



Kinovo[®] Strong momentum for growth

Kinovo plc
Annual Report and Accounts 2023

A leading UK provider of specialist property services



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 clients, 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.

Strategic report

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Our year in brief

Operating highlights

- The business continues to benefit from legislative drivers and a streamlined focus on three key areas: Regulation, Regeneration and Renewables
 - Regulation contributed 56% of total revenues (FY22: 59%), Regeneration 28% (FY22: 20%) and Renewables 16% (FY22: 21%)
- Operational efficiencies continue to mitigate inflationary pressures:
 - Gross margins increased 2.4% from 23.9% to 26.3%
 - EBITDA margins have strengthened by 0.8% from 7.9% to 8.7%
- Strong visibility of future revenues demonstrates the business' quality of earnings:
 - 98% of the three-year visible revenues are recurring⁵
 - £64 million of the three-year visible revenues are anticipated to be recognised in FY24
 - 71% of all term contracts have price-index linked clauses
- Greater number of contract wins with longer average lengths, including:
 - Five-year contract with The Hyde Group at an aggregate value of £25 million for electrical testing and associated works, with a potential value of £40 million over 8 years
 - £4 million contract over 2 years with the London Borough of Waltham Forest for electrical, commercial mechanical and associated builders works
- High-ranking placings on key frameworks, including several top place rankings, significantly increasing future revenue generation potential:
 - Three awards under the National Housing Maintenance Framework, at an estimated national value across the relevant contractors in aggregate of £200 million over 4 years
 - First position on the Hyde Framework Agreement for domestic and communal electrical testing
 - The Greener Future Partnership's Decarbonisation Framework with an estimated national value across the relevant contractors of £81 million until the end of 2025
- Continued delivery of ESG commitments:
 - Total energy consumed reduced by 23% and total carbon emissions by 22%
- Accreditations enhanced during the period to complement the scope of our offering, adopting a fabric first approach by gaining additional Trustmark PAS2030 certifications

Outlook

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

Discontinued operations

Significant headway has been achieved towards completion of the legacy DCB Kent construction projects with seven of the nine projects having reached agreements on contract terms and expected to be completed by the end of the current financial year, with constructive dialogue ongoing to agree contracts regarding the other two. The estimated net costs to complete the projects continues to be £4.3 million. A £5.3 million loss is reported in the year ended 31 March 2023 with £1.0 million of anticipated recoveries recognised in future periods when they have been realised.

Financial highlights (continuing operations)

Revenue (£m)

£62.7m

+18%



Adjusted EBITDA¹ (£m)

£5.5m

+29%

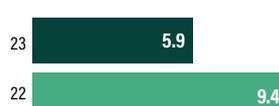


Adjusted cash conversion²

from adjusted net cash generated from operating activities (£m)

£5.9m

107% (FY22: 223%)



Net cash/(debt)³ (£m)

£1.1m

+£1.4m uplift



Profit before tax (£m)

£4.4m

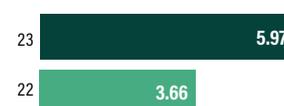
+58%



Basic earnings per share (pence)

£5.97p

+63%



Three-year visible revenues⁴ (£m)

£146.4m

+4%



Total carbon emissions (tCO₂e)

552.49

-22%



HSBC Term Loan (£m)

Fully repaid in FY23

(FY22: £2.5m)

1 Adjusted EBITDA excludes non-underlying items (customer relationship amortisation and share based payment charge) and is stated after the effect of a charge for lease payments as set out in note 8 of the financial statements.

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

3 The Group's balance at the reporting date of bank loans and other loans and overdraft less cash and cash equivalents, and excluding lease obligations.

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

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

Making the possibilities of tomorrow a reality today

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.

What we do

Kinovo delivers mechanical, electrical and building services through three long-established and complementary subsidiaries. Through collaboration and shared central functions, we offer a range of end-to-end specialist services to clients, working in partnership with them to meet their own compliance and sustainability goals.

£146.4m

visible revenues

98%

of visible revenues are recurring

3+ years

typical length of services contracts

£1.7m

average annual revenue per contract

Our subsidiaries

Dunhams

Dunhams offers a complete range of electrical, mechanical, general building and renewable energy services for local authorities, social housing, educational and private sectors. The continued success of Dunhams' work has enabled it to become a principal contractor for one of the largest suppliers of social housing in the UK.

[➔ Read more on page 18 & 19](#)

Purdy

Purdy is a well-established, mechanical, electrical, building services and renewable energy contractor. The business is based in North East London and works closely with many local authorities, housing associations, registered providers and large commercial organisations.

[➔ Read more on page 14 & 15](#)

Spokemead

Spokemead has acted as the principal contractor for London's largest borough for electrical installation, repairs and maintenance as well as fire safety, voids and kitchens and bathrooms for some 25 years.

[➔ Read more on page 16 & 17](#)

DUNHAM'S

PURDY


Spokemead

KINOVO

Providing vital support with

HR • Business development • Compliance and health and safety
• Fleet management • IT and System Support Services • Finance
• Marketing • Social value • Sustainability

Locations

Key

- Chingford – Kinovo 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 Dunham Head Office
- Southwark – Spokemead Head Office



We are a people-focused business

32

apprentices

26%

female staff

600,000

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

4

mental health workplace responders

235

employees who are committed to making our sustainability goals a reality

Visible revenues by sector



- Local councils £77.8m
- Social housing £62.9m
- Private sector £5.7m

Our services today

Our three strategic pillars encapsulate what we currently do, as well as defining our strategy for driving future growth. The very nature of our work is embedded within sustainability and ESG.



Regulation

56% of revenues

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 systems
- Water hygiene



Regeneration

28% of revenues

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 communal spaces
- Greener buildings
- Disabled adaptation works for kitchens and bathrooms
- Smoke alarm installation
- Smart metering
- Data installation
- CCTV



Renewables

16% of revenues

Energy efficient solutions

We advise clients on how to enhance their sustainable credentials to help them work towards net zero goals and reduce energy costs. We take a fabric-first approach that focuses on reducing heat loss and improving energy efficiency to achieve low-carbon, sustainable properties that are affordable to heat. Our specialist engineers deliver and install accredited electrical, heating and building service solutions, including:

- Loft, floor, external, internal and cavity wall insulation
- Draught proofing
- Energy efficient glazing to windows and doors
- Mechanical ventilation and heat recovery
- Energy efficient boilers
- Energy efficient lighting systems and controls
- Water efficient taps and showers
- Solar photovoltaic technologies
- Ground and air source heat pumps
- Electric vehicle charging



The right strategy and the right people to deliver continued growth

Sangita Shah

Non-Executive Chair

Overview

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

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

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

Market

Kinovo is reaping the rewards of its focused business model and position within the market. The business continues to benefit from regulatory tailwinds, such as legislation notably around Building and Fire Safety and Electrical Wiring.

Our three key pillars are entirely complementary, which enable cross-selling opportunities. Our strong relationships with local authorities, and the holistic nature of our services, provides a one-stop shop to upsell additional works across our offering. And, by virtue of our continued contractual wins, renewals and client surveys, it is a service which is highly valued.

ESG

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

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

Outlook

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

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

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

Sangita Shah

Non-Executive Chair

11 July 2023

Investment proposition

A powerful blend of ESG-driven growth and value

<p>Substantial visible recurring revenues based on long-term service contracts</p>	<p>During the year, Kinovo won, renewed or extended a number of contracts, increasing our three-year visible revenues to £146.4 million. A particularly pleasing feature of our visible revenue growth is the increasing diversity of clients and range of works.</p> <p>Our essential specialist services benefit from long-term market fundamentals, with contracts typically spanning over three years.</p>	<p>£146.4m</p> <p>of visible revenues for the next three years</p> <p>→ Read more on page 6</p>
<p>Foundation of non-discretionary services, meeting compliance and regulatory requirements</p>	<p>The core of our business has highly defensive ESG-driven characteristics through safety and regulatory compliance services for local authority and social housing clients. These services are mandatory in nature and specialist in their requirements.</p> <p>The regulatory environment is becoming more stringent and complex, requiring considerable investment in training, skills and qualifications, leading to ever higher barriers to entry.</p> <p>The transition towards green technologies is leading to the introduction of additional regulatory and compliance requirements, providing further opportunities for growth.</p>	<p>56%</p> <p>of our revenues are regulatory driven</p> <p>→ Read more on page 8</p>
<p>Holistic ESG approach, meeting client requirements to achieve social value and net zero targets</p>	<p>Our business model regularly generates opportunities to keep people safe and warm through a “fabric-first” approach. This focuses on reducing heat loss and improving energy efficiency in homes to achieve low-carbon, sustainable properties that are affordable to heat. Local authority and housing association clients are under pressure to improve the quality of their stock to raise safety standards, reduce carbon emissions and lower energy costs to themselves and their residents. This is providing opportunities in building and community regeneration, vacant conversions and disabled adaptations.</p> <p>As a PAS 2030 accredited installer, we carry out a wide range of fabric-first and energy efficiency projects for our clients that fall under Government-supported decarbonisation schemes. Specifically, works such as mechanical ventilation and heat recovery, energy efficient lighting systems and controls, electrical energy efficient heating, loft, floor, external, internal and cavity wall insulation, and installing water efficient taps and showers.</p>	<p>PAS 2030</p> <p>accreditations gained</p> <p>→ Read more on page 34</p>
<p>Predictable strong cash generation enabling continued investment</p>	<p>Our ability to secure 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 achieve meaningful growth. Our balance sheet enables us to invest more into our communities as part of our environment, social, governance and mental wellbeing (“ESGM”) strategy, delivering greater social value and providing local people work opportunities.</p>	<p>107%</p> <p>cash conversion*</p> <p>→ Read more on page 28</p>
<p>Strengthened balance sheet</p>	<p>We have repaid our HSBC UK Bank Plc Term Loan (“HSBC Term Loan”) ahead of schedule with £2.5 million being repaid in FY23. The Group had a net cash position of £1.1 million as at 31 March 2023 comprising £1.3 million cash balances less £0.2 million borrowings. This is due to robust cash management together with a deferral of expected cash payments relating to the discontinued DCB Kent construction projects.</p>	<p>£1.1m</p> <p>net cash position</p> <p>→ Read more on page 28</p>

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



Strong momentum in delivering our strategy

David Bullen
Chief Executive Officer

Overview

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

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

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

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

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

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

Market

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

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

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

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

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



Strategy

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

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

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

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

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

People

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

A key part of this process is centred around employee retention and personal and professional development. I am pleased to be able to share that, during the year, 9% of our current employees have taken the opportunity to increase

their responsibilities or expand their skills base through internal appointments. This serves to recognise and reward the efforts of our team members, to fuel aspiration and ambition within the Group, and demonstrates our commitment to individual career progression with further opportunities as the Group continues its growth path.

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

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

Outlook

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

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

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

David Bullen
Chief Executive Officer

11 July 2023

Driven by regulation

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



Regulation

Spending is increasing

Kinovo's foundation is built on stringent non-discretionary regulatory and compliance requirements. These requirements exist despite economic conditions and are boosted by market drivers.

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' responsibilities and spend to ensure the health and safety of their residents 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, provides 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 meaningfully increase demand for our services.

A quarterly report from the Regulator for Social Housing ("RSH") from 1 June 2023 unveiled that providers invested £6.9 billion in the previous year on repairs and maintenance – almost double expected levels – and a further £7.9 billion is expected to be spent over the next twelve months. RSH forecasts £3.5 billion spending on capitalised repairs and maintenance in the twelve months to 31 March 2024. This continues to break records as housing providers catch up on delayed works due to the Covid-19 pandemic and is a result of repairs relating to damp and mould, building safety works, and investment in energy efficiency – all areas in which Kinovo specialises.

Due to these pressures, the critical nature of the services we provide is such that clients generally prefer not to change provider, facilitating longer-term relationships.



Regeneration

Providers are investing in stock

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 RSH quarterly report from 1 June 2023 highlighted that providers continue to address this gap through the acquisition and purchase of new homes to increase availability. The report shows that over £13 billion was invested over the previous year (compared to £12.7 billion the year before) in new homes,

which is expected to increase to £16.8 billion in new homes over the following year (of which £11.4 billion has been contractually committed).

The need to improve existing housing stock is also high on the agenda, taking a share of the estimated £7.9 billion being spent on capitalised repairs and maintenance. With more local authority and housing association homes being built, the demand for the building, improvement and refurbishment services that Kinovo provides is set for long-term growth.



Renewables

A fabric-first approach

The Government's commitment to reach net zero emissions by 2050 and investment of around £26 billion to achieve this is driving businesses to establish their own strategies to implement clean energy and green technology. In total, around £90 billion of private investment is expected to be spent by housing providers.

These commitments are in addition to all new affordable homes needing to be "zero-carbon ready", produce 75% to 80% less carbon dioxide and no longer connect to the gas grid from 2025, as well as the funding commitment to the Social Housing Decarbonisation Fund to continue upgrading the least efficient social housing.

How Kinovo is capitalising on this opportunity:

- taking the lead to be a total service partner;
- offer cost-effective and value-added services;
- provide excellent service meeting or exceeding customer service KPIs;
- anticipate and invest in the skills required to meet regulation and compliance-led changes to meet customer needs and challenges; and
- increase capacity to meet growing demand by increasing our skills base through recruitment, training and development of apprentices and long-term unemployed.



Areas of focus for Kinovo include:

- growing our existing client base by providing a diversified end-to-end offering, and supporting our clients in meeting their own social goals;
- incorporating social value as a fundamental part of the bidding process for public sector contracts; and
- demonstrating our historic performance where we have made a real difference in communities where we are active.



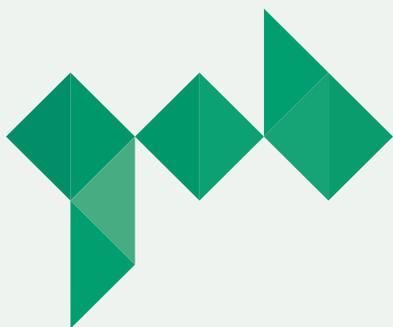
Areas of specific interest to Kinovo include:

- a fabric-first approach, upgrading homes to reduce heat loss through better insulation and improve energy efficiency, under the Government directive "Clean Growth Strategy", for all homes to be EPC "C" rated by 2035;
- heat and energy upgrades such as boiler works, so homes and buildings are warmer, cheaper to heat and cleaner to run;
- installation of solar PV, ASHP and GSHP to transition away from fossil fuels;
- the electrification of UK vehicles and their supply chains, including local residential charge points; and
- investigate alternative green energy technologies.



A land and expand growth strategy





1

Invest in our people and our communities

Kinovo is first and foremost a people business. We invest in our people through personal and professional development, training, and internal promotion. By upskilling our employees we are able to provide a broader service offering, help retain talent, drive improved operational performance and margins, and maintain strong barriers to entry.

We have a strong focus on delivering social value through volunteering and fundraising. We are working closely with our clients to enhance the impact of our social value activities in line with our sustainability strategy.

→ [Read more on page 38](#)

2

Expand core competencies

We have a clear roadmap of the additional essential, non-discretionary service areas that we are developing. These all have higher barriers to entry and are consistent in demand, resistant to economic cycles and underpinned by regulation and compliance requirements. We are taking a fabric-first approach which focuses on reducing a heat loss in homes to achieve low-carbon, sustainable properties that are affordable to heat. In addition we are investing in renewable and low-carbon technologies in support of our three strategic pillars – the 3Rs.

→ [Read more on page 13](#)

3

Improve collaborative support functions

Our collaborative support functions ensure we deliver high and consistent service levels, strong financial controls, as well as an efficient approach to the way we manage our people, business development, compliance and health and safety, fleet, IT and system support services, finance, sales and marketing. We continually look at ways to introduce further efficiencies to improve processes, productivity and margins.

