaining robust operational controls. The Board comprises three Non-Executive Directors and two Executive Directors.



Sangita Shah

Non-Executive Chair



Date of appointment

19 December 2014

Experience

Sangita is a qualified accountant and has extensive experience in corporate finance, journalism and senior consultancy. Sangita brings with her a wealth of AIM listed and public market experience. She has held a number of senior roles within blue-chip organisations, including Unilever, Mars, Ernst & Young and KPMG and is a past President of the Chartered Institute of Journalists. Sangita is also a regular consultant to a number of companies and to HM Cabinet Office. Sangita is a frequent keynote speaker in forums for the Windsor Leadership Trust, European Parliament and European School of Management.

External appointments

Non-Executive Chair of AIM traded RA International Group plc, Non-Executive Director of Inspired plc, a Director of NASDAQ listed Forward Industries Inc., a Director of Global Reach Technology EMEA Limited, and a Director of the Quoted Companies Alliance.

Committees

Audit and Remuneration (Interim Chair).



David Bullen

Chief Executive Officer

Date of appointment

17 April 2019

Experience

David joined Kinovo in April 2019 from Boleyn International Ltd, a strategic management consultancy he founded in 2016. A turnaround specialist, David brings an impressive track record of creating substantial shareholder value as CEO at Anpario plc. He joined Anpario in 2007, moving on to become COO in 2009 and CEO from 2011 to 2016, where he oversaw growth in revenue and profits, leading to a four-fold increase in share price. Prior to Anpario, David spent eight years at Novartis, where he held several senior positions both in the UK and abroad.

External appointments

Boleyn International Ltd.



Clive Lovett

Group Finance Director



Date of appointment

29 November 2018

Experience

Prior to joining Kinovo, Clive was Group Finance Director at St. Ives plc from 2010 to 2018, the international digital transformation group now called Kin and Carta plc, where he was Group Finance Director for its St. Ives Marketing Activation ("SIMA") division, comprising print and marketing services businesses. At SIMA, he was part of the leadership team that undertook the successful restructuring of the businesses prior to its sale in early 2018. Clive has held senior finance roles at Informa Ltd., part of Informa plc, and IBC Business Publishing. Clive qualified as a Chartered Accountant in 1989.

External appointments

None.

Committees

Audit.



Kim Wright

Non-Executive Director



Date of appointment

1 April 2022

Experience

Kim brings 30 years of public sector experience having enjoyed a long career in local government. She has worked with some of London's biggest councils operating at senior level for nearly 20 years. Kim is currently Chief Executive of the London Borough of Lewisham and was previously Group Director of the Neighbourhoods and Housing Department for the London Borough of Hackney. Kim is a graduate of Loughborough University and a Fellow of the Institute of Leadership and Management.

External appointments

London Borough of Lewisham and GLL Sports Foundation.

Committees

Remuneration (appointed Chair post year end).



David Guest

Non-Executive Director



Date of appointment

10 December 2019

Experience

David was appointed to the Board as Non-Executive Director in December 2019, and brings significant audit and accountancy experience. Having qualified as an accountant over 28 years ago, David is a member of the Institute of Chartered Accountants in England and Wales and is currently the Senior Audit Partner at UHY Hacker Young in Brighton. He has extensive experience advising both UK and international companies on AIM.

External appointments

Akyan Town Apartments Limited, Brighton Registrars Limited, BTVI Limited, Cayuga 005 Limited, Gate Technology Systems Ltd, Malamaf Consultants Ltd, Pebble House Limited, Photobook Shop Ltd, Plano Logic Ltd, River Oaks Holdings Limited, River Oaks Homes Ltd, River Oaks Lewes Limited, River Oaks Limited, River Oaks Southdowns Ltd, River Oaks Sussex Limited, Southdowns Park Limited, T & L Commercial Investments Limited, Talco Mondial Limited, TGL Property Investments Ltd, UHY Cloudbooks Ltd and UHY Hacker Young (S.E.) Limited.

Committees

Audit (Chair) and Remuneration.

About the Board

Summary of skills brought to Kinovo

Housing and specialist property services	3/5
Corporate governance and compliance	5/5
Financial	3/5
Business growth and transformation	4/5
Previous PLC experience	4/5

Gender



Key to Committees

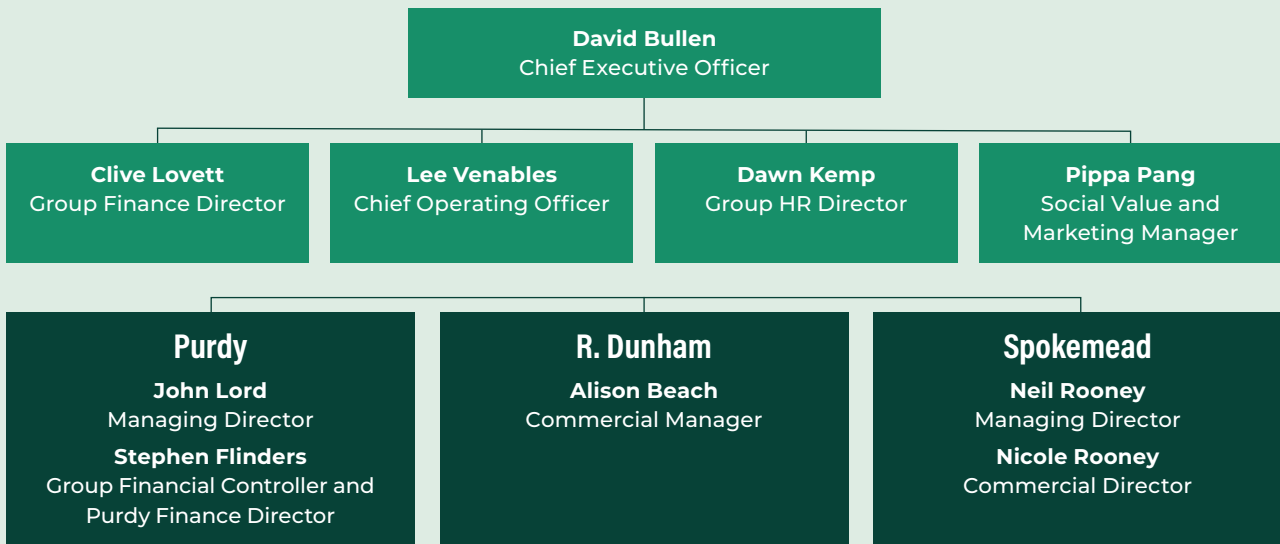
- A Member of Audit Committee
- R Member of Remuneration Committee
- Chair of Committee

Senior Leadership Team

Day-to-day management of the Group is headed by a highly experienced Senior Leadership Team, led by the Chief Executive Officer.

The management structure is designed to allow Kinovo’s three subsidiaries to work independently, while sharing centralised back office and team support, fostering collaboration through the bid process and a consistent high level of customer service delivery. All staff have clear lines of communication from the top down and bottom up as part of the Group’s governance and risk management structures.

The Board Senior Leadership Team



Central services



Strong governance practices

Dear Shareholder,

As Chair of the Board of Directors of Kinovo plc, it is my responsibility to ensure that Kinovo has both robust corporate governance and an effective Board. As Chair, my responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, communicating with shareholders, and ensuring effective communication between Executive Directors and Non-Executive Directors in a timely manner.

Kinovo adopts the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), in line with the London Stock Exchange's changes to the AIM Rules. This report follows the QCA Code guidelines and explains how we have applied the guidance. We will provide annual updates on our compliance with the QCA Code. The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and will disclose any areas of non-compliance in the text below, or on the Company's website.

The Board believes that the adoption of the QCA Code supports the Company's medium to long-term development whilst managing risks and provides an underlying framework of commitment and transparent communications with stakeholders. It also seeks to develop the knowledge shared between the Company and its stakeholders.

Key governance changes through the year included the change of Company name to Kinovo plc as part of the Company's rebranding strategy, the appointment of a new Non-Executive Director, Kim Wright, and the resignation of Non-Executive Director Caroline Tolhurst.

Strategy, risk management and responsibility

A description of the Company's business model and strategy can be found on pages 8 and 12 and the key challenges in their execution are detailed on pages 34 to 36.

The Board is responsible for establishing and maintaining the Group's systems of internal financial controls and importance is placed on maintaining robust operational controls. The Audit Committee (see page 43) has delegated responsibility for the oversight of the Company's risk management and internal controls and procedures and for determining the adequacy and efficiency of internal control and risk management systems. The Board continuously monitors and upgrades its internal control procedures

and risk management mechanisms and conducts an annual review, when it assesses both for effectiveness. This process enables the Board to determine if the risk exposure has changed during the year and these disclosures are included in the Annual Report. In setting and implementing the Company's strategies, the Board, having identified the risks, seeks to limit the extent of the Company's exposure to them having regard to both its risk tolerance and risk appetite. As part of the strategic review, involving all parts of the organisation, the Company has re-pivoted its strategy around the pillars of Regulation, Regeneration and Renewables. Underpinning this transformation, the Company has rebranded to Kinovo plc. Further details on the Company's risk management and internal controls can be found on pages 34 to 36.

The Board

At the date of this report, the Board has five members, whose biographies and roles are set out on pages 38 and 39, and can also be found on the Company's website, www.kinovopl.com.

The Directors believe that the Board has a broad range of commercial and professional skills which enable it to discharge its duties and responsibilities effectively. Moreover, the Directors are assured that the Non-Executive Directors have sufficient experience and skills to enable them to provide the necessary guidance, oversight and advice for the Board to operate effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Board further believes that the skill sets of the Chair and Non-Executive Directors are appropriate and beneficial for all shareholders and stakeholders, and that they offer key expertise to the Executive Directors that is advantageous for the Company.

As at 31 March 2022, Sangita Shah has an interest in 869,622 (1.40%) ordinary shares, but the Board does not believe that this shareholding is significant enough to impact Ms Shah's independence. Neither David Guest nor Kim Wright have an interest in the Company. All Directors are encouraged to challenge and to bring independent judgement regarding all matters, both strategic and operational.

The time commitment formally required by the Board is such that each Director will devote as much time as is required to carry out the roles and responsibilities that the Director has agreed to take on. The Chair and Non-Executive Directors endeavour to ensure that their knowledge of best practices and regulatory developments is continually up to date by attending relevant seminars and conferences.

Board meetings are open and constructive, with every Director participating fully. Senior management may also be invited to meetings, providing the Board with a thorough overview of the Company. The Board aims to meet at least six times in the year and a calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. The Directors meet formally and informally both in person and by telephone. Board document authors are made aware of proposed deadlines through the calendar of meetings assembled at the beginning of the year. Board papers are collated, compiled into a Board pack, and circulated with sufficient time before meetings, allowing time for full consideration and necessary clarifications before the meetings.

There were six scheduled Board meetings held during the financial year. The table below sets out attendance statistics for each Director at Board and, where relevant, Committee meetings held during the financial year.

Lee Venables, Chief Operating Officer of the Company, attended six Board meetings and continues to provide support and information to the Directors where requested.

Director	Board (6 meetings held)	Audit Committee (2 meetings held)	Remuneration Committee (1 meeting held)
Sangita Shah	6	2	1
David Bullen	6	—	—
Clive Lovett	6	2	—
David Guest	5	2	1
Caroline Tolhurst*	6	—	1

* Resigned on 31 March 2022.

Corporate governance report continued

The Board continued

To enable each Director to keep their skill set up to date, individual training needs are identified as part of the annual Board evaluation process and training is provided as required. All Directors receive regular updates on legal, regulatory and governance issues. The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board. The Board agreed that appointments to the Board are made by the Board as a whole and so has, thus far, not created a Nominations Committee.

Advisers

The Company engages the services of ONE Advisory Limited ("ONE Advisory") to act as independent Company Secretary. ONE Advisory is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation and works with the Chair to maintain high standards of corporate governance. ONE Advisory also provides Board support through attendance at Board and Committee meetings, assistance with shareholder meetings, and MAR compliance.

All Directors have access to the advice of the Company's solicitors as well as access to independent professional advice, at the Company's expense, as and when required. During the year, the Board sought legal advice in relation to the sale of the Company's non-core subsidiary, DCB (Kent) Limited.

The Company holds appropriate insurance cover in respect of possible legal action against its Directors. The Company's NOMAD supports the Board's development, specifically providing guidance on corporate governance and other regulatory matters, as required. All Directors may receive independent professional advice at Kinovo's expense, if necessary, for the performance of their duties.

Board evaluation

The Board is committed to conducting an annual evaluation of its effectiveness. The actions arising from the evaluation included ensuring sufficient skill sets for non construction based business, developing a programme of proactive risk and strategic management.

Culture and social responsibility

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture and performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders, and that shareholders have ample opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. Throughout the year, the Board renewed its focus on culture and took steps to demonstrate its commitment to its stakeholders, such as the introduction of a new staff intranet, increased opportunities for internal development and training, the rebranding of the Group, and the roll-out of an employee feedback questionnaire.

The Company is fully committed to ensuring that we embed the highest quality of standards in all that we do and the communities that we provide. We aim to provide the highest of service standards and to sustain long-term partnerships with our customers. Reflecting on this, we take great pride in the fact that year on year we have consistently grown the number of properties we provide services for. Embedding all that we do and cognisant of our impact in the communities in which we operate, the Company has implemented the following policies: Corporate Social Responsibility Policy, Environmental Policy, Equality and Diversity Policy, Residents and Customers with Special Needs Code of Conduct, and Equal Opportunities Policy.

These policies form part of the Company's Employee Handbook and are also available on the staff intranet. The Company has a Whistleblowing Policy in place in order to discourage unethical business conduct, thus ensuring its employees are protected. These policies are reviewed annually and updated where relevant – and we are committed to ensuring that we formulate environmental and social indicators to measure our impact in the environments in which we operate within a sustainable framework.

Shareholder objectives and communication

In addition to the publication of half-year and full-year results statements, the Company provides frequent trading updates and makes its senior management team available to meet with shareholders, when there is opportunity for shareholders to voice their concerns, thoughts or needs. The Company's AGM provides an opportunity for shareholders to meet with the Company and there is an opportunity for shareholders to ask questions. Shareholders were encouraged to appoint the Chair of the 2021 AGM as their proxy to enable them to exercise their voting rights but were able to attend in person whilst adhering to social distancing guidelines.

