

The Kinovo logo is displayed in a white, rounded rectangular box. The text 'kinovo' is in a lowercase, sans-serif font, with a small registered trademark symbol (®) to the upper right of the 'o'. The background of the entire page is a green geometric pattern of overlapping triangles, with a vertical strip on the right side showing an aerial view of a city with green trees and buildings.

kinovo®

Regulate.
Regenerate.
Renew.

Kinovo plc
Annual Report and Accounts 2021

A strong business

Kinovo is a specialist property services Group that delivers compliance and sustainability solutions to local authorities, housing associations and corporate customers.

Strategic report

- 1 Our year in brief
- 2 Group at a glance
- 4 Investment case
- 6 Chair's statement
- 7 Market environment
- 8 Chief Executive Officer's review
- 10 Business model
- 12 Strategy
- 14 Key performance indicators ("KPIs")
- 17 Financial review
- 20 Stakeholder engagement
- 22 Sustainability
- 26 Risk management and principal risks

Corporate governance

- 30 Board of Directors
- 32 Corporate governance report
- 34 Audit Committee report
- 36 Remuneration Committee report
- 38 Directors' report

Financial statements

- 40 Independent auditor's report to the members of Kinovo plc
- 44 Consolidated statement of comprehensive income
- 45 Consolidated statement of financial position
- 46 Consolidated statement of changes in equity
- 47 Consolidated statement of cash flows
- 48 Notes to the consolidated financial statements
- 75 Independent auditor's report to the members of Kinovo plc
- 79 Parent company statement of financial position
- 80 Parent company statement of changes in equity
- 81 Parent company statement of cash flows
- 82 Notes to the parent company financial statements
- 91 Shareholder information



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

Our year in brief

A resilient performance

Despite the challenges of Covid-19 and the disruption caused by multiple lockdowns, we delivered a resilient performance in 2021 as well as a major achievement in repositioning the business. We have now announced our re-brand, laying the foundations for Kinovo to accelerate its growth strategy.

Financial highlights

Revenue

£60.2m

2020: £65.4m

Adjusted EBITDA¹

£3.0m

2020: £4.7m

Profit after tax

£0.2m

2020: £1.4m

Basic earnings per share

0.27p

2020: 2.93p

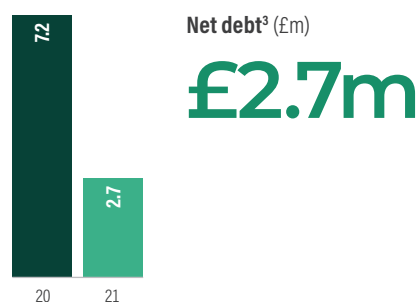
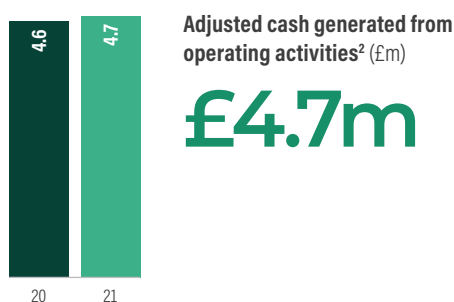
Proposed dividend per share

0.5p

2020: 0.0p per share

Operating highlights

- Completion of rebranding and repositioning of the Group around the three key strategic pillars of Regulation, Regeneration and Renewables.
- Investment in energy efficient solutions relating to the Microgeneration Certification Scheme.
- Investment in Business Development Team in H2 already gaining traction with both contract wins and inclusion onto SEC and Fusion 21 frameworks, alongside geographic diversification into the Midlands.
- Visible revenues⁴ over the next three years of £170 million (2020: £172 million) including £8 million in visible revenues secured since the year end with strong pipeline in play.
- Focus on our people accelerated with implementation of a wide range of HR initiatives including talent management and investment into key commercial and operational roles to continue driving operational excellence for growth.
- Investment into IT infrastructure including roll-out of software package to monitor and measure our social value contribution as a Group, which was calculated at over £1.15 million in the financial year.



1. Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and excluding non-underlying items. To align with internal and bank covenant reporting it is also stated after a charge for lease payments, as set out in note 8 of the financial statements.
2. Adjusted operating cash generated is stated before tax and after lease payments and after adding back £379,000 (2020: £1.9 million) exceptional item cash payments incurred in the year ended 31 March 2021. It is also adjusted to reflect the payment of deferred HMRC payments to normal terms. Further analysis is set out in the Financial Review.
3. Includes term and other loans and overdraft net of cash, and excludes lease obligations.
4. Three year visible revenue represents the minimum identifiable revenues, over the following three year period; being contracted or anticipated spend as well as historical run rates.

Setting our purpose through a new identity

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.

In addition to our own social and environmental objectives, we recognise the critical part we have in supporting our clients in meeting their own sustainability goals. Since our last report we have established a new identity to reflect the purpose, vision and values of our business.

Our purpose:

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

Our vision:

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

How we do it

Kinovo delivers its services through four long-established and complementary subsidiaries: Purdy, Spokemead, DCB (Kent) and R. Dunham. Often working together, and sharing central functions, we provide critical planned and essential responsive services through three service channels.

£170m¹

of forward visible revenues

36%

of contracts have an unexpired period of over three years

3+ years

typical length of services contracts

1. Including £8 million revenues awarded since 31 March 2021

Why Kinovo?

kin: our commitment to our family – our people, clients and subsidiaries – and kinetic

novo: our new purpose, vision and values

Combined, **Kinovo** reflects a renewed family, with connected competence at our core.

Our service channels



Regulation

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

- Gas
- Electrical
- Fire
- Water
- Ventilation
- Maintenance services to housing providers



Regeneration

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

- Responsive maintenance and repair work for buildings
- Kitchen and bathroom installation
- Vacant building conversion
- Disabled adaption work
- New home construction
- Brownfield site regeneration
- Habitual spaces improvement
- Greener building creation
- Unused space reutilisation

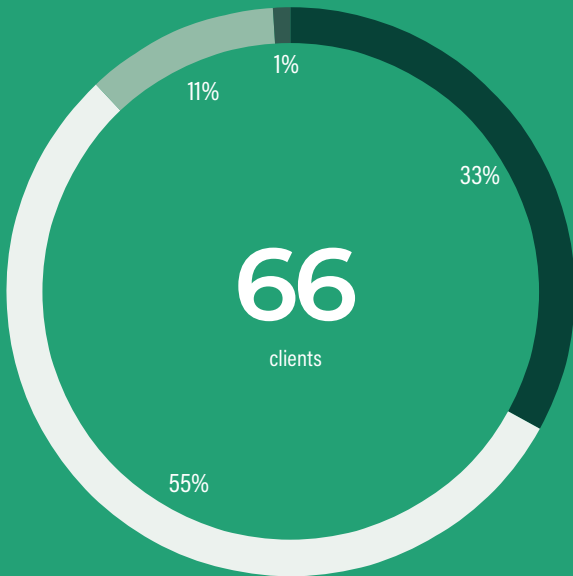


Renewables

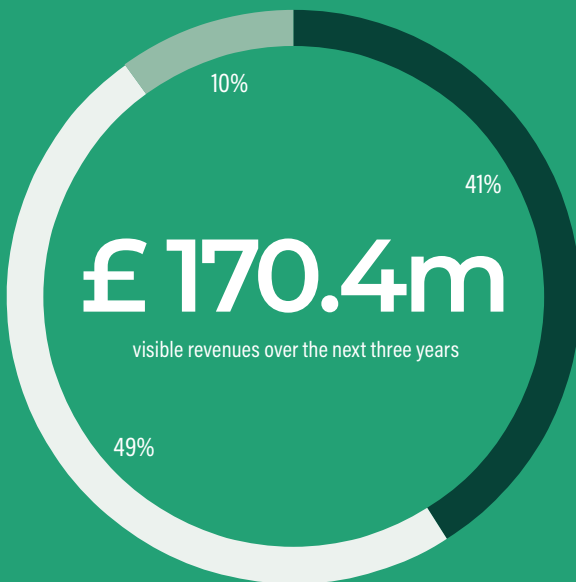
Providing energy efficient solutions that reduce carbon footprint:

- Energy efficient boilers
- Energy efficient lighting
- Energy management systems
- Electric vehicle charging ("EV")
- Photovoltaic ("PV") solar microgeneration systems
- Ground source heat pumps
- Air source heat pumps

Who we work with



Key	No. of clients	
	2021	2020
Local councils	22	30
Housing associations	36	30
Private and corporate clients	7	7
Charities	1	2
Total	66	69



Key	2021	2020
	£m	£m
Local councils	70.4	75.0
Housing associations	83.6	93.2
Private sector and education	16.4	3.7
Charities	0.0	0.3
Total	170.4	172.2

→ Read more on p10

Our people

We are fortunate to have a committed and talented workforce which delivers safety-critical and compliance regulated services, and ensures our customers deliver on their promises to provide safe, secure and good quality homes.

All our skilled engineers are fully qualified in the services they provide and, if needed, registered with their regulatory body. We are investing in the skillsets that are in demand, including energy efficient solutions relating to the Microgeneration Certification Scheme.

Number of employees:

263

at 31 March 2021

100

Front line operatives

13

Apprentices

58

Contract managers, supervisors, estimators and surveyors

36

Customer services and call administration

39

Support services

17

Senior management

Gender



● Female 58

● Male 205

Investment proposition

Having repositioned the business and defined its purpose and vision, Kinovo has the opportunity to capture significant organic growth potential alongside strategic acquisition opportunities.

Substantial visible recurring revenues based on long-term service contracts

£170m

of visible revenues over the next three years

Visible revenues for the next three years are £170 million.

This includes £8 million visible revenue secured since the year end, following the award of two substantial contracts.

Excludes recent framework contract wins which we expect will further increase visible revenues.

Our service contracts typically span three years or more.

Impact of Covid-19

Visible revenues for the next three years were largely unaffected by Covid-19, as a result of new, renewed and extended contracts.

With the easing of social distancing restrictions and a return to normal work practices we are seeing an increase in bid activity.

→ Read more on p8

Foundation of services meeting compliance and regulatory requirements

40%

of our business is regulatory led

The business is underpinned by specialist compliance-led and regulatory requirements.

These essential services attract higher premiums than standard building and facilities management contracting.

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

The transition towards green technologies will create new regulatory requirements.

Impact of Covid-19

The biggest challenge we faced in 2020 was gaining access to properties.

We worked closely with our clients to manage any delays and ensure that safety and regulatory compliance standards were met.

Our consistent and continued presence enables us to capture a broader range of workstreams.

→ Read more on p7

Strong cash generation enabling significant investment in the second half of 2020

156%

cash conversion

We continue to demonstrate a strong cash conversion¹ of 156% (2020: 99%).

This allows us to increase investment into the business, bringing about significant efficiencies, growing our skills base into green accreditations and reinvesting for growth.

Impact of Covid-19

Cash generation remained strong throughout the year despite the pandemic.

Investment was accelerated in the second half of the year following a period of reduced investment as the Group focused on operations during the initial response to the Covid-19 pandemic.

→ Read more on p18

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

Reducing debt levels

63%

reduced debt levels

Our strong cash generation allowed us to reduce our debt position by £4.5 million in the last year to £2.7 million (2020: £7.2 million).

Our commitment to reducing debt, combined with resilient underlying trading, enables the Group to adopt a progressive dividend policy.

Subject to approval at the AGM we propose to reinstate a dividend for the year ended 31 March 2021.

Impact of Covid-19

The focus on cash management and reduction in net debt remained unabated during the pandemic.

During the year the Group restructured its debt facilities with HSBC, improving covenants and providing sufficient stability, support and flexibility to the business.

[→ Read more on p19](#)

Government backed social value and net-zero targets providing opportunities for organic and acquisitive growth

4

qualified EV installation staff

The management has identified the specialist skills and services that the Group can offer to existing and new clients as an extension of services already offered.

The bid team has commenced targeting potential contracts arising from the green industrial revolution.

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

Impact of Covid-19

The Covid-19 pandemic has brought greater focus and accelerated government-supported green initiatives.

Before the pandemic hit, Kinovo had already started investing in the skills and qualification necessary to offer EV and alternative energy installations.

[→ Read more on p7](#)

Realigning the business to embrace the future



Sangita Shah
Non-Executive Chair

The year can be encapsulated by the ongoing challenges brought about by the Covid-19 pandemic, the Company's resilience in withstanding them, and the implementation of structural changes within the business which arose from a detailed strategic review. These necessary changes have put the business on a sounder, robust footing and have resulted in a more agile and resilient business, ensuring that we are well placed to capitalise on the dynamics occurring within our external operating environment.

In tandem to these structural changes, we have undertaken an extensive review of the Company's identity, purpose, vision and values and reconstituted the Company with a culture in line with this strategic change. It therefore gives me great pleasure to be reporting to shareholders this year under our new name: Kinovo.

The Group is firmly on track to accelerate its repositioning through the internal investment we have made, focusing on the subsidiaries' core capabilities and building the skills base to take advantage of new opportunities arising from carbon reduction targets and the transition to greener energy solutions.

Covid-19

The pandemic has continued to cause much suffering for many of our staff, their families, our customers and our business partners. As a business, we have also had to contend with a huge amount of disruption to our planned and responsive maintenance and repair works.

As with almost every business and person in the UK, the pandemic has disrupted and altered our day-to-day activities. The changes we made ensured that we could continue our commitment to serving customers safely as an essential service provider whilst maintaining high customer satisfaction rates.

Given the regulatory and compliance requirements of our business, throughout every lockdown imposed during the year we have operated as normal for many of our clients with our colleagues continuing to work "on the line" in often difficult circumstances.

We are hopeful, however, that with the successful roll-out of the UK vaccination programme, our people and our customers can return to normal ways of living and working.

Repositioning

The success and transformation of the business reflects the significant impact of David Bullen's leadership. Over the last two years, David and his team have succeeded in turning the business around through significant debt reduction, strong cash generation and, importantly, realigning the business to meet the evolving needs of our customers. This has been achieved whilst continuing to invest in our people and systems, strengthening our culture and cohesion, navigating us through the pandemic and delivering respectable results.

A key outcome of the repositioning has been to redefine 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.

Market

The repositioning is aligned internally and externally to reflect the business' capabilities in line with the future ESG landscape. The UK Government is spearheading the campaign for positive change, evidenced by its desire to make homes safer and to regenerate communities and its ten-point plan for a green industrial revolution.

In November 2020, the Government announced its ten-point plan to achieve net-zero carbon emissions by 2050. The two immediate areas relevant to Kinovo are point seven for greener buildings and point four, accelerating the shift to zero emission vehicles.

Social housing and housing associations continue to grow with an emphasis on community and positive social and environmental impact. Their willingness to place contracts is tied strongly to their ability to deliver on social value goals, and they are looking to partner with suppliers, such as us, to support them in their efforts.

We have invested throughout the year to broaden our capabilities for the future, training our workforce, and have aligned ourselves to capture these opportunities.

Rebalanced Board

David Johnson, who joined the Board in 2014, chose not to stand for re-election as a Non-Executive Director at the 2020 Annual General Meeting. In November 2020, we announced the appointment of Caroline Tolhurst as a Non-Executive Director. The Board was reconstituted in December 2020 to bring our Board composition to three Non-Executive Directors and two Executive Directors, ensuring a constructive dynamic in line with best corporate governance practice.

Dividend

Whilst it remains the priority to continue to reduce the level of net debt, the Board has previously stated its intention to resume the payment of a dividend as soon as conditions allow. With significant reduction in net debt, resilient underlying trading and confidence in our outlook, the Board recommends a final dividend of 0.5 pence per share which is subject to approval at the AGM on 1st September 2021.

People

Unquestionably, underpinning the work we do is our talented and dedicated staff. They have exhibited a remarkable fortitude and commitment through the transformation of the Company and the challenging external environment. Without them, the transition of the Company would not have been possible and I would therefore like to extend my thanks to each and every staff member.

I would like to express a particular note of gratitude to David Bullen in recognition of his transformative impact on the Group under his leadership. It would also be remiss of me to not to extend my thanks to Clive Lovett and Lee Venables, who have embraced the executive challenges as a result of the transformation.

In recognition of the tremendous efforts, we have implemented incentive schemes both for staff and for senior management.

Sangita Shah
Non-Executive Chair

5 July 2021

Green revolution supporting long-term market growth



Regulation

Market driven by regulation and compliance

Kinovo's business is built upon stringent non-discretionary regulatory and compliance requirements. These market fundamentals exist regardless of any short-term fluctuations such as Covid-19.

The ever-increasing awareness from the public around safety and compliance standards results in stricter legislation, increasing the responsibility of landlords to ensure the safety and compliance of their properties and people.

The UK Regulator for Social Housing forecasts £2.7 billion will be spent on capitalised repairs and maintenance expenditure in the twelve months to 31 March 2022.

Kinovo's response

The majority of Kinovo's services satisfy an unwavering focus on compliance and safety by its customers.

Our services are technical and specialist and require qualifications, adding value to our offering and assurance to our customers' operations.

Kinovo's ability to compete is underpinned by the reputations of its four established subsidiaries, key performance metrics and ability to support its clients in meeting their own governance requirements.

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



Regeneration

Market driven by critical need

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.

Over 1 million people are stuck on local authority housing lists, some for more than a decade. An estimated 380,000 affordable homes per year are needed for the next 15 years, of which 100,000 have been earmarked as social rent. The amount of capital investment needed is estimated at over £10 billion per year.

The need to improve the existing housing stock is also high on the agenda, taking a share of the estimated £2.7 billion being spent on capitalised repairs and maintenance.

Kinovo's response

With more social and housing association homes being built, the demand for the building, improvement and refurbishment services that Kinovo provides is set for long-term growth.

The Group has the opportunity to grow its existing customer base, provide a diversified end-to-end offering, leverage its reputation within its sector to win new customers and support its clients in meeting their own social goals.



Renewables

Market driven by carbon reduction targets

In November 2020, the UK Government updated its ten-point plan to achieve net-zero carbon emissions by 2050. The ten-point plan will mobilise £12 billion of Government investment, and potentially three times as much from the private sector.

Point seven: Greener buildings

The Government estimates £11 billion in private investment in the 2020s and has pledged over £1 billion in funding for greener buildings, including 600,000 heat pump installations per year by 2028.

All new affordable homes will need to be "zero-carbon ready" and produce 75-80% less carbon dioxide and will no longer connect to the gas grid from 2023.

In addition, the Government has committed to further funding for the Social Housing Decarbonisation Fund to continue upgrading the least efficient social housing.