→ [Read more on page 2](#)

4

Accelerate organic growth

Our focus on long-term recurring revenue contracts provides us with significant forward earning visibility. We continue to invest in our business development team, which is helping us to win new business and increase the value of existing contracts.

In FY23, we engaged with external advisers to conduct a stakeholder engagement survey with three stakeholder groups – clients, suppliers and staff – to identify the challenges they are facing and how we can support them. Having completed the survey, we are now evolving our business strategy and identifying further opportunities that will accelerate our growth.

→ [Read more on page 30](#)

5

Acquire complementary businesses

Although we did not complete an acquisition in FY23, we continue to explore acquisition opportunities that will create value by adding new revenue streams, increase our client base and expand our service capabilities. The support of external advisers will help us to identify potential acquisition targets.

→ [Read more on page 13](#)

6

Consolidate our geographic position

We are consolidating our position in the key markets of London and the South East. Our new office in Erith which was established in FY22, has broadened and strengthened our reach in our key markets. We are also winning additional contracts in the Midlands, enlarging our regional footprint and providing new opportunities to target further growth.

→ [Read more on page 3](#)

A values-based culture

We believe anyone choosing a career with us has the opportunity to help shape our growing business. In return, we teach the skills and provide the financial support or time needed to help reach individual aspirations and secure the future of our Group.

Our values-based culture is defined by our purpose: we raise living standards for people, families and communities, keeping them safe and warm.

What we stand for

Connected by Kinovo

We recognise our responsibility to develop our team and partners so they can succeed.



We promise inclusivity, respect, humility and candour.



Integrity

Lead with honesty and respectfulness.

Dare to be different

We are invested in regenerating spaces for a healthier, cleaner and secure future.



We encourage creativity, curiosity, flexibility and consideration.



Innovation

Look to the future, continuously improve the now.

Make everyday incredible

We are committed to providing the most approachable, dependable and highest level of service.



We embrace ownership, commitment, loyalty and approachability.



Reliable

Always be there for our colleagues, clients and communities.

Care about tomorrow

We are trusted to ensure that their project is in safe hands.



We value accountability, authenticity, professionalism and consistency.



Reputable

Hold ourselves to the highest possible standard.

Smile with success

We are committed to making a positive difference and are passionate about raising living standards for all.



We welcome collaboration, determination, passion and confidence.



Successful

Work together for the success of everyone.



Supported by our mission

Support one another to develop, succeed and grow



Our centralised HR manages individual and Group-wide training requirements to ensure we have the right skills in place. We undertake a training needs analysis every year to identify skills gaps. We have developed individual training plans to map career paths and personal development.

We back this up with a strong purpose and values-based culture which is integrated into our recruitment, onboarding, appraisals, salary reviews and bonus allocations.

Build on our core competencies to expand the breadth and depth of our offering



We are investing in our staff and new competencies which require accreditations to be able to provide additional services, and install and maintain new technologies as they become available. We continue to explore acquisition opportunities that will create value by adding new revenue streams, increase our client base and expand our service capabilities.

→ See page 14 for an example of how we are doing this.

Broaden and deepen our areas of expertise through continuous research and training



In addition to providing training, we evaluate new materials or technologies as they become available to understand if they stand up to the claims they make, and whether we should invest in them. Our Senior Leadership Team is mandated to keep abreast of all new legislation and opportunities relating to our sector so that we can ready ourselves in advance.

Ensure that homes and places of work meet the regulatory compliance standards to keep them safe



As a regulatory and compliance-led business our clients include performance related KPIs as part of our service agreements. Our performance in these areas has improved consistently year on year.

→ See page 8 for further information.

Strive to continuously improve our end-to-end specialist services for the housing and property sector



A recent stakeholder survey has identified that some of our clients are not fully aware of all the services we offer. Our goal is to remedy this so that we become the go-to company for specialist property services to our clients. We also engage with our clients to anticipate the services they might need in the future so we can be ready to offer them when they are needed.

Embrace the power and potential of science and technology to raise people's living standards



With the cost of energy rising and net zero targets, we are looking at ways to reduce energy bills and carbon emissions. We are currently exploring the opportunities to ensure we are ready to offer our clients innovative alternative technologies such as hydrogen boiler systems.

Commit to investing in renewable and green energy solutions to provide a sustainable future



Having gained accreditations to install and maintain EV chargers, and air source and ground source heat pumps, we have been investing in additional skillsets and accreditations that will allow us to undertake a fabric-first approach on behalf of our clients.

→ See page 14 for new skills we are investing in.

Embed environmental, social, governance and mental wellbeing ("ESGM") strategies at the heart of our business



With ESGM underpinning our three strategic pillars – the 3Rs – we are aligning our business with client expectations and wider national environmental and social goals. This supports our long-term performance as well as making Kinovo a greener, happier, healthier and more successful business.

→ See pages 34 to 40 for more information.

PURDY

Driving growth through Renewables expansion

Purdy is committed to clean energy contracting and is investing in developing our knowledge and expertise in renewable energy, regeneration and regulation technologies.

John Lord, Managing Director of Purdy, explains why Renewables is an integral part of the business moving forward

Our sector has always sought to address social issues; it is the primary reason we exist as a business. Environmental issues play a central part in this and as a result our clients are under increasing pressure to regenerate their existing housing stock so that their residents live greener, safer and more sustainable lives.

Like our clients we are focused on a fabric-first approach, through better insulation such as lofts, cavity wall, double glazing, mechanical and electrical upgrades, and recognising that improving the quality and efficiency of homes is the starting point in this journey. Given the substantial investment needed – running into the tens of billions over the coming year – efforts are being supported by Government-backed schemes such as the Public Sector Decarbonisation Scheme, the Social Housing Decarbonisation Fund and the Home Upgrade Grant. It is perhaps not surprising then that the Renewables segment offers the greatest long-term potential.

We are seeing increasing investment in low-carbon and low-energy technologies such as energy efficient boilers, air and ground source heat pumps, solar PV with battery storage systems, LED electrical lighting systems, and EV charging points. In the last year, interest for these technologies has risen sharply due to the energy crisis combined with incentives such as the Renewable Heat Incentive.

However, many of these new technologies need specialist accreditations to install and maintain them and currently there is a significant skills gap in our industry. To address this, we are moving quickly to make sure our staff receive the training needed to support our clients.

We also recognise that to help achieve our own and client goals we all need to work together. This is why we are in regular discussions with them to find ways to enhance their sustainability credentials and how they can work towards reducing their carbon footprint within their constrained budget. This way we will continue to play a pivotal role in the Renewables journey for our clients.

Specialise in:

- Installing turnkey renewable technologies to help reduce energy costs.
- Advising clients on how to enhance sustainable credentials and work towards carbon reduction.
- Delivering accredited electrical, heating and property maintenance solutions across both commercial and domestic markets.



Case study

Offering a total service to reduce emissions under Government-funded schemes

In the last few years we have been investing in our in-house capabilities and accreditations so that we are one of the few providers that can offer end-to-end services that fall under the Renewables umbrella.

We are already carrying out a wide-range of fabric-first and energy efficiency projects for our clients that fall under Government-supported decarbonisation schemes. For instance, on behalf of the London Borough of Waltham Forest, we have been retrofitting insulation and introducing draught exclusion upgrades, as well as installing solar PV and air source heat pumps in a number of community buildings.

We have also introduced renewable heat and energy technologies and improved the efficiency of our own buildings to showcase to our clients what can be achieved. These works have supported us in gaining PAS 2030 accreditation.

Our investment has helped secure Purdy's position on five significant decarbonisation framework agreements over the next ten years. Whilst we cannot know for certain the proportion and value of the projects we will receive, budget expenditures on these frameworks are in their early stages and are expected to accelerate over the coming months.

Established: 1984

Located: Chingford, North East London

Our brands: Spokemead



Investing in our future through our people

We were established in 1974 as a family business. Now in our third generation we deliver the same drive and enthusiasm our forebears had in those early years.

Nicole Rooney, Commercial Director of Spokemead, describes how providing opportunities for young people is vital to the company's strategy

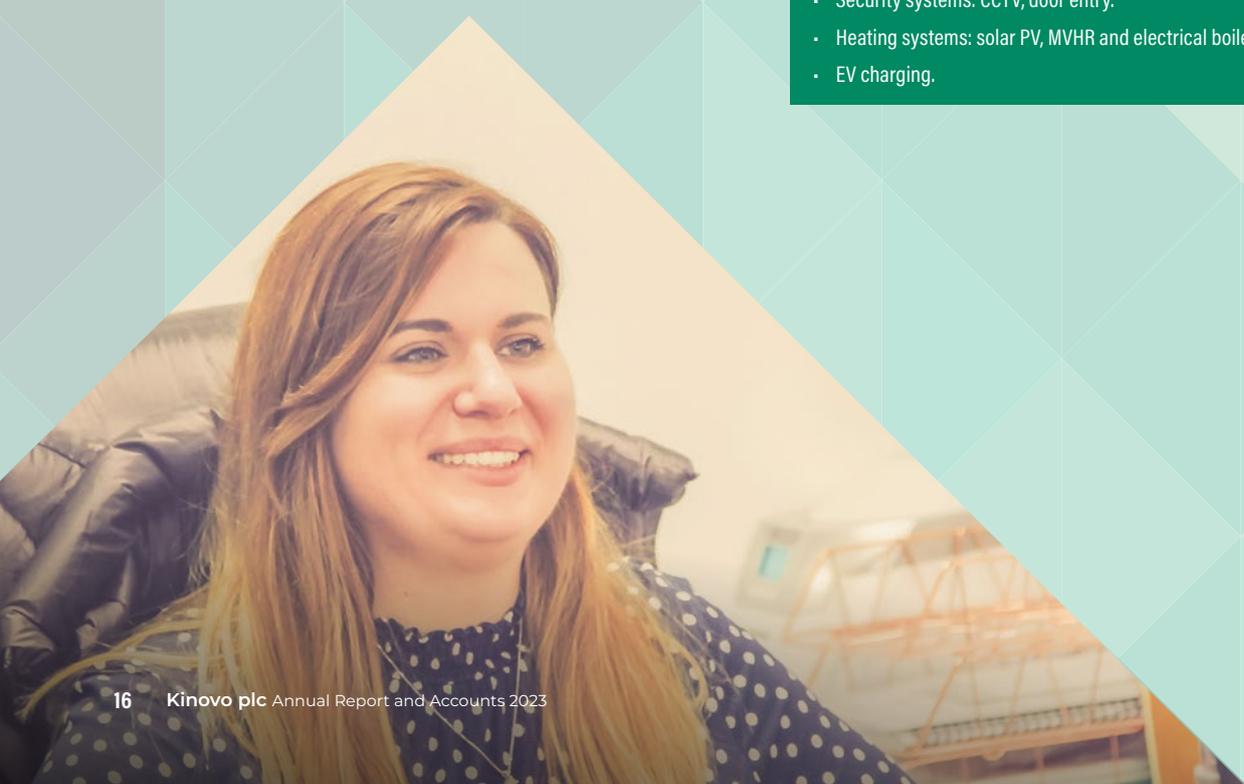
Spokemead has a number of experienced staff some extending back as far as 30 years. This has enabled us to blend youth with experience. Working on public sector housing stock on electrical works is extremely complex, particularly when dealing with supply interruptions. We believe it is essential that we maintain our corporate memory by passing on this invaluable experience and local knowledge to the next generation.

We have always prided ourselves on our investment in staff, and nurturing and shaping home-grown talent. Apprentices are an integral part of our business planning strategy for these reasons. Not only does this accord with our business needs but it is in complete sync with our clients' expectations in respect of social value commitments as well as the Fairer Futures Initiative.

Currently, 30% of Spokemead's employed staff are apprentices, of which 60% are drawn from the local population. All are supported with their college work as well as on the job practical learning and development. The apprenticeship scheme at Spokemead enables us to train and equip people with the skills to meet the high standards of work our clients have come to expect and are passionate about maintaining. We reap greater rewards by moulding these keen young people from the outset into our way of working.

Specialise in:

- Domestic and commercial electrical repair, maintenance, installation, upgrades, rewires and testing.
- Electrical safety: emergency lighting, fire alarms, smoke detection, lightning protection, PAT testing.
- Security systems: CCTV, door entry.
- Heating systems: solar PV, MVHR and electrical boilers.
- EV charging.



Case study

Kick starting our social value commitment to Southwark Council

In FY23, we signed up to support local charity Be Enriched, for a canteen project in Elephant and Castle, as part of our social value commitment to Southwark council.

Be Enriched is a South London-based charity that uses food to bring joy and connection to the socially excluded, develop skills in young people, build communities and grow future generations.

On the last Friday of every month, we send out different staff pairings to help make a delicious hot three course meal using donated surplus food and to offer a social sanctuary for everyone to enjoy. Over the course of this year, we have delivered over 100 volunteer hours to the scheme.

As well as volunteering for a good cause, our colleagues have got a lot out of the project as they have been working with people that they wouldn't normally work, which has been great for team building. The initiative has been very successful and we continue to support it.

Established: 1974

Located: Southwark, South London

Our brands: Dunhams (Formerly R Dunham)



Diversifying our specialism

The continued success of our work has enabled us to become a principal contractor for one of the largest suppliers of social housing in the UK.

Alison Beach, Commercial Director of Dunhams, explores how the business is diversifying

In recent years we have been building our specialisms, adding to our electrical services skillsets to offer a complete range of electrical, mechanical, general building and renewable energy services for local authorities, social housing, and educational and private sectors.

Our skills expansion initially came at the request of one of our key clients – Sanctuary Housing – when our contract came up for renewal in April 2021. We were extremely pleased when our bid was selected on a much broader scope of work, highlighting the long-established and trusted relationship we have built with Sanctuary over many years. Our success also highlights the benefit of being part of the Kinovo Group as we were able to mobilise our resources and meet the demand of a multi-trade service contract quickly.

Since then, we have been building our service offering with other clients such as Poplar HARCA. The result is that in a short time non-electrical services is now over 40% of our business.

Our expansion is bringing new opportunities as well, drawing on our electrical skills. For example, we have recently added new work extensions, working alongside AICO for Poplar HARCA, installing their new IoT-enabled smoke and mould detection systems.

All together this has resulted in a significant uplift in our revenues in the last year through the expansion of our services.

Specialise in:

- Electrical installations, domestic and commercial.
- Compliance and regulatory-led maintenance and testing.
- Mechanical, general building and renewable energy services.
- Electrical IoT smart system installations.
- Communal ventilation and emergency lighting.



Case study

Embracing technology to tackle mould at its root

The impact that mould can have on residents' health and wellbeing is of real concern. Supporting our client Poplar HARCA, we are helping to push the boundaries, embracing technology to combat this problem at its root.

In the last year, we have been building our staff skills to install and commission IoT enabled AICO HomeLink environmental sensors. These remotely monitor the environmental conditions that cause mould development in homes such as damp, poor ventilation, and indoor air quality.

Following a successful pilot in November 2022, Poplar HARCA are rolling these AICO sensors across their portfolio of 10,000 homes, community centres, commercial offices, and shops in the East End of London. Dunhams is one of a select few service providers that has been entrusted with making this happen.

In doing so, our client can take preventative action, saving time and money. This may be as simple as encouraging residents to change their living habits such as opening windows more frequently and not over heating homes to reduce humidity and temperature. In other cases, the sensors can help identify issues with the fabric of a property that will trigger insulation and ventilation upgrades.

The devices can also be used to set reminders to test smoke and CO₂ alarms, as well as offering tips to improve health and safety. Every property will eventually have its own gateway, and our client will have a complete overview of its entire portfolio.