The Company seeks to engage with shareholders through updates to the market via Regulatory News Service announcements on matters of a material substance and regulatory nature. The Company's engagement methods with stakeholders are further detailed in the Company's Section 172 statement on page 24.

Sangita Shah
Non-Executive Chair
19 August 2022

Strengthening our financial reporting



David Guest
Chair of the Audit Committee

Dear Shareholder,

I present my Audit Committee (“Committee”) Report for the year ended 31 March 2022, which has been prepared by the Committee and approved by the Board.

The Committee comprises me, David Guest, Sangita Shah and Clive Lovett and aims to meet at least three times per annum. Meetings are also attended by others, by invitation, including the auditor and the Chief Executive Officer, David Bullen. I was appointed as Chair of the Committee upon my appointment as a Director of the Company in December 2019. The Committee continues to be satisfied that I have sufficient relevant financial experience to fulfil my duties as Committee Chair.

Responsibilities

The Audit Committee, operating under its Terms of Reference which are reviewed annually, has the following responsibilities:

Financial reporting

- Monitor the integrity of the financial statements of the Company, including its annual and half-yearly, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

- Review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- Compile a report to shareholders on its activities to be included in the Company Annual Report, in addition to reporting formally to the Board on the Committee’s proceedings after each meeting on all matters.

External audit

The Committee shall agree the scope of the annual audit in advance, focusing on areas of audit risk and the appropriate level of audit materiality. The Committee will engage in discussions with the auditor regarding fees, internal controls, accounting policies and areas of critical accounting estimates and judgements.

The auditor will report to the Committee on the results of the audit work and highlight any issue which the audit work has discovered, or the Committee had previously identified as significant or material in the context of the Company’s financial statements. The Committee will meet with the auditor at least once per year without management being present to discuss its remit and any issues arising from the audit.



I am confident we now have adequate reporting, controls and processes within the Group.”

Risk management and internal controls

The Committee shall keep under review the adequacy and effectiveness of the Company’s internal financial controls and risk management systems, will monitor the proper implementation of such controls, and will review and approve the statements to be included in the Annual Report concerning internal controls and risk management. The Committee will use a risk matrix to provide an accurate picture of the prominent risks faced by the Company and the ways in which they might be mitigated.

The Committee also has a responsibility to review the adequacy of the Company’s arrangements for its employees and contractors to confidentially raise any concerns about possible wrongdoings regarding financial reporting. In addition, the Committee is charged with reviewing Company procedures for detecting fraud and the systems and controls put in place to prevent bribery and market abuse.

Significant issues considered by the Audit Committee during the year

During the year, the Committee concluded that the Annual Report and financial statements, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company’s and the Group’s financial position, performance, business model and strategy.

Audit Committee report continued

Significant issues considered by the Audit Committee during the year continued

During the year, the Committee's primary activity involved periodic meetings to consider material issues within the Group (particularly in the second half), liaising with the external auditor, considering material issues and areas of judgement, and reviewing and approving the interim and year end results and accounts.

The principal areas of focus during the year were:

- after the completion of our review of the internal systems and finance function last year, we continued to keep the development of the finance function under review, and improved where necessary;
- harmonising and streamlining reporting across the Group;
- investing in our core finance group to ensure that it is adequately resourced;
- ensuring there was no diminished reporting and control environment as a result of Covid-19. Although this was also a concern for last year, this concern and focus have continued;
- continuing our review of the relationships and terms with our external professionals. We conducted a successful tendering process for the external audit function between November 2020 and January 2021. Although we had three strong proposals, due to the impact of the third lockdown commencing in January 2021 announced by the Government, we delayed the decision on the appointment of an auditor until after the 2021 financial statements had been signed off. I am happy to say that we decided to reappoint the existing auditor for at least another term. With its knowledge of the DCB (Kent) Limited ("DCB") reporting considerations, and the now known issues associated with the subsidiary the Committee believes that this was a good decision; and

- following the sale DCB (Kent) Ltd, we focused on reviewing management papers on accounting, accounting judgements, disclosures and the overall impact on the results, to ensure the Annual Report shows a balanced and fair representation of the financial impact of the sale, so that readers fully understand the impact on the results for this year and next. In this respect, I would draw your attention to Discontinued Operations on page 22 in the Financial review, critical judgements in applying the Group's accounting policies on page 65 in note 4.1, Sale of business on page 84 in note 30, and Events after the balance sheet date on page 85 in note 32.

As a result of the above, I am confident we now have adequate reporting, controls and processes within the Group.

The Committee reviewed the full-year and half-year results announcements and considered matters raised by the external auditor identifying certain issues requiring its attention. The Committee also reviewed the Strategic Report and concluded that it presented a useful and fair, balanced and understandable review of the business.

In the coming year, in addition to the Committee's ongoing duties, the Committee will:

- further review relationships and agree terms with all external professionals;
- conduct a full review of internal systems and the finance function to ensure that the changes made up to now continue to show efficiencies and improvement in our monthly and annual reporting environment;
- assess the need for an internal audit function, having regard to the Company's strategy, growth and resources;
- carry out a review of our reporting framework to ensure compliance with further segmental reporting in the future; and

- carry out a review of the circumstances surrounding the sale and subsequent failure of DCB (Kent) Limited to fully understand the reasons for the losses and failure, and why the losses occurred so quickly.

Auditor's independence

The Committee approves the external auditor's terms of engagement and scope of work, the process for the interim review and the annual audit. It also meets with the auditor to review the written reports submitted and the findings of its work. It has primary responsibility for making recommendations to the Board on the appointment, reappointment and removal of the external auditor. The Committee, at least annually, assesses the independence, tenure and quality of the external auditor.

The Committee is also responsible for reviewing and monitoring the external auditor's independence and objectivity, tenure and the effectiveness of the audit process, taking into consideration relevant UK and other relevant professional and regulatory requirements. The Group has considered the auditor's independence and continues to believe that Moore Kingston Smith LLP is independent within the meaning of all UK regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

David Guest

Chair of the Audit Committee

19 August 2022



New Chair of the Remuneration Committee appointed



Sangita Shah
Interim Chair of the Remuneration Committee

Dear Shareholder,

I present my Remuneration Committee ("Committee") Report for the year ended 31 March 2022 which has been prepared by the Committee and approved by the Board.

I took over as Chair of the Committee following the resignation of Caroline Tolhurst from the Kinovo Board with effect from 31 March 2022 and post year end Kim Wright was appointed as Chair. Prior to this the Committee comprised Caroline Tolhurst, David Guest and me, Sangita Shah. The Committee meets at least twice during the year to consider recommendations as to the composition and level of remuneration for Executive Directors including incentive scheme arrangements and proposals for share option awards. In addition, it considers the Group-wide Pay Policy, employee benefits offered and arrangements for any performance related pay scheme and share option schemes for employees in general.

Responsibilities

The Committee's principal duties and responsibilities are set out in its Terms of Reference which are reviewed and reconfirmed annually. These include:

- determining the Group's policy on the remuneration of Executive Directors and any other senior Executives as designated by the Board and monitoring the policy for the remuneration of staff in general;
- reviewing the performance of the Executive Directors against their individual and corporate objectives and making recommendations to the Board on matters relating to the level and structure of their remuneration, including pension arrangements, and the terms of their service contracts;

- approving and overseeing the design and application of share incentive plans and any other such reward plan for recommendation to the Board and shareholders; and
- reviewing and recommending to the Board any share ownership guidelines applicable to Directors and monitoring their shareholdings based on such guidelines.

Executive bonuses are considered by the Committee at year end and in relation to the achievement of key performance metrics agreed between the Committee and the Executive team.

The Non-Executive Directors, whose remuneration is determined by the Board as a whole, receive fees in connection with their services provided to the Group, to the Board and to Board Committees.

A Group Pay Policy is in place setting out the principles upon which annual Group-wide pay reviews are carried out based on consistency, transparency, equality and fairness and the reward for performance and achievement of objectives. In addition, salary bands for families of roles within the organisation have been established. Reviews of salaries and benefits take into account external market rates and factors and are implemented from 1 April to enable the Group's performance over the preceding year and strategy for the forthcoming year to be considered.

Pett Franklin, specialist advisers in employee share plans and incentives, remain advisers to the Committee but no advice was sought from them during the year.

Significant issues considered by the Committee during the year

The Committee met once during the year. Significant issues considered were annual review of Executive Directors' pay, the payment of Executive bonuses, the renewal of the share investment plan for all employees and share incentive plans for senior management and Executive Directors.

With the Company having weathered the impact of Covid-19 the previous year when no salary increases had been given and in view of the considerable additional work put in by the Executive Directors during that year, at the beginning of the year the Committee undertook a review of Executive pay using external benchmark data as reference. Despite there still being considerable uncertainty around the future impact of Covid-19 and hence the outlook for the business it was agreed that both David Bullen and Clive Lovett be awarded 7% increases in their Executive Directors' salaries, being increases of £13,000 and £10,000 per annum respectively effective from 1 April 2021.

In view of the financial results herein reported no Executive bonuses were recommended for the year ended 31 March 2022.

In July 2020 the introduction of an annual Company Share Incentive Plan ("SIP") for the benefit of all employees including Executive Directors was approved. Details of the SIP and accumulated contributions can be found in note 28 Share Based Payments of the financial statements on page 81. In June 2021 and June 2022 the Committee approved the renewal of the SIP for a further year.

A Company Share Option Plan (CSOP) was established in October 2020 and in the year ended 31 March 2021 there were award of share options to senior managers and Directors. There were no further awards in the year to 31 March 2022.

In December 2020 the Committee approved the establishment of an Employee's Joint Ownership Plan (JSOP) and, in the year ended 31 March 2021, the entering into by the JSOP Trustee of a Joint Ownership Agreement (JOA) with the Executive Directors. There were no further invitations under the JSOP in the year ended 31 March 2022.

Further details of the CSOP and the JSOP can be found below and in note 28 Share Based Payments of the financial statements on page 81.

Remuneration Committee report continued

Directors' remuneration**a) Directors' total remuneration:**

The Directors' remuneration during the year is set out below:

2022	Salary £'000	Pension £'000	Taxable benefits £'000	Bonus £'000	2022 total remuneration £'000	2021 total remuneration £'000
Executive Directors						
David Bullen	229	—	—	—	229	215
Clive Lovett	160	16	—	—	176	165
Lee Venables (resigned 13 November 2020)	—	—	—	—	—	125
Chris Webster (resigned 13 November 2020)	—	—	—	—	—	86
Non-Executive Directors						
Sangita Shah	72	1	—	—	73	61
David Guest	35	—	—	—	35	34
Caroline Tolhurst (resigned 31 March 2022)	35	—	—	—	35	12
David Johnson (resigned 11 September 2020)	—	—	—	—	—	23
Total	531	17	—	—	548	721

As set out below, the Directors also have interests in various share plans. The share based payment charge relating to these plans for the year ended 31 March 2022 was £33,000 (2021: £3,000) for David Bullen and £10,000 (2021: £1,000) for Clive Lovett.

b) Directors' share plans:

Details of the interests in share options held by the Directors of the Company as at 31 March 2022 are set out below:

	Plan	Number of options	Date of grant	Exercisable	Exercise price
David Bullen	SIP	10,285	01/08/2020	31/07/2024	17.5p
Clive Lovett	SIP	10,285	01/08/2020	31/07/2024	17.5p
David Bullen	SIP	7,058	01/08/2021	31/07/2025	34.0p
Clive Lovett	SIP	7,058	01/08/2021	31/07/2025	34.0p
David Bullen	CSOP	85,714	05/03/2021	04/03/2024	35.0p
Clive Lovett	CSOP	85,714	05/03/2021	04/03/2024	35.0p
David Bullen	JSOP	250,000	21/12/2020	20/12/2023	26.0p
David Bullen	JSOP	1,414,286	05/03/2021	04/03/2024	35.0p
Clive Lovett	JSOP	414,286	05/03/2021	04/03/2024	35.0p

Directors' interests

The interests and beneficial interests of the Directors, who served during the year, in the shares of the Company are set out in the Directors' Report on page 47.

Consideration of employment conditions elsewhere in the Group

The Committee considers any general basic salary increase for the broader employee population when determining the annual salary increases for the Executive Directors.

Remuneration policy for 2022 and future years

Future salary awards and increases will be set in line with relevant market levels, and economic changes and to retain and attract high-quality Executives. Performance elements of remuneration for the current year have clearly defined and challenging targets that link rewards to business performance in the short and medium term. All variable elements of remuneration are subject to clawback or repayment in the event of serious financial misstatement or misconduct.

Sangita Shah

Interim Chair of the Remuneration Committee

19 August 2022

Directors' report

The Directors present their report and the Group financial statements for the year ended 31 March 2022. The following matters are reported by the Directors in accordance with the Companies Act 2006 requirements in force at the date of the Annual Report.

Principal activities

Kinovo provides a vital one-stop shop of specialist services to local authorities, housing associations, public buildings, education and the private sector, supporting clients to live, work and learn safely and comfortably in their respective environments. Our services are centred on regulatory compliance requirements and building regulations, home and community regeneration and supporting sustainable living through the installation of efficient and greener energy alternatives.

More information can be found on page 2.

Business model

Our business model is to provide renewables, regeneration and regulatory services more competitively, at a higher standard and more efficiently than our customers can themselves. We compete in the market as an outsourced service provider, by striving to offer a better, more reliable and more efficient service that meets our customers' own service KPI requirements.

The Company's growth is driven in two ways:

- organic growth through the winning of new customers and increasing services to existing customers; and
- acquiring established businesses operating in the same or related markets.

Additional detail on the business model can be found on page 8.

The Company benefits from operating in a market with long-term growth prospects. More information on our markets can be found on page 6.

Strategic priorities

Our aim is to become market leaders by growing our business organically and through acquisition. We have redefined the Group's strategic focus under three pillars – Regulation, Regeneration and Renewables – which ensures we are prepared for the ongoing stringent requirements for households to meet regulations and compliance, the continuing need for improvements to the housing stock and construction of affordable homes, and the UK Government's ambition to meet net-zero carbon emissions by 2050.

Our guiding principle is to provide an exceptional service to residents and customers and continually improve our offering. We do this by working closely with our employees, customers, suppliers and wider stakeholders to monitor our performance and to identify areas where we can make improvements.