Kinovo's response

Kinovo has a key role in supporting its clients and the Government on reaching carbon reduction and energy efficient targets.

The relevance to Kinovo of points four and seven of the ten-point plan are considered in more detail below.

Our mechanical expertise enables us to deliver energy efficient solutions. We are exploring and installing innovative cleaner technologies and investing in our skillsets to help our customers deliver on their legal requirement of zero-carbon emissions in the UK by 2050.

Our work in new build and regenerating homes and communities provides us with considerable opportunities to build and retrofit more efficient and low-carbon heating and lighting solutions.

We are ensuring our staff have the training and qualifications necessary to provide these essential services for a greener future.

Point four: Accelerating the shift to zero emission vehicles

£1.3 billion has been made available to accelerate the roll-out of electric vehicle charging points across councils in the UK.

Our electrical expertise positions us well to capitalise and build on this significant opportunity.

We have invested in training engineers to install any type of EV charging point, at home, commercially or for public transport.

Our existing relationships with our clients allow us to leverage opportunities in extending our existing compliance driven services in terms of design, installation, maintenance and servicing.

Redefining our business

David Bullen

Chief Executive Officer



We will continue to prioritise and invest in our greatest asset - our people. The Group will be investing further in the HR function to provide the necessary support for our growth plans, ensuring a positive working environment for our staff and a strong culture of community, transparency, accountability, reward and recognition."

Last year was a highly eventful period for the business. On the one hand, the year was punctured with both national and regional lockdowns and the ensuing problems arising with regard to household access and, on the other, the interruption to normal business activity gave us the chance to accelerate our planned reorganisation, redefine our purpose and values and define our strategy for future growth.

Due to the magnitude of the reshaping of the Group, we have since taken the opportunity to rebrand the organisation under the new identity of "Kinovo". The "new" Group has been created by our employees - we had workshops and surveys with their input and involvement to define who we are and what we stand for, which helped deliver our new identity. The name represents a hybrid of "kin" meaning both family and kinetic, and "novo" from the Latin word for new. Combined it creates a brand name that exudes a renewed family, with connected competence as its core.

Financial results

The Group delivered a resilient performance in the year in the face of the challenge of the global Covid-19 pandemic, which impacted the whole period, with revenues of £60.2 million (2020: £65.4 million). Adjusted EBITDA* was £3.0 million (2020: £4.7 million), generating robust adjusted operating cash flow of £4.7 million (2020: £4.6 million) and reducing net debt by £4.5 million to £2.7 million.

Order book and contract wins

Visible revenues have been maintained at £170 million demonstrating the resilience of the business. With client resources limited due to the lockdown, our consistent and continuous presence enabled us to capture a broader range of workstreams during the year, partially offsetting elements of delayed works.

Key contract wins during the year included establishing a footprint in Birmingham which will serve to broaden our geographic reach, whilst being close enough to manage effectively and efficiently. Our priority is to not compromise on the quality of work and level of service as we expand. We also started to see an increase in demand in regeneration and renewables work relating to the Government's net-zero carbon targets as we increase our investment and sales and marketing efforts in this segment of the business.

Covid-19

As an essential service, we continued working throughout the pandemic for our social housing and housing association customers. Preparation was key to our rapid response resulting in minimal interruption to our ability to deliver services, even though we faced disruption due to factors that were outside our own control.

The biggest challenge we faced was gaining access to properties as tenants were understandably nervous.

However, we worked closely with and on behalf of our customers to manage carefully any delays and ensure their safety and security, which resulted in continued high satisfaction rates. Additionally, the concerns of the pandemic inhibited local authorities and councils from issuing planned works, resulting in delays to certain workstreams.

During the year, we took advantage of Government initiatives in supporting the business including the Coronavirus Job Retention Scheme as well as VAT and NI/PAYE deferrals. We have already paid back the PAYE to the Government and the VAT repayment will be completed well within the current financial year. All staff had returned to work in the early part of the second half of the year, with the exception of a few who returned full time in January 2021.

Despite all the negatives associated with Covid-19, the challenges we have faced as a society have also served to demonstrate the positive, caring attributes of many. As a Group, we were pleased to have provided additional support to our community however and wherever we could. This manifested itself in various ways, such as our engineers doing shop runs for vulnerable or house-bound clients, providing PPE in the community, or donating computers to local schools to enable remote learning.

Restructuring and realignment

During the year, we continued our restructuring, investing in and realigning the Group to improve governance and transparency, introduce efficiencies and lay the necessary foundations for the future.

We restructured our operations, completing the centralisation of many of our back-office functions including finance and HR and creating a dedicated call centre to segregate contract and call administration duties. To achieve operational and transparent reporting we introduced interdependent operational and finance systems, and invested in the divisional finance systems.

Our office presence was streamlined with the closure of the Sidcup office and the consolidation of Purdy building and construction into the DCB (Kent) offices, bringing our building services and construction operations together, enabling resources to be shared and introducing efficiencies. Similarly, the Purdy South electrical team was integrated into the main Purdy office, thereby improving cohesion and coordination across the Group.

Our actions strengthened our ability to cross-sell services and allowed greater unity across our subsidiaries, keeping business opportunities in house and improving our service offering. Examples of this include Purdy installing EV chargers into a development for DCB (Kent) and R. Dunham undertaking specific electrical work on behalf of Purdy.

Whilst the historical strategy of the Company was “buy and build”, our renewed outlook will seek to balance capturing the vast opportunity of organic growth potential alongside strategic acquisition opportunities that will complement and accelerate our objective to broaden and deepen our core areas of expertise and specialism. To that end, investment was undertaken to grow the Business Development team during the year which will continue in the year ahead.

To increase the range of services we can offer, we have invested in skillsets that are in demand, including energy efficient solutions relating to the Microgeneration Certification Scheme. We have aligned the pay and incentive structures for our engineers to encourage and reward diversification of skillsets, which will add value to their individual offering whilst improving the overall efficiency of the organisation. We will continue to invest further to build on our expertise.

We practice what we preach and have invested further to reduce our own carbon footprint by adding EV chargers around our offices in addition to the solar panels we have in place, and we are currently in the process of installing ground source heat pumps.

Repositioning our service channels

The Group has begun repositioning its strategic focus and service channels around:

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

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

Renewables – Providing energy efficient solutions that reduce carbon footprints.

I believe this approach better aligns Kinovo with its customers’ macro-economic drivers which are underpinned by governmental legislation and policy. The three service channels enable the Group to broaden its range of services and in-house expertise, provide an end-to-end “one-stop shop” for customers, and create a more coherent narrative alongside our purpose, vision and values.

Areas of opportunities that we will seek to exploit include capitalising on the strengthening legislation and regulation with regards to compliance, as well as the cascade of the Government’s ten-point plan, including electric vehicle (“EV”) charging; solar electricity panels, also known as photovoltaics (“PV”); air source heating; and ground source heating.

We are also targeting geographic expansion outside our traditional focus in London and the South East. We see opportunities to grow through customer-led acquisition, and plan to do this in a managed and structured manner, working in locations that we can service from our existing office base, before establishing regional offices once we have gained sufficient scale. This expansion has already started following a contract win in Birmingham, being a reasonable driving distance to manage effectively. As a result we are now able to cover the area between the Midlands and the South East and will selectively look at bids within this corridor. Our priority remains to provide the best quality of work and the highest level of service to deliver consistent, sustainable, profitable growth.

Investment in people

During the year our HR Director, Dawn Kemp, set about implementing her vision for the management and development of our staff. A far-reaching range of initiatives was introduced including, amongst others, a non-financial and financial reward scheme including a Group share incentive plan, standardised contracts, revised salary structures and pay bands in line with industry standards, a commute to work initiative, Group-wide training and development plans, a talent management programme and succession planning, the introduction of mental health first aiders, and internal and cross-divisional promotions and job opportunities.

Dawn’s work continued alongside the additional pressures created by Covid-19 in managing our staff resources, implementing new working practices and maintaining staff morale. I would like to extend my thanks to her personally for her hard work and dedication.

We are now in a much better position to manage our staff, while retaining and attracting new talent that will ultimately drive the business forward. We will continue to prioritise and invest in our greatest asset – our people. The Group will be investing further in the HR function to provide the necessary support for our growth plans, ensuring a positive working environment for our staff and a strong culture of community, transparency, accountability, reward and recognition.

Outlook

Despite the continued repercussions resulting from the pandemic, the business has had a positive start to the year. In the three months to 30 June 2021 our performance has been in line with management expectations. We remain cautiously optimistic in our outlook as the Covid-19 restrictions unwind and the new normality for society returns.

As a consequence of some of the delays and disruption referred to above, particularly with regard to planned or discretionary work, we anticipate pent-up demand for our services and a strong pipeline of work to follow.

This, together with continued strong cash generation and a growing order book has led the Board to recommend a dividend of 0.5 pence per share, reflecting our confidence in Kinovo and our future. We are excited about the repositioning of the business and the new opportunities that will bring moving forward.

David Bullen
Chief Executive Officer

5 July 2021

A sustainable business with a clear purpose

Through investment in the skills and expertise required for our key competencies and by embracing the green technology revolution, we are creating a long-term sustainable business, underpinned by a clear purpose and strong values.

INPUTS

Strong market fundamentals

Kinovo works in a stable and growing market. Our services satisfy an unwavering focus on compliance and safety for our clients.

Strong client relationship

We have an established client base which relies on us to provide reliable and stable services.

Investment in people and skills

Continual investment in our people resulting in high service performance levels.

Committed front-line and back-office employees

Dedicated employees with a strong social and environmental purpose.

Regulation

The foundation of our business, based on specialism and expertise.

These services are resilient, non-discretionary growth drivers underpinned and governed by the need for regulatory compliance.

Long-term contracts over an average of three years give a high level of recurring revenue and earnings visibility, allowing us to plan our operations many months ahead.

Specialist gas and electrical skills are required to carry out these works, providing higher barriers to entry and higher margins. We are investing in our skills base, broadening and deepening our offering.

Services are sustained throughout economic cycles and are not threatened by technological change.

Regeneration

Driven by a shortage of affordable housing and the need for the continuous improvement, repair and maintenance of existing housing stock.

Housing associations in England alone manage assets with a combined value of £155 billion. Preservation and maintenance of this asset base are fundamental in protecting its value.

The Government's net-zero carbon target for 2050 requires retrofitting energy efficient heating and electrical equipment, insulation improvements and alternative energy solutions.

For new housing, we focus on small scale developments, and cross-sell regulation services for ongoing regulatory compliance maintenance.

OUR VALUES AND CULTURE



Integrity



Connected by Kinovo

Lead with honesty and respectfulness.

Our behaviours

We promise inclusivity, respect, humility and candour.



Innovative



Dare to be different

Look to the future, continuously improve the now.

Our behaviours

We encourage creativity, curiosity, flexibility and consideration.



Reliable



Make everyday incredible

Always be there for our teammates, customers and communities.

Our behaviours

We embrace ownership, commitment, loyalty and approachability.

Renewables

Increasing demand for clean energy and energy efficient solutions driven by zero-carbon targets is providing us with opportunities to expand our service offering.

New, greener technologies require specialist skills and qualifications, and will likely require regulatory compliance checks.

We are investing in developing the skills needed to offer installation and maintenance services, and we are seeking complementary acquisitions and partnerships that will enhance our service offering.

Revenue by service channels (£m)



- Regulation £24.2m
- Regeneration £27.4m
- Renewables £8.6m

Total revenue: £60.2m

CREATING VALUE FOR STAKEHOLDERS

Investors

A strong focus on financial control and cash generation has allowed Kinovo to reduce debt by 63% and reinstate a dividend.

➔ [Read more on p14](#)

Clients and partners

Kinovo has worked closely with its clients to maintain service levels during Covid-19 and support communities wherever it can. A greater focus on environmental and social value is allowing Kinovo to support its clients in achieving their own sustainability goals.

➔ [Read more on p16](#)

Employees

Kinovo has invested significantly in its employees and HR function in the last year to ensure staff have the opportunity to develop their skills and ensure rewarding long-term careers.

➔ [Read more on p22](#)

Communities

We continue to commit to delivering social value to the communities in which we work. In addition to our own initiatives, we have been working with our clients to demonstrate the social value provided as part of our contractual agreements.

➔ [Read more on p22](#)



Reputable



Care about tomorrow

Hold ourselves to the highest possible standard.

Our behaviours

We value accountability, authenticity, professionalism and consistency.



Successful



Smile with success

Work together for the success of everyone.

Our behaviours

We welcome collaboration, determination, passion and confidence.

Setting our strategy

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

Invest in our people and our communities

- Invest in our people to ensure they have the skills and qualifications necessary to carry out specialist jobs.
- Facilitate the opportunity for all our employees to maximise their potential with targeted personal and professional development.
- Strengthen our Apprenticeship Scheme to further support our pipeline of Engineers as we grow.
- Accelerate our Talent Management program to facilitate career development opportunities and succession planning.
- Launch a charitable trust to support the underprivileged, with a priority on children.
- Commit to greater involvement in our communities.

Commit to strengthening our contribution to the UN Sustainable Development Goals as well as ESG criteria

- Set the Group's ESG strategy, objectives and targets in 2021 and roadmap for progress for the next three years.
- Align our strategy with the UN Sustainable Development Goals.
- Publish the Group's first sustainability report in Q4 2021.
- Reduce our carbon reduction footprint by adopting energy efficient and low carbon technologies.
- Support our clients to achieve their own sustainability goals through partnership and collaboration.

Expand core competencies

- Grow our business organically by offering a wider range of services that are complementary to our existing skills base so that we can expand the scope breadth and depth of our offering and respective client contracts.
- Focus on essential, non-discretionary service areas that require expertise, offer higher barriers to entry, are consistent in demand, immune to economic cycles and underpinned by regulation and compliance requirements. In particular, these include renewable and low-carbon technologies, fire safety and security, EV installations, water treatment and hygiene and air testing and quality.
- Expand of our core competencies to provide end-to-end specialist services for our customers and facilitate the ability to share relationships across the Group.

Extend geographic reach

- Expand the geographic reach outside Kinovo's traditional focus in the South East of England, initially following contract opportunities that can be serviced from existing offices without compromising on the quality of delivery.
- Once a presence in a new area is established, set up offices to support further growth in the area.

Accelerate organic growth

- Focus on long-term contracts that offer recurring revenues and provide forward earnings visibility.
- Prioritise quality over quantity and margin over revenue.
- Increase workstreams with the current client base as well as winning new clients within geographic reach.
- Invest in our bid team to accelerate targeting potential opportunities more effectively and efficiently.

Acquire complementary businesses

- Seek potential acquisitions that will provide immediate access into complementary services that add value to our current offering, or consolidate our fragmented market so that operational scale and efficiencies can be gained.
- Focus on essential, non-discretionary service areas that require expertise, are consistent in demand, immune to economic cycles and underpinned by regulation and compliance requirements.
- Provide additional geographic reach that will support growth in a new area.

Centralise shared functions

- Continue to centralise shared back-office functions to ensure the highest standards of governance and controls, whilst bringing about efficiencies and service consistency, providing economies of scale as we grow.
- Leverage the Kinovo brand across subsidiaries to create more opportunities for our Bid Management Team to target a wider variety of contracts.

Measuring our performance

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

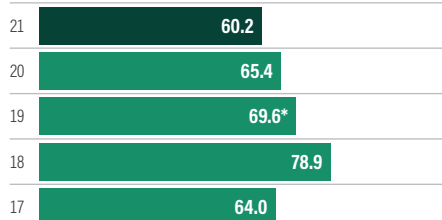
Financial KPIs

Resilient trading during a global pandemic

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

Revenue (£m)

£60.2m



KPI definition

Revenue is based on the amounts received or receivable for services provided during the year. We aim to grow our revenue organically. Organic growth gives a measure of business performance and our ability to win new contracts and increase the scope of existing contracts.

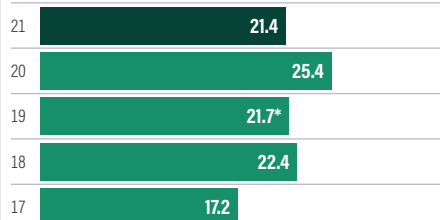
Performance

In the year the Group performed robustly but was challenged by the impact of the global Covid-19 pandemic.

* Prior to non-underlying items in year ended 31 March 2019 which reduced revenues by £3.1 million.

Gross margin (%)

21.4%



KPI definition

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

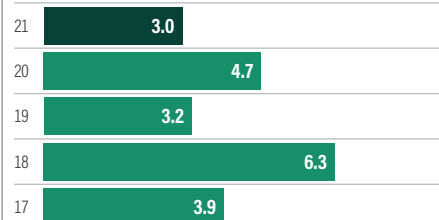
Performance

Gross margin reduced by 4.0% partly reflecting the mix of business activities in the period but principally the impact on efficiency resulting from the Covid-19 pandemic on key performance indicators such as access rate and first-time fixes.

* Prior to non-underlying items in year ended 31 March 2019 which reduced gross profit by £5.7 million.

Adjusted EBITDA (£m)

£3.0m



KPI definition

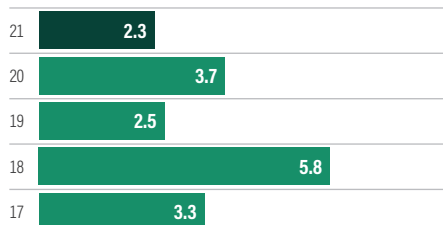
EBITDA is defined as earnings before interest, tax, depreciation and amortisation and excluding non-underlying items as set out in note 8 to the consolidated financial statements. Adjusted EBITDA is stated after the effect of a charge for lease payments. EBITDA excluding the effect of lease payments was £3.7 million in 2021 (2020: £5.5 million). The Board considered Adjusted EBITDA to be a key alternative performance measure (“APM”) as it is the basis upon which the underlying management information is prepared and the performance of the business assessed by the Board. It is also the measure for the financial covenants under our banking arrangements.

Performance

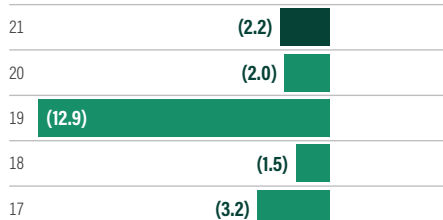
The reduction in Adjusted EBITDA reflects the impact of reduced activities and gross margin due to the Covid-19 pandemic set off by cost control, operational efficiency and restructuring measures undertaken during the year. Additional information on the analysis and performance is included in the Financial Review.