Established: 1966

Located: Romford, East London

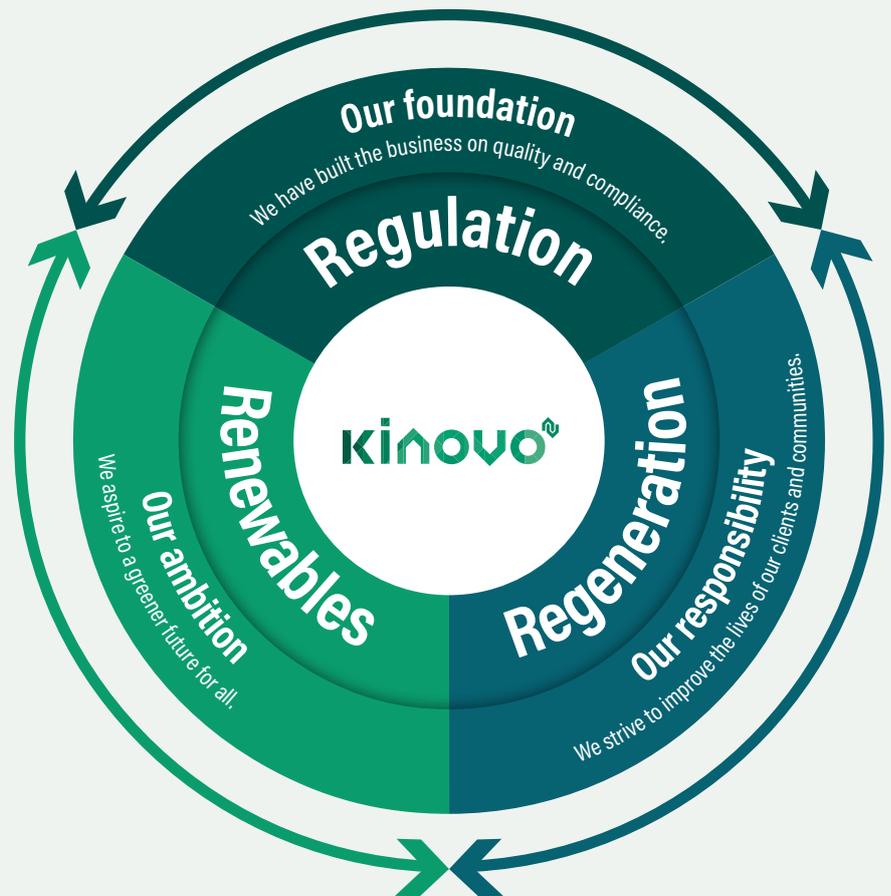
A sustainable business with a clear purpose

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





Renewables

Providing energy efficient solutions that reduce carbon footprint.

£9.7m

revenues



Regeneration

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

£17.7m

revenues



Regulation

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

£35.3m

revenues

How we compete

- 1 Our purpose, vision, mission and Group values define the way we work.
- 2 A true partnership between our employees, our Group and our clients.
- 3 A powerful track record providing high-quality services measured against client defined performance indicators.
- 4 Offering end-to-end services through three complementary subsidiaries that help our clients meet their own compliance and sustainability goals.
- 5 Delivering environmental and social value as part of our contract delivery, combined with a strong client value and proposition.
- 6 Going above and beyond for the communities we work with, providing outstanding customer service which is evidenced by resident satisfaction surveys.
- 7 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 ESG. We work hard to ensure clients benefit from our ingenuity and to anticipate their current and future needs – offering a fabric-first approach and by bringing new technologies to bear such as IoT enabled environmental services.

Employee value

The training and development of our people is the future of our Group. 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 performance in the year to 31 March 2023.

Measuring our performance

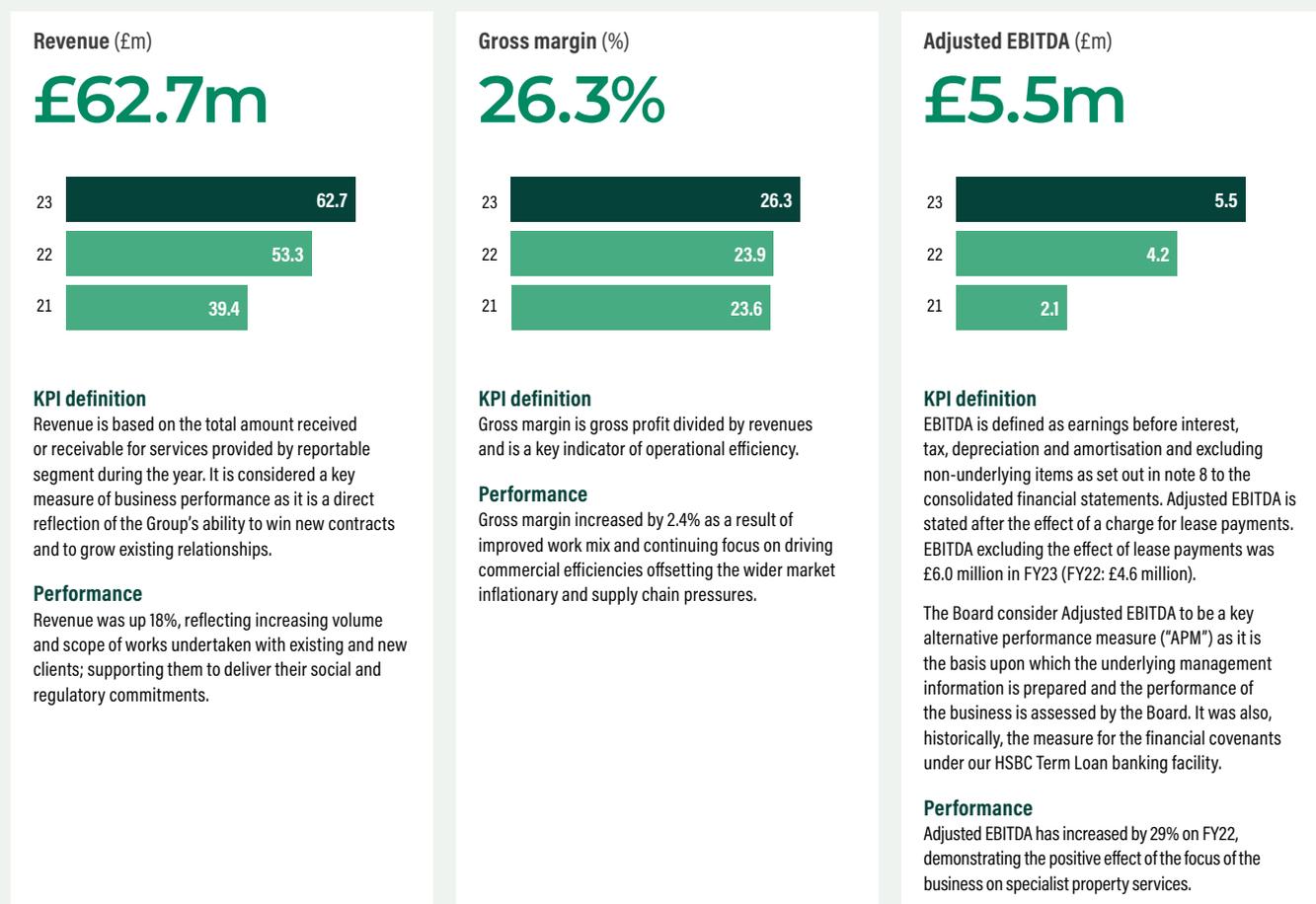
The Group uses both financial and non-financial KPIs to measure and monitor its performance.

Financial KPIs

Organic growth drives performance from continuing operations

The Group's alternative performance measures (“APMs”), which, when “Adjusted”, include the effect of lease payments charges. This reflects the basis upon which management information is prepared and historically was 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.



Underlying profit before tax (£m)

£4.9m



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 growth in the underlying EBITDA performance, coupled with reduction in amortisation charge of customer relationship intangible asset. At 31 March 2023 customer relationship intangible asset was fully amortised.

Adjusted net cash generated from operating activities (£m)

£5.9m

**KPI definition**

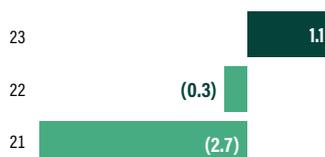
Adjusted net cash generated from operating activities is stated before non-underlying exceptional cash payments and corporation tax receipts/payments and after the effect of a charge for lease payments and adjusted for the effect of deferred HMRC liabilities.

Performance

Net operating cash generation is a key strategic priority for the Group. The adjusted net cash generated from operating activities in FY23 of £5.9 million translates to a cash conversion rate of 107%, compared to 223% in FY22, and 208% in 2021, 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 utilising the purchasing card facility. Further analysis is included in the Financial Review.

Net cash/(debt) (£m)

£1.1m

**KPI definition**

Net cash/(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 of £943,000 (FY22: £796,000).

Performance

The Group was in a net cash position at 31 March 2023 compared to net debt in prior years, resulting from robust cash generation from the continuing operations and repayment of borrowings, mitigated by the impact of the cash outflow from discontinued operations. Additional information on analysis and performance is included in the Financial Review and in note 26.

Basic earnings/(loss) per share (p)*

5.97p



Adjusted earnings per share (p)*

6.76p



* Continuing operations.

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 average number of ordinary shares. Additional detail is set out in note 14 to the consolidated financial statements.

Performance

Basic earnings/(loss) per share is the profit/(loss) after tax divided by the weighted average 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.

Key performance indicators (“KPIs”) continued

Non-financial KPIs

The performance of our service and operational performance has continued to improve over the last year, showing that the new strategic alignment of the operational and financial roles put in place continues to keep KPI levels at above average levels. The continual upskilling of our operational staff has also improved our productivity and efficiency and this is clear in the results below.

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 timeframe.

Performance

The performance was maintained at the same level due to innovative ways to improve access to properties, in partnership with our clients.

Repairs (first-time fix) (%)

89%



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 continual commitment to improve the operational team’s skillset has improved the performance throughout this year. This has also continued to drive the efficiency of our engineers.

Official complaints upheld (%)

0.04%



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

We have maintained very low levels of official complaints despite widening the ability to log complaints for our residents through multiple channels.

Jobs completed on target (%)

92%



KPI definition

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

Performance

The continual commitment to improve the operational team’s skillset has improved the performance throughout this year. This has also continued to drive the efficiency of our engineers.

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 satisfaction results have remained at the high levels set last year.



Strong growth and future prospects

Clive Lovett
Group Finance Director

Trading review

Continuing operations

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

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

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

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

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

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

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

Financial position and key indicators

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

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

The key financial performance indicators for the year are set out on the following pages.

→ Described in more detail on pages 22 to 24.

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



Trading review continued

Financial position and key indicators continued

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

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

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

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

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

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

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

7 Net cash generated from continuing operations before tax and after lease payments in the period ended 31 March 2023. It is also adjusted to reflect the payment of deferred HMRC payments to normal terms.

8 Adjusted net cash generated from operating activities divided by Adjusted EBITDA.

9 Net cash/(debt) includes term and other loans and overdraft net of cash, and excludes lease obligations.

EBITDA reconciliation

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

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

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

Non-underlying items

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

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

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

Finance costs

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

Tax

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

Overall, the Group has no tax liability at 31 March 2023.

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

Earnings per share

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

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

Trading review continued

Cash flow performance

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

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

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

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

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

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

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

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

Net debt

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

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

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

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

Discontinued operations – DCB (Kent) Limited

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

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

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

The activities of DCB are presented as discontinued operations.

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

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

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

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

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 31.

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

Banking arrangements

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

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

The HSBC Term Loan facility had a number of financial covenants that were tested quarterly, being: (i) achievement of minimum levels of EBITDA; (ii) debt service cover; and (iii) interest cover. All financial covenants were achieved.

The Group also has a purchasing card facility of £6.0 million, which is renewed annually and due to renew in August 2023, with HSBC which is disclosed within trade creditors and detailed in note 23 of the financial statements.

Dividends

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

Going concern

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

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

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

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

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

Positive discussions continue on the two remaining construction projects that are yet to agree new contracts and the remaining performance bond is expected to be novated as part of those discussions. The costs to complete across all nine projects represents a material judgement and is highlighted as an emphasis of matter in the Audit opinion.

For these reasons, the Board continues to adopt the going concern basis in preparing the consolidated financial statements. Accordingly, these accounts do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group was unable to continue as a going concern. Further detail on going concern is set out in note 2.1.

Clive Lovett
Group Finance Director
11 July 2023

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 Group 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, clients, 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 Group'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 Group's employees and other stakeholders, including the impact of its activities on the community, the environment and the Group'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 Group 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.

The table acts as our S172(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.

Key actions in FY23

In the last quarter of FY23 we engaged a third party to conduct a customer perception survey aimed at clients, suppliers and staff to help us refine our strategy and to ensure we continue to respond to their priorities. The survey was conducted online with a face-to-face interview also conducted with one of the Group's Non-Executive Directors.

The results from this survey are still being processed but has highlighted:

- the need to increase the frequency and quality of our external communications to promote our broad range of services;
- a desire by our clients to better understand their strategic priorities; and
- a need to embrace technology further to improve our responsiveness as well as to offer real-time and transparent reporting to our clients.





Our employees

Their interests

- Training, development and career prospects
- Health and safety
- Working conditions
- Diversity and inclusion
- Human rights and modern slavery
- Fair pay and employee benefits

How we engage

- 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

FY23 highlights

- Staff engagement survey as well as a shorter "pulse" survey relating to reward and recognition options.
- Invited employees to take part in an online customer perception survey conducted by a third party, to understand the challenges faced by Kinovo's clients, suppliers and staff, and how well Kinovo is perceived to be at helping them to overcome these challenges. This was followed by a management strategy day to discuss findings and set an action plan to respond to issues raised.



Our contractors and suppliers

Their interests

- Terms and conditions of contract
- Health and safety on site
- Working conditions
- Human rights and modern slavery
- Diversity and inclusion

How we engage

- All contractors are locally sourced where possible
- Initial meetings and negotiations
- Frequent communication through management team
- Sub-contractor assessment approval chain
- Supplier contracts

FY23 highlights

- Created a new Procurement Manager role in the business to drive focus and strengthen management of our contractors and suppliers.
- Standardising contractual terms to comply with IR35 legislative changes.
- Invited suppliers to take part in an online customer perception survey conducted by a third party, to understand the challenges faced by Kinovo's clients, suppliers, and staff, and how well Kinovo is perceived to be at helping them to overcome these challenges.



Our investors

Their interests

- 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

How we engage

- Annual Report
- Group website
- Shareholder circulars
- AGM
- Stock exchange announcements
- Frequent communications through briefings with management

FY23 highlights

- Robust result from continuing operations.
- Repaid the HSBC Term Loan early as a result of strong cash conversion.
- Strengthened balance sheet.
- Improved investor engagement with "Investor Meets Company" presentations.



Our clients and partners

Their interests

- 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

How we engage

- Group reports
- Client meetings with management
- Marketing and communications
- Annual Report
- AGM
- Group website

FY23 highlights

- Invited clients to take part in an online customer perception survey conducted by a third party, to understand the challenges that are being faced by Kinovo's clients, suppliers and staff, and how well Kinovo is perceived to be at helping them to overcome these challenges.
- Increased social value activities and the communication of these activities across three subsidiaries in line with our environmental, social, governance and mental wellbeing ("ESGM") strategy as well as increased client expectation.
- Carried out targeted marketing to increase recognition of Kinovo. This has led to a continued diversification of our client base and secured new framework agreements.
- Added new sustainability KPIs to enable clients to better understand environmental and social value progress.
- Set a net zero target to align with client expectations.
- Attained Cyber Essentials Certification and conducted IT upgrades to improve the customer journey.
- Gained PAS 2030 accreditation to support clients executing fabric-first and energy efficiency projects.