Each year the Board and management set strategic priorities and monitor performance against them throughout the year. The strategic priorities together with the progress made in the year ended 31 March 2022, as well as the strategic priorities for the year ended 31 March 2023, can be found on page 12.

Business review

The Company is required to set out a fair review of the business of the Group during the reporting period. The information that fulfils this requirement can be found in the Strategic Report. The results of the Group can be found within the Consolidated Statement of Comprehensive Income set out on page 54. Information required to be disclosed in respect of future developments can be found on page 10 and principal risks and uncertainties are included on pages 34 to 36.

Directors

The present membership of the Board is set out below with further biographical detail on pages 38 and 39.

The Directors who served during the year and to date were as follows:

Name of Director	Board title	Date of appointment	Resigned
David Bullen	Chief Executive Officer	17 April 2019	
David Guest	Non-Executive Director	10 December 2019	
Clive Lovett	Group Finance Director	29 November 2018	
Sangita Shah	Non-Executive Chair	19 December 2014	
Caroline Tolhurst	Non-Executive Director	1 December 2020	31 March 2022
Kim Wright	Non-Executive Director	1 April 2022	

The interests and beneficial interests of the Directors in the shares of the Company at 31 March 2022 are set out below:

	Beneficial/ non-beneficial	At 1 April 2021 or date of appointment	Movement in year	At 31 March 2022	At 31 March 2022 %
Executive Directors					
David Bullen	Beneficial	1,224,487	170,570	1,395,057	2.25
Clive Lovett	Beneficial	454,545	95,570	550,115	0.89
Non-Executive Directors					
Sangita Shah	Beneficial	719,622	150,000	869,622	1.40
David Guest	Beneficial	—	—	—	—
Caroline Tolhurst	Beneficial	—	—	—	—

In addition, David Bullen and Clive Lovett have an interest in SIP, CSOP and JSOP share awards (which are held in trust by RBC Cees Trustee (Nominees) Limited). The movement in year includes 10,285 matching shares, for each of David Bullen and Clive Lovett, issued under the SIP, which also have the characteristics of a share option. They are also disclosed in Directors interest in share plans above. Additional details are set out in the Remuneration Committee Report and in note 28.

Capital structure

The Company is financed through both equity share capital and debt. Details of changes to the Company's share capital are given in note 24 to the consolidated financial statements. The Company has a single class of ordinary shares of 10 pence each, with no right to any fixed income and with each share carrying the right to one vote at the general meetings of the Company.

Under the Company's Articles of Association, holders of ordinary shares are entitled to participate in any dividends pro rata to their holding.

The Board may propose and pay interim dividends and recommend a final dividend for approval by the shareholders at the Annual General Meeting ("AGM"). A final dividend may be approved by the shareholders in a general meeting by ordinary resolution but such dividend cannot exceed the amount recommended by the Board.

Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom ("UK") and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice FRS 101 (United Kingdom Accounting Standards and applicable law).

The financial statements are required by law and IFRS adopted by the UK to present fairly the financial position of the Group and Company and the financial performance of the Group; the Companies Act 2006

provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS adopted by the UK, and for the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Kinovo plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to the auditor

The Directors who were in office at the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and establish that it has been communicated to the auditor.

Auditor

Moore Kingston Smith LLP has indicated its willingness to continue in office. As set out in the Audit Committee Report we conducted a tendering process during the year and are keeping the auditor appointment under review.

By order of the Board,

Clive Lovett
Group Finance Director
19 August 2022

Substantial shareholdings

As at 31 March 2022, the Company has been notified of, or is aware of, the shareholders holding 3% or more of the issued share capital of the Company, as detailed below:

Name of holder	Number of shares	Percentage
Tipacs 2 Limited	7,594,680	12.22
Western Selection plc	7,500,000	12.07
Thornbridge Investment Management	6,077,235	9.78
Premier Miton Group	4,839,231	7.79
Ruffer LLP	4,655,000	7.49
Nicholas Slater	2,500,000	4.02
Amati Global Investors	2,155,010	3.47



Financial statements

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Independent auditor's report to the members of Kinovo plc

for the financial year ended 31 March 2022

Qualified opinion

We have audited the financial statements of Kinovo Plc (the 'group') for the year ended 31 March 2022 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 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, except for the effects of the matter described in the Basis for qualified opinion section of our report, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2022 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 qualified opinion on group financial statements

DCB (Kent) Limited was disposed of during the year and is consequently presented as a discontinued operation in the Consolidated Statement of Comprehensive Income, to which it contributed a loss of £13,144,000 during the year. This loss comprises the loss for the period up to the date of disposal of £549,000 and a loss on disposal of £12,595,000, disclosed within note 30. Following its sale and subsequent administration the accounting records and all other supporting documentation needed to audit DCB (Kent) Limited's contribution to the group's comprehensive income during the period were not available to us, and we were unable to obtain sufficient appropriate audit evidence in respect of this contribution using alternative means.

In addition, were any adjustment to these figures to be required, the strategic report would also need to be amended.

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 group 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 group 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 qualified 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, with the exception of DCB (Kent) Limited for the reasons set out above.

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

Emphasis of matter

We draw attention to note 32 in the consolidated financial statements, which describes the costs to complete in relation to the contracts entered into by DCB (Kent) Limited that DCB (Kent) Limited was unable to fulfil due to going into administration. Due to the parent company guarantee put in place prior to the disposal of DCB (Kent) Limited, the group is liable for completion of the contracts and has estimated the costs based on the advice of the external qualified surveyors, who have assessed the net costs to complete for the 9 ongoing projects to be in the region of £4.0 million plus professional fees and expenses.

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

Key audit matters

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

The key audit matters were:

- Revenue recognition and valuation of accrued Income
- Carrying value of intangible fixed assets
- DCB (Kent) Limited's contribution to the Consolidated Statement of Comprehensive Income
- Disposal of DCB (Kent) Limited
- Going concern

Key audit matters continued

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

Audit area and description	Audit approach
<p>Revenue recognition and valuation of accrued income</p> <p>The Group had carried out work for customers during the year that had not been invoiced at the reporting date, which totalled £5,247,000 (2021: £8,634,000), as detailed in note 19. Income has been recognised in respect of work carried out prior to the reporting date in accordance with the Group's income recognition policy, and in line with the income recognition principles outlined in IFRS 15.</p>	<p>We selected a sample of contracts where income had been recognised but not invoiced at the year end and:</p> <ul style="list-style-type: none"> • Confirmed that the calculations were arithmetically correct; • agreed the calculations to invoices raised after the year end; and • agreed that the work was performed prior to the year end. <p>In addition, we reviewed the adequacy of the disclosures under IFRS15, and performed revenue cut-off testing to cover the risk of fraud.</p>
<p>Carrying value of intangible fixed assets</p> <p>As a result of the acquisitions made during prior periods, intangible assets represent a significant part of the total assets of the group. The intangible assets arising on acquisition largely comprise goodwill of £4,192,000 (2021: £5,543,000) and customer relationships of £385,000 (2021: £2,489,000), as detailed in note 15.</p>	<p>We critically assessed the Directors' assertion that no impairment was required by reference to trading performance and forecasts.</p> <p>We considered the appropriateness of the amortisation policy for customer relationships and reviewed the customer contracts to ensure these are still in existence. We have recalculated the amortisation charge.</p>
<p>DCB (Kent) Limited's contribution to the Consolidated Statement of Comprehensive Income</p> <p>As stated in the Basis for qualified opinion paragraph above, we have been unable to obtain sufficient appropriate audit evidence in respect of the accounting records of DCB (Kent) Limited.</p>	<p>As set out in the Basis for Qualified opinion above, we have qualified our opinion in respect of the contribution of DCB (Kent) Limited to the Consolidated Statement of Comprehensive Income for the reasons set out in that paragraph.</p>
<p>Disposal of DCB (Kent) Limited</p> <p>The accounting treatment of the disposal of DCB (Kent) Limited included significant judgements over the timing of the disposal, whether the timing of the costs to complete was an adjusting or non adjusting post balance sheet event and the timing of write offs, as detailed in notes 4(e), 4(f) and 4(g) respectively.</p>	<p>We critically assessed the Directors' board papers covering each of these judgement areas, independently evaluating the Directors' assertions in light of the available evidence.</p> <p>We considered evidence which contradicted the Directors' assertions as part of this process, as well as evidence which corroborated them.</p> <p>We concluded that the Directors' judgements were on balance appropriate in light of the available evidence, and reviewed the appropriateness of the Directors' financial statement disclosures in respect of these matters.</p>
<p>Going concern</p> <p>As detailed in note 2.1, there are several significant judgements which have been required to be made in the Directors' assessment of the going concern status of the group and specifically whether a material uncertainty exists in relation to going concern.</p>	<p>As noted in the material uncertainty related to going concern paragraph beneath, there are events or conditions which indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. The audit work we have conducted in this area is described in the paragraph referred to above.</p>

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 £669,330 based on one percent of revenue from both continuing and discontinued operations 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 £334,665.

We agreed to report to the Audit Committee all audit differences in excess of £33,470, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Material uncertainty related to going concern

We draw attention to note 2.1 to the financial statements, which indicates that the group is dependent on the continued support of its bank to continue in business and meet its liabilities as they fall due. The Board is currently in constructive discussions regarding the continuation of the current borrowing facilities and refinance of the term loan facility due for full repayment in September 2022. HSBC UK Bank Plc remain supportive and the group has received written notification that the bank's credit team have approved the renewal and refinance of these facilities. However, documentation is yet to be completed at the date of signing these financial statements.

Note 2.1 also details that following the administration of DCB (Kent) Limited the group has ongoing obligations in relation to a number of DCB (Kent) Limited projects, including £2.10 million of performance bonds, across three clients, which have been technically callable since DCB (Kent) Limited's administration on 16 May 2022. The Board is currently in discussions with the insurers, underwriters and customers to formally agree an optimal way forward for these projects, including cancelling or novating the performance bonds to new agreements. Discussions are ongoing at the date of signing these financial statements although one client has indicated their willingness to cancel their performance bond amounting to £0.95 million, leaving £1.15 million outstanding. Whilst management believe that the borrowing facilities will be able to be refinanced and the performance bonds will not be called, there can be no certainty in this respect.

Independent auditor's report to the members of Kinovo plc continued

for the financial year ended 31 March 2022

Material uncertainty related to going concern continued

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

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

- a critical assessment of the detailed cash flow projections prepared by the directors, which are based on their current expectations of trading prospects, extending the borrowing facilities and the performance bonds not being called;
- reviewing the terms of the committed borrowing facilities available to the group;
- reviewing the Board's assessment of the group's obligations resulting from the administration of DCB (Kent) Limited;
- understanding the trading results for the first quarter of the 2023 year end; and
- reviewing the appropriateness of the disclosures in Note 2.1.

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 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 financial statements or our knowledge obtained in 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 financial statements. 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.

As described in the basis for qualified opinion section of our report, our audit opinion is qualified because we were unable to obtain sufficient appropriate audit evidence regarding the amounts presented in discontinued operations relating to the disposal of DCB (Kent) Limited. We have concluded that where the other information refers to these amounts or to related amounts such as the overall loss for the year, it may also be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter referred to in the Basis for Qualified Opinion paragraph, 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 group financial statements are prepared is consistent with the 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

Except for possible effects of the matter referred to in the basis of qualified opinion section of our report, 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.

Arising solely from the limitation on the scope of our work relating to the sale of DCB (Kent) Limited, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 48 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 group 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.

Auditor's responsibilities for the audit of the group financial statements continued

A further description of our responsibilities is available on the FRC's website at:

<https://www.frc.org.uk/auditors/audit-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 group 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 parent company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the group and considered that the most significant are the Companies Act 2006, the AIM rules, UK-adopted International Accounting Standards and UK taxation legislation.
- We obtained an understanding of how the group 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.
- 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 2022. That report includes details of the parent company key audit matters, how we applied the concept of materiality in planning and performing our audit and an overview of the scope of our audit. That report includes an emphasis of matter and a material uncertainty in relation to going concern.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

Andrew Barford

(Senior Statutory Auditor)

for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

6th Floor

9 Appold Street

London

EC1A 2AP

19 August 2022

Consolidated statement of comprehensive income

for the financial year ended 31 March 2022

	Notes	12 months to 31 March 2022			12 months to 31 March 2021		
		Underlying items £'000	Non-underlying items (note 9) £'000	Total £'000	Underlying items £'000	Non-underlying items (note 9) £'000	Total £'000
Continuing operations							
Revenue	5	53,325	—	53,325	39,369	—	39,369
Cost of sales		(40,558)	—	(40,558)	(30,078)	—	(30,078)
Gross profit		12,767	—	12,767	9,291	—	9,291
Administrative expenses		(8,676)	(1,030)	(9,706)	(7,281)	(1,943)	(9,224)
Operating profit	7	4,091	(1,030)	3,061	2,010	(1,943)	67
Finance cost	11	(269)	—	(269)	(438)	—	(438)
Profit/(loss) before tax		3,822	(1,030)	2,792	1,572	(1,943)	(371)
Income tax (expense)/credit	13			(530)			119
Profit/(loss) for the year attributable to the equity holders of the parent company from continuing operations				2,262			(252)
Discontinued operations							
(Loss)/profit from discontinued operations (note 30)		(549)	(12,595)	(13,144)	409	—	409
Total comprehensive (loss)/income for the period attributable to the equity holders of the parent company				(10,882)			157
Earnings/(loss) per share							
From continuing operations:							
Basic (pence)	14			3.66			(0.42)
Diluted (pence)	14			3.61			(0.42)
From total operations:							
Basic (pence)	14			(17.62)			0.26
Diluted (pence)	14			(17.62)			0.26

The comparative figures for the Consolidated Statement of Comprehensive Income and the related notes have been reanalysed between continuing and discontinued operations to allow for comparability with the year ended 31 March 2022 result.