Underlying profit before tax (£m)

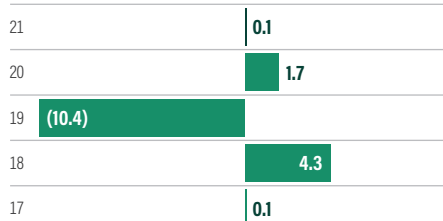
£2.3m



Non-underlying items (£m)



Profit/(loss) before tax (£m)

**KPI definition**

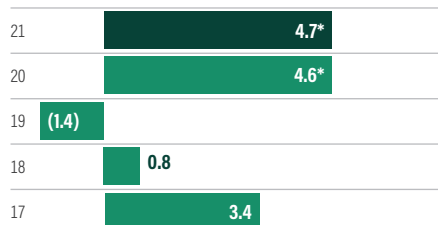
The Group's underlying profit before tax excludes non-underlying items such as amortisation of intangible assets and exceptional items, which are set out in note 9 to the consolidated financial statements.

Performance

The result for the year reflects the impact of Covid-19 as outlined above partly set off by reduced finance costs resulting from the reduced debt levels.

Adjusted net cash generated from/(used in) operating activities (£m)

£4.7m

**KPI definition**

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

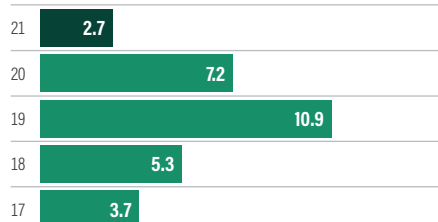
Performance

Net operating cash generation was a continuing key strategic priority for the Group in the year to 31 March 2021 and remains a key area of focus. Additional information on analysis and performance is included in the Financial Review.

* Net of deferred HMRC payments.

Net debt (£m)

£2.7m

**KPI definition**

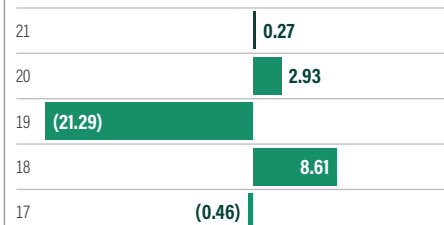
Net debt is the Group's balance at the reporting date of bank loans and other loans and overdraft less cash and cash equivalents. It does not include lease obligations.

Performance

Net debt reduced by £4.5 million, being an increase in cash and cash equivalents of £4.6 million offset by an increase in loans of £0.1 million. Additional information on analysis and performance is included in the Financial Review.

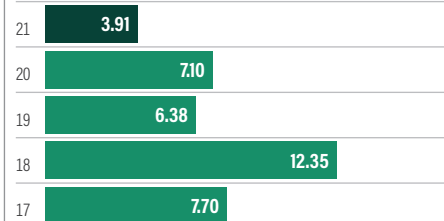
Earnings/(loss) per share (pence)

0.27 pence



Adjusted earnings per share (pence)

3.91 pence

**KPI definition**

Basic earnings/(loss) per share is the profit/(loss) after tax divided by the weighted number of ordinary shares. Adjusted earnings/(loss) per share is adjusted profit/(loss) after tax divided by the weighted number of ordinary shares. There has been no EPS dilution since year ended 31 March 2018. Additional detail is set out in note 14 to the consolidated financial statements.

Performance

Despite the impact of Covid-19 the Group maintained a positive basic earnings per share in 2021.

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

We report on service and operational KPIs as part our contract delivery with clients.

Non-financial KPIs

The performance of our KPIs with the exception of customer satisfaction and number of complaints upheld was impacted by Covid-19 and as a result was below normal expectations. Our clients were well aware of the challenges we faced, having faced them as well. We aimed to provide the highest levels of service that could be achieved in accordance with our customers’ wishes, making ourselves available at short notice, rearranging cancelled appointments, and catching-up with works when we were able. Given the unusual situation, no performance targets were set.

The easing of social distancing restrictions is allowing our engineers to return to near normal activities, although we are continuing to experience some reluctance by residents to allow us to enter properties to carry out essential maintenance jobs.

<p>Appointments made/kept (%)</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px dashed gray; padding: 5px; text-align: center;"> <p>89%</p> <p>2020</p> </div> <div style="background-color: #004a33; color: white; padding: 5px; text-align: center;"> <p>72%</p> <p>2021</p> </div> </div> <p>KPI definition Appointments made/kept measures the number of planned appointments that were scheduled and attended by engineers within a specified timeframe.</p> <p>Performance The performance during the year was affected by Covid-19, which resulted in many of the pre-booked appointments for essential works being either rescheduled or cancelled. Many of the non-essential appointments were deferred in order to protect customers and employees.</p>	<p>Repairs (first-time fix) (%)</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px dashed gray; padding: 5px; text-align: center;"> <p>73%</p> <p>2020</p> </div> <div style="background-color: #004a33; color: white; padding: 5px; text-align: center;"> <p>79%</p> <p>2021</p> </div> </div> <p>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.</p> <p>Performance The performance during the year was affected by Covid-19 which restricted our engineers’ ability to enter homes and complete repairs first time. However, when we did gain access there was an improvement on the 2020 percentage.</p>	<p>Number of official complaints upheld</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px dashed gray; padding: 5px; text-align: center;"> <p>0.04%</p> <p>2020</p> </div> <div style="background-color: #004a33; color: white; padding: 5px; text-align: center;"> <p>0.03%</p> <p>2021</p> </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px dashed gray; padding: 5px; text-align: center;"> <p><1%</p> <p>2020 target</p> </div> <div style="background-color: #004a33; color: white; padding: 5px; text-align: center;"> <p><1%</p> <p>2021 target</p> </div> </div> <p>KPI definition Complaints where the outcome was “upheld” are those 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.</p> <p>Performance As part of our service delivery we aim to minimise the complaints we receive. We accept this is not always possible and therefore aim to have less than 1% of upheld complaints across all our contracts. Our targets have been held throughout this Covid-19 year.</p>
<p>Jobs completed on target (%)</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px dashed gray; padding: 5px; text-align: center;"> <p>81%</p> <p>2020</p> </div> <div style="background-color: #004a33; color: white; padding: 5px; text-align: center;"> <p>75%</p> <p>2021</p> </div> </div> <p>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.</p> <p>Performance The performance during the year was affected by Covid-19, which impacted the engineers’ ability to enter homes, or as a result of appointments having to be cancelled or rescheduled. This has resulted in a drop of 6%.</p>	<p>Resident satisfaction (%)</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px dashed gray; padding: 5px; text-align: center;"> <p>97%</p> <p>2020</p> </div> <div style="background-color: #004a33; color: white; padding: 5px; text-align: center;"> <p>97%</p> <p>2021</p> </div> </div> <p>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.</p> <p>Performance Resident surveys were very limited last year at the request of our clients, as they are carried out on operatives’ PDAs. The ones that we were able to collect during easing of lockdown periods maintained performance in line with 2020.</p>	

Resilient performance



Clive Lovett

Group Finance Director

Trading review

The Group delivered a resilient performance in the year in the face of the challenge of the global Covid-19 pandemic, which impacted the whole period, delivering Adjusted EBITDA* of £3.0 million (2020: £4.7 million), generating robust adjusted operating cash flow of £4.7 million (2020: £4.6 million) and reducing net debt by £4.5 million (2020: reduced by £3.6 million) to £2.7 million.

Group revenues were £60.2 million (2020: £65.4 million). The reduction in revenue in the period resulted from the impact of lockdown and restrictions associated with the Covid-19 pandemic.

Gross profit of £12.9 million (2020: £16.6 million) was achieved at a margin of 21.4% (2020: 25.4%). Underlying administrative expenses of £10.1 million were down £2.2 million compared with the prior period (2020: £12.3 million) reflecting the restructuring of the business and Coronavirus Job Retention grants received.

Underlying operating profit, excluding non-underlying items, reduced by 34% to £2.8 million (2020: £4.3 million). Non-underlying items were £2.2 million (2020: £2.0 million) including £379,000 exceptional restructuring costs (2020: £nil).

Profit after tax was £0.2 million (2020: £1.4 million). The reduction is a result of the impact of the Covid-19 pandemic.

During the period, the Group finalised the restructure of the Group bank facilities and covenants with HSBC UK Bank plc, providing the stability, support and flexibility to manage the Group operations. In addition, at the end of the period the Group was able to accelerate HSBC term loan repayments by £2.3 million.

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

Financial position and key indicators

Despite the Covid-19 pandemic, the Group's overall financial position significantly improved during the course of the year. Net debt reduced £4.5 million from £7.2 million to £2.7 million reflecting improved working capital efficiency and robust underlying operational cash generation.

We focus on a range of KPIs to assess our performance. Our KPIs are both financial and non-financial and ensure that the Group targets its resources around its customers, operations and finance. Collectively they form an integral part of the way that we manage the business to deliver our strategic goals. The key financial performance indicators for the year are set out below and described in more detail on pages 14 and 15.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Income statement		
Revenue	60,186	65,392
Gross profit	12,898	16,597
Gross margin	21.4%	25.4%
EBITDA ¹	3,698	5,508
Adjusted EBITDA ²	3,017	4,668
Underlying operating profit ³	2,824	4,256
Underlying profit before taxation ⁴	2,363	3,691
Profit after taxation	157	1,379
Basic earnings per share ⁵	0.27p	2.93p
Adjusted earnings per share ⁶	3.91p	7.10p
Financial position		
Cash/(overdraft)	1,293	(3,332)
Term and other loans	(3,966)	(3,882)
Net debt ⁷	(2,673)	(7,214)
Trade receivables	5,564	7,383
Accrued income	8,634	9,968
Trade payables	(11,082)	(12,885)
Net assets	10,862	10,624

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. EBITDA, excluding non-underlying items and 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. Includes term and other loans, and overdraft net of cash, and excludes lease obligations.

Financial review continued

EBITDA reconciliation

Internal financial reporting and reporting under the Group's banking facilities is focused on Adjusted EBITDA of £3.0 million (2020: £4.7 million) which is stated after the effect of a charge for lease payments.

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

	2021 £'000	2020 £'000
Profit before tax	140	1,727
Add back non-underlying items:		
Amortisation of customer relationships	1,814	1,925
Share-based payment charge	30	39
Exceptional items	379	—
Underlying profit before tax	2,363	3,691
EBITDA adjustments:		
Finance costs	461	565
Depreciation of property, plant and equipment	179	258
Depreciation of right-of-use assets	668	801
Amortisation of software costs	29	31
(Profit)/loss on disposal of property, plant and equipment	(2)	162
EBITDA	3,698	5,508
Adjustment for lease payments	(681)	(840)
Adjusted EBITDA	3,017	4,668

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:

	2021 £'000	2020 £'000
Amortisation of customer relationships	1,814	1,925
Share-based payment charge	30	39
Restructuring costs	379	—
Total	2,223	1,964

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

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

Finance costs

Finance expenses were £461,000 (2020: £565,000) and are represented by interest on bank borrowing 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 tax credit on the profit before tax was £17,000 (2020: charge £348,000) principally representing the net movement on deferred tax assets and liabilities. £163,000 tax was received in the year (2020: £nil) due to recovery of tax paid in the prior year.

The net deferred tax liability at 31 March 2021 was £699,000 (2020: £779,000) comprising a deferred tax liability of £1.1 million (2020: £1.5 million) relating to the acquisition of intangible assets, right-of-use assets and short-term timing differences and deferred tax asset of £387,000 (2020: £694,000) relating to lease liabilities and share-based payment.

Earnings per share

Basic earnings per share was 0.27 pence (2020: 2.93 pence), based on profit after tax of £157,000 (2020: £1.4 million). The weighted average number of shares in issue was adjusted for the JSOP share awards and, for 2020, the fundraising in November 2019.

Adjusted earnings per share, excluding non-underlying items, was 3.91 pence (2020: 7.10 pence). There was no earnings per share dilution in 2021 or 2020 as the outstanding share options granted were priced above the average share price for the year.

Cash flow performance

Adjusted cash generated from operating activities was £4.7 million (2020: £4.6 million) resulting in an adjusted operating cash conversion of 156% (2020: 99%).

Cash conversion is calculated as pre-tax cash generated from operations, as adjusted for the effect of a charge for lease payments and deferred HMRC liabilities and after adding back exceptional item payments of £379,000 (2020: £1.9 million) divided by Adjusted EBITDA (after a charge for lease payments).

Deferred PAYE/NI liabilities were paid in the period and deferred VAT at 31 March 2021 of £1.0 million is repayable by ten monthly instalments which commenced in April 2021 by agreement with HMRC.

	2021 £'000	2020 £'000
Statutory cash generated from operations (see note 25)	5,814	3,886
Less corporation tax received	(163)	—
Pre-tax cash generated by operations	5,651	3,886
Add back exceptional payments in the period	379	1,935
Adjustment for deferred HMRC payments	(646)	(377)
	5,384	5,444
Less operating lease payments	(681)	(840)
Adjusted cash generated from operations	4,703	4,604
Adjusted EBITDA (see above and note 8)	3,017	4,668
Adjusted cash conversion (adjusted operating cash/adjusted EBITDA)	156%	99%

Cash conversion excluding the effect of a charge for lease payments was 146% (2020: 99%).

The result reflects a rigorous focus on working capital improvements undertaken by the management teams in the business. The Group has a centralised treasury function and actively manages cash flows on both a daily and longer-term basis. The Group enjoys long-term client relationships with both its customers, being local government organisations and other housing associations, and its supply chain partners.

Net debt

Net debt reduced by £4.5 million in the period (2020: reduced by £3.6 million). At 31 March 2021, net debt amounted to £2.7 million (2020: £7.2 million) as analysed in the table below and note 21 for full details of borrowings.

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

Banking arrangements

On 22 May 2020, the Group secured the restructuring of £9.8 million debt facilities with HSBC UK Bank Plc. The Group's previous debt facility was in the form of a £3.3 million term loan and a £6.5 million overdraft facility. This debt facility has been restructured and now represents a £7.3 million term loan facility and a £2.5 million overdraft facility.

The Group drew down fully on this increased additional term loan facility to increase cash balances by £4.0 million. The term loan expires in September 2022 and there are £0.5 million quarterly repayments which started in August 2020.

As the agreement had not been finalised as at 31 March 2020, HSBC UK Bank Plc term loans were classified as current borrowings in the prior year.

The first covenant test for the Group was achieved, being a minimum EBITDA of £1.1 million for the year ended 31 March 2021.

On 26 March 2021, the Group agreed amendments to the facility agreement to enable accelerated repayment of the term loan, amended covenant measures and changes to the basis of interest calculation effective from 1 October 2021, in advance of the LIBOR transition deadline.

On 31 March 2021, the Group repaid an additional amount of £2.3 million of the HSBC term loan, of which £1.0 million relates to advance payment of the first two quarterly repayments for the year ending 31 March 2022.

As term loan repayments have been accelerated, we have agreed with HSBC there is no requirement to measure covenants for the first half of the year ending 31 March 2022.

The covenants for the quarter to 31 December 2021 and beyond will be tested quarterly and they are: (i) achievement of minimum levels of EBITDA; (ii) debt service cover; and (iii) interest cover.

The new facility and changes to the covenants provide maximum flexibility for the Group.

Dividends

No interim dividend was paid. Whilst it remains the priority to continue to reduce the level of net debt, the Board has previously stated its intention to resume the payment of a dividend as soon as conditions allow and, with significant reduction in net debt and resilient underlying trading, the Board recommends a final dividend of 0.5 pence per share, which is subject to approval at the AGM on 1st September 2021.

Going concern

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

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

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

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

In reaching these conclusions, the Board has considered the continuing potential impact of Covid-19 on the trading of the Group. Whilst the impact of Covid-19 has been felt strongly particularly where the business operations are directly people facing, the business has demonstrated its resilience. For this reason, the Board continues to adopt the going concern basis in preparing the consolidated financial statements.

Clive Lovett Group Finance Director

5 July 2021

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 its effort to create long-term sustainable value.

A director of a company must act in a way that they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, taking into account the factors listed in Section 172 of the Companies Act 2006.

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

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

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

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

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

The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in

question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

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

While the Covid-19 crisis has interrupted our regular physical face-to-face interactions with various stakeholders internally and externally, we do consider them to be important in maintaining open communications and team cohesion and will be reintroducing these gradually provided it is safe to do so in line with Government guidelines and the needs of individual attendees. In the meantime, we have taken advantage of various video conferencing platforms where appropriate.