Regulatory bodies

Their interests

- Compliance with regulations
- Worker pay and conditions
- Gender pay
- Health and safety
- Brand reputation
- Waste and environment
- Insurance

How we engage

- Group 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

FY23 highlights

- Increased attendance and participation at housing summits to increase Kinovo's profile and gain better understanding of industry concerns, changes and how Kinovo can address future challenges.
- 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

Their interests

- Sustainability
- Road safety
- Human rights
- Energy usage
- Recycling
- Waste management
- Community outreach and CSR

How we engage

- 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 fleet

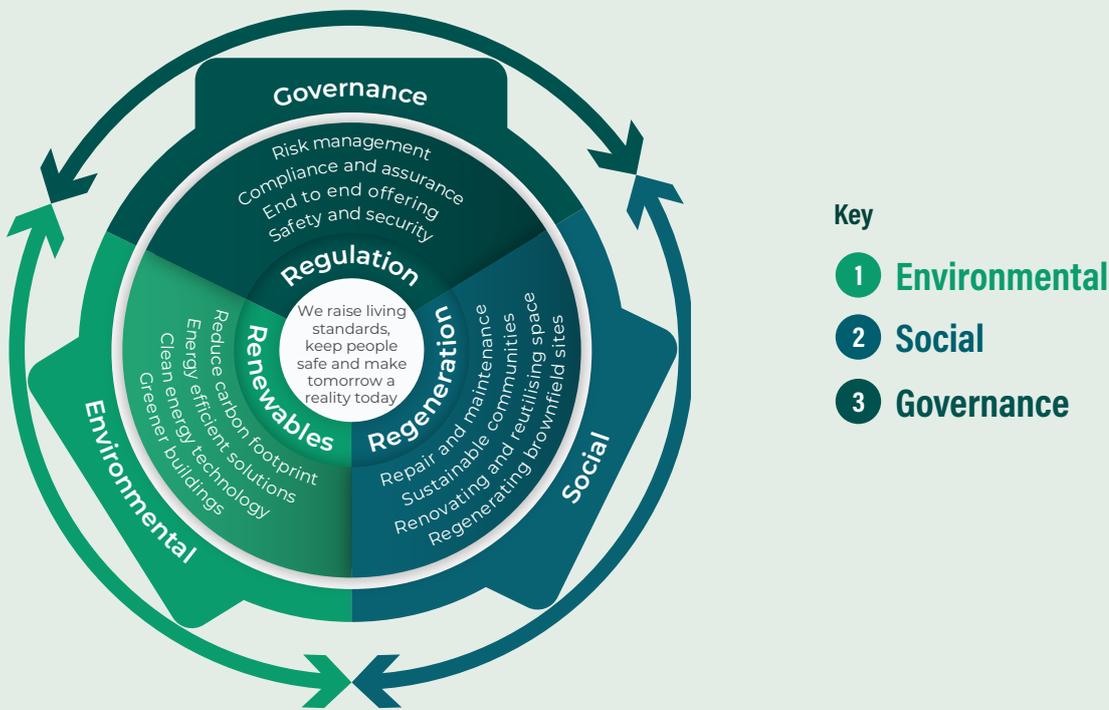
FY23 highlights

- Increased social value activities and the communication of these activities across three subsidiaries in line with our ESG strategy as well as increased client expectation.
- Added new sustainability KPIs to enable clients to better understand environmental and social value progress.

ESGM sits at the heart of our strategy

Environmental, social, governance and mental wellbeing (“ESGM”) is powering our future – it is the core of our ethos. It will make Kinovo greener, happier, healthier and more successful. This is why we have organised our business around our 3Rs – to ensure that everything we do has ESGM at its heart.

Major benefits from each of these directly helps us support our clients, our team, our stakeholders and many others who we value in our ecosystem. We track our performance via metrics across the environment, social value added, and our people.



Our strategy and alignment to the UN SDGs

1. Environment	2. Social	3. Governance	4. Mental wellbeing and people
<p>Protecting our planet</p> <p>Our priorities</p> <ol style="list-style-type: none"> Fighting climate change Resource efficiency Moving towards renewable energy Fleet transition <p>Link to SDGs</p>  	<p>Making a difference together</p> <p>Our priorities</p> <ol style="list-style-type: none"> Helping local communities Equal opportunity <p>Link to SDGs</p>   	<p>Evolving as one</p> <p>Our priorities</p> <ol style="list-style-type: none"> Listening and responding to our stakeholders Managing our risks <p>Link to SDGs</p> 	<p>Supporting one another</p> <p>Our priorities</p> <ol style="list-style-type: none"> Improving health and wellbeing Empowering hearts and minds <p>Link to SDGs</p>   

1

Environment

Fighting climate change

Fighting climate change

Carbon emissions are the leading cause of global warming. Having established our baseline emissions for Scopes 1, 2, and 3 in FY22 in line with the GHG Protocol, we began executing our action plan to reduce emissions for each Scope category to achieve the following goals:

1. Reduce gross CO₂ emissions by more than 50% by 2030.
2. Become carbon neutral by FY23 via offsetting our Scope 1 and 2 emissions from within our operational boundary.
3. Become net zero by 2040.

We are a carbon neutral business

524.3 tCO₂e Scope 1 and 2 carbon emissions offset in FY23



Equivalent to

316

homes heated annually (average gas kWh)

Resource efficiency

Working with our suppliers, we ensure they are taking action to reduce their own emissions and limit the use of scarce resources, including limiting or eliminating the supply of single use items and using recyclable products.

690 tonnes

waste generated (baseline)

97%

waste recycled and diverted from landfill (baseline)

Moving towards renewable energy

As our electricity contracts come up for renewal, we are transitioning all our future electricity contracts to renewable sources. We are also moving away from gas over time, replacing these systems with electrical systems powered by renewable sources, as well as investing in programmes to reduce the volume of energy we use. For example, we are gradually replacing non-LED lighting with energy efficient alternatives helping us to reduce energy use.

We have completed a study to convert our fleet to electric vehicles ("EV") or hybrid vehicles and are gradually replacing our fleet with greener options with five new EV vans introduced to our fleet and a further eight on order.

7.7%

electricity used from renewable sources (baseline)

4%

fleet are EV or hybrid vehicles (baseline)

100%

office locations fitted with at least one EV charge point

Streamlined Energy and Carbon Report ("SECR")

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

As a UK incorporated business we are mandated to include energy consumption, emissions, intensity metrics and all energy efficiency improvements implemented in our most recent financial year, for our UK operations¹.

-23%

2,344,060 kWh

total energy consumed (FY22: 3,025,492 kWh)

-22%

552.49 tCO₂e

total carbon emissions (FY22: 708.18 tCO₂e)

-2.85%

2.35 tCO₂e/employee

(FY22: 2.42 tCO₂e/employee)

Energy consumption and carbon emissions²

Kinovo's Scope 1 and 3 direct emissions (combustion of natural gas and transportation fuels) for this year of reporting are 526.92 tCO₂e, resulting from the direct combustion of 2,211,821 kWh of fuel. This represents a carbon reduction of -22.48% from last year.

Scope 2 indirect emissions (purchased electricity) for this year of reporting are 25.57 tCO₂e, resulting from the consumption of 132,239 kWh of electricity purchased and consumed in day-to-day business operations. This represents a carbon reduction of -10.08% from last year.

Our operations have an intensity metric of 2.35 tCO₂e/kWh per FTE for this reporting year. This represents a reduction in the operational carbon intensity of -2.85% from our previous reporting year.

Energy consumption (kWh)

Utility and Scope	FY23	FY22
Scope 1 total	2,089,603	2,891,569
Gaseous and other fuels	88,343	78,055
Transportation	2,001,260	2,813,514
Scope 2 total	132,239	133,923
Grid-supplied electricity	132,239	133,923
Transportation	—	—
Scope 3 total	122,218	—
Transportation	122,218	—
Total	2,344,060	3,025,492

Carbon emissions (tCO₂e)

Utility and Scope	FY23	FY22
Scope 1 total	498.73	679.72
Gaseous and other fuels	16.13	14.30
Transportation	482.60	655.42
Scope 2 total	25.57	28.44
Grid-supplied electricity	25.57	28.44
Transportation	—	—
Scope 3 total	28.19	—
Transportation	28.19	—
Total	552.49	708.16

Carbon intensity (tCO₂e/employee)

	FY23	FY22
All Scopes	2.35	2.42

Energy efficiency improvements

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

Measures undertaken and ongoing

EV points at all offices

Electric vehicle charging points have been installed at all five of our office locations, allowing employees to charge electric vehicles on site. This aims to encourage EV use among employees and decrease use of petrol and diesel cars.

Twelve additional PV panels at head office

An additional twelve photovoltaic solar panels have been added to the head office building. This has directly decreased grid energy consumption at this location.

Improvements to boardroom annex

LED lighting – the lighting has been replaced with LED lighting, which has reduced the energy consumption.

Insulation – insulation has been added to the external and internal walls and underfloor. These measures improve the energy efficiency of the space.

MVHR unit – a mechanical ventilation heat recovery unit has been installed to reduce the energy used to heat and cool the space.

Measures prioritised for implementation in FY24

Additional EV vans

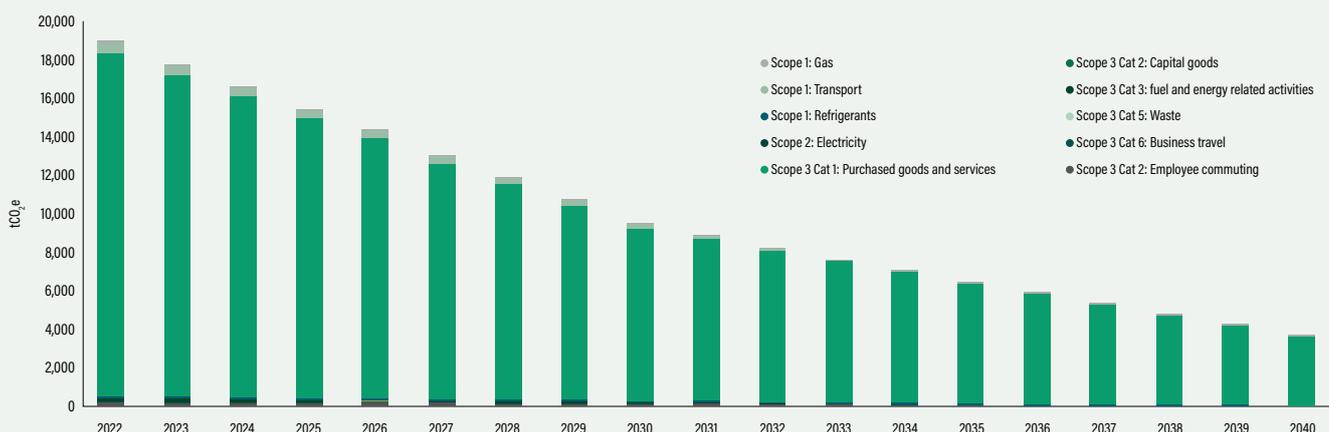
An additional eight EV vans are planned to be added to the vehicle fleet to further reduce fuel use in transport. This should continue to improve the gains made in reducing transport emissions.

LED upgrades in other offices

Other offices will be upgraded to LED lighting where possible, to improve their energy efficiency and reduce costs.

1. An operational boundary has been applied for the purposes of reporting. A total of 45.21% of consumption data used for SECR has been estimated to achieve 100% data coverage. Scope 1, 2 and 3 consumption and CO₂e emissions data have been calculated using the GHG Protocol – A Corporate Accounting and Reporting Standard (World Business Council for Sustainable Development and World Resources Institute, 2004); Greenhouse Gas Protocol – Scope 2 Guidance (World Resources Institute, 2015); ISO 14064-1 and ISO 14064-2 (ISO, 2018; ISO, 2019); Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance (HM Government, 2019). Further information on our reporting methodology and compliance responsibility can be found on our website.
2. **Scope 1** consumption and emissions include direct combustion of natural gas and fuels utilised for transportation operations, for example, vehicle fleets.
Scope 2 consumption and emissions refer to indirect emissions related to the consumption of purchased electricity in day-to-day business operations.
Scope 3 consumption and emissions cover emissions resulting from sources not directly owned by us. This relates to grey fleet (business travel undertaken in employee-owned vehicles) only.

Carbon emission reduction glidepath



Setting our net zero strategy

We are playing our part in tackling the impacts of greenhouse gases on our planet's climate; in January 2023, we published an ambitious and vigorous carbon reduction plan and net zero pathway.

We are targeting to reduce our emissions by 50% by 2030 and attain net zero by 2040. Our target of net zero by 2040 is ahead of the UK Government plan to "Build Back Greener" by ten years and exemplifies our commitment to take action.

In January 2022 we set out our net zero strategy by 2050 using FY22 as our baseline year.

Using FY22 as our baseline year, we have mapped out and planned a number of positive actions in order to achieve our carbon reduction targets.

- **49%** reduction in Scope 1,2 and 3 emissions by 2030
- **65%** reduction in Scope 1,2 and 3 emissions by 2035
- **81%** reduction in Scope 1,2 and 3 emissions by 2040

Our approach is to always focus our efforts on reducing our own emissions, with significant planning and finances set aside to do this. However, a large proportion of our carbon emissions – 94.1% – are Scope 3, which includes all upstream emissions from the production of goods that we acquire. We recognise that carbon reductions in these categories will happen as our suppliers set their own targets, but that we do not have any direct control in how quickly this is accomplished. However, we are able to use our purchasing power and choice of suppliers supported with supplier engagement surveys to encourage the carbon reducing behaviour. We will begin electing to work with suppliers who are stepping up to the net zero challenge and collaborate with suppliers to support them in their efforts.



Our pathway to net zero

Offset all Scope 1 and 2 emissions from **2022** to become carbon neutral in operations and commit to maintaining this by offsetting all following years emissions

By **2023** we will procure 100% of our electricity from renewable energy contracts

By **2025** we will introduce an EV salary sacrifice scheme for all of our employees

50% reduction in Scope 1 and 2 emissions achieve by **2030**

65% reduction in emissions from use of natural gas in our facilities through switch to bio-gas and moving away from gas powered heating systems achieved by **2035**

All fleet vehicles will be run by greener technologies by **2040**

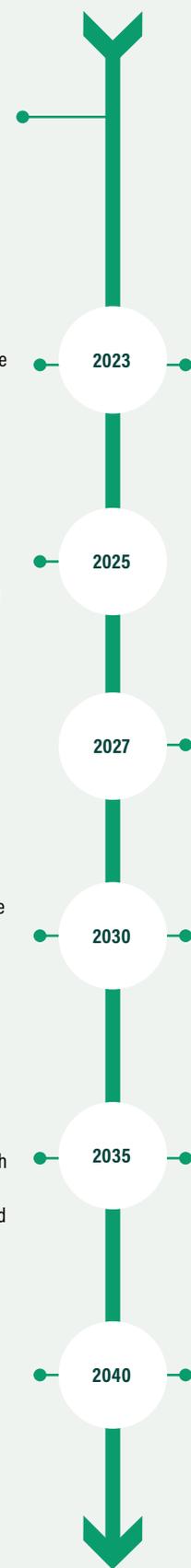
Carbon surveys sent to key suppliers in **2023** to understand their emissions and the positive actions they are taking to become a carbon conscious supplier so we can begin limiting the emissions embedded in our supply chain

We will send zero waste to landfill by **2027**
By **2027** all of our offices will have LED lighting controlled by PIR

50% of fleet vehicles will be run by greener technology in **2030** with charging points available at all our sites

75% of fleet vehicles will be run by greener technologies by **2035**

81% reductions in all emissions achieved by **2040** offsetting all residual emissions via nature based or carbon removal offsets and becoming net zero



Social

Making a difference together

Making a difference together

Creating social value is incredibly important to us and is something we have delivered for many years. We help those in need including local food banks, schools and community initiatives, supporting people of all ages to live their best lives.

To maximise our outcomes we identify local suppliers to provide us with the products and services we deliver, seeking out small and medium sized-enterprises ("SMEs") which offer exceptional service levels but may be overlooked in more formal, prescriptive tenders due to their size.

Public service procurement policy ("PPN 06/20") cements our focus on social value in our contract tenders and awards.