Consolidated statement of financial position

as at 31 March 2022

	Notes	2022 £'000	2021 £'000
Assets			
Non-current assets			
Intangible assets	15	4,780	8,209
Property, plant and equipment	16	1,103	1,307
Right-of-use assets	17	786	1,688
Total non-current assets		6,669	11,204
Current assets			
Inventories	18	2,454	2,467
Deferred tax asset	29	306	—
Trade and other receivables	19	10,625	16,726
Cash and cash equivalents	20	2,504	1,293
Total current assets		15,889	20,486
Total assets		22,558	31,690
Equity and liabilities attributable to equity holders of the parent company			
Issued capital and reserves			
Share capital	24.1	6,213	6,121
Own shares	24.1	(850)	(850)
Share premium	24.2	9,245	9,210
Share based payment reserve	28	74	30
Merger reserve	24.3	(248)	(248)
Retained earnings		(14,577)	(3,401)
Total equity		(143)	10,862
Non-current liabilities			
Borrowings	21	177	2,842
Lease liabilities	22	434	1,183
Deferred tax liabilities	29	—	699
Total non-current liabilities		611	4,724
Current liabilities			
Borrowings	21	2,666	1,124
Lease liabilities	22	362	552
Trade and other payables	23	19,062	14,428
Total current liabilities		22,090	16,104
Total equity and liabilities		22,558	31,690

Approved by the Board on 19 August 2022,

Clive Lovett

Group Finance Director

Company registration number: 09095860

Consolidated statement of changes in equity

for the financial year ended 31 March 2022

	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 2020	5,872	8,609	—	612	(248)	(4,221)	10,624
Profit and total comprehensive income for the year	—	—	—	—	—	157	157
Issue of share capital (note 24.1) (net of issue costs)	249	601	(850)	—	—	—	—
Share based payment charge	—	—	—	30	—	—	30
Deferred tax on share options	—	—	—	—	—	51	51
Transfer to retained earnings for share options cancelled	—	—	—	(612)	—	612	—
Total transactions with owners recognised directly in equity	249	601	(850)	(582)	—	663	81
At 31 March 2021	6,121	9,210	(850)	30	(248)	(3,401)	10,862
Loss and total comprehensive income for the year	—	—	—	—	—	(10,882)	(10,882)
Issue of share capital (note 24.1) (net of issue costs)	92	35	—	(46)	—	—	81
Share based payment charge	—	—	—	90	—	—	90
Deferred tax on share options	—	—	—	—	—	—	—
Dividend paid	—	—	—	—	—	(294)	(294)
Total transactions with owners recognised directly in equity	92	35	—	44	—	(294)	(123)
At 31 March 2022	6,213	9,245	(850)	74	(248)	(14,577)	(143)

Consolidated statement of cash flows

for the financial year ended 31 March 2022

	Notes	12 months ended 31 March 2022 £'000	12 months ended 31 March 2021 £'000
Net cash generated from operating activities	25	3,660	5,814
Cash flow from investing activities			
Purchase of property, plant and equipment		(253)	(87)
Purchase of intangible assets		(142)	(115)
Proceeds on disposal of property, plant and equipment		—	20
Net cash used in investing activities		(395)	(182)
Cash flow from financing activities			
Proceeds from borrowings		—	7,333
Issue of new share capital (net of share issue costs)	24.1	81	850
Repurchase of own shares for JSOP	24.1	—	(850)
Repayment of borrowings		(1,123)	(7,249)
Interest paid		(275)	(461)
Principal payments of leases		(443)	(630)
Dividends paid		(294)	—
Net cash used in financing activities		(2,054)	(1,007)
Net increase in cash and cash equivalents		1,211	4,625
Cash and cash equivalents at beginning of year		1,293	(3,332)
Cash and cash equivalents at end of year		2,504	1,293

The cash and cash equivalents for the year ended 31 March 2022 are represented by cash balances of £2,504,000 (2021: £1,293,000).

Notes to the consolidated financial statements

for the financial year ended 31 March 2022

1. Basis of preparation

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

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

The Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as they have been adopted by the United Kingdom, that are relevant to its operations and effective for accounting periods beginning on 1 April 2021.

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

2. Summary of significant accounting policies

2.1. Going concern

The Directors have adopted the going concern basis in preparing these accounts after assessing the risks as set out below and the Group's business activities, together with factors that are likely to affect its future development and position, as set out in the Group Chief Executive Officer's Review on pages 10 and 11.

During the year Kinovo plc disposed of its non-core construction business, DCB (Kent) Limited. The terms of the disposal allowed for up to £5.0 million deferred consideration and an expectation that Parent Company Guarantees (PCG's) provided by Kinovo, on nine construction projects represented by six clients, would be transferred to the purchaser, or an associate.

On 16 May 2022 DCB entered into administration. The PCG's had not been transferred and Kinovo consequently has ongoing responsibilities to complete the projects.

Third party experts have been retained by Kinovo to assess the cost to complete the projects and Kinovo has engaged with each of the clients of the construction contracts to facilitate the optimum solution for the parties to deliver the projects.

Discussions have significantly progressed and Heads of Terms are being agreed for each of the projects to recommence the construction works and complete the projects for the clients.

The Directors estimate that the net costs to complete the projects will be approximately £4.0 million plus fees and expenses, over a period for completion, ranging from a number of months through to the end of 2023.

Three of the projects also have performance bonds, which are indemnified by Kinovo plc, totalling £2.10 million. Kinovo has engaged with insurers, underwriters and clients and although these bonds technically could be called at any time, since DCB entered into administration, it is recognised by all parties that whilst discussions are ongoing to identify solutions to enable the projects to be completed that the bonds would not be called.

One client has indicated their willingness to cancel their performance bond amounting to £0.95 million, subject to contract, and it is expected that the remaining performance bonds amounting to £1.15 million will either be cancelled or novated to new agreements between the parties.

Kinovo has a term loan with HSBC UK Bank Plc which had an outstanding balance of £2.53 million at 31 March 2022. Since the year end a further £500,000 has been repaid and a further instalment of £500,000 is due at the end of August 2022, which Kinovo expects to pay, leaving an outstanding balance of £1.53 million which is due for repayment at the end of September 2022.

The Group and HSBC UK Bank Plc are in constructive discussions regarding the continuation of the current borrowing facilities and refinance of the term loan facility due for full repayment in September 2022. HSBC UK Bank Plc remain supportive and the Group has received formal credit approval confirming the renewal and refinance of these facilities. However, documentation is yet to be completed at the date of signing these financial statements.

The continuing business traded strongly in the year ended 31 March 2022 and is expected to grow further, developing existing strong relationships with its' client base, mobilising the new contracts it has won and securing new business opportunities through the established business development team.

Kinovo continuing operations has traded ahead of expectations in the quarter to 30 June 2022, 24% ahead of prior year Adjusted EBITDA.

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

In building these budgets and forecasts, the Board has considered the expected costs to complete the DCB construction projects, the continuing potential impact of Covid-19 and the market challenges of supply chain inflation and material and labour availability on the trading of the Group.

Whilst these factors have already been felt strongly, the business has demonstrated its resilience. The Group reduced its level of net debt during the year ended 31 March 2022 by £2.4 million reflecting the cash generated by continuing operations, despite the cash absorbed by the discontinued operations during the year.

The Directors expect that a combination of the cash generated by the continuing business together with the expected extension of bank facilities will enable Kinovo to fund the costs to complete the construction projects and continue to drive the growth of the core operations.

No equity fund raise is envisaged.

2. Summary of significant accounting policies continued

2.1. Going concern continued

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.

Although HSBC UK Bank Plc credit approval has been agreed confirming the renewal and refinancing of facilities, as the documentation has yet to be completed and the agreement with clients on the DCB projects was outstanding at the date of signing the financial statements, technically, a material uncertainty remains, which may cast significant doubt on the group's ability to continue as a going concern. Discussions are at an advanced stage on each of these matters and the Board is confident that new agreements will be executed. For this reason, the Board continues to adopt the going concern basis in preparing the consolidated financial statements. Accordingly, these accounts do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

2.2. Basis of consolidation

The consolidated financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 March each year. Subsidiaries are entities that are controlled by the Company. The definition of control involves three elements: power over the investee; exposure or rights to variable returns; and the ability to use power over the investee to affect the amount of the investors' returns. This should be read in conjunction with note 4.1(e). 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 Company financial statements on page 96. All intra-group transactions, balances, income and expense are eliminated on consolidation.

2.3. Business combinations and goodwill

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

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

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

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

2.4. Revenue recognition

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

- **Mechanical services** – Mechanical services are supplied under a term contract or framework agreement with both local authority and corporate customers that usually span three or more years. These contracts will outline a number of services that the Group is retained to provide to the customer ranging from boiler servicing and meter connections to installing central heating solutions. These services will be provided on request from the customer, and work will be charged based on the customer rate card. Each service is considered to have a single performance obligation, and generally takes less than a day to complete. Revenue is only recognised at the point that the service is complete. Invoicing only occurs once the customer has agreed that the relevant service has been received and completed. The invoice is subsequently settled on average within 34 days of issue. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Any work completed but not yet agreed with the customer/invoiced is recognised as accrued income.
- **Building services** – Building services contracts typically range between one and six years, and can range from ad-hoc maintenance work to long-term construction contracts. Long-term construction contracts are only held within the DCB (Kent) Limited business, and with the disposal of this subsidiary during the year, it is not anticipated to have any such contracts in the future:
 - **Long-term construction contracts:** During the course of a project an independent surveyor will conduct a monthly valuation of the work done and issue a certification of the stage of completion, which is the trigger for an invoice to be generated and a stage payment to be made as per the terms of the contract. Payment occurs on average within 34 days of the invoice being issued. These monthly valuations are seen to represent the performance obligations that have been satisfied under the terms of the contract, as they reflect the benefit that has been transferred to the customer. The Group thus recognises the revenue in line with the certified stage of completion. If there is a delay in receiving the certification of work, revenue will be recognised based on management's estimate of the value of the performance obligation fulfilled. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Revenue recognisable in relation to work completed is recognised as accrued income until invoiced.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2022

2. Summary of significant accounting policies continued

2.4. Revenue recognition continued

A twelve-year warranty is issued on any new build developments completed. Any claims made within the first two years of the warranty are the responsibility of the Group to rectify. The subsequent ten years are then covered by a third-party warranty provider. No warranty claims have previously been made against the Group, and therefore no provision for potential warranty claims is made within these financial statements.

- **Maintenance work:** Maintenance work is supplied under a term contract or framework agreement which sets out the range of services the Group is retained to provide to the customer including refurbishments, replacements of kitchens and bathrooms, window installations and painting and decorating. These services will be provided on request from the customer, and work will be charged based on the customer rate card. Each service is considered to have a single performance obligation, and generally take less than a day to complete. Revenue is only recognised at the point that the service is complete. Invoicing only occurs once the customer has agreed that the relevant service has been received and completed. The invoice is subsequently settled on average within 34 days of issue. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Any work completed but not yet agreed with the customer/invoiced is recognised as accrued income.
- **Electrical services** – Electrical services are supplied under a term contract or framework agreement with both local authority and corporate customers that usually spans three or more years. These contracts will outline a number of services that the Group is retained to provide to the customer including servicing, maintenance, emergency call-outs and rewires. These services will be provided on request from the customer, and work will be charged based on the customer rate card. Each service is considered to have a single performance obligation, and generally takes less than a day to complete. Revenue is only recognised at the point that the service is complete. Invoicing only occurs once the customer has agreed that the relevant service has been received and completed. The invoice is subsequently settled on average within 34 days of issue. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Any work completed but not yet agreed with the customer/invoiced is recognised as accrued income.

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

2.5. Operating profit and non-underlying items

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

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

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

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

2.6. Dividends

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

2.7. Segmental reporting

The Board of Directors of Kinovo plc (which is considered to be the Chief Operating Decision Maker) has identified the reportable segments to be mechanical services, building services and electrical service. Direct costs are allocated to the appropriate segment as they arise and central overheads are apportioned on a reasonable basis. 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 tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. For assets other than goodwill, where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the Statement of Comprehensive Income, net of any depreciation or amortisation that would have been charged since the impairment.

2.12. Inventories

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

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

2.13. Financial instruments

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

(a) Trade and other receivables

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

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2022

2. Summary of significant accounting policies continued

2.13. Financial instruments continued

(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 made losses during the period there is no tax payable for the year to 31 March 2022. Details of the tax charge on ordinary operations and tax credit on discontinued operations during the year and tax losses available in future periods are outlined in note 13.

(b) Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.15. Leases

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

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

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

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

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

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

2.15. Leases continued

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to the 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.

Equity-settled share based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

2.18. 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 2021:

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Covid-19 Related Rent Concessions (Amendment to IFRS 16)
- Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

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.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2022

2. Summary of significant accounting policies continued

2.19. 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 2021 and therefore have not been early adopted by the Group:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- IFRS 17 “Insurance Contracts”
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Amendments to IFRS 17
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

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 a variable rate of interest at a mark-up to the base rate. Details of actual interest rates can be found in note 21 to these consolidated financial statements. No hedging arrangements are currently in place but the Board keeps this under constant review.

3.3. Credit risk

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

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

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

3.4. Liquidity risk

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

As at 31 March 2022, the Group had cash and cash equivalents of £2,504,000 (2021: £1,293,000).

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 £5.2 million was recognised within the Statement of Financial Position at 31 March 2022 (2021: £8.6 million).

(b) Valuation of amounts due from long-term contracts

Work completed under long-term construction contracts is recognised as amounts due from long-term contracts until billed to the client, and similar to accrued income requires judgement on whether the Group has met all its performance obligations to recognise the revenue. The only long-term contracts held by the Group were within DCB (Kent) Limited ("DCB"). Following the disposal of DCB (Kent) Limited as set out in note 4.1 (e), no such contracts are present any longer within the Group. Therefore amounts due from long-term contracts of £nil were recognised within the Statement of Financial Position at 31 March 2022 (2021: £1.5 million).

(c) 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.

(d) Recoverability of trade receivable balances

Provisions for trade debtors were previously considered to be an area of key judgement for the Group, given the underlying materiality of the associated trade receivable balances. However, given that a large proportion of the customer base are local councils with little risk of default and minimal historical levels of write-off, bad debt provisions are no longer considered an area of key judgement.

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

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

(f) Non-adjusting post balance sheet event

As part of the obligations under the terms of the sale of DCB (Kent) Limited ("DCB") (see note 30 for details on the disposal), the Group continued to provide parent company guarantees ("PCGs") on certain construction projects of DCB (Kent) Limited which run through to their practical completion. On administration of DCB (Kent) Limited the outstanding obligations under the PCGs were assumed by Kinovo plc. The total expected cost to complete the projects has been determined as £4.0 million (plus professional fees and expenses). Please see note 32 for further detail.