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

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



Stakeholder	Their interests	How we engage	2020/21 highlights
Our employees	<ul style="list-style-type: none"> • Training, development and career prospects • Health and safety • Working conditions • Diversity and inclusion • Human rights and modern slavery • Fair pay and employee benefits 	<ul style="list-style-type: none"> • Workforce posters and communications • Formulation of ongoing training and development opportunities • Whistleblowing procedures • Publication of Modern Slavery Statement • Anti-Corruption and Bribery Statement • Employee benefits packages • Employee engagement questionnaires and site visits • Staff intranet (RWorld) • Participation in creation of Group rebrand and repositioning through workshops and surveys 	<ul style="list-style-type: none"> • Standardised contracts across the Group • Standardised ongoing performance reviews and annual appraisals • Introduced a Group-wide induction programme for new staff members • Undertook a training needs analysis to identify skills gaps and provide tailored training programmes for individuals • All vacancies advertised internally resulting in a number of internal promotions and progression moves • Introduced Group-wide training schemes • Introduced employee incentive scheme <p>Covid-19 action</p> <ul style="list-style-type: none"> • Developed procedures and supplied PPE to ensure safe on-site working • Facilitated remote working for all office based staff across the Group • All mandatory training conducted online during lockdowns
Our contractors and suppliers	<ul style="list-style-type: none"> • Terms and conditions of contract • Health and safety on site • Working conditions • Human rights and modern slavery • Diversity and inclusion 	<ul style="list-style-type: none"> • All contractors are locally sourced where possible • Initial meetings and negotiations • Prompt payment • Frequent communication through management team • Sub-contractor assessment approval chain • Supplier contracts 	<ul style="list-style-type: none"> • Standardising contractual terms to comply with IR35 legislative changes <p>Covid-19 action</p> <ul style="list-style-type: none"> • Ensured Covid-19 compliance and PPE made available to contractors
Our investors	<ul style="list-style-type: none"> • Capital growth and dividends • Comprehensive review of financial performance of the business • Business sustainability • High standard of governance • Success of the business • Ethical behaviour • Director experience • Awareness of long-term strategy and direction • Improving market perception of the business 	<ul style="list-style-type: none"> • Annual Report • Company website • Shareholder circulars • AGM • Stock exchange announcements • Frequent communications through briefings with management • Long term incentive plan consultations 	<ul style="list-style-type: none"> • Continued focus on reducing Group debt levels • Reinstated dividend <p>Covid-19 action</p> <ul style="list-style-type: none"> • Regular communication with investors during the pandemic and increased frequency of trading updates
Our clients and partners	<ul style="list-style-type: none"> • Timely and informative end-to-end service • Ease of access to information regarding job timelines • Health and safety on site • Data security • Environmental credentials • Alignment of social values 	<ul style="list-style-type: none"> • Company reports • Client meetings with management • Marketing and communications • Annual Report • AGM • Company website 	<ul style="list-style-type: none"> • Developed social value and environmental credentials as part of bid/tender processes • Worked with a key client to include social value information from all new suppliers • Centralised our back-office systems to ensure consistency • Centralised and upgraded our IT systems to improve data security <p>Covid-19 action</p> <ul style="list-style-type: none"> • Worked with our clients to address work scheduling • Introduced agreed social distancing and health and safety protocols to protect employees and tenants
Regulatory bodies	<ul style="list-style-type: none"> • Compliance with regulations • Worker pay and conditions • Gender pay • Health and safety • Brand reputation • Waste and environment • Insurance 	<ul style="list-style-type: none"> • Company website • Stock exchange announcements • Annual Report • Direct contact with regulators • Compliance updates at Board meetings • Direct contact with regulators • Consistent risk, health and safety review 	<ul style="list-style-type: none"> • Restructured the Board to redress the balance of independent Non-Executive Directors and Executive Directors in compliance with QCA and UK corporate governance codes <p>Covid-19 action</p> <ul style="list-style-type: none"> • Adhered to regulatory changes in respect to each of our service disciplines to keep sites safe and allow our staff to work safely
Community and environment	<ul style="list-style-type: none"> • Sustainability • Road safety • Human rights • Energy usage • Recycling • Waste management • Community outreach and CSR activities 	<ul style="list-style-type: none"> • Philanthropy • Volunteering • Corporate social responsibility planning policy • Workplace recycling policies and processes • Environment policy • Curated travel plans for each job • Introduction of CSR initiatives with clients • Low-emission vehicles used in Company fleet 	<ul style="list-style-type: none"> • Partnered with financial advice charity StepChange so that we can help tenants who are struggling financially get professional advice • Began offering EV charging installation as part our services • Increased the scope of our environmental and carbon data gathering reporting • Introduced electric vehicles across the Group • Introduced alternative energy sources to our offices including solar panels, EV chargers and ground source heat pumps to reduce our environmental impact <p>Covid-19 action</p> <ul style="list-style-type: none"> • Ensured that tenants and communities were kept safe during engineer visits • Provided information leaflets on what to expect from engineer visits • Supported tenants in need by arranging food deliveries • Supplied schools with computers to facilitate remote learning

Placing ESG at the heart of our strategy

In the last year, we have taken action to transform Kinovo into an organisation that places ESG and sustainability at the core of the Group strategy. We are committed to strengthening our contribution to the UN Sustainable Development Goals and reporting on our progress each year. This is a priority because the activities we undertake to maintain a sustainable business support our licence to operate in the social and affordable housing sector and are at the heart of our decision making. The Group's new identity, and realignment of its purpose, mission and values, has provided us with a synergistic anchor point that ties our people in with our client base and our shareholders.

Covid-19 hampered our progress somewhat, particularly in terms of delivering a more formal social value programme to our communities.

However, a lot was achieved and the pandemic shone a light on the culture of our organisation and the caring, positive attributes of our people. Through acts of kindness, our staff supported the elderly, infirm and isolated. During the lockdowns our engineers were often the only human contact tenants would have as we carried out emergency repair and maintenance works. Our mantra became to help where we can, such as doing shopping runs for house-bound clients, being available to chat, providing PPE in the community or donating computers to local schools.

Because much of this activity was unprompted, it went unrecorded, but that doesn't make it any less important, as evidenced by some of the feedback we have received. I would like to take this opportunity to thank every member of staff who went above and beyond.

Being on the ground on behalf of local authorities and housing associations, we understand the importance of being part of the community. We also understand the greater impact we can have by coordinating our efforts with our clients and our own supply chain. In the last year we began to reach out to some of our larger clients to become involved in their own social activities and have also introduced social value information from all new suppliers as part of the bid process.

We are committed to reducing our carbon footprint and supporting our Government's ambition to reach net zero by 2050. Kinovo has already started investing in the skills to install and maintain energy efficient solutions to support clients in their efforts. We also practise what we preach, installing EV chargers around our offices this year, in addition to the solar panels we have in place, and we are currently in the process of installing ground source heat pumps.

Under the guidance of our HR Director, Dawn Kemp, who was appointed shortly before the start of the period, we have seen a transformation in the way we recruit talent, manage our staff, provide training and ensure career progression. We now have a financial

and non-financial rewards based incentive scheme in place to align individual performance with the Group strategy. All this work continued alongside the unexpected activity that was needed around Covid-19 to enable our staff to work from home or safely in the field. IT has played a big part, and has accelerated the direction in which we wanted to take our working practices, so that we have a more agile workforce.

Later this year we plan to publish our first stand-alone sustainability report which will set out our strategy in more detail and set goals against which we can measure performance for the future. The report will set out our objectives and activities across our key focus areas:

- our people: providing job opportunities and rewarding careers;
- our environment: reducing carbon emissions, minimising our waste and promoting sustainable transport; and
- our communities: delivering social value in the communities where we work.

In the meantime, we are publishing our environmental and carbon data in line with Streamlined Energy and Carbon Reporting ("SECR") requirements for the first time this year.

David Bullen
Chief Executive Officer











5 July 2021



“Later this year, we plan to publish our first stand-alone sustainability report which will set out our strategy in more detail and set goals against which we can measure performance for the future.”

Aligning our ESG strategy with the UN SDGs

We are currently reviewing our ESG strategy to support the United Nations Sustainable Development Goals and help us to deliver our objectives and measure our progress.

Our people	Our environment	Our communities
<div data-bbox="164 913 285 1032"> <p>8 DECENT WORK AND ECONOMIC GROWTH</p>  </div> <div data-bbox="301 913 422 1032"> <p>10 REDUCED INEQUALITIES</p>  </div> <p>SDG 8 We will contribute to helping people into decent work including ensuring that we actively seek to engage with relevant parties to recruit the underrepresented in society and further enhancing our apprenticeship training programme.</p> <p>SDG 10 We will contribute to reducing inequalities including ensuring a diversified workforce and committing to being National Living Wage accredited.</p> 	<div data-bbox="619 913 740 1032"> <p>7 AFFORDABLE AND CLEAN ENERGY</p>  </div> <div data-bbox="756 913 877 1032"> <p>13 CLIMATE ACTION</p>  </div> <p>SDG 7 We will contribute to providing affordable, reliable and modern energy by installing efficient and lower-cost energy solutions and better construction methods.</p> <p>SDG 13 We will take urgent action to combat climate change by reducing our housing and office carbon footprint through the right energy efficiency and construction methods.</p> 	<div data-bbox="1082 913 1203 1032"> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  </div> <div data-bbox="1219 913 1340 1032"> <p>1 NO POVERTY</p>  </div> <div data-bbox="1356 913 1477 1032"> <p>4 QUALITY EDUCATION</p>  </div> <p>SDG 11 We will provide access to adequate, safe and affordable housing is a core target – this is our foundation.</p> <p>SDG 1 We will contribute to providing a route out of poverty through the creation of a charitable trust to support the most underprivileged in the communities that we serve.</p> <p>SDG 4 We will contribute to improving children's quality of education with greater involvement in the sector both from a work and social perspective including providing laptops, work experience and career advice and sponsoring disadvantaged children to attend educational trips.</p> 

Streamlined Energy and Carbon Reporting

This report summarises the energy usage, associated emissions, energy efficiency actions and energy performance for Kinovo, under the government policy Streamlined Energy and Carbon Reporting (“SECR”), as implemented by the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

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

Under the new SECR legislation we are mandated to include energy consumption, emissions, intensity metrics and all energy efficiency improvements implemented in our most recent financial year. This is our first year of reporting and therefore comparative data for the prior twelve months ended 31 March 2020 has not been included.

We have compiled a large amount of consumption data for our operations for the purpose of SECR – two invoices have been processed for this data collation.

27% of consumption data used for SECR has been required to be estimated to achieve 100% data coverage due to the landlord supplies at R. Dunham.

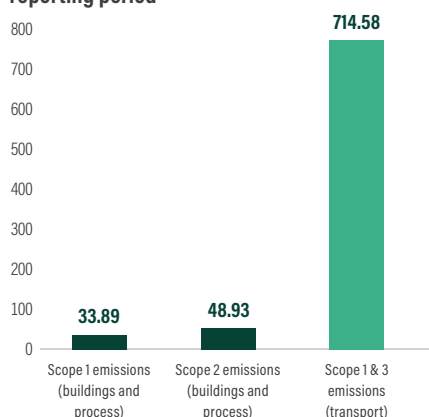
Year one summary

Kinovo’s Scope 1 and 3 direct emissions (combustion of natural gas and transportation fuels) were 748.46 tCO₂e (total consumption and greenhouse gas emissions), resulting from the direct combustion of 3,146,581 kWh of fuel.

Scope 2 indirect emissions (purchased electricity) were 48.93 tCO₂e, resulting from the consumption of 209,892 kWh of electricity purchased and consumed in day-to-day business operations.

Our operations had an intensity metric of 3.03 tCO₂e per full-time equivalent (“FTE”).

Scope 1, 2 and 3 emissions (tCO₂e): this reporting period



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

The following figures make up the baseline reporting for the Group, for the twelve months ended 31 March 2021:

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

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

Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by the reporting company. For Kinovo, this is related to grey fleet (business travel undertaken in employee-owned vehicles) only.

Totals

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

	Twelve months ended 31 March 2021 UK Consumption (kWh)	Twelve months ended 31 March 2021 Global (excluding UK) Consumption (kWh)
Grid-Supplied electricity (Scope 2)	209,892	—
Gaseous and other fuels (Scope 1)	173,458	—
Transportation (Scope 1 and 3)	2,973,123	—
	3,356,473	—

The total emissions (tCO₂e) figures for energy supplies reportable by the Group are as follows. Conversion factors utilised in these calculations are detailed below:

	Twelve months ended 31 March 2021 UK consumption (tCO ₂ e)	Twelve months ended 31 March 2021 Global (excluding UK) Consumption (tCO ₂ e)
Grid supplied electricity (Scope 2)	48.93	—
Gaseous and other fuels (Scope 1)	33.89	—
Transportation (Scope 1 and 3)	714.58	—
	797.40	—

Intensity Metric

An intensity metric of tCO₂e per FTE has been applied for the annual total emissions of the Group. The methodology of the intensity metric calculations are detailed below, and results of this analysis is as follows:

	Twelve months ended 31 March 2021 UK intensity metric	Twelve months ended 31 March 2021 Global (excluding UK) intensity metric
tCO ₂ e/FTE	3.03	—

Kinovo is committed to year-on-year improvements in its operational energy efficiency. As such, a register of energy efficiency measures available to the Group is being compiled, with a view to implementing these measures in the next five years.

Measures ongoing and undertaken during the twelve months ending 31 March 2021:

- The Group installed solar PV at some of the sites across the operational portfolio. This will reduce the emissions produced as the electricity consumption from the grid will be reduced.
- The Group invested in the upgrade of the transport fleet. The fleet is now all Euro 6 standard diesel vehicles.
- The Group’s vehicle fleet also operates a telematics system with an advanced driver warning to system to alert drivers when the vehicles are been driven in an inefficient manner.

Measures prioritised for implementation in during the twelve months ending 31 March 2022:

- The Group will continue to assess options to upgrade its transport fleet to fully electric to reduce its transport emissions.

Reporting methodology

Scope 1 and 2 consumption and CO₂e emission data has been calculated in line with the 2019 UK Government Environmental Reporting Guidelines. The following Emission Factor Databases consistent with the 2019 UK Government Environmental Reporting Guidelines have been used, utilising the current published kWh gross calorific value ("CV") and kgCO₂e emissions factors relevant for the twelve months ended 31 March 2021:

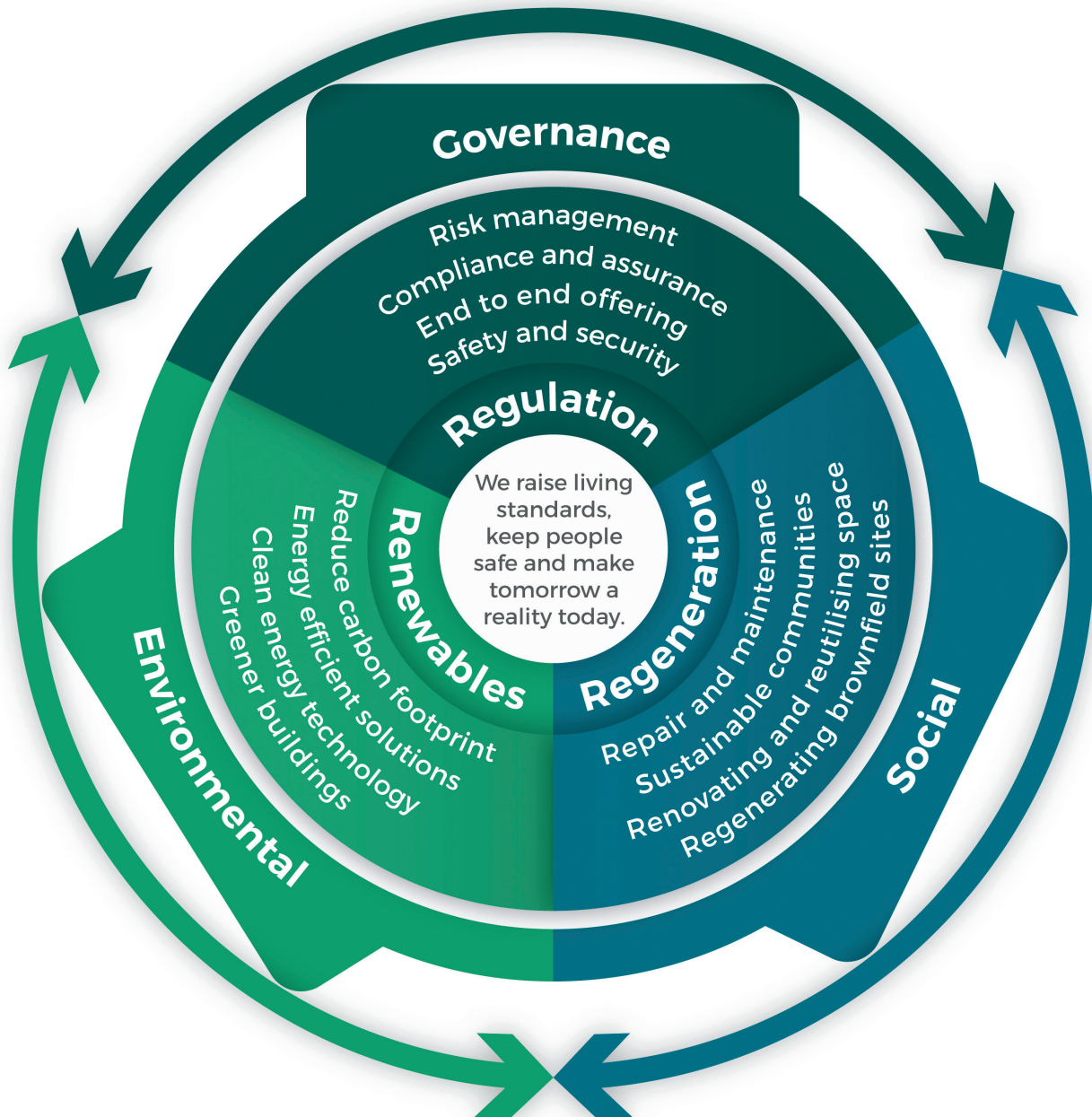
Database 2020, Version 1.0.

For properties where Kinovo is indirectly responsible for utilities (i.e. via a landlord or service charge), an average kWh/m² consumption was calculated at meter level and was applied to the properties with similar operations with no available data. These have been calculated using the average consumption in the CIBSE Guide F for general office.

Refrigerant emissions have been excluded from the reporting for the twelve months ended 31 March 2021 due to the levels of emissions not having an impact on the overall emissions of the Group.

Intensity metrics have been calculated utilising the reportable figures for twelve months ended 31 March 2021, and dividing the tCO₂e for both individual sources and total emissions by the average number of FTEs of 263.

Placing ESG at the heart of our strategy



Mitigating our risks

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

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

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

Risk description	Mitigation
Strategic	
<p>Profitable growth</p> <hr/> <p>Risk level: Medium</p> <p>Change: ▼</p> <p>The growth of our Group is dependent on its ability to win new business and increase the amount of work we do for our existing customers. It also relies on our ability to successfully bid, mobilise, operate and manage contracts profitably.</p> <p>Key risks: mispricing bids, not understanding or meeting customers' needs and failing to deliver expected levels of service.</p> <p>KPIs associated with risk: cash generation, PBT, forward visible revenues, customer compliance and customer satisfaction.</p>	<p>Senior management has built on the risk mitigation practices introduced last year including new bid, mobilisation and contract management processes, as well as new systems of governance, financial systems and reporting, and operational oversight.</p> <p>Mitigation:</p> <ul style="list-style-type: none"> • Executive management oversight towards bids submitted, ensuring they are priced appropriately. • Central and standard bid and mobilisation function to provide oversight of new business processes and contracts. • Group-wide IT system, to support contract mobilisation and delivery, and provide 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 Assistant (PDA). <p>Changes:</p> <ul style="list-style-type: none"> • Diversified the skills base of engineers, investing in gaining energy efficiency accreditations including the relevant certification for electric vehicle charging and microgeneration schemes. • Invested in resources to bring specific compliance and regulatory driven workstreams in house. • Defined the Group's strategy for long-term sustainable growth. • Introduced interdependent operational and finance systems to achieve operational efficiencies and transparent reporting. • Undertook rebranding exercise to communicate better and align the Group's purpose and values with clients.
<p>Reputational management</p> <hr/> <p>Risk level: Medium</p> <p>Change: ▼</p> <p>Maintaining our reputation is vital to the success of our business. A loss in confidence from our customers and the residents we serve will affect our ability to retain and win business. This in turn can adversely affect our financial performance and growth prospects.</p> <p>Key risks: failing to deliver expected levels of service or meet customer needs, inadequate financial control processes, failure to comply with regulatory requirements, an incident involving major harm to one of our people or clients/partners and corrupt practices involving fraud or bribery. In severe cases it could result in financial penalties, losses of key contracts, an inability to win new business and challenges in retaining key staff and recruiting new staff.</p> <p>KPIs associated with risk: EBITDA, PBT, client losses, service compliance, customer complaints upheld and accident rates.</p>	<p>The Board focuses on strengthening the Group's reputation through corporate governance improvements and the Group restructure.</p> <p>Mitigation:</p> <ul style="list-style-type: none"> • Independent Company Secretary, ONE Advisory. • Standardised Group policies that all subsidiaries must adhere to, including incident management, crisis management, gifts and hospitality, anti-bribery and corruption and whistleblowing. • Strong and regular communication between subsidiaries and Group level. <p>Changes:</p> <ul style="list-style-type: none"> • Reconstituted the Board to ensure a balance of independent Non-Executive Directors and Executive Directors in line with QCA Corporate Governance Code. • Redefined the Group's strategy, purpose, mission and values. • Undertook a customer and stakeholder relationship management programme. • Covid-19 ensured strong collaboration with clients, strengthening relationships as clients came to rely on the Group to deliver essential services under difficult circumstances. • Group intranet (RWorld) planned to introduce process uniformity and increase Group-wide dialogue.