Creating new businesses, jobs and skills

We prioritise job applications from local people, and actively encourage submissions from people living and working in the local communities, even if they do not necessarily have all the skills required. We also 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. We do this because we know we can offer excellent support, training and development to allow them to grow into their responsibilities.

Social highlights

£79.3m

total social value added including economic benefit (FY22: £36.3m)

£34.8m

local economic benefit through supply chain spend

£32.6m

non-local economic benefit through supply chain spend

£11.9m

social and environmental value

Employee highlights

40/235

employees who live and work in their local communities

23

people employed full time who were previously unemployed or had barriers to employment

32

apprentices (4 apprenticeships completed)

1,313

apprenticeship weeks delivered

Helping local communities

We work with our clients on initiatives that have a direct impact on local people and the wider community and harness the collective power by working with our partners to maximise outcomes.

We commit to working on projects as part of our contracts and therefore the support we offer is wide and varied depending on local needs. This is in line with client feedback, who have affirmed to us through a recent survey that they believe the greatest impact is achieved when we seek to address their immediate challenges. High on their agenda are issues such as fuel poverty and a lack of accessible employment opportunities. The first, we tackle through a fabric-first approach and the second we address by supporting our clients through community-based careers and job fairs as well as providing full-time work to long-term unemployed, under-represented groups and offering apprenticeships.

Communities highlights

£50,000

community donations

486

hours volunteered supporting local communities

54

hours volunteered in education engagement

14

weeks work experience provided



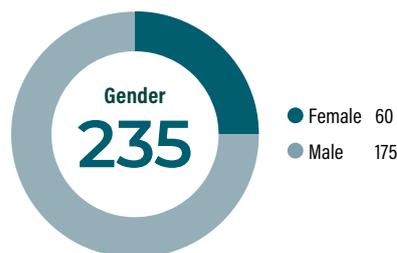
Creating social value is incredibly important to us and is something we have delivered for many years. We help those in need: local food banks, schools and community initiatives within the local areas that we work, supporting and working with our clients in initiatives that have a direct impact on local people and the wider community."

Pippa Pang,
Social Value and Marketing Manager, Kinovo Group

Committed to equal opportunity - reducing the disability employment gap and tackling workforce inequality

Diversity, equality and inclusion 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. 74% of our workforce is currently male (FY22: 69%). We continue to encourage applications for job opportunities from women and other under-represented groups.

Modern slavery is often an invisible challenge, as it exists within complex supply chains. To counter this, we have in place a series of checks and processes to ensure that the incidence of modern slavery within our supply chain is limited/eradicated.



3

Governance

Evolving as one

Evolving as one

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 FY23 see page 30.

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

Key sustainability risks are incorporated within our Group Risk Register and are discussed as part of Board and SLT meetings.

➔ For more information see page 42.



4

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.

Our centralised HR manages individual and Group-wide recruitment, onboarding and training requirements, to ensure we all share the same values and have the right skills in place. Every year we undertake a training needs analysis to identify skill gaps. Each staff member has an individual training plan to guide career paths and personal development. Leadership training is provided to senior staff to make sure they have the skills needed to manage teams.

We are a National Living Wage Foundation Accredited Employer. We also pay our apprentices above the National Minimum Wage to attract the best talent as we recognise that the salaries our staff receive provide security and stability. Having reviewed our pay and benefits in the previous year, we have introduced a Buy/Sell Holiday Scheme where staff can buy or sell up to four days' leave during the year.

Wellbeing highlights

3,676
staff learning intervention hours

36
staff attended leadership courses

22
people promoted or offered new roles internally

69%
staff response to engagement survey

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.

As an ISO 45001 employer, our employees' health and safety 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. We provide frequent training in the form of written communication, training courses and toolbox talks to ensure our staff are as aware of their safety as we are.

Amongst other initiatives we have: four mental health workplace responders who can help spot signs of stress and can intervene; annual health surveillance checks for all staff; a "Cycle to Work" scheme; and a partnership with an external provider to offer an Employee Assistance Programme.

Mitigating our risks

The Board, through the Audit and Risk 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.

Since we place ESGM considerations at the heart of our strategy, this year for the first time we have incorporated key sustainability risks that are linked to our environmental, social and wellbeing goals under the umbrella of strategic risks.

Strategic risks

Risk description	Mitigation	Changes during the year and further actions
Profitable growth		
<p>Risk level: Medium</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 clients. 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 clients' 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. • A central and standard bid and mobilisation function provides oversight of new business processes and contracts. • Interdependent operational and finance systems achieve operational efficiencies and transparent reporting. • A 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. • Mechanisms with client contracts that enable pricing reviews and uplifts aligned to cost increases. • Placing bulk orders to secure stock. • Developing and training existing labour force through the ongoing apprenticeship schemes. • Diversifying the skills base and investing in gaining energy efficiency accreditations including the certification for electric vehicle charging and microgeneration schemes. • Social value targets incorporated into all our bids, and set social value and environmental goals to support our sustainability credentials. • Further investment in the bid, sales and marketing teams will take place in 2023 and external advisers will support in developing and defining potential market and client targets. • The disposal of DCB, subject to completion of current projects, exits the Group from the construction market. 	<ul style="list-style-type: none"> • Additional planned investment in bid team. • Recruitment of procurement manager to drive cost efficiencies. • Consideration of potential acquisition opportunities and assessment of funding capabilities. • Continue to ensure that we maintain and develop the required Industry Accreditations to demonstrate service capabilities and ensure qualification for tender bids.

Risk management and principal risks continued

Strategic risks continued

Risk description	Mitigation	Changes during the year and further actions
Reputational management		
<p>Risk level: Medium</p> <p>Change: </p> <p>Maintaining our reputation is vital to the success of our business. Our clients' and the residents' confidence in us affects our ability to retain and win business, 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, resident 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"> • An independent Company Secretary, ONE Advisory, supports corporate governance and advises on improvements. • 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. • Group intranet ("RWorld") used to communicate internally. • Group's strategy, purpose, mission and values are regularly communicated with all staff and form part of the onboarding processes. • Values-based criteria included in the staff appraisal system, performance-based bonus scheme and monthly staff recognition awards. • Maintain high service levels based operational performance KPIs through continual innovation, diversified skill set, training and development. 	<ul style="list-style-type: none"> • Conducted a stakeholder engagement survey focusing on clients, suppliers and people. • Incorporated findings from stakeholder relationship management programme into Group-wide strategy and set action plans to address key stakeholder concerns.
Not meeting sustainability goals		
<p>Risk level: Medium</p> <p>Change: N/A</p> <p>We place environmental, social, governance and mental wellbeing ("ESGM") considerations at the heart of our strategy and the goals we set are directly related to our stakeholders' concerns relating to climate change, social value and the wellbeing of our people.</p> <p>Key risks: Not meeting our net zero goals or taking sufficient action to combat climate change could lead to being barred from new client bids and retaining clients. Not meeting our social value commitments could lead to client losses or failure to win new clients. Taking insufficient action to protect the wellbeing of our people could result in poor staff retention and an inability to service clients.</p> <p>KPIs associated with risk: Revenue, carbon emissions and social and environmental value impact.</p>	<p>Having established an ESGM Performance Committee in FY23, the Board takes into consideration key sustainability risks that could potentially impact the business.</p> <ul style="list-style-type: none"> • Key environmental, social and wellbeing KPIs are included in the KPI section of this report for the first time, which are aligned to our stakeholders key concerns. • Additional ESGM KPIs are included in the Sustainability section of the report on pages 35 to 40 which are also considered of material importance to the Group and its stakeholders. • The Group has a dedicated Marketing and Sustainability Manager tasked with setting the sustainability strategy, co-ordinating and managing day-to-day sustainability efforts and reporting progress to the SLT. • Key concerns are raised with the ESGM Performance Committee. See page 58 for the ESGM Performance Committee Report. 	<ul style="list-style-type: none"> • Introduced new KPIs to meet ESGM goals. • Set a Group-wide net zero strategy. • Increased community-based social value activity and improved communication to stakeholders on investment in this area. • Conducted a stakeholder engagement survey focusing on clients, suppliers and people to identify key sustainability concerns which are informing refinements to the sustainability strategy and activities.

Financial

Risk description

Mitigation

Financial controls

Risk level: Medium

Change: 

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.

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.

KPIs associated with risk: Revenue, EBITDA and net debt.

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.

We have good banking, debt finance and equity relationships and improving levels of gearing for our business.

- 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 industry experts to effectively manage the completion of the DCB construction projects.
- 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.
- Progress made on concluding contracts relating to construction projects for discontinued activities.

Compliance and regulation

Risk level: Medium

Change: 

Delivering on our contractual obligations and meeting and reporting against agreed service levels directly affect 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.

Key risks: Financial penalties, legal notices, contractual penalties, early contract termination, inability to bid for certain contracts and damage to our reputation.

KPIs associated with risk: Revenue, cash conversion, net debt and customer compliance.

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.

- 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 construction projects.
- Individual skills and development plans developed for all staff.

Operational

Significant health, safety or environmental incident

Risk level: Medium

Change: 

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.

Key risks: Injury or loss of life for both employees and residents, damage to reputation, and loss of confidence from our clients and residents.

KPIs associated with risk: Accident rates, resident complaints upheld, customer satisfaction and customer compliance.

Kinovo is committed to the highest standards of safety, health, environment and quality ("SHEQ") performance.

- 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 discussed 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.
- All staff policies are available on the Group intranet system ("RWorld") and are provided as part of the employee induction process.

Risk management and principal risks continued

Operational continued

Risk description	Mitigation	Future actions:
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 operational reporting, inability to raise invoices on work completed and reputation damage.</p> <p>KPIs associated with risk: First-time fix, resident complaints upheld, customer satisfaction, revenue and PBT.</p>	<p>The Group operates a centralised IT infrastructure and uses technology to communicate with residents and clients. 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. Resident 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 internally. • Using open platforms such as MS Teams to ensure a high level of availability and accessibility including on-site PDAs. • Installed a new telephone and reporting software that includes web chat to improve engagement with our residents and to improve efficiency. 	<ul style="list-style-type: none"> • Improving 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, inability 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, resident 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 requirement and recruitment. • 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. • All job vacancies advertise internally and existing staff are encouraged to seek promotions and apply for new opportunities. • RWorld used to communicate internally. • Competitive pay, benefits packages and performance related bonus scheme to attract and retain staff, including pay banding for transparency. 	



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, Non-Executive Director of TEN Entertainment Group 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.



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.



Kim Wright

Non-Executive Director



Date of appointment

1 April 2022

Experience

Kim brings 30 years of public sector experience and has enjoyed a successful career in local Government. She has worked with some of London's biggest councils operating at senior level for nearly 25 years. Kim was appointed as Chief Executive of the London Borough of Brent in May 2023, having joined from the London Borough of Lewisham where she worked for just under four years in the same role. Prior to this she was Group Director of Neighbourhoods and Housing at the London Borough of Hackney and has held other senior appointments with Barnet Council and Spelthorne Borough Council. Kim is a graduate of Loughborough University and a Fellow of the Institute of Leadership.

External appointments

London Borough of Brent.

Committees

Remuneration (Chair) and Audit.



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, BTV1 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	3/5

Gender



● Female	2
● Male	3

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, headed 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



Purdy

John Lord
Managing Director

Stephen Flinders
Group Financial Controller and Purdy Finance Director

R. Dunham

Alison Beach
Commercial Director

Spokemead

Neil Rooney
Managing Director

Nicole Rooney
Commercial Director

Central Services

IT and Systems Support

Customer service and Administration

Bids

Fleet

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 Group'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 (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 Group, and will disclose any areas of non-compliance in the text below, or on the Group's website.

The Board believes that the adoption of the QCA Code effectively supports the Group'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 Group and its stakeholders.

Strategy, risk management and responsibility

A description of the Group's business model and strategy can be found on pages 10 and 20 and the key challenges in their execution are detailed on pages 41 to 44.

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 and Risk Committee (see page 51) has delegated responsibility for the oversight of the Group'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 Group's strategies, the Board, having identified the risks, seeks to limit the extent of the Group'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 Group has re-pivoted its strategy around the pillars of regulation, regeneration and renewables. Further details on the Company's risk management and internal controls can be found on pages 41 to 44.

The Company has implemented remuneration policies that underpin this strategy, by rewarding Executive Directors and senior management in a manner that ensures that they are properly incentivised and motivated to perform in the best interests of shareholders. This policy has been cascaded down to all staff members to ensure that everyone shares in the rewards of the successes of the Group.

The Board

The Board comprises David Bullen and Clive Lovett as Executive Directors, Sangita Shah as Independent Non-Executive Chair, Kim Wright as Independent Non-Executive Director and David Guest as Senior Independent Non-Executive Director. The biographies of Directors are set out on page 46, and can also be found on the Group'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 skillsets 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 Group.

As at 31 March 2023, 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 her independence. Neither David Guest nor Kim Wright have an interest in the Group. 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 are 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 Group. 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 eight 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 Group, attended eight Board meetings, is a member of the ESGM Performance Committee and continues to provide support and information to the Directors where requested.

To enable each Director to keep their skillset 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 Group 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.

Director	Board (8 meetings held)	Audit and Risk Committee (5 meetings held)	Remuneration Committee (5 meetings held)	ESGM Performance Committee (3 meetings held)
Sangita Shah	8	4	5	3
David Bullen	8	—	—	—
Clive Lovett	8	5	—	—
David Guest	6	4	3	—
Kim Wright	7	1*	5	3

* Kim Wright became a member of the Audit and Risk Committee on 24 January 2023.

Advisers

The Group engages the services of ONE Advisory Limited ("ONE Advisory") to act as independent Group Secretary. ONE Advisory is responsible for ensuring that Board procedures are followed and that the Group 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 Group's solicitors as well as access to independent professional advice, at the Group's expense, as and when required.

The Group holds appropriate insurance cover in respect of possible legal action against its Directors. The Group'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 performance

The Remuneration Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and giving full consideration to succession planning. It also has the responsibility for recommending new appointments to the Board.

The Chair annually reviews the performance of the Board. The outcomes of the 2022 Board evaluation was positive, with detailed feedback on the effectiveness of the Board meetings, their composition and the suitability of the Board to address the strategic challenges of the Board. As ever, continuous improvement initiatives were identified and these included: an increase in emphasis on cyber security risks and future proofing, consideration of and strategy on succession throughout the organisation and a desire to see an increase in the number of independent Director meetings.

In terms of financial performance, the external auditors meet the Audit and Risk Committee beyond the audit cycle to comment on the systems, procedures and efficacy of the management. The Nominated Adviser has access to the Chair and meets the Non-Executives annually to provide a refresher on Directors' ongoing obligations under the AIM rules. A rigorous recruitment process is undertaken for new Directors prior to their proposal and election. In terms of re-election, Director performance is considered prior to them being proposed to ensure they remain effective in their roles and that they retain their independence. Re-election is considered by the shareholders at the AGM at which shareholders have the opportunity as a body to approve or otherwise Board membership. Succession planning for the Board and importantly the key executives who manage our businesses is an ongoing topic of discussion. Following the 2022 annual general meeting, the Chair announced her intention to step down from the Board. In line with good corporate practice and succession, we will look to effect this change but given the crucial period of transition of the business, and after careful deliberation it was unanimously agreed that the Chair will continue in her capacity as Chair until the point of time when the change will not disrupt but positively enable added value for all of Kinovo's stakeholders.

Culture and social responsibility

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture and performance of the Group. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Group as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Group delivers long-term value to its shareholders, and that shareholders have ample opportunity to express their views and expectations for the Group in a manner that encourages open communication with the Board.

A large part of the Group's activities is centred upon what needs to be an open and respectful dialogue with employees, clients and other stakeholders. Therefore, sound ethical values and behaviours are crucial to the ability of the Group to successfully achieve its corporate objectives. The Directors consider that the Group has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Board expects the highest ethical standards of its members and management across the Group. The Group has documented procedures with respect to its responsibilities regarding ethical behaviour, specifically anti-bribery and corrupt practices, modern slavery and whistleblowing these are applicable across its operations including supply and customer chains.