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

The liability under the PCGs is considered to be a non-adjusting post balance sheet event, and the costs to complete the construction projects will be recognised in the Statement of Comprehensive Income as and when they arise.

(g) Timing of DCB (Kent) Limited impairments

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

(h) Tax treatment of disposal

There is a tax credit of £1.1m included in the loss on disposal of £12.6m on DCB as disclosed in note 30. Management have 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.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2022

4. Critical accounting estimates and judgements continued

4.2. Key sources of estimation uncertainty

(a) Customer relationships

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

- Determining the useful economic life of customer relationships and the corresponding rate of amortisation is considered a critical estimate. Management is required to predict the future time frame over which customer relationships will continue to generate a positive contribution to Group cash flow. This estimate is made on a case-by-case basis and will reflect management's latest plans and long-term forecasts for the related contracts. Amortisation of customer relationships has resulted in a charge to the Statement of Comprehensive Income of £1.1 million during the year (2021: £1.8 million), including the charge allocated to discontinued operations.
- The valuation of customer relationships requires the use of estimates, as the valuation model utilises assessments of both future cash flows and appropriate discount factors. The valuation of customer relationship assets held within the Statement of Financial Position was £0.4 million (2021: £2.5 million).

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

(b) Impairment of goodwill

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

(c) Right-of-use assets

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

- estimation of the lease term, which is done on a lease-by-lease basis;
- determination of the appropriate rate to discount the lease payments. This is set with reference to the Group's incremental cost of borrowing. The incremental rate was 3.4% in the current year (2021: 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 2022 the Group holds £0.8 million of right-of-use assets (2021: £1.7 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 five customers who individually contributed 21%, 12%, 10%, 8% and 7% respectively towards the revenue (2021: six contributing 13%, 9%, 8%, 6%, 6% and 5%).

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

	2022 £'000	2021 £'000
Current assets relating to contracts with customers:		
Trade receivables	4,977	5,564
Work in progress	2,029	1,561
Accrued income	5,247	8,634
Amounts due from long-term contracts	—	1,461
	12,253	17,220

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.

Amounts due from long-term contracts relate to performance obligations met in regard to construction contracts, but the invoice has yet to be raised to the customer.

There were no contracts liabilities required to be recognised as at 31 March 2022 (31 March 2021: £nil).

5. Revenue continued

As set out in note 2.4, the Group is party to long-term construction contracts which may have performance obligations spanning a number of years. The following shows unsatisfied performance obligations resulting from these long-term construction contracts:

	2022 £'000	2021 £'000
Aggregate amounts of the transaction price allocated to long-term construction contracts that are partially or fully unsatisfied as at 31 March 2022	—	44,600

At 31 March 2021 it was expected that 46.0% of the transaction price allocated to unsatisfied performance obligations would be recognised as revenue during the 2022 financial year. The remaining 54.0% (£24.1 million) would have been recognised over the 2023/24 financial years. These balances all related to contracts held in the DCB (Kent) Limited ("DCB") company which has now been disposed.

Other services are provided under framework agreements and therefore not considered to have any unsatisfied performance obligations as at 31 March 2022.

The value of unsatisfied long-term construction contracts in 2021 of £44.6 million formed part of the overall balance of visible revenues of £170.4 million. Page 1 details the full definition of visible revenues.

6. Segmental reporting

The Board of Directors has determined an operating management structure aligned around the three core activities of the Group, with the following operating segments applicable:

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

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

	12 months ended 31 March 2022 £'000	12 months ended 31 March 2021 £'000
Mechanical services	15,418	12,262
Building services	18,057	13,185
Electrical services	19,850	13,922
Total revenue	53,325	39,369

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

	12 months ended 31 March 2022 £'000	12 months ended 31 March 2021 £'000
Operating profit before exceptional items and amortisation of acquisition intangibles by segment		
Mechanical services	1,981	1,406
Building services	1,576	270
Electrical services	1,903	1,723
Unallocated central costs	(1,369)	(1,389)
Total operating profit before non-underlying items	4,091	2,010
Amortisation of acquisition intangibles	(940)	(1,582)
Share based payment charge	(90)	(27)
Exceptional costs	—	(334)
Operating profit	3,061	67
Finance costs	(269)	(438)
Profit/(loss) before tax	2,792	(371)

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.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2022

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 2022 £'000	12 months ended 31 March 2021 £'000
Inventory recognised as an expense in cost of sales	9,670	6,189
Staff costs ¹ (note 10)	9,649	7,389
Depreciation	130	82
Depreciation of right of use assets	336	654
Amortisation of software costs	44	17
(Profit)/loss on disposal of property, plant and equipment	(1)	—
Auditor's remuneration	117	100
Tax compliance 2021 and 2022	9	9
Non-audit remuneration	2	2

1. The Group offset Government grants of £0.8 million in 2021 received through the Coronavirus Job Retention Scheme against staff costs. No grants were received during the current year.

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

8. EBITDA for continuing operations

Earnings before interest, taxation, depreciation and amortisation ("EBITDA")

EBITDA is calculated as follows:

	12 months ended 31 March 2022 £'000	12 months ended 31 March 2021 £'000
Underlying profit before tax from continuing operations	3,822	1,572
Finance costs	269	438
Depreciation of property, plant and equipment	130	82
Depreciation of right-of-use assets	336	654
Amortisation of software costs	44	17
(Profit)/loss on disposal of property, plant and equipment	(1)	—
EBITDA from continuing operations (before lease payment charges)	4,600	2,763
Lease payment charge	(363)	(667)
Adjusted EBITDA from continuing operations (after lease payment charges)	4,237	2,096

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 2022 £'000	12 months ended 31 March 2021 £'000
Amortisation of customer relationships (a)	940	1,582
Share-based payment charge (b)	90	27
Exceptional items (c)	—	334
	1,030	1,943

(a) Amortisation and impairment of customer relationships

Amortisation of acquisition intangibles was £940,000 for the year (2021: £1,582,000) and relates to amortisation of the customer relationships identified by the Directors on the acquisition of Purdy and Spokemead. In 2021 the charge related to Purdy, Spokemead and R. Dunham.

(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.

(c) Exceptional items

For the financial year ended 31 March 2021 the costs comprised restructuring costs (mainly redundancy, notice period and other related costs) to align operational skillsets with the strategic repositioning of the business.

10. Employee expenses

The average number of employees (including Directors) employed during the year was:

	12 months ended 31 March 2022 No.	12 months ended 31 March 2021 No.
Management	36	34
Administration	56	53
Engineers	127	116
	219	203

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

	12 months ended 31 March 2022 No.	12 months ended 31 March 2021 No.
Wages and salaries	8,623	6,524
Social security costs	815	758
Pension costs	211	107
	9,649	7,389

Offset against the staff costs for the year ended 31 March 2021 were grants of £0.8 million received under the Coronavirus Job Retention Scheme. No grants have been received in the current year.

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 2022 £'000	12 months ended 31 March 2021 £'000
Interest payable on bank borrowings and loans	161	310
Interest payable on lease liabilities	33	62
Other interest costs	—	24
Other finance costs	75	42
	269	438

12. Dividends

The Directors do not recommend a final dividend for the year ended 31 March 2022. A final dividend of 0.5 pence per share for the year ended 31 March 2021 was paid in September 2022.

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

	12 months ended 31 March 2022		12 months ended 31 March 2021	
	Per share p	Total paid £'000	Per share p	Total paid £'000
Dividend paid during the year relating to final dividend declared for previous period	0.5	294	—	—
Interim dividend paid during the year	—	—	—	—
	0.5	294	—	—

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2022

13. Income tax

13.1. Components of income tax (credit)/expense

	12 months ended 31 March 2022 £'000	12 months ended 31 March 2021 £'000
Current income tax expense		
Current income tax charge in relation to continuing operations	901	12
Current income tax credit in relation to discontinued operations	(129)	—
Utilisation of tax losses from disposal	(772)	—
Total current tax	—	12
Deferred tax		
Credit in connection with intangible assets acquired	(243)	(327)
Charge in relation to use of brought forward tax losses	—	309
Credit for tax losses from disposal not utilised in the year	(306)	—
Short-term timing differences	(110)	—
Charge for lease liabilities recognised on adoption of IFRS 16	28	55
Credit for right-of-use asset recognised on adoption of IFRS 16	(28)	(60)
Credit for share-based payment charge	(17)	(6)
Total deferred tax	(676)	(29)
Total income tax charge/(credit) for continuing operations	530	(119)
Total tax (credit)/charge for discontinued operations	(128)	102
Tax credit recognised on disposal of DCB (Kent) Limited	(1,078)	—
Income tax credit reported in the statement of comprehensive income	(676)	(17)

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 2022 £'000	12 months ended 31 March 2021 £'000
(Loss)/profit on ordinary activities before taxation	(11,558)	140
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2021: 19%)	(2,196)	27
Effects of:		
Exceptional items not allowable for corporation tax	1,530	—
Non-deductible expenses	296	345
Utilisation of brought forward tax losses	—	(309)
Carry forward of tax losses not utilised in the year	(306)	(17)
Research and development claim	—	(63)
Other tax adjustments	—	—
	(676)	(17)

14. Earnings per share

14.1. Basic and diluted earnings per share

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

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

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

	12 months ended 31 March 2022 £'000	12 months ended 31 March 2021 £'000
Profit/(loss) used in calculating basic and diluted earnings per share for continuing operations	2,262	(252)
(Loss)/profit used in calculating basic and diluted earnings per share for total operations	(10,882)	157
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	61,755,891	58,956,248
Weighted average number of shares for the purpose of diluted earnings per share	62,637,298	58,956,248
Basic earnings/(loss) per share (pence) for continuing operations	3.66	(0.42)
Diluted earnings/(loss) per share (pence) for continuing operations	3.61	(0.42)
Basic (loss)/earnings per share (pence) for total operations	(17.62)	0.26
Diluted (loss)/earnings per share (pence) for total operations	(17.62)	0.26

Options over 5,059,190 ordinary shares remained outstanding as at 31 March 2022 (2021: 5,409,754) as detailed in note 28.

There was no earnings per share dilution in 2021 as the outstanding options granted were priced above the average share price for the year.

Details of (loss)/profit per share for discontinued operations are set out in note 30.

14.2. Adjusted earnings per share

Profit after tax is stated after deducting non-underlying items totalling £1,030,000 (2021: £1,880,000) 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 2022 £'000	12 months ended 31 March 2021 £'000
Profit/(loss) after tax	2,262	(252)
<i>Add back:</i>		
Amortisation of customer relationships	940	1,582
Share-based payment charge	90	27
Exceptional costs	—	334
Impact of above adjustments on corporation tax	—	(63)
Adjusted profit after tax	3,292	1,628
Number of shares		
Weighted average number of shares for the purpose of adjusted earnings per share	61,755,891	58,956,248
Weighted average number of shares for the purpose of diluted adjusted earnings per share	62,637,298	58,956,248
Adjusted earnings per share (pence) for continuing operations	5.33	2.76
Diluted adjusted earnings per share (pence) for continuing operations	5.25	2.76

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2022

15. Intangible assets

	Software costs £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2021	332	14,032	5,543	19,907
Additions in the year	142	—	—	142
Disposals in the year	(131)	(2,324)	(1,351)	(3,806)
At 31 March 2022	343	11,708	4,192	16,243
Amortisation				
At 1 April 2021	155	11,543	—	11,698
Charge for the year	44	1,095	—	1,139
Disposals in the year	(59)	(1,315)	—	(1,374)
At 31 March 2022	140	11,323	—	11,463
Net book value				
At 31 March 2021	177	2,489	5,543	8,209
At 31 March 2022	203	385	4,192	4,780

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	DCB	R. Dunham	Total
Attrition rate where relationship <5 years	80%	n/a	100%	n/a	
Attrition rate where relationship >5 years	50%	n/a	100%	n/a	
Discount rate	13.30%	12.84%	12.84%	15.79%	
Estimated life of relationship at date of acquisition	7 years	7.5 years	1 to 8 years	1.5 years	
Remaining life of intangible	1.5 years	0.2 years	5 years	—	
Fair value of customer relationships at date of acquisition	£5,586,000	£5,922,000	£2,324,000	£200,000	£14,032,000
Current carrying value of customer relationships	£385,000	—	—	—	£385,000

15.2. Goodwill

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

The goodwill allocated to each subsidiary entity is presented below:

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

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 and 2021 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	2022	2021
Long-term growth rate (used after 5 years)	1.5%	1.5%
3 to 5-year growth rate	6.0%	3.0%
Pre-tax discount rate	15.6%	14.7%

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 2022

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

At 31 March 2021

	Freehold land £'000	Freehold property £'000	Long leasehold improvements £'000	Motor vehicles £'000	Fixtures and fittings £'000	Office and computer equipment £'000	Total £'000
Cost							
At 1 April 2020	300	523	198	291	91	1,163	2,566
Additions	—	32	—	—	2	53	87
Disposals	—	—	—	(54)	—	(13)	(67)
At 31 March 2021	300	555	198	237	93	1,203	2,586
Depreciation							
At 1 April 2020	—	100	95	172	53	728	1,148
Charge for the year	—	23	23	8	33	92	179
Disposals	—	—	—	(48)	—	—	(48)
At 31 March 2021	—	123	118	132	86	820	1,279
Net book value							
At 1 April 2020	300	423	103	119	38	435	1,418
At 31 March 2021	300	432	80	105	7	383	1,307

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

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2022

17. Right-of-use assets

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

	Leasehold property £'000	Motor vehicles £'000	Office and computer equipment £'000	Total £'000
Cost				
At 1 April 2020	1,320	1,275	201	2,796
Additions	—	277	—	277
Disposals	(69)	(433)	(37)	(539)
At 31 March 2021	1,251	1,119	164	2,534
Depreciation				
At 1 April 2020	202	449	66	717
Charge for the year	152	459	57	668
Disposals	(69)	(433)	(37)	(539)
At 31 March 2021	285	475	86	846
Net book value				
At 1 April 2020	1,118	826	135	2,079
At 31 March 2021	966	644	78	1,688

18. Inventories

	2022 £'000	2021 £'000
Raw materials	425	906
Work in progress	2,029	1,561
	2,454	2,467

19. Trade and other receivables

	2022 £'000	2021 £'000
Current		
Trade receivables	4,977	5,564
Other receivables	122	473
Prepayments	279	594
Accrued income	5,247	8,634
Amounts due from long-term contracts	—	1,461
	10,625	16,726

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

	2022 £'000	2021 £'000
Between 1 and 2 months	813	262
Between 2 and 3 months	74	65
More than 3 months	1	252
	888	579

19. Trade and other receivables continued

An allowance for expected credit loss of £nil (2021: £nil) has been recognised in the above balance for trade receivables. 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.