Risk description

Mitigation

Financial

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.

Mitigation:


- 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.

Changes:

- Continued to invest in finance function including appointment of Group Financial Controller and continued to make investments into the divisional finance functions.
- Segregated operational and financial supervisory duties within the contract management team.
- Restructured debt facilities with HSBC to rebalance the short and medium-term debt obligations including revised covenants reflecting the improved position and prospects of the business, to give maximum flexibility to the Group.
- Reduced debt levels by 63% during the course of the year.
- Improved working capital processes and customer billing efficiency.

Compliance and regulation

Risk level: Medium

Change: 

Delivering on our contractual obligations and meeting and reporting against agreed service levels directly affects our ability to retain and win new business. In order to conduct our business, we need to work to regulatory frameworks and comply with legal requirements.

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.

Mitigation:

- 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.

Changes:

- Segregated the responsibilities of the call administration team into a pooled call analyst team and specific contract administrators to ensure timely responses.
- Segregated the operational and financial supervisory duties within the contract management team.

Operational

Significant health, safety or environmental incident

Risk level: High

Change: 

Due to our diverse operational portfolio, 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.

In light of the Covid-19 pandemic, the Group is faced with a new risk which poses ill health to employees and key stakeholders if not managed in accordance with Government guidance.

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

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

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



Mitigation:

- Performance is monitored through our certified ISO Health & Safety, Quality and Environmental Management Systems.
- 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 encouraged to report incidents immediately and these are discussed at each Board meeting to identify any failings that led to an incident, and how any improvements can be made.
- Compliance Committee monitors and oversees health and safety strategy and performance, regulatory compliance and risk management.
- Centralised HR department provides oversight of training requirements.

Changes:

- Centralised SHEQ function to maintain consistency and quality across the Group.
- Policies made available and accessible via the Group intranet system (RWorld).
- Introduced Compliance Committee to monitor and oversee health and safety strategy and performance, regulatory compliance and risk management.
- Followed all Covid-19 related health and safety guidelines and provided PPE to staff.
- Monthly educational toolbox talks for staff conducted online during Covid-19.

Risk management and principal risks continued

Risk description	Mitigation
Operational continued	
<p>IT</p> <hr/> <p>Risk level: Medium</p> <p>Change: </p> <p>As a business we are reliant on our IT infrastructure to be able to conduct our work. IT provides the platform for our contract management and business support activities. We are reliant on these systems to improve our operational efficiency and they provide the foundation for our administrative functions and financial reporting.</p> <p>Key risks: inability to deliver services on time and efficiently, inaccurate financial and operating reporting, inability to raise invoices on work completed and reputation damage.</p> <p>KPIs associated with risk: first-time fix, customer complaints upheld, customer satisfaction, revenue and PBT.</p>	<p>The Group operates a centralised IT infrastructure across subsidiaries and the Group head office.</p> <p>Mitigation:</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. • Daily IT and IT systems and security checks and full security audits conducted annually. • Group-wide intranet system (RWorld) used to communicate internally. <p>Changes:</p> <ul style="list-style-type: none"> • Mobilised all staff for remote working during Covid-19 lockdowns with minimal disruption to ongoing business.
<p>Attracting and retaining skilled people</p> <hr/> <p>Risk level: Medium</p> <p>Change: </p> <p>Attracting and retaining the best 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 may be highly competitive. We need to maintain good relations with our staff, and invest in their training and the development of their careers.</p> <p>Key risks: inability to motivate and retain talent, poor service levels, unable to fulfil contractual obligations and the need to rely on contract staff impacting service quality and financial performance.</p> <p>KPIs associated with risk: customer satisfaction, customer complaints and PBT.</p>	<p>As a Group we offer our staff at every level 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 across the Group.</p> <p>Mitigation:</p> <ul style="list-style-type: none"> • Centralised HR function oversees skills and people requirements across the Group. <p>Changes:</p> <ul style="list-style-type: none"> • Implementation of Group share incentive plan and management share option schemes. • Employee engagement surveys conducted each year to help inform Board and Group-level decisions with regard to pay, benefits and incentives. • Standardised performance development reviews to ensure consistent measurements are used to benchmark performance, identify talent and manage succession. • Provide training and competency at all levels of the business from apprentices to senior management. • Succession planning for key management and talent programme to provide the experience, skills and training needed to take on management positions. • Group-wide induction training for all new starters. • CEO engagement programme with employees of each subsidiary. • Board reconstituted to ensure a balance between Non-Executive Directors and Executive Directors in line with QCA Corporate Governance Code.

Corporate governance

Corporate governance

- 30 Board of Directors
- 32 Corporate governance report
- 34 Audit Committee report
- 36 Remuneration Committee report
- 38 Directors' report



A balanced Board

The Board is responsible for the Group's systems of financial controls and maintaining robust operational controls. Effective 1 December 2020, the Board was reconstituted to comprise three Non-Executive Directors and two Executive Directors. The Group is supported by an operational board consisting of the Executive Directors and senior management.



Sangita Shah

Non-Executive Chair



Date of appointment

19 December 2014

Experience

Sangita has extensive experience in corporate finance, journalism and consultancy. 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 a regular consultant to HM Cabinet Office. By training she is a qualified accountant and a frequent keynote speaker in forums for the European Parliament and Windsor Leadership Trust.

External appointments

Chair of RA International Group plc, a Board Director of NASDAQ listed Forward Industries Inc. and the Quoted Companies Alliance, and a Director of Global Reach Technology EMEA Limited, Odyssean Enterprises Limited, and SHSS Partnership LLP.

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.

Committees

Audit.



Caroline Tolhurst

Non-Executive Director



Date of appointment

1 December 2020

Experience

Caroline is a Chartered Surveyor, Chartered Secretary and compliance officer with over 30 years' experience in the property and financial services industry. She has operated at board level for over 20 years including 10 years as Company Secretary to Grosvenor and NewRiver Retail and six years as a Board member at Women's Pioneer Housing Limited.

External appointments

Wynnstay Properties Plc, LocatED Property Limited and A2Dominion Housing Group Limited.

Committees

Remuneration (Chair).



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, property and construction	3/5
Corporate governance and compliance	5/5
Financial	3/5
Business growth and transformation	4/5
Previous PLC experience	5/5

Gender



● Female	2
● Male	3

Key to committees

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

Strengthening governance practices

Dear Shareholder,

As Chair of the Board of Directors of Kinovo plc, it is my responsibility to ensure that Kinovo has both robust corporate governance and an effective Board. As Chair, my responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, communicating with shareholders, and ensuring effective communication between Executives and Non-Executives 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 Company, and will disclose any areas of non-compliance in the text below, or on the Company's website.

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

Kinovo seeks to constantly improve its corporate governance practices, illustrated this year through the appointment of two new Non-Executive Directors to act as Chair of the Audit Committee and the Remuneration Committee, and the introduction of attendance of the Company Secretary at Audit and Remuneration Committee meetings with dedicated discussion relating to compliance and governance issues. As part of our annual Board review, an off-site Board evaluation was convened earlier this year.

Strategy, risk management and responsibility

A description of the Company's business model and strategy can be found on pages 10 and 12 and the key challenges in their execution is detailed on pages 26 to 28.

The Board is responsible for establishing and maintaining the Group's systems of internal financial controls and importance is placed on maintaining robust operational controls. The Audit Committee (see page 34) has delegated responsibility for the oversight of the Company's risk

management and internal controls and procedures and for determining the adequacy and efficiency of internal control and risk management systems. The Board continuously monitors and upgrades its internal control procedures and risk management mechanisms and conducts an annual review, when it assesses both for effectiveness. This process enables the Board to determine if the risk exposure has changed during the year and these disclosures are included in the Annual Report.

In setting and implementing the Company's strategies, the Board, having identified the risks, seeks to limit the extent of the Company's exposure to them having regard to both its risk tolerance and risk appetite. As part of the strategic review, involving all parts of the organisation, the Company has re-pivoted its strategy around the pillars of regulation, regeneration and renewables. Underpinning this transformation, the Company has rebranded to Kinovo plc.

The Board continues to charge the Audit Committee to review the necessity of an internal audit function but, at present, the function is not yet considered necessary as day-to-day control is sufficiently exercised by the Company's Executive Directors. Further details on the Company's risk management and internal controls can be found on pages 26 to 28.

The Board

At the date of this Report, the Board has five members, whose biographies and roles are set out on page 30, and can also be found on the Company's website, www.kinovopl.com.

The Directors believe that the Board, as a whole, 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 which 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 Director are appropriate and beneficial for all shareholders and stakeholders, and that they offer key expertise to the Executive Directors that is advantageous for the Company as a whole.

As at 31 March 2021, Sangita Shah has an interest in 719,622 (1.2%) Ordinary Shares, but the Board does not believe that this shareholding is significant enough to impact Ms Shah's independence. Neither David Guest nor Caroline Tolhurst has an interest in the Company. All Directors are encouraged to challenge and to bring independent judgement regarding all matters, both strategic and operational.

The time commitment formally required by the Group is an overriding principle 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 can also be invited to meetings, providing the Board with a thorough overview of the Company. The Board aims to meet at least six times in the year and a calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. The Directors meet formally and informally both in person and by telephone. Board document authors are made aware of proposed deadlines through the calendar of meetings

	Board (11 meetings held)	Audit Committee (9 meetings held)	Remuneration Committee (7 meetings held)
Sangita Shah	11	4	7
David Bullen	11	—	—
Clive Lovett	11	8	—
David Guest	11	9	—
Caroline Tolhurst*	4	—	4
David Johnson**	5	—	2
Lee Venables***	11	—	—
Chris Webster***	7	—	—

* Appointed on 1 December 2020.

** Resigned on 11 September 2020.

*** Resigned on 13 November 2020.

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

Lee Venables, Chief Operating Officer of the Company, resigned as a Director on 1 December 2020, but attended eleven meetings and continues to provide support and information to the Board at meetings where requested and continues as a Director of the subsidiary businesses.

To enable each Director to keep their skill-set up to date, individual training needs are identified as part of the annual Board evaluation process and training is provided as required. All Directors receive regular updates on legal, regulatory and governance issues. The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

The Board agreed that appointments to the Board are made by the Board as a whole and so has, thus far, not created a Nomination Committee.

Advisers

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

All Directors have access to the advice of the Company's solicitors as well as access to independent professional advice, at the Company's expense, as and when required. The Board sought legal advice in relation to Executive remuneration.

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

Board evaluation

As part of our commitment to conduct at least one Board evaluation on an annual basis, an offsite meeting with the Board was convened. The actions arising from the evaluation included the need for a strategic review, further streamlining of Board meetings and the emphasis on cyber risk and succession. The Board will continue to focus on these issues over the next financial year to maintain its resilience and agility.

Culture and social responsibility

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company, as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. A large part of the Group's activities is centred upon addressing customer and market needs. The Board assessment of the culture within the Group at the present time is one where there is respect for all individuals, there is open dialogue within the Group and there is a commitment to provide the best service possible to all the Group's customers.

A large part of the Company's activities are centred upon an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

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

These policies form part of the Company's Employee Handbook. The Company has a Whistle Blowing 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 corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders and that shareholders are able to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

In addition to the publication of half-year and full-year results statements, the Company provides frequent trading updates and makes its senior management team available to meet with shareholders, when there is opportunity for shareholders to voice their concerns, thoughts or needs. The Company's AGM provides an opportunity for shareholders to meet with the Company and there is an opportunity for shareholders to ask questions. Although shareholder attendance was restricted at the 2020 AGM due to Covid-19, shareholders were given the opportunity to submit questions to the Board via email so that engagement between the Board and its stakeholders was not impeded by the ongoing outbreak and subsequent changes to AGM arrangements. Shareholders were encouraged to appoint the Chair of the AGM as their proxy to enable them to exercise their voting rights.

The Company seeks to engage with shareholders through updates to the market via Regulatory News Service announcements on matters of a material substance and regulatory nature. The Company's engagement methods with stakeholders is further detailed in the Company's Section 172 statement on page 20.

Sangita Shah Non-Executive Chair

5 July 2021

Improving our financial reporting

David Guest

Chair of the Audit Committee



Dear shareholder,

I present my Audit Committee (the "Committee") Report for the year ended 31 March 2021, which has been prepared by the Committee and approved by the Board.

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

Responsibilities

The Audit Committee has the following responsibilities:

Financial reporting

As stated in the Committee terms of reference, the Committee shall monitor the integrity of the financial statements of the Company, including its annual, half-yearly and interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also 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. The Committee will compile a report to shareholders on its activities to be included in the Company Annual Report, in addition to reporting formally to the Board on the Committee's proceedings after each meeting on all matters.

External audit

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

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

Risk management and internal controls

The Committee shall keep under review the adequacy and effectiveness of the Company's internal financial controls and risk management systems, 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 will use a risk matrix to provide an accurate picture of the prominent risks faced by the Company and the ways in which they might be mitigated.

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

Significant issues considered by the Audit Committee during the year

During the year, the Committee concluded that the Annual Report and financial statements, taken as a whole, 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 (particularly in the second half), liaising with the external auditor, considering material issues and areas of judgement, and reviewing and approving the interim and year end results and accounts.

The principal areas of focus during the year were:

- the completion of our review of the internal systems and finance function. I am pleased to report that we now have a fully functioning internal finance department without the need to use external support resources;
- harmonising and streamlining reporting across the Group;
- investing in our core finance group to ensure that it is adequately resourced;
- ensuring there was no diminished reporting and control environment as a result of the impact of lockdowns under Covid-19. Although this was also a concern for last year, with the further lockdowns, this concern and focus have continued; and
- reviewing the relationships and terms with our external professionals. We conducted a successful tendering process for the external audit function between November 2020 and January 2021. We are keeping the auditor appointment under review.

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

Auditor's independence

The Committee approves the external auditor's terms of engagement, scope of work, and 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.

David Guest Chair of the Audit Committee

5 July 2021

Introducing a new Chair of the Remuneration Committee



Caroline Tolhurst
Chair of the Remuneration Committee

Dear Shareholder,

I present my Remuneration Committee (the "Committee") Report for the year ended 31 March 2021, which has been prepared by the Committee and approved by the Board.

I took over as Chair of the Committee following my appointment to the Kinovo Board on 1 December 2020. From this date the Committee has comprised of Sangita Shah, David Guest and myself, Caroline Tolhurst. The Committee meets at least twice during the year to consider recommendations as to the composition and level of remuneration for Executive Directors including incentive scheme arrangements and proposals for share option awards. In addition, it considers the Group-wide pay policy, employee benefits offered and arrangements for any performance related pay scheme and share option schemes for employees in general.

Responsibilities

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

- determining the Group's policy on the remuneration of Executive Directors and any other senior executives as designated by the Board and monitoring the policy for the remuneration of staff in general;
- reviewing the performance of the Executive Directors against their individual and corporate objectives and making recommendations to the Board on matters

relating to the level and structure of their remuneration, including pension arrangements, and the terms of their service contracts;

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

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

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

During the year an updated Group Pay Policy was issued 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, a salary banding exercise was undertaken resulting in salary bands for families of roles within the organisation. Reviews of salaries and benefits take into account external market rates and factors and are implemented from 1 April to enable the Group's performance over the preceding year and strategy for the forthcoming year to be considered.

Significant issues considered by the Committee during the year

The Committee met seven times during the year. Significant issues considered were annual review of Executive Directors' pay, the payment of executive bonuses, the introduction of a share investment plan for all employees and share incentive plans for senior management and Executive Directors. Prior to the introduction of the plans the Company obtained advice from Pett Franklin, specialist advisers in employee share plans and incentives.

With the recent emergence of the Covid-19 virus at the beginning of the year, the outlook for the business for the year was uncertain, therefore by general agreement no increases in Executive Directors' salaries were given.

Last year's Remuneration Committee Report confirmed that all key targets for the previous year had been achieved and, as a result, in normal conditions the Committee would have recommended a bonus to the team of 50% of salary. In light of the trading environment and the numerous measures taken to mitigate the impact of Covid-19 at the time, the Executive Team had agreed to accept reduced bonus payments, with David Bullen, Clive Lovett and Lee Venables to receive bonus payments reduced by half to equivalent of 25% salary and Chris Webster a further reduction in light of the underperformance at DCB to the equivalent of 5% salary. Furthermore, payment of these cash amounts was deferred until later in the financial year, at a time the Remuneration Committee decided appropriate taking into account the Company's overall financial position. I confirm that the Committee considered that the Company's financial position was sufficiently predictable and stable to approve the payments being made in October 2020.

This year, having considered the impact of the Covid-19 pandemic, no Executive bonuses were recommended for the year ended 31 March 2021.

In July 2020, the introduction of a one year Company Share Incentive Plan ("SIP" or "the Plan") for the benefit of all employees including Executive Directors was approved. Details of the Plan and accumulated contributions can be found in Note 28 Share-based payments of the financial statements on page 71. In June 2021 the Committee approved the renewal of the SIP for a further year.