The Group is also 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 clients. 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 Group 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 Group's Employee Handbook and are also available on the staff intranet. The Group 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

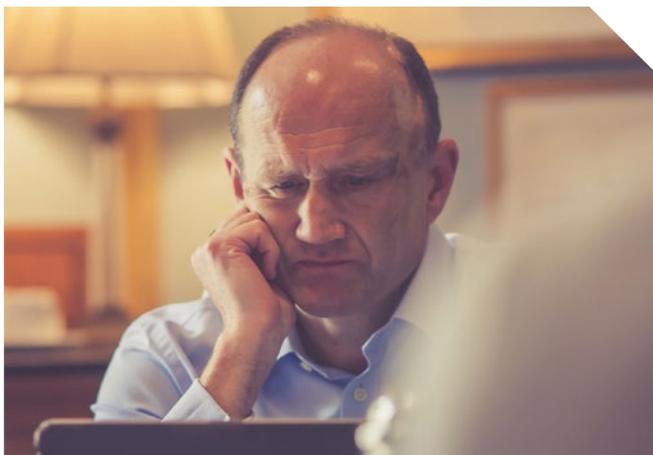
The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders. The Group aspires to have close ongoing relationships with its private shareholders, institutional shareholders, and analysts and for them to have the opportunity to discuss issues and provide feedback at meetings with the Group. In addition to the publication of half-year and full-year results statements, the Group 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.

All shareholders are encouraged to attend the Group's AGM. The Board discloses the result of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings as well as posting them on the website. The Board will take measures to ensure that, if there is a resolution passed at an AGM with at least 20% of votes cast being against the resolution, the Group will seek to understand the reason for the result and, where appropriate, take suitable action.

The Group 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 Group's engagement methods with stakeholders are detailed further in the Group's Section 172 Statement on page 30.

Sangita Shah
Non-Executive Chair
11 July 2023

Strengthening our financial reporting



David Guest
Chair of the Audit and Risk Committee

Dear Shareholder

I present my Audit and Risk Committee (the "Committee") Report for the year ended 31 March 2023, which has been prepared by the Committee and approved by the Board.

The Committee comprises of Kim Wright and Sangita Shah and me, David Guest. Meetings are also attended by others, by invitation, including the auditor, the Chief Executive Officer, David Bullen and the Group Finance Director, Clive Lovett. I was appointed as Chair of the Committee upon my appointment as a Director of the Group in December 2019.

In terms of the Committee's composition, I am a qualified accountant, Sangita is a qualified accountant with extensive corporate finance experience, and Kim has significant public sector and ESG experience. As such, the Committee and the Board are satisfied that the members of the Committee possess recent and relevant financial experience in various sectors to contribute to our work on the Committee.

As we move into FY24, our focal areas will remain the quality of financial reporting to shareholders, whilst also dedicating further time to ensure that our risk management and internal control environment continues to develop to reflect the increased size, scale and complexity of the Group.

Responsibilities

The Audit and Risk 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 Group, 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.



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

- 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 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 agrees the scope of the annual audit in advance, focusing on areas of audit risk and the appropriate level of audit materiality. The Committee also engages in discussions with the external auditor regarding fees, internal controls, accounting policies and areas of critical accounting estimates and judgements.

The external auditors reports to the Committee on the results of the audit work and highlights any issue which the audit work has discovered, or the Committee had previously identified as significant or material in the context of the Group's financial statements. The Committee meets with the external auditors at least once per year without management being present to discuss its remit and any issues arising from the audit.

Risk management and internal controls

The Committee keeps under review the adequacy and effectiveness of the Group's internal financial controls and risk management systems and monitoring 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 uses a risk matrix to provide an accurate picture of the prominent risks faced by the Group and the ways in which they might be mitigated. Each risk is independently quantified against set criterion, considering both the likelihood of occurrence and the potential impact on the Group both before and after the application of controls and mitigations. These assessments are recorded in the Group's Key Risk Register, approved and maintained by the Audit and Risk Committee. This register is then finally reviewed, challenged and then ratified by the Board on a periodic basis.

Whistleblowing

The Committee also has a responsibility to review the adequacy of the Group's arrangements for its employees and contractors to confidentially raise any concerns about possible wrongdoings regarding financial reporting or other matters. In addition, the Committee is charged with reviewing Group procedures for detecting fraud and the systems and controls put in place to prevent bribery and market abuse. The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action. During FY23, no whistleblowing disclosures were reported.

Audit and Risk Committee report continued

Responsibilities continued

Anti-bribery and corruption

The Group is committed to the highest level of integrity and accountability and the prevention of bribery and corruption. The Committee is tasked with reviewing the Group's procedures for detecting fraud and the Group's systems and controls for the prevention of bribery and receiving reports on non-compliance.

The Committee also monitors and ensures the Group's adherence to its AIM Rules compliance policy.

The Committee is required by its Terms of Reference to meet at least three times in each financial year and otherwise as required by the Committee Chair to properly fulfil its duties. The Audit and Risk Committee met five times during the year for the following purposes:

- to review the audit plan and terms of engagement and areas of key risk for the auditor; and
- to review the financial statements.

In particular, the Committee focused on the following matters:

- review of significant reporting issues and judgements identified by the auditor during its audit; and
- consider whether the Annual Report was fair, balanced and understandable with all necessary information included for shareholders to reasonably assess the business.

Risk related disclosures in the Annual Report.

- To separately obtain feedback from both Moore Kingston Smith LLP and the Executive Directors on the conduct of the audit and commence a review on the lessons to be learnt from the process.

The Executive Directors and the external auditor also attended the Committee meetings at the invitation of the Committee Chair. The Chair of the Committee also has regular conversations between scheduled meetings with the external auditor.

Audit and Risk Committee effectiveness

The Committee performed an assessment of its effectiveness in December 2022, the conclusions of which were that the Committee is competent and carries out its functions effectively. A small number of areas were identified as areas for focus for the Committee, including further embedding of the Group's risk management processes, which will be taken forward over the course of FY24.

We discussed further the reasons for the DCB (Kent) Limited failure as raised at the 2022 AGM, and it was agreed that the investigation would be finalised as soon as the financial outcome of all outstanding contracts was fully measurable, and that this would not be ready before the 2023 AGM.

Significant issues considered by the Audit and Risk Committee during the year

During the year, the Committee concluded that the Annual Report and Accounts, taken as a whole, was 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.

During the year, the Committee's primary activity involved periodic meetings to consider material issues within the Group, 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 in 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;
- full update and review of Risk Register to ensure all risks were fully considered; and
- continuing our review of the relationships and terms with our external professionals.

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 Group's strategy, growth and resources;
- carry out a review of our reporting framework to ensure compliance with further segmental reporting in the future; and
- continue the detailed 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 and external audit effectiveness

The Committee approves the external auditor's terms of engagement, 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. In addition, the Committee concluded that the overall performance of the external auditor was satisfactory.

Following consideration of both the external auditor's continued independence and objectivity, alongside the efficacy of the external audit process post year end, the Committee formally recommends the reappointment of Moore Kingston Smith LLP as external auditor to the Group to shareholders.

David Guest

Chair of the Audit and Risk Committee

11 July 2023

Introducing a new Committee Chair



Kim Wright
Chair of the Remuneration Committee



I am delighted to have assumed the role of Committee Chair”

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 other relevant 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.

The Committee did not take any external advice during the year. However, going forward, Korn Ferry has been appointed to provide advice to the Committee. Korn Ferry are signatories to the UK Remuneration Consultants Code of Conduct and have significant skills and experience in advising on executive remuneration. As an AIM listed company, we are not required to provide a Remuneration Report. However, noting the recommendations of the QCA Remuneration Guide and to provide clear and transparent remuneration disclosure, the Committee has provided this report. The Committee has revised and enhanced its reporting for FY23 and will continue to do so in future years.

Dear Shareholder

I am pleased to present the Remuneration Committee (“Committee”) Report for the year ended 31 March 2023, which includes my first statement as Remuneration Committee Chair (“Committee Chair”). The report has been prepared by the Committee and approved by the Board.

I am delighted to have assumed the role of Committee Chair. I would like to take this opportunity to thank Sangita Shah on behalf of the Committee for her clear stewardship of the Committee since Caroline Tolhurst’s departure from the Board on 31 March 2022.

The Committee is chaired by me, Kim Wright, and Committee members are Sangita Shah and David Guest. Sangita, David and I are Independent Non-Executive Directors.

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 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.

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.

Matters considered by the Committee during the year

The Committee met five times during the year and, amongst a range of issues discussed, carried out its annual review of Executive Directors’ pay, considered the payment of Executive bonuses for the year that closed and targets for the year ahead, grants under the share investment plan for all employees and share incentive plans for senior management and Executive Directors.

In 2022, inflationary cost pressures hit our employees personally, as well as our business. We were proud to continue to prioritise the well-being of the Kinovo team during the year – we recognise they are integral to our continuing success, as we are a people first business. The support that we provided included competitive salary increases in April 2022 for FY23 of 9% of salary, for those staff that received a pay rise, supplemented by bonuses, where determined by managers, in respect of performance in the prior year. Our CEO and Group Finance Director salaries were increased by 5%, below the average wider workforce salary increase rate, bringing their salaries to £240,240 and £168,000, respectively.

Annual bonus for FY23

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 Executive Directors annual bonus for FY23 was based on stretching EBITDA targets and performance relative to sector peers during the year. The Company has delivered strong performance over the year with an increase in EBITDA of 29% in FY23. As a result of performance against the targets set, the Executive Directors have earned a bonus of 75% of salary.

Remuneration Committee report continued

Long-term incentive plan (LTIP) awards

The Company operates a Share Incentive Plan ("SIP") for the benefit of all employees, including Executive Directors, as well as a Company Share Option Plan ("CSOP"), and an Employee's Joint Share Ownership Plan ("JSOP").

Awards continue to be made under the SIP to employees that chose to participate in the plan, including the Executive Directors. However, no awards have been made under the CSOP or JSOP in the year ended 31 March 2022 and 31 March 2023.

The Committee understands that it needs to ensure that the executive management team are appropriately incentivised and retained to drive the business forward and maximise shareholder value. To this end, it has noted that there were not awards made in FY22 and FY23 and that the current inflight awards will vest in FY24. It has therefore agreed to review the structure and grant policy for long-term incentives and consider appropriate awards for FY23. The Committee will set out the approach taken in its FY24 Remuneration Report.

JSOP awards were granted on 5 March 2021. These awards are subject to three performance conditions accounting for one-third each of the award being net cash, earnings per share and share price targets. The Committee reviewed performance against the targets set and determined the vesting of the award at two-thirds of maximum noting that the net cash and earnings per share targets had been met in full with the remaining share price target to be measured on 4 March 2024. The Committee reviewed the overall level of vesting taking into account the underlying performance of the business and the shareholder experience and confirmed it was comfortable with the formulaic level of vesting with the exercise of discretion not required.

Details of the SIP, CSOP and the JSOP can be found below and in note 28 share based payments of the financial statements on page 91.

Directors' remuneration

a) Directors' Total Remuneration:

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

2023	Salary £'000	Pension £'000	Taxable benefits £'000	Bonus £'000	2023 total remuneration £'000	2022 total remuneration £'000
Executive Directors						
David Bullen	240	—	—	180	420	229
Clive Lovett ¹	168	17	—	151	336	176
Non-Executive Directors						
Sangita Shah ²	136	—	—	—	136	73
David Guest	39	—	—	—	39	35
Kim Wright	37	—	—	—	37	—
Caroline Tolhurst (resigned 31 March 2022)	—	—	—	—	—	35
Total	620	17	—	331	968	548

¹ Bonus includes £25,000 paid in FY23 relating to work undertaken following the Administration of DCB in May 22.

² Salary includes £60,000 paid to a related party, Odyssean Enterprises Ltd, for the services of Sangita Shah.

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 2023 was £33,000 (2022: £33,000) for David Bullen and £9,000 (2022: £10,000) 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 2023 are set out below:

	Plan	Number of options	Date of grant	Vesting date	Exercise price (p)
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	5,294	01/08/2021	31/07/2025	34.0p
Clive Lovett	SIP	5,294	01/08/2021	31/07/2025	34.0p
David Bullen	SIP	10,212	01/08/2022	31/07/2026	23.5p
Clive Lovett	SIP	10,212	01/08/2022	31/07/2026	23.5p
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 56.

Remuneration for FY24

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

The salaries for the Executive Directors have been increased by 5% for FY24. This compares with the workforce average increase of those who received a salary increase, of 9%. The business will continue to closely monitor inflation and employee experience.

The Executive Directors have an annual bonus target opportunity of 50% of salary and maximum opportunity of 100%. Payment of any annual bonus will be determined by clearly defined and challenging targets that link rewards to business performance during the year. The metrics used to determine performance and bonus payment achieved will be disclosed in next year's Remuneration Report. All variable elements of remuneration are subject to clawback or repayment in the event of serious financial misstatement or misconduct.

If shareholders have any queries or would like to provide any feedback on our approach to remuneration, I can be reached through our Company Secretary and will be pleased to engage with you.

Kim Wright

Chair of the Remuneration Committee

11 July 2023

Directors' report

The Directors present their report and the Group financial statements for the year ended 31 March 2023 ("FY23"). 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 clients 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 clients' own service KPI requirements.

The Group's growth is driven in two ways:

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

Additional detail on the business model can be found on page 20.

The Group benefits from operating in a market with long-term growth prospects. More information on our markets can be found on page 8.

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 clients and continually improve our offering. We do this by working closely with our employees, clients, 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 FY23, as well as the strategic priorities for the year ending 31 March 2024, can be found on page 10.

Business review

The Group is required to set out a fair review of the business 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 64. Information required to be disclosed in respect of future developments can be found on page 6 and principal risks and uncertainties are included on pages 41 to 44.

The Chair's Statement, the Corporate Governance report, the Remuneration Committee report and the Audit and Risk Committee report are incorporated into this report by reference and should be read as part of this report.

Dividends

No dividends were paid in the year ended 31 March 2023.

In the year ended 31 March 2022, Kinovo suffered a loss after tax on non-continuing activities and a loss on disposal of DCB (Kent) Limited.

In addition, the Group has continuing commitments on DCB (Kent) Limited construction projects as set out in note 31 to the financial statements.

As a result of the consequent financial position of Kinovo plc, the Board does not recommend the payment of a final dividend for the year ended 31 March 2023.

It is the Board's intention to resume the payment of a dividend as soon as financial conditions allow.

Directors

The present membership of the Board is set out below with further biographical detail on pages 46 and 47.

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

Name of Director	Board title	Date of appointment
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
Kim Wright	Non-Executive Director	1 April 2022

The interests and beneficial interests of the Directors in the shares of the Group at 31 March 2023 are set out below:

	Beneficial/ non-beneficial	At 1 April 2022 or date of appointment	Movement in year	At 31 March 2023	At 31 March 2023 %
Executive Directors					
David Bullen	Beneficial	1,395,057	10,588	1,405,645	2.26
Clive Lovett	Beneficial	550,115	10,588	560,703	0.90
Non-Executive Directors					
Sangita Shah	Beneficial	869,622	—	869,622	1.40
David Guest	Beneficial	—	—	—	—
Kim Wright	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). Additional details are set out in the Remuneration Committee report and in note 28.

Capital structure

The Group is financed through both equity share capital and debt. Details of the Group's share capital are given in note 24 to the consolidated financial statements. The Group 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 Group.

Under the Group'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.