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 2022 is 34 days (31 March 2021: 26 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 loans detailed in note 21 are secured on trade receivables of £4,977,000 (2021: £5,564,000).

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.

	2022 £'000	2021 £'000
Cash at HSBC UK Bank Plc	2,495	1,285
Other cash and bank balances	9	8
	2,504	1,293

21. Borrowings

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

	2022 £'000	2021 £'000
Non-current borrowings		
<i>Bank and other borrowings:</i>		
Term loans	—	2,533
Other loans	34	109
Mortgage loans	143	200
Total non-current borrowings	177	2,842
Current borrowings:		
<i>Bank and other borrowings:</i>		
Term loans	2,534	1,000
Other loans	75	67
Mortgage loan	57	57
Total current borrowings	2,666	1,124
<i>Bank and other borrowings:</i>		
Term loans	2,534	3,533
Other loans	109	176
Mortgage loans	200	257
Total borrowings	2,843	3,966

The fair value of the borrowings outstanding as at 31 March 2022 is not materially different to its carrying value since interest rates applicable on the loans are close to the current market rates.

On 26 March 2021 the Group amended and restated the facility agreement. This was required to facilitate early repayment of part of the term loan aligned to changes to covenant tests. On 31 March 2021, the Group repaid £2.3 million of the term loan. £1.3 million related to the contractual repayment based on the adjusted cash balances in the Group as at 31 March 2021 and £1.0 million related to the accelerated repayment of the scheduled quarterly repayments in May 2021 and August 2021 of £0.5 million each. The first covenant test was amended to be as at 31 December 2021. As part of the restated agreement, the Group agreed the transition from LIBOR to an interest measure based on Sterling Overnight Interbank Average Rate ("SONIA"), effective from 30 September 2021.

(a) Working capital facilities

At 31 March 2022 the Group had an unused £2.5 million working capital facility with HSBC UK Bank Plc. The facility has an interest rate of 2.5% above base rate and is repayable on demand. All cash at bank balances are denominated in Pounds Sterling.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2022

21. Borrowings continued

(b) Bank and other loans

Term loans

At 31 March 2022 the Group had a term loan in place with HSBC UK Bank Plc with an original principal value of £7.3 million repayable by quarterly instalments. As at 31 March 2022 £2.53 million of the loan remained outstanding. Interest is payable at 3.75% plus compounded reference rate based on SONIA.

Mortgage loan

A ten-year mortgage loan of £570,000 with HSBC UK Bank Plc was drawn down in July 2015, with interest payable at 1.9% above base rate. The mortgage is held over the freehold property of Purdy known as Brooklyn Lodge, Mott Street, Chingford, London E4 7RW. £200,000 remained unpaid at the end of the period.

Other loan

A five-year term loan, originally drawn down in September 2018 of £317,000 with Funding Circle, was assumed by the Group on the acquisition of R. Dunham in November 2018 and is unsecured. The loan is repayable by fixed monthly instalments of £7,024 and interest is at a fixed rate of 11.9%. £109,000 remained unpaid at the end of the period.

(c) Security

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

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

22. Lease liabilities

As at 31 March 2022 the following amounts are included in the Statement of Financial Position in relation to non-cancellable leases:

	2022 £'000	2021 £'000
Lease liabilities		
Current	362	552
Non-current	434	1,183
	796	1,735

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

	2022 £'000	2021 £'000
No later than 1 year	362	552
Later than 1 year and no later than 5 years	434	837
After 5 years	—	346
	796	1,735

The interest expense recognised through the Consolidated Statement of Comprehensive Income during the year in relation to lease liabilities was £33,000 (2021: £62,000).

23. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	12,552	11,082
Other payables	388	21
Other taxation and social security	3,167	2,450
Accruals	2,955	875
	19,062	14,428

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 £3,077,000 (2021: £2,555,000) on a purchasing card facility provided by HSBC UK Bank Plc. The purchasing card is typically used to facilitate administration and reporting of costs on maintenance contracts at a granular level. Payment terms for Kinovo plc on the purchasing cards are typically 60-90 days, which aligns with existing credit terms with suppliers. Approved suppliers benefit from increased volumes and receive funds upfront from HSBC UK Bank Plc. Based on the nature of the transactions the Board considers it appropriate to disclose the balance within trade creditors.

The average credit period taken on trade purchases (excluding those settled on purchasing card) is 85 days (2021: 65 days). Trade purchases include the purchase of materials and subcontractor costs.

At 31 March 2022 deferred Covid-19 related HMRC liabilities amounted to £nil (2021: £1,023,000).

24. Share capital and reserves

24.1. Ordinary shares

	2022 £'000	2021 £'000
Ordinary shares of £0.10 each		
At the beginning of the year	6,121	5,872
Issued in the year	92	249
At the end of the year	6,213	6,121
Number of shares		
At the beginning of the year	61,214,703	58,721,845
Issued in the year	923,054	2,492,858
At the end of the year	62,137,757	61,214,703

Issued in the year

During the year the Company issued 923,025 shares to allocate to members of the SIP scheme (please see note 28 for further details on the SIP). 17.5 pence was paid for 461,527 of these shares, a total consideration of £81,000. This was allocated as £46,000 of share capital, and £35,000 of share premium. The remaining 461,527 shares were a share-based payment for the members of the scheme, and therefore 10 pence per share (a total consideration of £46,000) was transferred to share capital from the share-based payment reserve as payment for these.

During the year ended 31 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

	2022 £'000	2021 £'000
At the beginning of the year	9,210	8,609
Issued in the year (net of share issue costs)	35	601
At the end of the year	9,245	9,210

24.3. Merger reserve

	2022 £'000	2021 £'000
At the end of the year	(248)	(248)

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2022

25. Note to the Consolidated Statement of Cash Flows

	12 months ended 31 March 2022 £'000	12 months ended 31 March 2021 £'000
Cash flow from operating activities		
(Loss)/profit before income tax	(11,558)	140
Adjustments for:		
Net finance cost	275	461
Profit on disposal of property, plant and equipment	(1)	(2)
Depreciation	636	847
Amortisation of intangible assets	1,139	1,843
Loss on disposal of intangible assets	2,296	—
Share based payments	90	30
Movement in receivables	6,101	2,580
Movement in payables	4,670	(1,561)
Movement in inventories	12	1,313
Tax reclaimed	—	163
	3,660	5,814

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:

	2022 £'000	2021 £'000
Loans and receivables:		
Trade receivables	4,977	5,564
Accrued income	5,247	8,634
Amounts due from long-term contracts	—	1,461
Other receivables	401	1,067
Cash and cash equivalents	2,504	1,293
	13,129	18,019

26. Financial instruments continued

26.1. Principal financial instruments continued

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

	2022 £'000	2021 £'000
Held at amortised cost:		
Bank and other loans	2,843	3,966
Lease liabilities	796	1,735
Accruals	2,955	875
Trade payables	12,552	11,082
Other payables including tax and social security	3,555	2,471
	22,701	20,129

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 £2.8 million (2021: £4.0 million) at variable interest rates. The Group is exposed to interest rate risk on some of its financial assets, being its cash and cash equivalents. The interest rate receivable on these balances at 31 March 2022 was at an average rate of less than 1% (2021: less than 1%).

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

(b) Credit risk management

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

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

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

(c) Trade and other receivables

The Group is exposed to the risk of default by its customers. At 31 March 2022, the Group had three customers with an outstanding balance over £250,000 (31 March 2021: three). 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 specific provision against receivables has been recognised (2021: £nil) in the Statement of Financial Position as outlined in note 19.

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

At 31 March 2022, 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.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2022

26. Financial instruments continued

26.2. Financial risk management continued

(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 2.5% over base rate amounting to £2,500,000 with HSBC UK Bank Plc as at 31 March 2022. The Group maintains a good relationship with its bank, which has a high credit rating. As at 31 March 2022, the Group had cash and cash equivalents of £2,504,000 (2021: £1,293,000).

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

	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
2022					
Non-derivative financial liabilities					
HSBC mortgage	57	57	86	—	200
HSBC term loan	2,534	—	—	—	2,534
Funding Circle unsecured loan	75	34	—	—	109
Trade payables	12,552	—	—	—	12,552
	15,218	91	86	—	15,395
	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
2021					
Non-derivative financial liabilities					
HSBC mortgage	57	57	143	—	257
HSBC term loan	1,000	2,533	—	—	3,533
Funding Circle unsecured loan	67	109	—	—	176
Trade payables	11,082	—	—	—	11,082
	12,206	2,699	143	—	15,048

(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.

	2022 £'000	2021 £'000
Net debt is comprised as follows:		
Cash and cash equivalents	2,504	1,293
Bank borrowings and overdrafts	(2,843)	(3,966)
Lease liabilities	(796)	(1,735)
	(1,135)	(4,408)

The movement in the net debt position for the year can be reconciled as follows:

	2021 £'000	Cash movements £'000	Interest charges £'000	New lease agreements £'000	Disposals £'000	2022 £'000
Cash and cash equivalents	1,293	1,211	—	—	—	2,504
Bank borrowings and overdrafts	(3,966)	1,123	—	—	—	(2,843)
Lease liabilities	(1,735)	471	33	(564)	999	(796)
	(4,408)	2,805	33	(564)	999	(1,135)

27. Related party transactions

There were no related party transactions in the period.

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:

	2022 £'000	2021 £'000
The aggregate remuneration comprised:		
Aggregate emoluments	764	771
Share-based payments	36	6
Total remuneration	800	777

The remuneration of the highest paid Director during the year was £262,000 (2021: £218,000). The remuneration of individual Directors is disclosed in the Remuneration Committee Report.

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

28. Share-based payments

As at 31 March 2022 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 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 the SIP Trust used the contributions to acquire the shares on behalf of the employees ("partnership shares"). A further tranche was rolled out on 1 August 2021, operating on the same basis as the original, but with a share purchase price of 34.0 pence. At 31 March 2022 employees had accumulated contributions of £49,585.

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

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

Company Share Option Plan ("CSOP")

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

There were no CSOP awards in the year ended 31 March 2022.

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

The CSOP and EMI schemes were valued using the Black Scholes model. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2022

28. Share-based payments continued

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 2022.

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

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

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

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

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

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

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

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 2022, 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 £90,000 (2021: £30,000) including discontinued operations analysed as follows:

	2022 £'000	2021 £'000
SIP	19	16
CSOP	24	10
JSOP	47	4
EMI/unapproved	—	—
	90	30

In the year ended 31 March 2022, options were granted in respect of the SIP only. During the prior year, options were granted for the CSOP and JSOP schemes in addition to the SIP. 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.

28. Share-based payments continued

Enterprise Management Incentive Scheme (EMI) continued

	SIP	CSOP	JSOP	EMI/ unapproved	Total
Number					
At 1 April 2020	—	—	—	750,000	750,000
Granted	644,754	1,772,142	2,492,858	—	4,909,754
Lapsed	—	—	—	(250,000)	(250,000)
At 31 March 2021	644,754	1,772,142	2,492,858	500,000	5,409,754
Granted	610,185	—	—	—	610,185
Exercised	(531,944)	—	—	—	(531,944)
Lapsed	(83,805)	(345,000)	—	—	(428,805)
At 31 March 2022	639,190	1,427,142	2,492,858	500,000	5,059,190

Weighted average exercise price (pence)

At 1 April 2021	—	24.3	34.1	95.0
Granted	—	—	—	—
Lapsed	—	22.5	—	—
At 31 March 2022	—	24.8	34.1	95.0

Assumptions used in estimating the fair value

Exercise price (pence)	17.5–34.0	20.5–35.0	26.0–35.0	95.0
Expected dividend yield	n/a	1.00%	1.00%	2.15%
Risk free rate	n/a	0.50%	0.50%	4.00%
Expected volatility	n/a	35.00%	35.00%	45.70%
Expected life	4 years	3 years	3 years	6.5 years

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

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

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

During 2021 £612,000 was transferred from the share-based payment reserve to retained earnings in relation to tranches where all options have now been cancelled.

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 2020	(947)	309	(145)	(381)	385	—	(779)
Credit/(charge) to Statement of Comprehensive Income or recognised directly through shareholders, equity	327	(309)	—	60	(55)	57	80
At 31 March 2021	(620)	—	(145)	(321)	330	57	(699)
Credit/(charge) to Statement of Comprehensive Income or recognised directly through shareholders, equity	243	306	112	28	(28)	17	678
Disposal of DCB (Kent) Limited	305	—	30	143	(151)	—	327
At 31 March 2022	(72)	306	(3)	(150)	151	74	306
						2022 £'000	2021 £'000
Deferred tax asset						531	387
Deferred tax liability						(225)	(1,086)
Net deferred tax asset/(liability)						306	(699)

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2022

30. Sale of business

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

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

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

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

Loss on disposal of DCB (Kent) Limited

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

As part of the sale agreement, Kinovo plc and the purchaser agreed a working capital mechanism with DCB (Kent) Limited to facilitate completion of ongoing projects. From the date of sale up to 31 March 2022, £2.5 million of working capital had been provided by Kinovo plc to DCB (Kent) Limited. A further £1.2 million of funding was provided post year end prior to the company entering administration. The full value of these facilities has been written off in the loss on disposal for the year.

As part of the obligations under the terms of the sale, the Group continued to provide parent company guarantees ("PCGs") on DCB (Kent) Limited which run through to practical completion on each of the construction projects that were in existence at the time of the disposal. On administration of DCB (Kent) Limited the obligations under the PCGs were assumed by Kinovo plc. Note 32 provides further details on how these have been treated within the financial statements.