In October 2020, the introduction of a Company Share Option Plan ("CSOP") and the award of share options over 1,235,000 shares to some 30 senior managers was approved. The Plan has a vesting period of three years and no performance conditions. Subsequently further awards under the Plan were made to other senior managers on two further dates bringing the total to 1,515,000.

In March 2021, additional awards under the Plan were approved by the Committee for 85,714 shares each to David Bullen, Clive Lovett and Lee Venables. Further details can be found below and in Note 28 Share-based payments of the Financial Statements on page 71.

In December 2020, the Committee approved the establishment of an Employee's Joint Share Ownership Plan ("JSOP") and the entering into by the JSOP Trustee of a Joint Ownership Agreement ("JOA") with David Bullen over 250,000 shares at a market price of 26.0 pence. This agreement had no performance conditions.

In March 2020, approval was given for further invitations to be issued for David Bullen, Clive Lovett and Lee Venables to enter into JOA's under the JSOP over 1,414,286, 414,286 and 414,286 respectively at a market price of 35.0p. The vesting of these shares is conditional on the achievement of specific performance conditions for the following financial and shareholder return metrics: a minimum of 25% compound annual growth rate for both earnings per share and cash generated from operating activities as well as share

price targets with a minimum entry point of 60.0 pence at which 25% of shares would be exercisable rising on a straight line basis to 100% at a market price of 80.0 pence.

If and when jointly owned shares become vested and are sold, the proceeds of sale will be divided between the joint owners so that the participating Director receives an amount equal to any share price growth above the initial market value, less the carrying cost and the Trust receives the initial market value of the jointly owned shares plus the carrying cost.

In addition, all JSOP Shares will become vested only if the participant remains with the Company for a minimum period of three years. Further details can be found below and in Note 28 Share-based payments of the Financial Statements on page 71.

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 38.

Remuneration policy for 2021 and future years

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

Caroline Tolhurst
Chair of the Remuneration Committee
5 July 2021

Directors' remuneration

a) Directors' total remuneration:

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

	Salary £'000	Pension £'000	Taxable benefits £'000	Bonus £'000	Share-based payment £'000	2021 total remuneration £'000	2020 total remuneration £'000
Executive Directors							
David Bullen (appointed 17 April 2019)	212	3	—	—	3	218	259
Clive Lovett	150	15	—	—	1	166	189
Lee Venables (resigned 13 November 2020)	114	11	—	—	—	125	211
Chris Webster (resigned 13 November 2020)	81	1	4	—	—	86	127
Non-Executive Directors							
Sangita Shah	60	1	—	—	—	61	61
David Guest (appointed 10 December 2019)	33	1	—	—	—	34	11
Caroline Tolhurst (appointed 1 December 2020)	12	—	—	—	—	12	—
David Johnson (resigned 11 September 2020)	23	—	—	—	—	23	50
Total	685	32	4	—	4	725	908

Details of the interests in share options held by the Directors of the Company as at 31 March 2021 are set out below:

	Plan	Number of options	Date of grant	Exercisable	Exercise price p
David Bullen	SIP	13,714	01/08/2020	31/07/2024	17.5p
Clive Lovett	SIP	13,714	01/08/2020	31/07/2024	17.5p
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' report

The Directors present their report and the Group financial statements for the year ended 31 March 2021. The following matters are reported by the Directors in accordance with the Companies Act 2006 requirements in force at the date of the Annual Report.

Principal activities

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

More information can be found on page 2.

Business model

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

The Company's growth is driven in two ways:

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

Additional detail on the business model can be found on page 10.

The Company benefits from operating in a market with long-term growth prospects. More information on our markets can be found on page 7.

Strategic priorities

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

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

Each year the Board and management set strategic priorities and monitor performance against them throughout the year. The strategic priorities together with the progress made in the year ended 31 March 2021, as well as the strategic priorities for the year ended 31 March 2022, can be found on page 12.

Business review

The Company is required to set out a fair review of the business of the Group during the reporting period. The information that fulfils this requirement can be found in the Strategic Report. The results of the Group can be found within the Consolidated Statement of Comprehensive Income set out on page 44. Information required to be disclosed in respect of future developments can be found on page 8 and principal risks and uncertainties are included on pages 26 to 28.

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

Dividends

No interim dividend was paid. Whilst it remains the priority to continue to reduce the level of net debt, the Board has previously stated its intention to resume the payment of a dividend as soon as conditions allow. With the significant reduction in net debt, resilient underlying trading and confidence in our outlook, the Board recommends a payment of a final dividend of 0.5 pence per share subject to approval at the Annual General Meeting on 1 September 2021.

Directors

The present membership of the Board is set out below with further biographical detail on pages 30 and 31.

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

	Board title	Date of appointment	Resigned
David Bullen	Chief Executive Officer	17 April 2019	
David Guest	Non-Executive Director	10 December 2019	
David Johnson	Non-Executive Director	19 January 2015	11 September 2020
Clive Lovett	Group Finance Director	29 November 2018	
Sangita Shah	Non-Executive Chair	19 December 2014	
Caroline Tolhurst	Non-Executive Director	1 December 2020	
Lee Venables	Chief Operating Officer	4 September 2018	13 November 2020
Chris Webster	Executive Director	4 September 2018	13 November 2020

The interests and beneficial interests of the Directors in the shares of the Company at 31 March 2021 are set out below:

	Beneficial/ non-beneficial	At 1 April 2020 or date of appointment	Movement in year	At 31 March 2021	At 31 March 2021 (%)
Executive Directors					
David Bullen	Beneficial	1,136,487	88,000	1,224,487	2.00
Clive Lovett	Beneficial	454,545	—	454,545	0.74
Non-Executive Directors					
Sangita Shah	Beneficial	508,511	211,111	719,622	1.18
David Guest	Beneficial	—	—	—	—
Caroline Tolhurst	Beneficial	—	—	—	—

In addition, David Bullen and Clive Lovett have an interest in SIP, CSOP and JSOP share awards (which are held in trust by RBC Cees Trustee (Nominees) Limited). Additional details are set out in the Remuneration Committee report and in Note 28.

Capital structure

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

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

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

Directors' responsibilities

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

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

The financial statements are required by law and IFRS adopted by the UK to present fairly the financial position of the Group and Company and the financial performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial

statements giving a true and fair view are references to their achieving a fair presentation.

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. for the Group financial statements, state whether they have been prepared in accordance with IFRS adopted by the UK, and for the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- d. 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 and a resolution that it be reappointed will be proposed at the AGM.

By order of the Board.

Clive Lovett
Group Finance Director
5 July 2021

Substantial shareholdings

As at 31 March 2021, the Company has been notified of, or is aware of, the shareholders holding 3% or more of the issued share capital of the Company, as detailed below:

	Number of shares	Percentage
Thornbridge Investment Management	8,477,235	13.85
Western Selection plc	7,300,000	11.93
Premier Miton Investors	6,739,231	11.01
Tipacs 2 Limited	5,629,280	9.20
Ruffer LLP	4,655,000	7.60
RBC Cees Trustee (Nominees) Limited	2,492,858	4.07
Amati Global Investors	2,155,010	3.52

Independent auditor's report to the members of Kinovo plc

for the financial year ended 31 March 2021

Opinion

We have audited the consolidated financial statements of Kinovo plc for the year ended 31 March 2021 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Cash Flows, the Group Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the United Kingdom; 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included critical assessment of the forecasts for twelve months from the date of approval of the audit report with appropriate sensitivity analysis, consideration of post-year end performance and review of banking or loan facilities available.

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

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

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:

- Valuation of accrued Income
- Cut-off of cost accruals
- Carrying value of intangible fixed assets
- 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>Valuation of accrued income and work in progress</p> <p>The Group had carried out work for customers during the year that had not been invoiced at the reporting date. Income has been recognised in respect of work carried out prior to the reporting date in accordance with the Group's income recognition policy.</p>	<p>We selected a sample of contracts where income had been recognised but not invoiced at the year end and:</p> <ul style="list-style-type: none"> • Confirmed that the calculations were arithmetically correct; • agreed the calculations to invoices raised after the year end; and • agreed that the work was performed prior to the year-end based on confirmations from customers and third parties. <p>In addition, we reviewed the adequacy of the disclosures under IFRS15.</p>
<p>Cut-off of cost accruals</p> <p>Given that a material adjustment has been required in this area in previous periods we considered this to be a key audit area.</p>	<p>We performed cut-off testing to confirm that direct costs were recorded in the correct accounting period.</p> <p>A sample of post year end payments and invoices were reviewed to confirm that costs had not been understated and adjustments were made by the Board as necessary.</p> <p>Reconciliations to supplier statements were performed.</p>
<p>Carrying value of intangible fixed assets</p> <p>As a result of the acquisitions made during prior periods, intangible assets represent a significant part of the total assets of the Group. The intangible assets arising on acquisition largely comprise customer relationships and goodwill.</p>	<p>We critically assessed the assumptions underpinning the valuation of customer relationships and goodwill arising on acquisition.</p> <p>We critically assessed the Directors' assertion that no impairment was required by reference to trading performance and forecasts.</p> <p>We considered the appropriateness of the amortisation policy for customer relationships.</p>
<p>Going concern</p> <p>Given the impact of Covid-19 on the UK economy, going concern was considered to be a key area.</p>	<p>We reviewed the financial forecasts of the Group and critically assessed the assumptions used in their preparation, particularly in light of the impact of Covid-19.</p> <p>We obtained evidence of the refinancing carried out with the Group's bankers including the new covenant tests.</p> <p>We concluded that there was no material uncertainty in relation to going concern and that the disclosures made in the financial statements provide sufficient information in this area.</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 £351,000, based on a percentage of revenue.

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 £175,500.

We agreed to report to the Audit Committee all audit differences in excess of £17,550, 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.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The entire Group is 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 above.

The audit is performed centrally and comprises all of the companies within the Group.

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

for the financial year ended 31 March 2021

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 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 39, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

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.

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

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 group and considered that the most significant are the Companies Act 2006, the AIM rules, IFRS and UK taxation legislation.
- We obtained an understanding of how the group complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.

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

- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations, and reviewed Board minutes for any evidence.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

We have reported separately on the parent company financial statements of Kinovo plc for the year ended 31 March 2021. That report includes details of the parent company key audit matters, how we applied the concept of materiality in planning and performing our audit and an overview of the scope of our audit.

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.

MATTHEW MEADOWS (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor
Devonshire House
60 Goswell Road
London EC1M 7AD
 5 July 2021

Consolidated statement of comprehensive income

for the financial year ended 31 March 2021

	Notes	12 months to 31 March 2021			12 months to 31 March 2020		
		Underlying items £'000	Non-underlying items (note 9) £'000	Total £'000	Underlying items £'000	Non-underlying items (note 9) £'000	Total £'000
Revenue	5	60,186	—	60,186	65,392	—	65,392
Cost of sales		(47,288)	—	(47,288)	(48,795)	—	(48,795)
Gross profit		12,898	—	12,898	16,597	—	16,597
Administrative expenses		(10,074)	(2,223)	(12,297)	(12,341)	(1,964)	(14,305)
Operating profit	7	2,824	(2,223)	601	4,256	(1,964)	2,292
Finance cost	11	(461)	—	(461)	(565)	—	(565)
Profit before tax		2,363	(2,223)	140	3,691	(1,964)	1,727
Income tax credit/(expense)	13			17			(348)
Profit for the year attributable to the equity holders of the parent company				157			1,379
Total comprehensive income for the year attributable to the equity holders of the parent company				157			1,379
Basic earnings per share from continuing and total operations (pence)	14			0.27			2.93
Diluted earnings per share from continuing and total operations (pence)	14			0.27			2.93

Consolidated statement of financial position

as at 31 March 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Intangible assets	15	8,209	9,937
Property, plant and equipment	16	1,307	1,418
Right-of-use assets	17	1,688	2,079
Total non-current assets		11,204	13,434
Current assets			
Inventories	18	2,467	3,781
Trade and other receivables	19	16,726	19,451
Cash and cash equivalents	20	1,293	19
Total current assets		20,486	23,251
Total assets		31,690	36,685
Equity and liabilities attributable to equity holders of the parent company			
Issued capital and reserves			
Share capital	24.1	6,121	5,872
Own shares	24.1	(850)	—
Share premium	24.2	9,210	8,609
Share-based payment reserve	28	30	612
Merger reserve	24.3	(248)	(248)
Retained earnings		(3,401)	(4,221)
Total equity		10,862	10,624
Non-current liabilities			
Borrowings	21	2,842	176
Lease liabilities	22	1,183	1,486
Deferred tax liabilities	29	699	779
Total non-current liabilities		4,724	2,441
Current liabilities			
Borrowings	21	1,124	7,057
Lease liabilities	22	552	620
Trade and other payables	23	14,428	15,943
Total current liabilities		16,104	23,620
Total equity and liabilities		31,690	36,685

Approved by the Board on 5 July 2021.

Clive Lovett

Group Finance Director

Company registration number: 09095860

Consolidated statement of changes in equity

for the financial year ended 31 March 2021

	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 2019	4,054	8,609	—	827	(248)	(5,854)	7,388
Profit and total comprehensive income for the year	—	—	—	—	—	1,379	1,379
Issue of share capital (note 24.1) (net of issue costs)	1,818	—	—	—	—	—	1,818
Share-based payment charge	—	—	—	39	—	—	39
Transfer to retained earnings for share options cancelled	—	—	—	(254)	—	254	—
Total transactions with owners recognised directly in equity	1,818	—	—	(215)	—	254	1,857
Balance at 31 March 2020	5,872	8,609	—	612	(248)	(4,221)	10,624
Profit and total comprehensive income for the year	—	—	—	—	—	157	157
Issue of share capital (note 24.1) (net of issue costs)	249	601	(850)	—	—	—	—
Share-based payment charge	—	—	—	30	—	—	30
Deferred tax on share options	—	—	—	—	—	51	51
Transfer to retained earnings for share options cancelled	—	—	—	(612)	—	612	—
Total transactions with owners recognised directly in equity	249	601	(850)	(582)	—	663	81
Balance at 31 March 2021	6,121	9,210	(850)	30	(248)	(3,401)	10,862

Consolidated statement of cash flows

for the financial year ended 31 March 2021

	Notes	12 months ended 31 March 2021 £'000	12 months ended 31 March 2020 £'000
Net cash generated from operating activities	25	5,814	3,886
Cash flow from investing activities			
Payment of deferred consideration for R.Dunham acquisition		—	(476)
Purchase of property, plant and equipment		(87)	(282)
Purchase of intangible assets		(115)	(44)
Proceeds on disposal of property, plant and equipment		20	99
Net cash used in investing activities		(182)	(703)
Cash flow from financing activities			
Proceeds from borrowings		7,333	—
Issue of new share capital (net of share issue costs)	24.1	850	1,818
Purchase of own shares for JSOP	24.1	(850)	—
Repayment of borrowing		(7,249)	(1,776)
Interest paid		(461)	(565)
Principal payments of leases		(630)	(794)
Net cash used in financing activities		(1,007)	(1,317)
Net increase in cash and cash equivalents		4,625	1,866
Cash and cash equivalents at beginning of year		(3,332)	(5,198)
Cash and cash equivalents at end of year		1,293	(3,332)

The cash and cash equivalents at the year ended 31 March 2021 is represented by cash balances of £1,293,000 (2020: overdraft of £3,351,000 together with the cash balances of £19,000).

Notes to the consolidated financial statements

for the financial year ended 31 March 2021

1. Basis of preparation

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

The Group's financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the United Kingdom, 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 2020.

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

2. Summary of significant accounting policies

2.1. Going concern

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis. The Group's business activities together with factors that are likely to affect its future development and position, are set out in the Group Chief Executive Officer's review on pages 8 and 9.

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 continuing potential impact of Covid-19 on the trading of the Group. Whilst the impact of Covid-19 has been felt strongly particularly where the operations are directly people facing, the business has demonstrated its resilience. Access to properties is now becoming easier as lockdown restrictions are gradually lifted, and residents/tenants are more comfortable given the precautions that have been implemented and the continued successful roll out of the vaccination program.

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

The Group reduced its level of net debt during the year by £4.5m. The level of reduction represents an acceleration on the repayment of the term loan over and above the timeline agreed in the banking facility. Given this positive result for the year ended 31 March 2021, the banks agreed to amend the facility agreement to remove any requirement for covenant testing during the first half of the year ending 31 March 2022.

After taking into account the above factors and taking into account possible sensitivities in trading performance, the Board has reasonable expectation that Kinovo plc and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the consolidated financial statements.

2.2. Basis of consolidation

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

The consolidated financial statements incorporate the financial information of Kinovo plc and its subsidiaries. Subsidiary companies are consolidated from the date that control is gained. The subsidiaries of the Group are detailed in note 6 of the Company financial statements on page 84. 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 IFRS3 (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.

2. Summary of significant accounting policies continued

2.3. Business combinations and goodwill continued

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:

- **Gas maintenance** – Gas 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 take less than a day to complete. Revenue is only recognised at the point that the service is complete. Invoicing only occurs once the customer has agreed that the relevant service has been received and completed. The invoice is subsequently settled on average within 26 days of issue. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Any work completed but not yet agreed with the customer/invoiced is recognised as accrued income.
- **Building services** – Building Services contracts typically range between one to six years, and can range from ad-hoc maintenance work to long-term construction contracts:
 - **Long-term construction contracts:** During the course of a project an independent surveyor will conduct a monthly valuation of the work done and issue a certification of the stage of completion, which is the trigger for an invoice to be generated and a stage payment to be made as per the terms of the contract. Payment occurs on average within 26 days of the invoice being issued. These monthly valuations are seen to represent the performance obligations that have been satisfied under the terms of the contract, as they reflect the benefit that has been transferred to the customer. The Group thus recognises the revenue in line with the certified stage of completion. If there is a delay in receiving the certification of work, revenue will be recognised based on management's estimate of the value of the performance obligation fulfilled. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Revenue recognisable in relation to work completed is recognised as accrued income until invoiced.

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 are 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 installs and painting and decorating. These services will be provided on request from the customer, and work will be charged based on the customer rate card. Each service is considered to have a single performance obligation, and generally take less than a day to complete. Revenue is only recognised at the point that the service is complete. Invoicing only occurs once the customer has agreed that the relevant service has been received and completed. The invoice is subsequently settled on average within 26 days of issue. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Any work completed but not yet agreed with the customer/invoiced is recognised as accrued income.
- **Electrical services** – Electrical services are supplied under a term contract or framework agreement with both local authority and corporate customers that usually span 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 take less than a day to complete. Revenue is only recognised at the point that the service is complete. Invoicing only occurs once the customer has agreed that the relevant service has been received and completed. The invoice is subsequently settled on average within 26 days of issue. Any costs incurred in advance of the performance obligation being completed are recognised as work in progress. Any work completed but not yet agreed with the customer/invoiced is recognised as accrued income.