Substantial shareholdings

As at 31 March 2023, the Group has been notified of, or is aware of, the shareholders holding 3% or more of the issued share capital of the Group, as detailed below:

Name of holder	Number of shares	Percentage
Tipacs 2 Limited	15,974,854	25.71
Western Selection plc	7,500,000	12.07
Hargreaves Lansdown Private Clients	4,235,845	6.82
Ruffer LLP	3,427,500	5.52
Nicholas Slater	3,107,273	5.00
Premier Miton Group	2,445,648	3.94
Amati Global Investors	2,155,010	3.47
Interactive Investor	2,091,564	3.37

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 UK-adopted International Accounting Standards ("IAS") 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 IAS 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.

By order of the Board

Clive Lovett
Group Finance Director
11 July 2023

Setting our agenda



Sangita Shah
Chair of the ESGM Performance Committee

On behalf of the Board, I am pleased to present the Group's first environmental, social, governance and mental wellbeing, ("ESGM") Performance Committee report, (the "Committee") covering our activities since its establishment in October 2022.

The Committee is chaired by me, Sangita Shah, and includes Kim Wright and Lee Venables. The Committee is required by its Terms of Reference to meet at least twice during the year to consider progress of the ESGM (sustainability) strategy against wider Group objectives, set and monitor targets, consider key ESGM risks, and review and update ESGM policies as appropriate. Both the Chief Executive Officer and Group Finance Director have been invited to attend all meetings, along with senior managers responsible for delivering our ESGM strategy and our net zero flight path. For the year ended 31 March 2023, the Committee met three times.

When establishing the Committee, the Board worked to ensure that members brought a range of skills and experience appropriate to the Committee's remit. Kim Wright in her executive capacity as CEO of a London council, has invaluable insights into understanding the ESGM drivers from a local Government/grassroots level. Lee Venables has an intimate understanding of the day-to-day operations of Kinovo and how the Group can ensure its operations and personnel adhere to its ESGM principles. I have oversight from a corporate/central Government policy perspective and can ensure that these best practices are adopted within Kinovo.

The global focus on ESGM matters is sharpening, and we acknowledge that our shareholders, employees, clients and suppliers are becoming increasingly interested in our ESGM programme. Stakeholders are increasingly knowledgeable and interested in ESGM and we have seen this directly through increased scrutiny from investors, our employees, partners and clients. It is important for us to have a robust approach to managing ESGM. We see this as a positive development because we are conscious of the social impact of our business. We recognise a collective responsibility and accountability to take account of the interests of our stakeholders and to contribute positively to the environmental and social initiatives of our clients and wider communities.

Demonstrating the importance of ESGM and our big commitment to this topic, during the year, the Board approved the creation of the Committee. This report will provide an insight into the discussions and work undertaken by the Committee since its establishment in October 2022 and an overview of the Committee's plans for the financial year ending 31 March 2024. The role of the Committee is to provide

oversight of the Group's ESGM strategy, while also understanding and managing the risk around it, and signing off the framework used to measure progress against the goals. We believe the Committee will contribute to the long-term success of the Group, for the benefit of our clients, employees, suppliers and other key stakeholders and the communities in which we operate.

Role and responsibilities

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

- to exercising oversight over the design, setting and delivery of the Group's Environment, Social and Governance targets;
- approving all ESGM Disclosures that are made and published by the Group;
- providing oversight of ESGM policies which are to be reviewed regularly;
- obtaining reliable, up-to-date information about ESGM performance in other United Kingdom-listed companies of a similar size in any comparable industry sector and assessing whether changes to the ESGM targets or disclosures should be made; and ensuring that decisions are reached in good faith and that any decision made would be most likely to promote the success of the Group for the benefit of its members as a whole. The ESGM Performance Committee, when reaching decisions, should consider (among other matters):
 - the likely consequences of any decision in the long term;
 - the interests of the Group's employees;
 - the need to foster the Group's business relationships with suppliers, clients and others;
 - the impact of the Group's operations on the community and the environment; and
 - the need to act fairly among the members of the Group.

Key activities during the year

The Committee's first meeting in October 2022 focused on:

- establishing the governance framework for the Committee including agreement on Terms of Reference for the Committee, building Board capability and increasing employee activity.

The Committee's second meeting in February 2023 focused on:

- reviewing the ESGM streams of activity and selection of partners and prioritising these in line with Kinovo's objectives.

The Committee's third meeting in May 2023 focused on:

- approval of the ESGM Performance Committee report, TCFD report and Kinovo's net zero flight path, and understanding the risks.

Focus for the coming year

The Committee's focus for the coming year will be on tracking our delivery against the stated objectives, as set out in the Sustainability section of this report on pages 34 to 40.

Sangita Shah
Chair of the ESGM Performance Committee
11 July 2023

The background of the page is a composite image. On the left, there is a tall, multi-story brick building with many windows and balconies. On the right, there is a large, light green geometric pattern consisting of overlapping diamond shapes. In the bottom left corner, there is a blurred image of a man with a beard wearing a headset, sitting at a desk and looking at a computer monitor. The monitor has the 'iivama' logo on it.

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Independent auditor's report to the members of Kinovo plc

for the financial year ended 31 March 2023

Opinion

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

In our opinion the Group financial statements:

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

Basis for opinion

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

An overview of the scope of our audit

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

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

Emphasis of matter

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

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

Key audit matters

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

The key audit matters were:

- costs to complete on DCB (Kent) Limited onerous construction contracts; and
- 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>Costs to complete on DCB (Kent) Limited onerous contracts</p> <p>As stated in the Emphasis of matter paragraph above and notes 4.2(d) and 31, there is significant judgement in estimating the cost to complete these contracts.</p>	<p>Our audit work included the following procedures:</p> <ul style="list-style-type: none"> • We held discussions with management to understand the latest position of each project. • We reviewed relevant documentation and correspondence in relation to the projects, including reviewing an expert report prepared by management's external qualified surveyors detailing the latest position and estimated cost to complete of each project. We challenged management and the surveyors on the contents of the report, critically assessing the methodology and key assumptions made. • We considered evidence which contradicted the assertions as part of this process, as well as evidence which corroborated them. • We substantively tested transactions incurred pre-year end in respect of projects for which work had commenced in the year. • We reviewed the accounting treatment and related disclosures in the financial statements to ensure they complied with the relevant requirements of UK-adopted International Accounting Standards.
<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 £631,728 based on 1% of revenue during the period.

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

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

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

for the financial year ended 31 March 2023

Material uncertainty related to going concern

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

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

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 57, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the financial statements

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

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

<https://www.frc.org.uk/auditors/auditor-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor-s-responsibilities-for>

This description forms part of our auditor's report.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

Our approach was as follows:

- we obtained an understanding of the legal and regulatory requirements applicable to the Company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, the rules of the Alternative Investment Market, and UK taxation legislation;
- we obtained an understanding of how the Company complies with these requirements by discussions with management and those charged with governance;
- we assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance;
- we inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations, and reviewed Board minutes for any evidence of; and
- based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Other matter

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

Use of our report

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

Andrew Barford

(Senior Statutory Auditor)

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

6th Floor

9 Appold Street

London

EC1A 2AP

11 July 2023

Consolidated statement of comprehensive income

for the financial year ended 31 March 2023

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

Consolidated statement of financial position

as at 31 March 2023

	Notes	2023 £'000	2022 £'000
Assets			
Non-current assets			
Intangible assets	15	4,511	4,780
Property, plant and equipment	16	1,062	1,103
Right-of-use assets	17	929	786
Total non-current assets		6,502	6,669
Current assets			
Inventories	18	2,438	2,454
Deferred tax asset	29	610	306
Trade and other receivables	19	11,087	10,625
Cash and cash equivalents	20	1,322	2,504
Total current assets		15,457	15,889
Total assets		21,959	22,558
Equity and liabilities attributable to equity holders of the parent company			
Issued capital and reserves			
Share capital	24.1	6,213	6,213
Own shares	24.1	(850)	(850)
Share premium	24.2	9,245	9,245
Share based payment reserve	28	113	74
Merger reserve	24.3	(248)	(248)
Retained earnings		(15,125)	(14,577)
Total equity		(652)	(143)
Non-current liabilities			
Borrowings	21	86	177
Lease liabilities	22	491	434
Total non-current liabilities		577	611
Current liabilities			
Borrowings	21	91	2,666
Lease liabilities	22	452	362
Trade and other payables	23	18,013	19,062
Provisions	31	3,478	—
Total current liabilities		22,034	22,090
Total equity and liabilities		21,959	22,558

The financial statements on pages 64 to 95 were approved by the Board and authorised for issue on 11 July 2023 and signed on its behalf by:

Clive Lovett

Group Finance Director

11 July 2023

Company registration number: 09095860

Consolidated statement of changes in equity

for the financial year ended 31 March 2023

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

Consolidated statement of cash flows

for the financial year ended 31 March 2023

	Notes	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Net cash generated from operating activities	25	2,738	3,660
Cash flow from investing activities			
Purchase of property, plant and equipment		(90)	(253)
Purchase of intangible assets		(188)	(142)
Net cash used in investing activities		(278)	(395)
Cash flow from financing activities			
Issue of new share capital (net of share issue costs)	24.1	–	81
Repurchase of own shares for SIP	24.1	(64)	–
Repayment of borrowings		(2,666)	(1,123)
Interest paid		(401)	(275)
Principal payments of leases		(511)	(443)
Dividends paid		–	(294)
Net cash used in financing activities		(3,642)	(2,054)
Net (decrease)/increase in cash and cash equivalents		(1,182)	1,211
Cash and cash equivalents at beginning of year		2,504	1,293
Cash and cash equivalents at end of year		1,322	2,504

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

Notes to the consolidated financial statements

for the financial year ended 31 March 2023

1. Basis of preparation

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

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

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

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

2. Summary of significant accounting policies

2.1. Going concern

The Directors have adopted the going concern basis in preparing these accounts after assessing the risks as set out below and the Group's business activities, together with factors that are likely to affect its future development and position, as set out in the Group Chief Executive Officer's Review on pages 6 and 7.

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

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

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies continued

2.1. Going concern continued

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

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

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

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

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

2.2. Basis of consolidation

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

The consolidated financial statements incorporate the financial information of Kinovo plc and its subsidiaries. Subsidiary companies are consolidated from the date that control is gained. The subsidiaries of the Group are detailed in note 6 of the parent company financial statements on page 106. All intra-group transactions, balances, income and expense are eliminated on consolidation.

2.3. Business combinations and goodwill

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

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

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

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

2.4. Revenue recognition

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

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2023

2. Summary of significant accounting policies continued

2.4. Revenue recognition continued

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

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

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

2.5. Operating profit and non-underlying items

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

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

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

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

2.6. Dividends

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

2.7. Segmental reporting

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

2. Summary of significant accounting policies continued

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.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2023

2. Summary of significant accounting policies continued

2.12. Inventories

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

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

2.13. Financial instruments

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

(a) Trade and other receivables

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

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

(b) Cash and cash equivalents

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

(c) Equity instruments

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

(d) Trade and other payables

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

(e) Borrowings

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

2.14. Current and deferred tax

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

(a) Current tax

Tax payable is based on taxable profit for the year. Taxable profit differs from net profit reported in the Statement of Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date. As the Group has brought forward losses there is no tax payable for the year to 31 March 2023. Details of the tax charge on ordinary operations and tax credit on discontinued operations during the year and tax losses available in future periods are outlined in note 13.

(b) Deferred tax

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

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

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

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

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

2. Summary of significant accounting policies continued

2.15. Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

2.16. Employee benefits

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

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

2.17. Share based payments

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

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

2.18. Onerous contracts

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

- any incremental costs associated with delivery, ie direct labour, materials etc.; and
- an allocation of other direct costs, ie depreciation for machinery involved etc.

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2023

2. Summary of significant accounting policies continued

2.19. New standards and interpretations

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

- Reference to the Conceptual Framework (Amendment to IFRS 3)
- Property, Plant and Equipment: Proceeds before intended use (Amendment to IAS 16)
- Onerous Contracts: Cost of Fulfilling a Contract (Amendment to IAS 37)
- Annual Improvements to IFRS Standards 2018 – 2020 Cycle

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

2.20. New standards and interpretations not yet adopted

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

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

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

3. Financial risk management

3.1. Financial risk factors

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

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

3.2. Market risk

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

(a) Interest rate risk

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

3.3. Credit risk

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

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

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

3.4. Liquidity risk

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

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

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

3. Financial risk management continued

3.5. Capital risk management

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

There are no externally imposed capital requirements.

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

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

4. Critical accounting estimates and judgements

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

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

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

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

(a) Valuation of accrued income

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

(b) Share based payment charge

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

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

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

(d) Timing of DCB (Kent) Limited impairments

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

(e) Tax treatment of disposal

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

(f) Non-adjusting post balance sheet event

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

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

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2023

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 £0.4 million during the year (2022: £1.1 million including the charge allocated to discontinued operations).
- The valuation of customer relationships requires the use of estimates, as the valuation model utilises assessments of both future cash flows and appropriate discount factors. The valuation of customer relationship assets held within the Statement of Financial Position was £nil (2022: £0.4 million).

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

(b) Impairment of goodwill

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

(c) Right-of-use assets

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

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

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

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

(d) Cost to complete on DCB onerous construction contracts

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

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

5. Revenue

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

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

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

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

5. Revenue continued

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

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

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

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

6. Segmental reporting

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2023

7. Operating profit

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

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

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

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

8. EBITDA for continuing operations

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

EBITDA is calculated as follows:

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

9. Non-underlying items

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

	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Amortisation of customer relationships (a)	385	940
Share based payment charge (b)	103	90
	488	1,030

(a) Amortisation and impairment of customer relationships

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

(b) Share based payment charge

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

10. Employee expenses

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

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

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

	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Wages and salaries	10,344	8,623
Social security costs	1,137	815
Pension costs	261	211
	11,742	9,649

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

11. Finance costs and finance income

The Group received no finance income in either the current or prior period.

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

12. Dividends

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

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

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2023

13. Income tax

13.1. Components of income tax (credit)/expense

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

13.2. Tax reconciliation

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

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

14. Earnings per share

14.1. Basic and diluted earnings per share

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

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

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

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

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

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

14.2. Adjusted earnings per share

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

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

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2023

15. Intangible assets

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

15.1. Customer relationships

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

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

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

15.2. Goodwill

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

The goodwill allocated to each subsidiary entity is presented below:

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

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

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

Key assumptions	2023	2022
Long-term growth rate (used after 5 years)	1.9%	1.5%
3 to 5-year growth rate	5.0%	6.0%
Pre-tax discount rate	16.3%	15.6%

15.3. Sensitivity review

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

16. Property, plant and equipment

At 31 March 2023

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

At 31 March 2022

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

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

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2023

17. Right-of-use assets

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

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

18. Inventories

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

19. Trade and other receivables

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

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

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

19. Trade and other receivables continued

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

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

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

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

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

20. Cash and cash equivalents

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

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

21. Borrowings

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

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

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

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

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

(a) Working capital facilities

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2023

21. Borrowings continued

(b) Bank and other loans

Term loans

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

Mortgage loan

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

Other loan

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

(c) Security

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

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

22. Lease liabilities

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

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

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

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

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

23. Trade and other payables

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

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

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

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

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

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

24. Share capital and reserves

24.1. Ordinary shares

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

Issued in the year

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

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

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

24.2. Share premium

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

24.3. Merger reserve

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2023

25. Note to the Consolidated Statement of Cash Flows

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

26. Financial instruments

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

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

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

26.1. Principal financial instruments

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

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

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

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

26. Financial instruments continued

26.1. Principal financial instruments continued

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

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

26.2. Financial risk management

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

(a) Interest rate risk management

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

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

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

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

(b) Credit risk management

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

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

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

(c) Trade and other receivables

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

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

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

(d) Liquidity risk management

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

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

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2023

26. Financial instruments continued

26.2. Financial risk management continued

(d) Liquidity risk management continued

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

2023	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Non-derivative financial liabilities					
HSBC mortgage	57	57	29	—	143
HSBC term loan	—	—	—	—	—
Funding Circle unsecured loan	34	—	—	—	34
Trade payables	13,025	—	—	—	13,025
	13,116	57	29	—	13,202
2022	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Non-derivative financial liabilities					
HSBC mortgage	57	57	86	—	200
HSBC term loan	2,534	—	—	—	2,534
Funding Circle unsecured loan	75	34	—	—	109
Trade payables	12,552	—	—	—	12,552
	15,218	91	86	—	15,395

(e) Capital management risk

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

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

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

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

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

27. Related party transactions

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

27.1. Key management compensation

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

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

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

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

28. Share based payments

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

Share Incentive Plan ("SIP")

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

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

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

Company Share Option Plan ("CSOP")

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

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

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

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2023

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 2023 (2022: nil).