Financial performance and cash flow information from discontinued operations

	8 months to 30 November 2021 £'000	12 months to 31 March 2021 £'000
Revenue	13,432	20,817
Cost of sales	(11,780)	(17,210)
Gross profit	1,652	3,607
Underlying administrative expenses	(2,168)	(2,793)
Operating (loss)/profit before non-underlying items	(516)	814
<i>Non-underlying administrative expenses:</i>		
Amortisation of customer relationships	(155)	(232)
Share-based payment charge	—	(3)
Loss on disposal	(12,595)	—
Restructuring costs	—	(45)
Total non-underlying administrative expenses	(12,750)	(280)
Operating (loss)/profit	(13,266)	534
Finance costs	(6)	(23)
(Loss)/profit before taxation	(13,272)	511
Income tax credit/(expense)	128	(102)
(Loss)/profit for the period	(13,144)	409
(Loss)/earnings per share from discontinued operations		
Basic (pence)	(21.28)	0.69
Diluted (pence)	(21.28)	0.69
Cash flows from discontinued operations		
Net cash (outflow)/inflow from operating activities	(1,453)	272
Net cash outflow from investing activities	(10)	(40)
Net cash outflow from financing activities	(16)	(44)
Net (reduction)/increase in cash generated by the subsidiary	(1,479)	188

31. Ultimate controlling party

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

32. Events after the balance sheet date

As part of the obligations under the terms of the sale of DCB (Kent) Limited ("DCB" see note 30 for details on the disposal), the Group continued to provide parent company guarantees ("PCGs") on certain construction projects of DCB (Kent) Limited which run through to their practical completion. On administration of DCB (Kent) Limited the outstanding obligations under the PCGs were assumed by Kinovo plc.

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

The liability under the PCGs is considered to be a non-adjusting post balance sheet event, and the costs to complete will be recognised in the Statement of Comprehensive Income as and when they arise.

The total expected cost to complete the projects has been determined as £4.0 million (plus professional fees and expenses). The cost to complete is based on nine ongoing projects which are guaranteed by the Group. External quantity surveyors have been appointed who have engaged with the existing supply chain and agreed subcontractor packages, attended sites and completed full surveys, established any known defects, and prepared a full plan to complete for each project. The combined value of this planned work across all contracts has identified the gross cost to complete of £18.8 million, which is offset by amounts recoverable on the contracts of £14.8 million. A further £0.3 million of legal fees are expected to be incurred in relation to the disposal.

Independent auditor's report to the members of Kinovo plc

for the financial year ended 31 March 2022

Opinion

We have audited the parent company financial statements of Kinovo plc for the year ended 31 March 2022 which comprise the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity, the Parent Company Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 parent company 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 Company audit was scoped by obtaining an understanding of the Company and its environment, including Company controls, and assessing the risks of material misstatement at the Company level. The Company was audited by one audit team, led by the Senior Statutory Auditor. Our approach in respect of key audit matters is set out in the table in the Key Audit Matters Section below.

Emphasis of matter

We draw attention to note 32 in the consolidated financial statements, which describes the costs to complete in relation to the contracts entered into by DCB (Kent) Limited that DCB (Kent) Limited was unable to fulfil due to going into administration. Due to the parent company guarantee put in place prior to the disposal of DCB (Kent) Limited, the group including the parent company, is liable for completion of the contracts and has estimated the costs based on the advice of the external qualified surveyors, who have assessed the net costs to complete for the 9 ongoing projects to be in the region of £4.0 million plus professional fees and expenses.

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

Key audit matters

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

The key audit matters were:

- Carrying value of investments
- Disposal of DCB (Kent) Limited
- Going concern

Key audit matters continued

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

Audit area and description	Audit approach
<p>Carrying value of investments</p> <p>As a result of acquisitions made during prior periods, investments totalling £18,566,000 (2021: £22,989,000) represent a significant part of the total assets of the company, as detailed in note 6.</p>	<p>We have critically assessed the Directors' impairment assessment together with the individual entities' net assets positions, trading performance and forecasts to ensure the investment balances are considered recoverable.</p>
<p>Disposal of DCB (Kent) Limited</p> <p>The accounting treatment of the disposal of DCB (Kent) Limited included significant judgements over whether the timing of the costs to complete was an adjusting or non adjusting post balance sheet event and the timing of write offs, as detailed in notes 3.3 and 3.4 respectively of the financial statements.</p>	<p>We critically assessed the Directors' board papers covering each of these judgement areas, independently evaluating the Directors' assertions in light of the available evidence.</p> <p>We considered evidence which contradicted the Directors' assertions as part of this process, as well as evidence which corroborated them.</p> <p>We concluded that the Directors' judgements were on balance appropriate in light of the available evidence, and reviewed the appropriateness of the Directors' financial statement disclosures in respect of these matters.</p>
<p>Going concern</p> <p>As detailed in note 1.2, there are several significant judgements which have been required to be made in the Directors' assessment of the going concern status of the company and specifically whether a material uncertainty exists in relation to going concern.</p>	<p>As noted in the material uncertainty related to going concern paragraph beneath, there are events or conditions which indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. The audit work we have conducted in this area is described in the paragraph referred to above.</p>

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 Company we considered expenditure 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 Company to be £52,740, based on two percent of expenditure.

On the basis of our risk assessments, 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 Company was 50% of materiality, namely £26,370.

We agreed to report to the Audit Committee all audit differences in excess of £2,640, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Material uncertainty related to going concern

We draw attention to note 1.2 to the financial statements, which indicates that the group and company is dependent on the continued support of its bank to continue in business and meet its liabilities as they fall due. The Board is currently in constructive discussions regarding the continuation of the current borrowing facilities and refinance of the term loan facility due for full repayment in September 2022. HSBC UK Bank Plc remain supportive and the group has received written notification that the bank's credit team have approved the renewal and refinance of these facilities. However, documentation is yet to be completed at the date of signing these financial statements.

Note 1.2 also details that following the administration of DCB (Kent) Limited the group and company has ongoing obligations in relation to a number of DCB (Kent) Limited projects, including £2.10 million of performance bonds, across three clients, which have been technically callable since DCB (Kent) Limited's administration on 16 May 2022. The Board is currently in discussions with the insurers, underwriters and customers to formally agree an optimal way forward for these projects, including cancelling or novating the performance bonds to new agreements. Discussions are ongoing at the date of signing these financial statements although one client has indicated their willingness to cancel their performance bond amounting to £0.95 million, leaving £1.15 million outstanding. Whilst management believe that the borrowing facilities will be able to be refinanced and the performance bonds will not be called, there can be no certainty in this respect.

As stated in note 1.2, these events or conditions, along with the other matters as set forth in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

- a critical assessment of the detailed cash flow projections prepared by the directors, which are based on their current expectations of trading prospects, extending the borrowing facilities and the performance bonds not being called;
- reviewing the terms of the committed borrowing facilities available to the group and company;
- reviewing the Board's assessment of the company's and group's obligations resulting from the administration of DCB (Kent) Limited;
- understanding the trading results for the first quarter of the 2023 year end; and
- reviewing the appropriateness of the disclosures in Note 1.2

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the 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 financial statements or our knowledge obtained in 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 financial statements. 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 parent company 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 parent company 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:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 48 the directors are responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company 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://www.frc.org.uk/auditors/audit-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 company.

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, the AIM rules, UK financial reporting standards as issued by the Financial Reporting Council, 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.
- 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 group financial statements of Kinovo Plc for the year ended 31 March 2022. That report includes details of the group key audit matters, how we applied the concept of materiality in planning and performing our audit and an overview of the scope of our audit. That report includes an emphasis of matter and a material uncertainty in relation to going concern and is qualified.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

Andrew Barford

(Senior Statutory Auditor)

for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

6 Floor

9 Appold Street

London

EC1A 2AP

19 August 2022

Parent company statement of financial position

as at 31 March 2022

Registered number 09095860

	Notes	2022 £'000	2021 £'000
Fixed assets			
Investments	6	18,566	22,989
Intangible assets	7	47	—
Property, plant and equipment	8	108	4
Total non-current assets		18,721	22,993
Current assets			
Trade and other receivables	9	2,107	3,815
Cash and cash equivalents		2,138	1,326
Total current assets		4,245	5,141
Creditors: amounts falling due within one year	10	(11,771)	(4,462)
Net current (liabilities)/assets		(7,526)	679
Total assets less current liabilities		11,195	23,672
Creditors: amounts falling due after more than one year	11	(143)	(2,733)
Net assets		11,052	20,939
Equity			
Ordinary shares	13	6,213	6,121
Share premium	14	9,245	9,210
Merger reserve	15	2,251	2,251
Share-based payment reserve		74	30
Retained earnings		(6,731)	3,327
Total shareholders' funds		11,052	20,939

As permitted by Section 408 of the Companies Act 2006 the Company has not included its own Statement of Comprehensive Income in these financial statements. The parent company loss for the financial year was £9,764,000 (2021: profit £1,135,000).

The notes on pages 93 to 102 are an integral part of these financial statements.

The financial statements on pages 90 to 102 were approved by the Board and authorised for issue on 19 August 2022 and signed on its behalf by:

Clive Lovett

Group Finance Director

19 August 2022

Parent company statement of changes in equity

for the financial year ended 31 March 2022

	Called up share capital £'000	Share premium £'000	Share-based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2020	5,872	8,609	612	2,251	1,580	18,924
Profit and total comprehensive income for the year	—	—	—	—	1,135	1,135
Issue of share capital	249	601	—	—	—	850
Share-based payment charge	—	—	30	—	—	30
Transfer to retained earnings for share options cancelled	—	—	(612)	—	612	—
Total transactions with owners recognised directly in equity	249	601	(582)	—	612	880
At 31 March 2021	6,121	9,210	30	2,251	3,327	20,939
Loss and total comprehensive loss for the year	—	—	—	—	(9,764)	(9,764)
Issue of share capital	92	35	(46)	—	—	81
Dividend paid	—	—	—	—	(294)	(294)
Share-based payment charge	—	—	90	—	—	90
Total transactions with owners recognised directly in equity	92	35	44	—	(294)	(123)
At 31 March 2022	6,213	9,245	74	2,251	(6,731)	11,052

Parent company statement of cash flows

for the financial year ended 31 March 2022

	Notes	12 months ended 31 March 2022 £'000	12 months ended 31 March 2021 £'000
Net cash generated from operating activities	16	2,495	4,247
Cash flow from investing activities			
Acquisition of subsidiaries		—	—
Purchase of property, plant and equipment		(127)	—
Purchase of intangible assets		(51)	—
Net cash used in investing activities		(178)	—
Cash flow from financing activities			
Proceeds from borrowings		—	7,333
Issue of new share capital (net of share issue costs)		81	850
Repayment of borrowings		(1,056)	(7,192)
Dividends paid		(294)	—
Interest paid		(236)	(356)
Net cash (used in)/generated from financing activities		(1,505)	635
Net increase in cash and cash equivalents		812	4,882
Cash and cash equivalents at beginning of year		1,326	(3,556)
Cash and cash equivalents at end of year		2,138	1,326

The cash and cash equivalents at the year ended 31 March 2022 are represented by the cash balance of £2,138,000 (2021: £1,326,000).

Notes to the parent company financial statements

for the financial year ended 31 March 2022

1. Basis of preparation

1.1. Statement of compliance

The financial statements of Kinovo plc have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

These financial statements are presented in Pounds Sterling, rounded to the nearest thousand.

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

1.2. Going concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risk", issued April 2016.

The Directors have adopted the going concern basis in preparing these accounts after assessing the risks as set out below and the Group's business activities, together with factors that are likely to affect its future development and position, as set out in the Group Chief Executive Officer's Review on pages 10 and 11.

During the year Kinovo plc disposed of its non-core construction business, DCB (Kent) Limited. The terms of the disposal allowed for up to £5.0 million deferred consideration and an expectation that Parent Company Guarantees (PCG's) provided by Kinovo, on nine construction projects represented by six clients, would be transferred to the purchaser, or an associate.

On 16 May 2022 DCB entered into administration. The PCG's had not been transferred and Kinovo consequently has ongoing responsibilities to complete the projects.

Third party experts have been retained by Kinovo to assess the cost to complete the projects and Kinovo has engaged with each of the clients of the construction contracts to facilitate the optimum solution for the parties to deliver the projects.

Discussions have significantly progressed and Heads of Terms are being agreed for each of the projects to recommence the construction works and complete the projects for the clients.

The Directors estimate that the net costs to complete the projects will be approximately £4.0 million plus fees and expenses, over a period for completion, ranging from a number of months through to the end of 2023.

Three of the projects also have performance bonds, which are indemnified by Kinovo plc, totalling £2.10 million. Kinovo has engaged with insurers, underwriters and clients and although these bonds technically could be called at any time, since DCB entered into administration, it is recognised by all parties that whilst discussions are ongoing to identify solutions to enable the projects to be completed that the bonds would not be called.

One client has indicated their willingness to cancel their performance bond amounting to £0.95 million, subject to contract, and it is expected that the remaining performance bonds amounting to £1.15 million will either be cancelled or novated to new agreements between the parties.

Kinovo has a term loan with HSBC UK Bank Plc which had an outstanding balance of £2.53 million at 31 March 2022. Since the year end a further £500,000 has been repaid and a further instalment of £500,000 is due at the end of August 2022, which Kinovo expects to pay, leaving an outstanding balance of £1.53 million which is due for repayment at the end of September 2022.

The Company and HSBC UK Bank Plc are in constructive discussions regarding the continuation of the current borrowing facilities and refinance of the term loan facility due for full repayment in September 2022. HSBC UK Bank Plc remain supportive and the Group has received formal credit approval confirming the renewal and refinance of these facilities. However, documentation is yet to be completed at the date of signing these financial statements.

The continuing business traded strongly in the year ended 31 March 2022 and is expected to grow further, developing existing strong relationships with its' client base, mobilising the new contracts it has won and securing new business opportunities through the established business development team.

Kinovo continuing operations has traded ahead of expectations in the quarter to 30 June 2022, 24% ahead of prior year Adjusted EBITDA.

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

In building these budgets and forecasts, the Board has considered the expected costs to complete the DCB construction projects, the continuing potential impact of Covid-19 and the market challenges of supply chain inflation and material and labour availability on the trading of the Group.