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

2.5. Operating profit and non-underlying items

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

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2021

2. Summary of significant accounting policies continued

2.5. Operating profit and non-underlying items continued

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 gas maintenance, building services and electrical service. Direct costs are allocated to the appropriate segment as they arise and central overheads are apportioned on a reasonable basis. Operating segments are presented in a manner consistent with internal reporting, with inter-segment revenue and expenditure eliminated on consolidation. The segmental reporting is outlined in note 6.

2.8. Intangible assets

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

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

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

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

- Customer relationships over the period expected to benefit, typically seven years.
- Software and development costs over four years.

2.9. Impairment

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

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

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

2.10. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

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

2. Summary of significant accounting policies continued

2.11. Impairment of property, plant and equipment

At each Statement of Financial Position date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

2.12. Inventories

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

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

2.13. Financial instruments

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

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for 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.

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 tax losses available for utilisation there is no tax payable for the year to 31 March 2021. Details of the tax losses utilised during the year are outlined in note 13.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2021

2. Summary of significant accounting policies continued

2.14. Current and deferred tax continued

(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 reporting date.

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

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

2.15. Leases

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

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at 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 the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

2.16. Employee benefits

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

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

2.17. Share-based payments

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

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

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

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

2.18. New standards and interpretations

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing on 1 April 2020:

- Definition of Material – amendments to IAS 1 and IAS 9.
- Definition of a Business – amendments to IFRS3.
- Interest Rate Benchmark Reform – amendments to IFRS9, IAS39 and IFRS 7.
- Revised Conceptual Framework for Financial Reporting.

The Group has also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018 – 2020 Cycle.
- Interest Rate Benchmark Reform – amendments to IFRS9, IAS 39 and IFRS 7.

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.

2.19. New standards and interpretations not yet adopted

The following new accounting standards and interpretations are currently in issue but not effective for accounting periods commencing on 1 April 2020 and therefore have not been early adopted by the Group.

- IFRS 17 – Insurance Contracts.
- Amendments to IFRS 16 – Covid-19-Related Rent Concessions.
- Amendments to IFRS 3 – Business Combinations.
- Amendments to IAS 1 – Disclosure of Accounting policies.
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before intended use.
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract.
- Amendments to IAS 8 – Accounting policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates.
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture.

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2021

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 2021, the Group had cash and cash equivalents of £1,293,000 (2020: overdraft £3,351,000 and cash and cash equivalents £19,000).

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

3.5. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to shareholders. The Group funds its expenditures 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 £8.6 million was recognised within the Statement of Financial Position at 31 March 2021 (2020: £10.0 million).

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

Work completed under long-term construction contracts is recognised as amounts due from long-term contracts until billed to the client, and similar to accrued income requires judgement on whether the Group has met all its performance obligations to recognise the revenue. Amounts due from long-term contracts of £1.5 million was recognised within the Statement of Financial Position at 31 March 2021 (2020: £0.8 million).

(c) Share-based payment charge

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

(d) Recoverability of trade receivable balances

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

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 are required to predict the future timeframe over which customer relationships will continue to generate a positive contribution to Group cash flow. This estimate is made on a case-by-case basis and will reflect management's latest plans and long-term forecasts for the related contracts. Amortisation of customer relationships has resulted in a charge to the Statement of Comprehensive Income of £1.8 million during the year (2020: £1.9 million).
- 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 £2.5 million (2020: £4.3 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 Groups sensitivity analysis.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2021

4. Critical accounting estimates and judgements continued

4.2. Key sources of estimation uncertainty continued

(c) Right-of-use assets

Management are 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 (2020: 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 2021 the Group holds £1.7 million of right-of-use assets (2020: £2.1 million). Management have reviewed the future benefit and costs of the underlying assets and have not identified the need to recognise any impairment.

5. Revenue

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

There are six customers who individually contributed 13%, 9%, 8%, 6%, 6% and 5% respectively towards the revenue (2020: four contributing 10%, 10%, 6% and 5%).

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

	2021 £'000	2020 £'000
Current assets relating to contracts with customers:		
Trade receivables	5,564	7,383
Work in progress	1,561	2,874
Accrued income	8,634	9,968
Amounts due from long-term contracts	1,461	832
	17,220	21,057

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

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

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

There were no contracts liabilities required to be recognised as at 31 March 2021 (31 March 2020: £nil).

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

	2021 £'000	2020 £'000
Aggregate amounts of the transaction price allocated to long-term construction contracts that are partially or fully unsatisfied as at 31 March 2021	44,600	51,350

Management expects that 46.0% of the transaction price allocated to unsatisfied performance obligations as at 31 March 2021 will be recognised as revenue during the next reporting period (£20.5 million). The remaining 54.0% (£24.1 million) will be recognised over the 2023/24 financial years.

Other services are provided under framework agreements and therefore not considered to have any unsatisfied performance obligations as at 31 March 2021.

The value of unsatisfied long-term construction contracts of £44.6 million (2020: £51.4 million) forms part of the overall balance of visible revenues of £170.4 million (2020: £172.1 million). Page 1 details the full definition of visible revenues.

6. Segmental reporting

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

- Gas maintenance: the Group offers a range of services within the Gas services segment which is inclusive but not limited to: boiler servicing and meter connections to 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 installs and painting and decorating, as well as long term construction contracts.
- Electrical services: this 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 adopt the operating profit before exceptional 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 by reportable segment:

	12 months ended 31 March 2021 £'000	12 months ended 31 March 2020 £'000
Gas maintenance	12,262	11,872
Building services	34,002	31,039
Electrical services	13,922	22,481
Total revenue	60,186	65,392

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

	12 months ended 31 March 2021 £'000	12 months ended 31 March 2020 £'000
Operating profit before exceptional items and amortisation of acquisition intangibles by segment		
Gas maintenance	1,406	n/a
Building services	878	n/a
Electrical services	1,723	n/a
Unallocated central costs	(1,183)	n/a
Total operating profit before non-underlying items	2,824	n/a
Amortisation of acquisition intangibles	(1,814)	n/a
Share-based payment charge	(30)	n/a
Exceptional costs	(379)	n/a
Operating profit	601	n/a
Finance costs	(461)	n/a
Profit before tax	140	n/a

Prior year comparatives have not been presented as this is the first year the CODM have received segmental information as part of the internal reporting.

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 2021

7. Operating profit

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

	12 months ended 31 March 2021 £'000	12 months ended 31 March 2020 £'000
Inventory recognised as an expense in cost of sales	10,557	13,049
Staff costs ¹	13,102	14,214
Depreciation	179	258
Depreciation of right-of-use asset	668	801
Amortisation of software costs	29	31
(Profit)/loss on disposal of property, plant and equipment	(2)	162
Auditor's remuneration	109	149
Non-audit remuneration	2	3

1. The Group has offset Government grants of £1.1m (2020: £Nil) received through the Coronavirus Job Retention Scheme against staff costs.

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

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

EBITDA is calculated as follows:

	12 months ended 31 March 2021 £'000	12 months ended 31 March 2020 £'000
Underlying profit before tax	2,363	3,691
Finance costs	461	565
Depreciation property, plant and equipment	179	258
Depreciation of right-of-use assets	668	801
Amortisation of software costs	29	31
(Profit)/loss on disposal of property, plant and equipment	(2)	162
EBITDA (before lease payment charges)	3,698	5,508
Lease payments	(681)	(840)
Adjusted EBITDA (after lease payment charges)	3,017	4,668

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 2021 £'000	12 months ended 31 March 2020 £'000
Amortisation of customer relationships (a)	1,814	1,925
Share-based payment charge (b)	30	39
Exceptional items (c)	379	—
	2,223	1,964

(a) Amortisation and impairment of customer relationships

Amortisation of acquisition intangibles was £1,814,000 for the year (2020: £1,925,000) and relates to amortisation of the customer relationships identified by the Directors on the acquisition of Purdy, DCB (Kent), Spokemead and R. Dunham.

(b) Share-based payment charge

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

(c) Exceptional items

Costs comprising redundancy and notice period and other related costs to align operational skill sets with the strategic repositioning of the business during the year ended 31 March 2021. There were no exceptional items in 2020.

10. Employee expenses

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

	12 months ended 31 March 2021 No.	12 months ended 31 March 2020 No.
Management	43	38
Administration	53	73
Engineers	189	230
	285	341

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

	12 months ended 31 March 2021 No	12 months ended 31 March 2020 No
Wages and salaries	11,650	12,664
Social security costs	1,203	1,264
Pension costs	249	286
	13,102	14,214

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 2021 £'000	12 months ended 31 March 2020 £'000
Interest payable on bank borrowings and loans	310	416
Interest payable on lease liabilities	62	77
Other interest costs	24	28
Other finance costs	65	44
	461	565

12. Dividends

The Directors recommend a final dividend of 0.50 pence per share for the year ended 31 March 2021. There was no dividend payment made for the year ended 31 March 2020.

	12 months ended 31 March 2021		12 months ended 31 March 2020	
	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	—	—	—	—
Interim dividend paid during the year	—	—	—	—
	—	—	—	—

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2021

13. Income tax

13.1. Components of income tax (credit)/expense

	12 months ended 31 March 2021 £'000	12 months ended 31 March 2020 £'000
Current income tax expense		
Current income tax expense	12	—
Total current tax	12	—
Deferred tax		
Credit in connection with intangible assets acquired	(327)	(347)
Charge in relation to use of brought forward tax losses	309	699
Charge/(credit) for lease liabilities recognised on adoption of IFRS 16	55	(385)
(Credit)/charge for right-of-use asset recognised on adoption of IFRS 16	(60)	381
Credit for share-based payment charge	(6)	—
Total deferred tax	(29)	348
Income tax (credit)/expense reported in income statement	(17)	348

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 2021 £'000	12 months ended 31 March 2020 £'000
Profit on ordinary activities before taxation	140	1,727
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2019: 19%)	27	328
Effects of:		
Non-deductible expenses	345	666
Utilisation of brought forward tax losses	(309)	(699)
Utilisation of tax losses not previously recognised within deferred tax	(17)	—
Research and development claim	(63)	—
Other tax adjustments	—	53
	(17)	348

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 2021 £'000	12 months ended 31 March 2020 £'000
Profit used in calculating basic and diluted earnings per share	157	1,379
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	58,956,248	47,105,684
Weighted average number of shares for the purpose of diluted earnings per share	58,956,248	47,105,684
Basic earnings per share (pence)	0.27	2.93
Diluted earnings per share (pence)	0.27	2.93

Options over 5,409,754 ordinary shares remained outstanding as at 31 March 2021 (2020: 750,000) as detailed in note 28.

There was no earnings per share dilution in 2021 or 2020 as the outstanding options granted were priced above the average share price for the year.

14. Earnings per share continued

14.2. Adjusted earnings per share

Profit after tax is stated after deducting non-underlying items totalling £2,223,000 (2020: £1,964,000) 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 2021 £'000	12 months ended 31 March 2020 £'000
Profit after tax	157	1,379
<i>Add back</i>		
Amortisation of customer relationships	1,814	1,925
Share-based payment charge	30	39
Exceptional costs	379	—
Impact of above adjustments on corporation tax	(72)	—
Adjusted profit after tax	2,308	3,343
Number of shares		
Weighted average number of shares for the purpose of adjusted earnings per share	58,956,248	47,105,684
Weighted average number of shares for the purpose of diluted adjusted earnings per share	58,956,248	47,105,684
Adjusted earnings per share (pence)	3.91	7.10
Diluted adjusted earnings per share (pence)	3.91	7.10

15. Intangible assets

	Software costs £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2020	217	14,032	5,543	19,792
Additions in the year	115	—	—	115
At 31 March 2021	332	14,032	5,543	19,907
Amortisation				
At 1 April 2020	126	9,729	—	9,855
Charge for the year	29	1,814	—	1,843
At 31 March 2021	155	11,543	—	11,698
Net book value				
At 31 March 2020	91	4,303	5,543	9,937
At 31 March 2021	177	2,489	5,543	8,209

15.1. Customer relationships

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

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

	Purdy	Spokemead	DCB (Kent)	R. Dunham	Total
Attrition rate where relationship < 5 years	80%	n/a	100%	n/a	
Attrition rate where relationship > 5 years	50%	n/a	100%	n/a	
Discount rate	13.30%	12.84%	12.84%	15.79%	
Estimated life of relationship at date of acquisition	7 years	7.5 years	1 to 8 years	1.5 years	
Remaining life of intangible	1.5 years	0.2 years	5 years	—	
Fair value of customer relationships at date of acquisition	£5,586,000	£5,922,000	£2,324,000	£200,000	£14,032,000
Current carrying value of customer relationships	£1,155,000	£170,000	£1,164,000	—	£2,489,000

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2021

15. Intangible assets continued

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	DCB (Kent) £'000	R. Dunham £'000	Total £'000
Allocation of goodwill	1,719	1,186	1,351	1,287	5,543

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2021 and 2020 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, plus an estimate of revenue generated from long-term construction 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	2021	2020
Long-term growth rate (used after 5 years)	1.5%	1%
3 to 5 year growth rate	3%	2%
Pre-tax discount rate	14.7%	14.2%

Cash flows in year one have been adjusted to account for the potential impact of the Covid-19 pandemic on performance for the 2022 financial year, but have been shown to recover within the medium term in line with management's expectations as the impact of Covid-19 is not expected to result in a permanent diminution in the value of the goodwill.

A higher growth rate for both the short term and long term has been utilised in the current year reflecting a more positive outlook in the wider economy than at this point 12 months earlier.

15.3. Sensitivity review

Management have performed a range of sensitivity analysis around movements in both the discount rates and future growth rates used within the model. The discount rate would need to increase by 2.25% to 16.99% or long-term growth would have to be reduced to 0.3% before the CGU reaches breakeven point.

16. Property, plant and equipment

At 31 March 2021

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

16. Property, plant and equipment continued

At 31 March 2020

	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 2019	300	523	398	489	87	1,111	2,908
Additions	—	—	—	—	50	226	276
Disposals	—	—	(200)	(198)	(46)	(174)	(618)
At 31 March 2020	300	523	198	291	91	1,163	2,566
Depreciation							
At 1 April 2019	—	78	141	246	61	721	1,247
Charge for the year	—	22	34	51	33	118	258
Disposals	—	—	(80)	(125)	(41)	(111)	(357)
At 31 March 2020	—	100	95	172	53	728	1,148
Net book value							
At 1 April 2019	300	445	257	243	26	390	1,661
At 31 March 2020	300	423	103	119	38	435	1,418

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

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

17. Right-of-use assets

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

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2021

18. Inventories

	2021 £'000	2020 £'000
Raw materials	906	907
Work in progress	1,561	2,874
	2,467	3,781

19. Trade and other receivables

	2021 £'000	2020 £'000
Current		
Trade receivables	5,564	7,383
Other receivables	473	463
Prepayments	594	805
Accrued income	8,634	9,968
Amounts due from long-term contracts	1,461	832
	16,726	19,451

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

	2021 £'000	2020 £'000
Between 1 and 2 months	262	709
Between 2 and 3 months	65	181
More than 3 months	252	150
	579	1,040

An allowance for doubtful debt of £Nil (2020: £120,000) has been recognised in the above balance for trade receivables. The prior year amount was a specific provision against a customer where management had concerns over the recoverability of the debt. The provision was fully utilised in 2021. Otherwise, management does not consider that there are any issues over recoverability, due to the creditworthiness of the customer profile and little historical issue of default.

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

The average credit period taken on invoiced sales of services as at 31 March 2021 is 26 days (31 March 2020: 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. The bank loans detailed in note 21 are secured on trade receivables of £5,564,000 (2020: £7,383,000).

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.

	2021 £'000	2020 £'000
Cash at HSBC UK Bank Plc	1,285	—
Other cash and bank balances	8	19
	1,293	19

21. Borrowings

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

	2021 £'000	2020 £'000
Non-current borrowings		
<i>Bank and other borrowings:</i>		
Term loans	2,533	—
Other loans	109	176
Mortgage loans	200	—
Total non-current borrowings	2,842	176
Current borrowings:		
<i>Bank and other borrowings:</i>		
Term loans	1,000	3,333
Other loans	67	59
Mortgage loan	57	314
Overdraft	—	3,351
Total current borrowings	1,124	7,057
<i>Bank and other borrowings:</i>		
Term loans	3,533	3,333
Other loans	176	235
Mortgage loans	257	314
Overdraft	—	3,351
Total borrowings	3,966	7,233

The fair value of the borrowings outstanding as at 31 March 2021 is not materially different to its carrying value since interest rates applicable on the loans are close to the current market rates.

On 22 May 2020 the Group agreed refinancing arrangements with HSBC UK Bank Plc in regard to the restructuring of the debt facility and related covenants. The Group secured new debt facilities totalling £9.8 million. The Group's previous debt facility was in the form of a £3.3 million term loan and a £6.5 million overdraft facility. The new debt facility consisted of a £7.3 million term loan facility and a £2.5 million overdraft facility. The facility expires in September 2022 and there are £0.5 million quarterly repayments that started in August 2020.

As the agreement was still in negotiation as at 31 March 2020, all the term loans were classified as current borrowing for that financial year. They have now been reclassified in accordance with their contractual repayment terms.

The first covenant test for the new facility was to achieve a minimum EBITDA of £1.1 million for the year ended 31 March 2021, which was achieved. The covenants for the period beyond 31 March 2021 are to be tested quarterly and they are (i) achievement of minimum levels of EBITDA; (ii) debt service cover; and (iii) interest cover.

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

(a) Working capital facilities

At 31 March 2021 the Group had an unused £2.5 million working capital facility with HSBC UK Bank Plc. The facility has an interest rate of 2.5% above LIBOR (The London Interbank Offered 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 2021

21. Borrowings continued

(b) Bank and other loans

Term loans

At 31 March 2021 the Group had a term loan in place with HSBC UK Bank Plc with an original principal value of £7.3 million repayable by quarterly instalments. As at 31 March 2021 £3.53 million of the loan remained outstanding. Interest is payable at 3.75% above LIBOR.