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

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

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

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

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

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

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

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

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

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

Enterprise Management Incentive Scheme ("EMI")

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

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

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

	2023 £'000	2022 £'000
SIP	32	19
CSOP	24	24
JSOP	47	47
	103	90

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

28. Share based payments continued

Enterprise Management Incentive Scheme ("EMI") continued

	SIP	CSOP	JSOP	EMI/ unapproved	Total
Number					
At 1 April 2021	644,754	1,772,142	2,492,858	500,000	5,409,754
Granted	610,185	—	—	—	610,185
Exercised	(531,944)	—	—	—	(531,944)
Lapsed	(83,805)	(345,000)	—	—	(428,805)
At 31 March 2022	639,190	1,427,142	2,492,858	500,000	5,059,190
Granted	541,340	50,000	—	—	591,340
Exercised	(194,713)	—	—	—	(194,713)
Lapsed	(15,849)	—	—	—	(15,849)
At 31 March 2023	969,968	1,477,142	2,492,858	500,000	5,439,968

Weighted average exercise price (pence)

At 1 April 2022	—	24.8	34.1	95.0
Granted	—	31.5	—	—
Lapsed	—	—	—	—
At 31 March 2023	—	25.0	34.1	95.0

Assumptions used in estimating the fair value

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

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

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

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

29. Deferred tax

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

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

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2023

30. Sale of business

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

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

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

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

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

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

31. Discontinued operations

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

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

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

The activities of DCB are presented as discontinued operations.

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

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

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

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

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

31. Discontinued operations continued

Financial performance and cash flow information from discontinued operations

	2023 £'000	2022 £'000
Revenue	532	13,432
Cost of sales	(5,792)	(11,780)
Gross (loss)/profit	(5,260)	1,652
Underlying administrative expenses	–	(2,168)
Operating loss before non-underlying items	(5,260)	(516)
Non-underlying administrative expenses:		
Amortisation of customer relationships	–	(155)
Share based payment charge	–	–
Loss on disposal	–	(12,595)
Restructuring costs	–	–
Total non-underlying administrative expenses	–	(12,750)
Operating loss	(5,260)	(13,266)
Finance costs	–	(6)
Loss before taxation	(5,260)	(13,272)
Income tax credit	999	128
Loss for the period	(4,261)	(13,144)
Loss per share from discontinued operations		
Basic (pence)	(6.86)	(21.28)
Diluted (pence)	(6.86)	(21.28)
Cash flows from discontinued operations		
Net cash outflow from operating activities	(2,750)	(1,453)
Net cash outflow from investing activities	–	(10)
Net cash outflow from financing activities	–	(16)
Net reduction in cash generated by the subsidiary	(2,750)	(1,479)

32. Ultimate controlling party

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

33. Events after the balance sheet date

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

There have been no other post balance sheet events.

Independent auditor's report to the members of Kinovo plc

for the financial year ended 31 March 2023

Opinion

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

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

Key audit matters

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

The key audit matters were:

- costs to complete on DCB (Kent) Limited onerous construction contracts; and
- 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>Costs to complete on DCB (Kent) Limited onerous contracts</p> <p>As stated in the Emphasis of matter paragraph above and notes 4.2(d) and 31, there is significant judgement in estimating the cost to complete these contracts.</p>	<p>Our audit work included the following procedures:</p> <ul style="list-style-type: none"> • We held discussions with management to understand the latest position of each project. • We reviewed relevant documentation and correspondence in relation to the projects, including reviewing an expert report prepared by management's external qualified surveyors detailing the latest position and estimated cost to complete of each project. We challenged management and the surveyors on the contents of the report, critically assessing the methodology and key assumptions made. • We considered evidence which contradicted the assertions as part of this process, as well as evidence which corroborated them. • We substantively tested transactions incurred pre-year end in respect of projects for which work had commenced in the year. • We reviewed the accounting and disclosures in the financial statements to ensure they complied with the relevant requirements of FRS 101.
<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 £70,096, based on 2% 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 £35,048.

We agreed to report to the Audit Committee all audit differences in excess of £3,505, 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 overdraft and purchasing card facilities due for renewal in August 2023. HSBC UK Bank Plc remain supportive and the Group has received written notification that the bank is progressing toward the approval of the renewal of these facilities. However, documentation is yet to be completed at the date of signing these financial statements.

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

As stated in note 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 and the Company'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 Company's financial statements is appropriate. Our evaluation of the Directors' assessment of the 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 working capital facility and the performance bond not being called;
- reviewing the terms of the facilities available to the Group;
- reviewing the Board's assessment of the Group's obligations resulting from the administration of DCB (Kent) Limited;
- understanding the most recently available trading results post year end; and
- reviewing the appropriateness of the disclosures in note 1.2.

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

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

for the financial year ended 31 March 2023

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 parent company's 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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the 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 57, the Directors are responsible for the preparation of the parent company 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 parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company 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.

<https://www.frc.org.uk/auditors/auditor-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor-s-responsibilities-for>

The 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, UK financial reporting standards as issued by the Financial Reporting Council, the rules of the Alternative Investment Market, and UK taxation legislation;
- we obtained an understanding of how the Company complies with these requirements by discussions with management and those charged with governance;
- we assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance;
- we inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations, and reviewed Board minutes for any evidence of; and
- 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 2023. 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.

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

11 July 2023

Parent company statement of financial position

as at 31 March 2023

Registered number 09095860

	Notes	2023 £'000	2022 £'000
Fixed assets			
Investments	6	18,608	18,566
Intangible assets	7	47	47
Property, plant and equipment	8	94	108
Total non-current assets		18,749	18,721
Current assets			
Trade and other receivables	9	1,205	2,107
Cash and cash equivalents		1,016	2,138
Total current assets		2,221	4,245
Creditors: amounts falling due within one year	10	(6,338)	(11,771)
Net current liabilities		(4,117)	(7,526)
Total assets less current liabilities		14,632	11,195
Creditors: amounts falling due after more than one year	11	(86)	(143)
Net assets		14,546	11,052
Equity			
Ordinary shares	13	6,213	6,213
Share premium	14	9,245	9,245
Merger reserve	15	2,251	2,251
Share based payment reserve		113	74
Retained earnings		(3,276)	(6,731)
Total shareholders' funds		14,546	11,052

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 profit for the financial year was £3,455,000 (2022: loss £9,764,000).

The notes on pages 103 to 112 are an integral part of these financial statements.

The financial statements on pages 100 to 112 were approved by the Board and authorised for issue on 11 July 2023 and signed on its behalf by:

Clive Lovett

Group Finance Director

11 July 2023

Parent company statement of changes in equity

for the financial year ended 31 March 2023

	Called up share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 April 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
Share based payment charge	—	—	—	—	(294)	(294)
Transfer to retained earnings for share options cancelled	—	—	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
Profit and total comprehensive income for the year	—	—	—	—	3,455	3,455
Issue of share capital	—	—	(64)	—	—	(64)
Share based payment charge	—	—	103	—	—	103
Total transactions with owners recognised directly in equity	—	—	39	—	—	39
At 31 March 2023	6,213	9,245	113	2,251	(3,276)	14,546

Parent company statement of cash flows

for the financial year ended 31 March 2023

	Notes	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Net cash generated from operating activities	16	1,777	2,495
Cash flow from investing activities			
Purchase of property, plant and equipment		(23)	(127)
Purchase of intangible assets		(18)	(51)
Net cash used in investing activities		(41)	(178)
Cash flow from financing activities			
Issue of new share capital (net of share issue costs)		—	81
Repurchase of own shares for SIP		(64)	—
Repayment of borrowings		(2,591)	(1,056)
Dividends paid		—	(294)
Interest paid		(203)	(236)
Net cash used in financing activities		(2,858)	(1,505)
Net (decrease)/ increase in cash and cash equivalents		(1,122)	812
Cash and cash equivalents at beginning of year		2,138	1,326
Cash and cash equivalents at end of year		1,016	2,138

The cash and cash equivalents at the year ended 31 March 2023 are represented by the cash balance of £1,016,000 (2022: £2,138,000).

Notes to the parent company financial statements

for the financial year ended 31 March 2023

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 101 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

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 6 and 7.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For these reasons, the Board continues to adopt the going concern basis in preparing the 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 Company were unable to continue as a going concern.

Notes to the parent company financial statements continued

for the financial year ended 31 March 2023

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.

2.9. 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. Significant accounting policies continued

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.

3.3 Timing of DCB (Kent) Limited impairments

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

Notes to the parent company financial statements continued

for the financial year ended 31 March 2023

4. Auditor's remuneration

	2023 £'000	2022 £'000
Audit fees payable by the Company	60	60

5. Employee expenses

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

	2023 No.	2022 No.
Management	14	13

	2023 £'000	2022 £'000
Wages and salaries	1,869	1,261
Social security costs	269	165
Pension costs	92	33
	2,230	1,459

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

	2023 £'000	2022 £'000
At 1 April 2022	18,566	22,989
Share option charge for subsidiaries	42	28
Disposal	—	(3,996)
Impairment	—	(455)
At 31 March 2023	18,608	18,566

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 2023. 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 2023 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 to complete long-term construction contracts novated from other Group companies

During the prior year the Company disposed of a 100% investment in DCB (Kent) Limited. Please see note 31 of the Group accounts for further details on the transaction.

7. Intangible assets

	Software costs £'000
Cost	
At 1 April 2022	86
Additions in the year	18
At 31 March 2023	104
Amortisation	
At 1 April 2022	39
Charge for the year	18
At 31 March 2023	57
Net book value	
At 31 March 2022	47
At 31 March 2023	47

8. Property, plant and equipment

	Office and computer equipment £'000
Cost	
At 1 April 2022	135
Additions in the year	23
At 31 March 2023	158
Depreciation	
At 1 April 2022	27
Charge for the year	37
At 31 March 2023	64
Net book value	
At 31 March 2022	108
At 31 March 2023	94

9. Trade and other receivables

	2023 £'000	2022 £'000
Due within one year:		
Amounts due from Group undertakings	274	1,090
Prepayments and other debtors	931	1,017
	1,205	2,107

Included in other debtors is £850,000 (2022: £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 2023

10. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Bank loans and overdrafts (note 11)	57	2,591
Trade payables	149	145
Amounts due to Group undertakings	4,737	8,102
Other taxes and social security	474	479
Accruals	921	454
	6,338	11,771

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:

	2023 £'000	2022 £'000
Current borrowings		
HSBC term loan	—	2,534
HSBC mortgage loan	57	57
	57	2,591
Non-current borrowings		
HSBC term loan	—	—
HSBC mortgage loan	86	143
	86	143

11.1. Bank loans

Term loans

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

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

Mortgage loan

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

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 2023 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 2023 was £61,000 (2022: £62,000).

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.

12. Share based payments continued

	Grant date	Exercise date	Exercise price in £ per share	No. of options				2023
				2022	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	347,572	—	—	(15,085)	332,487
SIP	August 2021	August 2025	0.34	291,618	97,808	(194,713)	(764)	193,949
CSOP	October 2020	October 2023	0.23	890,000	—	—	—	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
CSOP	April 2022	April 2025	0.32	—	50,000	—	—	50,000
SIP	August 2022	August 2025	0.24	—	443,532	—	—	443,532
				5,059,190	591,340	(194,713)	(15,849)	5,439,968

13. Share capital

	2023 £'000	2022 £'000
Ordinary shares of £0.10 each		
At 1 April	6,213	6,121
Issued in the year	—	92
At 31 March	6,213	6,213
Number of shares		
At 1 April	62,137,757	61,214,703
Issue of shares in connection with JSOP	—	—
Issue of consideration shares in connection with SIP	—	923,054
At 31 March	62,137,757	62,137,757

Issued in the prior year

During the prior 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.

14. Share premium

	2023 £'000	2022 £'000
At 1 April	9,245	9,210
Issued in the year (net of share issue costs)	—	35
At 31 March	9,245	9,245

15. Merger reserve

	2023 £'000	2022 £'000
At 1 April 2022 and 31 March 2023	2,251	2,251

Notes to the parent company financial statements continued

for the financial year ended 31 March 2023

16. Note to the Statement of Cash Flows

	2023 £'000	2022 £'000
Cash flow from operating activities:		
Profit before income tax	3,455	(9,764)
Adjustments for:		
Net finance cost	203	236
Share based payments	61	62
Amortisation	18	4
Depreciation	37	23
Impairment of investment	–	4,451
Movement in receivables	902	1,708
Movement in payables	(2,899)	5,775
Net cash generated from operating activities	1,777	2,495

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:

	2023 £'000	2022 £'000
Loans and receivables:		
Other receivables	931	1,017
Amounts due from Group undertakings	274	1,090
Cash and cash equivalents	1,016	2,138
	2,221	4,245

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

	2023 £'000	2022 £'000
Held at amortised cost:		
Bank loans and overdrafts	143	2,734
Accruals	921	454
Trade payables	149	145
Amounts due to Group undertakings	4,737	8,102
	5,950	11,435

17. Financial instruments continued

The table below shows the maturity profile of the Company's financial liabilities as at 31 March:

2023	Within 1 year £'000	Within 1-2 years £'000	Within 2-5 years £'000	Over 5 years £'000	Total £'000
Non-derivative financial liabilities					
HSBC mortgage	57	57	29	—	143
HSBC term loan	—	—	—	—	—
Trade payables	149	—	—	—	149
Accruals	921	—	—	—	921
Amounts due to Group undertakings	4,737	—	—	—	4,737
	5,864	57	29	—	5,950
2022	Within 1 year £'000	Within 1-2 years £'000	Within 2-5 years £'000	Over 5 years £'000	Total £'000
Non-derivative financial liabilities					
HSBC mortgage	57	57	86	—	200
HSBC term loan	2,534	—	—	—	2,534
Trade payables	145	—	—	—	145
Accruals	454	—	—	—	454
Amounts due to Group undertakings	8,102	—	—	—	8,102
	11,292	57	86	—	11,435

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.

	2023 £'000	2022 £'000
Net debt comprised as follows:		
Cash at bank and in hand	1,016	2,138
Bank borrowings and overdrafts	(143)	(2,734)
	873	(596)

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

	2022 £'000	Cash movements £'000	2023 £'000
Cash and cash equivalents	2,138	(1,122)	1,016
Bank borrowings and overdrafts	(2,734)	2,591	(143)
	(596)	1,469	873

Notes to the parent company financial statements continued

for the financial year ended 31 March 2023

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 2023	4,130	3,750
Year ended 31 March 2022	2,800	3,800

As at 31 March 2023 amounts owed by Group undertakings totalled £274,000 (2022: £1,090,000) and owed to Group undertakings totalled £4,737,000 (2022: £8,102,000).

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 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 33 of the Group accounts for details of post balance sheet events.

Shareholder information

Corporate information

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Website

www.kinovopl.com

Registered number

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Listing information

AIM:KINO

Date of Annual General Meeting

30 August 2023

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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



Kinovo plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Amadeus Silk, an FSC certified material. This document was printed by Pureprint Group using its environmental print technology, with 99% of dry waste diverted from landfill, minimising the impact of printing on the environment. The printer is a CarbonNeutral® company. Both the printer and the paper mill are registered to ISO 14001.

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