Whilst these factors have already been felt strongly, the business has demonstrated its resilience. The Group reduced its level of net debt during the year ended 31 March 2022 by £2.4 million reflecting the cash generated by continuing operations, despite the cash absorbed by the discontinued operations during the year.

The Directors expect that a combination of the cash generated by the continuing business together with the expected extension of bank facilities will enable Kinovo to fund the costs to complete the construction projects and continue to drive the growth of the core operations.

No equity fund raise is envisaged.

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.

Notes to the parent company financial statements continued

for the financial year ended 31 March 2022

1. Basis of preparation continued

1.2. Going concern continued

Although HSBC UK Bank Plc credit approval has been agreed confirming the renewal and refinancing of facilities, as the documentation has yet to be completed and the agreement with clients on the DCB projects was outstanding at the date of signing the financial statements, technically, a material uncertainty remains, which may cast significant doubt on the group's ability to continue as a going concern. Discussions are at an advanced stage on each of these matters and the Board is confident that new agreements will be executed. For this reason, 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. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1. Investments

Investments held by the Company are stated at cost less provision for diminution in value and are reviewed for impairment annually.

Expenses incurred relating to acquisitions are expensed to profit or loss.

2.2 Intangible assets other than goodwill

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 statement of comprehensive income on a straight-line basis over its useful life. Software costs are being amortised over 4 years, on a straight line basis.

2.3 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Office and computer equipment - 25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit or loss.

2.4 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2.5. 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 estimated irrecoverable amounts 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.

2.6. 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.

2.7. 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 Company are recorded at the proceeds received, net of direct issue costs.

2.8. 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.

2. Significant accounting policies continued

2.9. 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.

2.10. 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

The tax currently 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

(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 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 Statement of Financial Position date.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position 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 Company intends to settle its current tax assets and liabilities on a net basis.

2.11. Share-based payments

The Company 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 to the Group accounts.

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 Company's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Company 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.

3. Critical accounting estimates and judgements

The preparation of these financial statements in conformity with FRS 101 requires the Directors to make certain critical accounting estimates and judgements. In the process of applying the Company'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 financial statements.

3.1. 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 Company'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 to the Group accounts. 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.

3.2. Carrying value of investments

In determining whether investments are impaired, the Directors consider whether the investment is supported by the underlying net assets of the subsidiary company, and if not whether the value in use supports the valuation. The value in use calculation involves an estimate of the future cash flows of the cash-generating unit ("CGU") 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 the investment. 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 the investment.

Notes to the parent company financial statements continued

for the financial year ended 31 March 2022

3. Critical accounting estimates and judgements continued

3.3 Non-adjusting post balance sheet event

As part of the obligations under the terms of the sale of DCB (Kent) Limited ("DCB") (see note 30 of the consolidated financial statements for details on the disposal), the Company continued to provide parent company guarantees ("PCGs") on certain construction projects of DCB (Kent) Limited which run through to their practical completion. On administration of DCB (Kent) Limited the outstanding obligations under the PCGs were assumed by Kinovo plc. The total expected cost to complete the projects has been determined as £4.0 million (plus professional fees and expenses). Please see note 32 of the consolidated financial statements for further detail.

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

The liability under the PCGs is considered to be a non-adjusting post balance sheet event, and the costs to complete the construction projects will be recognised in the Statement of Comprehensive Income as and when they arise.

3.4 Timing of DCB (Kent) Limited impairments

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

4. Auditor's remuneration

	2022 £'000	2021 £'000
Audit fees payable by the Company	60	40

5. Employee expenses

The average number of employees (including Directors) employed during the period was:

	2022 No.	2021 No.
Management	13	10

	2022 £'000	2021 £'000
Wages and salaries	1,261	854
Social security costs	165	116
Pension costs	33	55
	1,459	1,025

The remuneration of the Directors and other key management personnel of the Company is shown in the Remuneration Committee Report and note 27.1 of the consolidated financial statements of the Group.

6. Investments

	2022 £'000	2021 £'000
At 1 April 2021	22,989	22,967
Share option charge for subsidiaries	28	22
Disposal	(3,996)	—
Impairment	(455)	—
At 31 March 2022	18,566	22,989

The Directors have undertaken a detailed impairment review in the current year. As a result of this process no impairment has been identified as required as at 31 March 2022. Please see note 15.2 of the Kinovo plc consolidated financial statements for full details of the impairment review performed.

The principal subsidiaries of the Company as at 31 March 2022 are shown below:

	Percentage of voting rights	Country of residence	Nature of business
Purdy Contracts Limited	100%	England & Wales	Provision of gas, electrical and building services
Spokemead Maintenance Limited	100%	England & Wales	Provision of electrical services
R. Dunham (UK) Limited	100%	England & Wales	Provision of electrical services
P&R Installation Company Limited	100%	England & Wales	Provision of plumbing and building services

During the year the Company disposed of a 100% investment in DCB (Kent) Limited. Please see note 30 of the Group accounts for further details on the transaction.

7. Intangible assets

	Software costs £'000
Cost	
At 1 April 2021	35
Additions in the year	51
At 31 March 2022	86
Amortisation	
At 1 April 2021	35
Charge for the year	4
At 31 March 2022	39
Net book value	
At 31 March 2021	—
At 31 March 2022	47

8. Property, plant and equipment

	Office and computer equipment £'000
Cost	
At 1 April 2021	8
Additions in the year	127
At 31 March 2022	135
Depreciation	
At 1 April 2021	4
Charge for the year	23
At 31 March 2022	27
Net book value	
At 31 March 2021	4
At 31 March 2022	108

9. Trade and other receivables

	2022 £'000	2021 £'000
Due within one year:		
Amounts due from Group undertakings	1,090	2,806
Prepayments and other debtors	1,017	1,009
	2,107	3,815

Included in other debtors is £850,000 owing from the JSOP trust in relation to own shares purchased in the year ended 31 March 2021. Amounts owing are interest free with no fixed date of repayment.

Amounts due from Group undertakings are unsecured and interest free, have no fixed date of repayment and are repayable on demand.

Notes to the parent company financial statements continued

for the financial year ended 31 March 2022

10. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank loans and overdrafts (note 11)	2,591	1,057
Trade payables	145	25
Amounts due to Group undertakings	8,102	2,690
Other taxes and social security	479	531
Accruals	454	159
	11,771	4,462

Amounts due to Group undertakings are unsecured and interest free, have no fixed date of repayment and are repayable on demand.

11. Loans and other borrowings

Bank loans and overdrafts repayable, included within creditors, are analysed below:

	2022 £'000	2021 £'000
Current borrowings		
HSBC term loan	2,534	1,000
HSBC mortgage loan	57	57
	2,591	1,057
Non-current borrowings		
HSBC term loan	—	2,533
HSBC mortgage loan	143	200
	143	2,733

11.1. Bank loans

Term loans

At 31 March 2022 the Group had a term loan in place with HSBC UK Bank Plc with an original principal value of £7.3 million repayable by quarterly instalments. As at 31 March 2022 £2.53 million of the loan remained outstanding. Interest is payable at 3.75% plus compounded reference rate based on SONIA.

Mortgage loan

A ten-year mortgage loan of £570,000 with HSBC UK Bank Plc was drawn down in July 2015, with interest payable at 1.9% above base rate. The mortgage is held over the freehold property of Purdy known as Brooklyn Lodge, Mott Street, Chingford, London E4 7RW. £200,000 remained unpaid at the end of the period.

11.2. Security

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

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

12. Share-based payments

As at 31 March 2022 the Company 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"). Options are generally exercisable at a price equal to the market price of 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.

Please see note 28 to the Group accounts for full details of each of these schemes.

The Black Scholes option model is used to calculate the appropriate charge for the share options with the exception of the SIP, due to the hybrid nature of this scheme. The use of the Black Scholes model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs, 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. The total charge for the year to 31 March 2022 was £62,000 (2021: £10,000).

12. Share-based payments continued

Share options issued and the inputs used in the Black Scholes option model are detailed in note 28 to the consolidated financial statements of the Group. Share options outstanding at the end of the year have the following exercise dates and exercise prices. There are no share options exercisable at the reporting date.

	Grant date	Exercise date	Exercise price in £ per share	No. of options				2022
				2021	Granted in year	Exercised in year	Forfeited in year	
EMI	July 2015	July 2018	0.95	500,000	—	—	—	500,000
SIP	August 2020	August 2024	0.18	644,754	318,567	(531,944)	(83,805)	347,572
SIP	August 2021	August 2025	0.34	—	291,618	—	—	291,618
CSOP	October 2020	October 2023	0.23	1,235,000	—	—	(345,000)	890,000
CSOP	October 2020	October 2023	0.21	180,000	—	—	—	180,000
CSOP	December 2020	December 2023	0.26	100,000	—	—	—	100,000
CSOP	March 2021	March 2024	0.35	257,142	—	—	—	257,142
JSOP	December 2020	December 2023	0.26	250,000	—	—	—	250,000
JSOP	March 2021	March 2024	0.35	2,242,858	—	—	—	2,242,858
				5,409,754	610,185	(531,944)	(428,805)	5,059,190

During 2021 £612,000 was transferred from the share-based payment reserve to retained earnings in relation to tranches where all options have now been cancelled.

13. Share capital

	2022 £'000	2021 £'000
Ordinary shares of £0.10 each		
At 1 April	6,121	5,872
Issued in the year	92	249
At 31 March	6,213	6,121
Number of shares		
At 1 April	61,214,703	58,721,845
Issue of shares in connection with JSOP	—	2,492,858
Issue of consideration shares in connection with SIP	923,054	—
At 31 March	62,137,757	61,214,703

Issued in the year

During the year the Company issued a total of 923,054 ordinary shares to be held in trust on behalf of the members of the 2021 SIP scheme.

During 2021 the Company issued a total of 2,492,858 ordinary shares sold to the share trust for £850,000. These shares are to be held for future redemption by members of the JSOP scheme upon successful completion or vesting conditions. Within the Group financial statements the share trust is consolidated and the £850,000 value of shares is shown in equity as the Group ownership of own share capital.

14. Share premium

	2022 £'000	2021 £'000
At 1 April	9,210	8,609
Issued in the year (net of share issue costs)	35	601
At 31 March	9,245	9,210

15. Merger reserve

	2022 £'000	2021 £'000
At 1 April 2021 and 31 March 2022	2,251	2,251

Notes to the parent company financial statements continued

for the financial year ended 31 March 2022

16. Note to the Statement of Cash Flows

	2022 £'000	2021 £'000
Cash flow from operating activities:		
Profit before income tax	(9,764)	1,135
Adjustments for:		
Net finance cost	236	356
Share-based payments	62	10
Amortisation	4	7
Depreciation	23	2
Impairment of investment	4,451	—
Movement in receivables	1,708	1,006
Movement in payables	5,775	1,731
Net cash generated from operating activities	2,495	4,247

17. Financial instruments

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

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

The Company is exposed to the risks that arise from its use of financial instruments. The objectives, policies and processes of the Company for managing those risks and the methods used to measure them are described in note 26 of the consolidated financial statements. Further quantitative information in respect of these risks is presented throughout the consolidated financial statements.

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

	2022 £'000	2021 £'000
Loans and receivables:		
Other receivables	1,017	1,009
Amounts due from Group undertakings	1,090	2,806
Cash and cash equivalents	2,138	1,326
	4,245	5,141

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

	2022 £'000	2021 £'000
Held at amortised cost:		
Bank loans and overdrafts	2,734	3,790
Accruals	454	159
Trade payables	145	25
Amounts due to Group undertakings	8,102	2,690
	11,435	6,664

17. Financial instruments continued

The table below shows the maturity profile of the Company's financial liabilities as at 31 March:

	Within 1 year £'000	Within 1-2 years £'000	Within 2-5 years £'000	Over 5 years £'000	Total £'000
2022					
Non-derivative financial liabilities					
HSBC mortgage	57	57	86	—	200
HSBC term loan	2,534	—	—	—	2,534
Trade payables	145	—	—	—	145
Accruals	454	—	—	—	454
Amounts due to Group undertakings	8,102	—	—	—	8,102
	11,292	57	86	—	11,435
2021					
Non-derivative financial liabilities					
HSBC mortgage	57	57	143	—	257
HSBC term loan	1,000	2,533	—	—	3,533
Trade payables	25	—	—	—	25
Accruals	159	—	—	—	159
Amounts due to Group undertakings	2,690	—	—	—	2,690
	3,931	2,590	143	—	6,664

See note 26 of the consolidated financial statements for details of the maturity profile of the loans and overdrafts held with the Group's principal bank provider.

17.1. Capital management risk

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

	2022 £'000	2021 £'000
Net debt comprised as follows:		
Cash at bank and in hand	2,138	1,326
Bank borrowings and overdrafts	(2,734)	(3,790)
	(596)	(2,464)

The movement in the net debt position for the year can be reconciled as follows:

	2021 £'000	Cash movements £'000	2022 £'000
Cash and cash equivalents	1,326	812	2,138
Bank borrowings and overdrafts	(3,790)	1,056	(2,734)
	(2,464)	1,868	(596)

18. Related party transactions

18.1. Transactions with Group undertakings

During the year the Company entered into the following transactions with its Group undertakings.

	Management charges to subsidiaries £'000	Dividends £'000
Year ended 31 March 2022	2,800	3,800
Year ended 31 March 2021	2,330	1,000

As at 31 March 2022 amounts owed by Group undertakings totalled £1,090,000 (2021: £2,806,000) and owed to Group undertakings totalled £8,102,000 (2021: £2,690,000).

19. Ultimate controlling party

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

20. Parent company guarantee

Parent company guarantees are in place supporting some selected contracts entered into by all trading subsidiaries. The form of guarantee provided by Kinovo obliges the Group to undertake the work of the service provider in the event the trading subsidiary is unable to fulfil the services provision required: indemnify the customer against any losses incurred due to failure of the trading subsidiary to fulfil the service and give a duty of care to the customer as if Kinovo itself was the service provider.

21. Post balance sheet events

Please see note 32 of the Group accounts for details of post balance sheet events.

Shareholder information

Corporate information

Registered office

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Website

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Registered number

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Listing information

AIM:KINO

Date of Annual General Meeting

15 September 2022

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Shareholder enquiries

Our website contains a wide range of information of interest to investors, including: latest news and press releases, Annual Reports and investor presentations. For further information please contact info@kinovopl.com



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