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 LIBOR. The mortgage is held over the freehold property of Purdy known as Brooklyn Lodge, Mott Street, Chingford, London E4 7RW. £257,000 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%. £176,000 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, DCB (Kent), Spokemead and R. Dunham to secure all liabilities of each borrower.

22. Lease liabilities

As at 31 March 2021 the following amounts are included in the Statement of Financial Position in relation to non-cancellable leases:

	2021 £'000	2020 £'000
Lease liabilities		
Current	552	620
Non-current	1,183	1,486
	1,735	2,106

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

	2021 £'000	2020 £'000
No later than 1 year	552	620
Later than 1 year and no later than 5 years	837	955
After 5 years	346	531
	1,735	2,106

The interest expense recognised through the Consolidated Statement of Comprehensive Income during the year in relation to lease liabilities was £62,000 (2020: £77,000).

23. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	11,082	12,885
Other payables	21	134
Other taxation and social security	2,450	1,651
Accruals	875	1,273
	14,428	15,943

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 timeframe and no interest has been charged by any suppliers as a result of late payment of invoices.

The average credit period taken on trade purchases is 80 days (2020: 81 days). Trade purchases include the purchase of materials and subcontractor costs.

Included within trade payables is a balance of £2,555,000 (2020: £2,731,000) 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 consider it appropriate to disclose the balance within trade creditors.

At 31 March 2021 deferred HMRC liabilities amounted to £1,023,0000 (2020: £377,000). Repayment instalments commenced in April 2021 by agreement with HMRC.

24. Share capital and reserves

24.1. Ordinary shares

Ordinary shares of £0.10 each	2021 £'000	2020 £'000
At the beginning of the year	5,872	4,054
Issued in the year	249	1,818
At the end of the year	6,121	5,872
Number of shares		
At the beginning of the year	58,721,845	40,540,027
Issued in the year	2,492,858	18,181,818
At the end of the year	61,214,703	58,721,845

Issued in the year

During the year, 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. In the prior year, the Company completed a fund raise which generated £2,000,000, gross of issue costs, from the issue of 18,181,818 new shares at 11 pence per share. Share issue costs of £182,000 were offset against the share premium account.

24.2. Share premium

	2021 £'000	2020 £'000
At the beginning of the year	8,609	8,609
Issued in the year (net of share issue costs)	601	—
At the end of the year	9,210	8,609

24.3. Merger reserve

	2021 £'000	2020 £'000
At the end of the year	(248)	(248)

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2021

25. Note to the consolidated statement of cash flows

	12 months ended 31 March 2021 £'000	12 months ended 31 March 2020 £'000
Cash flow from operating activities		
Profit before income tax	140	1,727
Adjustments for:		
Net finance cost	461	565
(Profit)/loss on disposal of property, plant and equipment	(2)	162
Depreciation	847	1,059
Amortisation of intangible assets	1,843	1,956
Share-based payments	30	39
Fair value adjustment	—	(100)
Movement in receivables	2,580	(759)
Movement in payables	(1,561)	(116)
Movement in inventories	1,313	(647)
Tax reclaimed	163	—
	5,814	3,886

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
- lease liabilities.

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

	2021 £'000	2020 £'000
Loans and receivables:		
Trade receivables	5,564	7,383
Accrued income	8,634	9,968
Amounts due from long-term contracts	1,461	832
Other receivables	1,067	1,268
Cash and cash equivalents	1,293	19
	18,019	19,470

26. Financial instruments continued

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

	2021 £'000	2020 £'000
Held at amortised cost:		
Bank loans and overdrafts	3,966	7,233
Lease liabilities	1,735	2,106
Accruals	875	1,273
Trade payables	11,082	12,885
Other payables	21	134
	17,679	23,631

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 and overdrafts totalling £4.0 million (2020: £7.2 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 2021 was at an average rate of less than 1% (2020: 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 2021, the Group had 3 customers with an outstanding balance over £250,000 (31 March 2020: eight). An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. No specific provision against receivables has been recognised (2020: £120,000) 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 2021, the Group held no collateral as security against any financial asset. The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2021

26. Financial instruments continued

(d) Liquidity risk management

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

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

The Group had total available working capital facilities at an interest rate of 2.5% over LIBOR amounting to £2,500,000 with HSBC UK Bank Plc as at 31 March 2021. The Group maintains a good relationship with its bank, which has a high credit rating. As at 31 March 2021, the Group had cash and cash equivalents of £1,293,000 (2020: overdraft £3,351,000 and cash and cash equivalents £19,000).

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

2021	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	143	—	257
HSBC term loan	1,000	2,533	—	—	3,533
Funding Circle unsecured loan	67	109	—	—	176
Trade payables	11,082	—	—	—	11,082
	12,206	2,699	143	—	15,048
2020	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Non-derivative financial liabilities					
HSBC mortgage	314	—	—	—	314
HSBC term loan	3,333	—	—	—	3,333
Funding Circle unsecured loan	59	67	109	—	235
HSBC overdraft	3,351	—	—	—	3,351
Trade payables	12,885	—	—	—	12,885
	19,942	67	109	—	20,118

(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.

	2021 £'000	2020 £'000
Net debt comprised as follows:		
Cash and cash equivalents	1,293	19
Bank borrowings and overdrafts	(3,966)	(7,233)
Lease liabilities	(1,735)	(2,106)
	(4,408)	(9,320)

27. Related party transactions

There were no related party transactions in the period.

27.1. Key management compensation

The Group's key management are considered to comprise the Directors of Kinovo plc, the Chief Operating Officer and three Non-Executive Directors of Kinovo plc.

The aggregate remuneration of the key management is as follows:

	2021 £'000	2020 £'000
The aggregate remuneration comprised:		
Aggregate emoluments	771	905
Share-based payments	6	3
Total remuneration	777	908

The remuneration of the highest paid Director during the year was £218,000 (2020: £259,000). The remuneration of individual Directors is disclosed in the Remuneration Committee Report.

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

28. Share-based payments

As at 31 March 2021 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). As at 31 March 2020 the Group also had unapproved share options awards outstanding which have now all been cancelled.

Share Incentive Plan (SIP)

The SIP is an HMRC-approved scheme plan open to all employees. The plan was established on 1 August 2020. Employees were invited to buy shares in the Company at a price, of 17.5 pence, being the market price immediately prior to the date of establishment of the plan. The acquisition of the shares is funded through a salary sacrifice scheme with monthly deductions taken through payroll over a 12-month accumulation period. At the end of the accumulation period (31st July 2021) the SIP Trust use the contributions to acquire the shares on behalf of the employees ("partnership shares"). At 31 March 2021 employees had accumulated contributions of £56,416.

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 12-month accumulation contract. The obligation of the Company arose when the plan was established, at the beginning of the accumulation period. The employee pays the market value for the partnership shares and therefore no share-based payment charge is recognised. The matching shares give rise to a share-based payment charge based on the market value of the shares at the date the plan was established adjusted for the risk of forfeiture.

Company Share Option Plan (CSOP)

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

The vesting period is for three years, during which the holder must remain in the employment of the Group. There are no performance conditions attached to the awards. 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 2021

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 21st December 2020 at the market price of 26.0 pence and 2,242,858 ordinary shares of 10 pence each on 5th March 2021 at the market price of 35.0 pence, to three senior executives.

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 21st December 2020 had no performance conditions. The awards on 5th 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 2021.

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 2021, 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 £30,000 (2020: £39,000) analysed as follows:

	2021 £'000	2020 £'000
SIP	16	—
CSOP	10	—
JSOP	4	—
EMI/unapproved	—	39
	30	39

In the year ended 31 March 2021, options were granted in respect of the SIP, CSOP and JSOP schemes. 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

	SIP	CSOP	JSOP	EMI/ unapproved	Total
Number					
At 1 April 2019	—	—	—	1,548,103	1,548,103
Lapsed	—	—	—	(798,103)	(798,103)
At 31 March 2020	—	—	—	750,000	750,000
Granted	644,754	1,772,142	2,492,858	—	4,909,754
Lapsed	—	—	—	(250,000)	(250,000)
At 31 March 2021	644,754	1,772,142	2,492,858	500,000	5,409,754

Weighted average exercise price (pence)

At 1 April 2020	—	—	—	105.8
Granted	—	24.3	34.1	n/a
Lapsed	—	—	—	(127.5)
At 31 March 2021	—	24.3	34.1	95.0

Assumptions used in estimating the fair value

Exercise price (pence)	17.5p	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 reflect management's best estimates for the effects of no-transferability, exercise restrictions and behavioural considerations.

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

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

During the year £612,000 (2020: £254,000) was transferred from the share-based payment reserve to retained earnings in relation to tranches where all options have now been cancelled.

Notes to the consolidated financial statements continued

for the financial year ended 31 March 2021

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 2019	(1,294)	1,008	(145)	—	—	—	(431)
Credit/(charge) to income statement and other comprehensive income	347	(699)	—	(381)	385	—	(348)
At 31 March 2020	(947)	309	(145)	(381)	385	—	(779)
Credit/(charge) to statement of comprehensive income or recognised directly through shareholders equity	327	(309)	—	60	(55)	57	80
At 31 March 2021	(620)	—	(145)	(321)	330	57	(699)
						2021 £'000	2020 £'000
Deferred tax asset						387	694
Deferred tax liability						(1,086)	(1,473)
Net deferred tax liability						(699)	(779)

30. Ultimate controlling party

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

31. Events after the balance sheet date

On 1 April 2021 the Group surrendered the lease on one of its properties. There was no cost associated with the surrender. At 31 March 2021, the property had a net book value of £483,000 and a lease liability of £499,000.

Independent auditor's report to the members of Kinovo plc

for the financial year ended 31 March 2021

Opinion

We have audited the parent company financial statements of Kinovo plc for the year ended 31 March 2021 which comprise the Parent Company Balance Sheet, Statement of Changes in Equity, Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021;
- 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included review of the forecasts for twelve months from the date of approval of the audit report with appropriate sensitivity analysis, consideration of post-year end performance and review of banking or loan facilities available.

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

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

Key audit matters

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

The key audit matters were:

- Carrying value of investments.
- Going concern.

A description of each matter together with our audit approach is set out below. There were no changes in key audit matters compared to last year.

Audit area and description	Audit approach
Carrying value of investments As a result of acquisitions made during prior periods, investments represent a significant part of the total assets of the company.	We critically assessed the Directors' assertion that no impairment was required by reference to trading performance and forecasts.
Going Concern Given the impact of Covid-19 on the UK economy, going concern was considered to be a key area.	We reviewed the financial forecasts of the Group and the company and critically assessed the assumptions used in their preparation, particularly in light of the impact of COVID19. We obtained evidence of the refinancing carried out with the Group's and company's bankers including the new covenant tests. We concluded that there was no material uncertainty in relation to going concern and that the disclosures made in the financial statements provide sufficient information in this area.

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

for the financial year ended 31 March 2021

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 overheads 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 £31,000, based on a sliding percentage of expenses.

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 £15,500.

We agreed to report to the Audit Committee all audit differences in excess of £1,500, 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.

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 above.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 39, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

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

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

Our approach was as follows:

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

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

for the financial year ended 31 March 2021

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

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

We have reported separately on the Group financial statements of Kinovo plc for the year ended 31 March 2021. 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.

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.

MATTHEW MEADOWS (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London EC1M 7AD

5 July 2021

Parent company statement of financial position

as at 31 March 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Investments	6	22,989	22,967
Intangible assets	7	—	7
Property, plant and equipment	8	4	6
Total non-current assets		22,993	22,980
Current assets			
Trade and other receivables	9	3,815	4,821
Cash and cash equivalents		1,326	—
Total current assets		5,141	4,821
Creditors: amounts falling due within one year	10	(4,462)	(8,877)
Net current assets/(liabilities)		679	(4,056)
Total assets less current liabilities		23,672	18,924
Creditors: amounts falling due after more than one year	11	(2,733)	—
Net assets		20,939	18,924
Equity			
Ordinary shares	13	6,121	5,872
Share premium	14	9,210	8,609
Merger reserve	15	2,251	2,251
Share-based payment reserve		30	612
Retained earnings		3,327	1,580
Total shareholders' funds		20,939	18,924

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 £1,135,000 (2020: £2,578,000).

The notes on pages 82 to 90 are an integral part of these financial statements.

The financial statements on pages 79 to 90 were approved by the Board and authorised for issue on 5 July 2021 and signed on its behalf by:

Clive Lovett
Group Finance Director

5 July 2021

Parent company statement of changes in equity

for the financial year ended 31 March 2021

	Called up share capital £'000	Share premium £'000	Share-based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2019	4,054	8,609	827	2,251	(1,252)	14,489
Profit and total comprehensive income for the year	—	—	—	—	2,578	2,578
Issue of share capital	1,818	—	—	—	—	1,818
Share-based payment charge	—	—	39	—	—	39
Transfer to retained earnings for share options cancelled	—	—	(254)	—	254	—
Total transactions with owners recognised directly in equity	1,818	—	(215)	—	254	1,857
At 31 March 2020	5,872	8,609	612	2,251	1,580	18,924
Profit and total comprehensive income for the year	—	—	—	—	1,135	1,135
Issue of share capital	249	601	—	—	—	850
Share-based payment charge	—	—	30	—	—	30
Transfer to retained earnings for share options cancelled	—	—	(612)	—	612	—
Total transactions with owners recognised directly in equity	249	601	(582)	—	612	880
At 31 March 2021	6,121	9,210	30	2,251	3,327	20,939

Parent company statement of cash flows

for the financial year ended 31 March 2021

	Notes	12 months ended 31 March 2021 £'000	12 months ended 31 March 2020 £'000
Net cash generated from operating activities	16	4,247	2,607
Cash flow from investing activities			
Acquisition of subsidiaries		—	(476)
Purchase of property, plant and equipment		—	(6)
Net cash used in investing activities		—	(482)
Cash flow from financing activities			
Proceeds from borrowings		7,333	—
Issue of new share capital (net of share issue costs)		850	1,818
Repayment of borrowings		(7,192)	(1,724)
Interest paid		(356)	(409)
Net cash used in financing activities		635	(315)
Net increase in cash and cash equivalents		4,882	1,810
Cash and cash equivalents at beginning of year		(3,556)	(5,366)
Cash and cash equivalents at end of year		1,326	(3,556)

The cash and cash equivalents at the year ended 31 March 2021 are represented by the cash balance of £1,326,000 (2020: overdraft £3,556,000).

Notes to the parent company financial statements

for the financial year ended 31 March 2021

1. Basis of preparation

1.1. Statement of compliance

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

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

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

1.2. Going concern

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

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of these financial statements. In developing these forecasts the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period and applied possible sensitivities in trading performance including the risk of a significant further impact of Covid-19.

Based on this assessment the Board has a reasonable expectation that Kinovo plc has adequate resources to continue in operational existence for the foreseeable future. In reaching these conclusions, the Board has considered the impact of Covid-19 on the trading of the overall Group, as the Company's performance is closely aligned with that of the Group.

Whilst the impact of Covid-19 has been felt strongly particularly where the operations are directly people facing, the business has demonstrated its resilience. Access to properties is now becoming easier as lockdown restrictions are gradually lifted, and residents/tenants are more comfortable given the precautions that have been implemented and the continued successful roll out of the vaccination program. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

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

2.2. 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.

2.3. 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.

2.4. 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.

2.5. 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.

2.6. 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

2.7. 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.

2.8. 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 do not feel that any reasonable change would materially influence the interpretation of the charge.

3.2. Carrying value of investments

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 ("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 the investment. In addition, an adverse movement in the discount factor due to an increased risk profile or a change in the cost of debt (increase in interest rates) would also result in a variation to the carrying value of the investment.

Notes to the parent company financial statements continued

for the financial year ended 31 March 2021

4. Auditor's remuneration

	2021 £'000	2020 £'000
Audit fees payable by the Company	40	42

5. Employee expenses

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

	2021 No.	2020 No.
Management	10	7

	2021 £'000	2020 £'000
Wages and salaries	854	654
Social security costs	116	84
Pension costs	55	76
	1,025	814

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

	2021 £'000	2020 £'000
At 1 April 2020	22,967	22,931
Share option charge for subsidiaries	22	36
At 31 March 2021	22,989	22,967

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 2021. 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 2021 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
DCB (Kent) Limited	100%	England & Wales	Provision of building services
Spokemead Maintenance Limited	100%	England & Wales	Provision of electrical services
R. Dunham (UK) Limited	100%	England & Wales	Provision of electrical services
P&R Installation Company Limited	100%	England & Wales	Provision of plumbing and building services

7. Intangible assets

	Software costs £'000
Cost	
At 1 April 2020	35
Additions in the year	—
At 31 March 2021	35
Amortisation	
At 1 April 2020	28
Charge for the year	7
At 31 March 2021	35
Net book value	
At 31 March 2020	7
At 31 March 2021	—

8. Property, plant and equipment

	Office and computer equipment £'000
Cost	
At 1 April 2020	8
Additions in the year	—
At 31 March 2021	8
Depreciation	
At 1 April 2020	2
Charge for the year	2
At 31 March 2021	4
Net book value	
At 31 March 2020	6
At 31 March 2021	4

9. Trade and other receivables

	2021 £'000	2020 £'000
Due within one year:		
Amounts due from Group undertakings	2,806	4,406
Prepayments and other debtors	1,009	415
	3,815	4,821

Included in other debtors is £850,000 owing from the JSOP trust in relation to own shares purchased. 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 2021

10. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank loans and overdrafts (note 11)	1,057	7,203
Trade payables	25	354
Amounts due to Group undertakings	2,690	781
Other taxes and social security	531	177
Accruals	159	362
	4,462	8,877

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:

	2021 £'000	2020 £'000
Current borrowings		
HSBC term loan	1,000	3,333
HSBC mortgage loan	57	314
Overdraft	—	3,556
	1,057	7,203
Non-current borrowings		
HSBC term loan	2,533	—
HSBC mortgage loan	200	—
	2,733	—

11.1. Bank loans

Term loans

At 31 March 2021 the Group had a term loan in place with HSBC UK Bank Plc with an original principal value of £7.3 million repayable by quarterly instalments. As at 31 March 2021 £3.53 million of the loan remained outstanding. Interest is payable at 3.75% above LIBOR.

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 LIBOR. The mortgage is held over the freehold property of Purdy known as Brooklyn Lodge, Mott Street, Chingford, London E4 7RW. £257,000 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, DCB (Kent), Spokemead and R. Dunham to secure all liabilities of each borrower.

12. Share-based payments

As at 31 March 2021 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). As at 31 March 2020 the Company also had unapproved share options awards outstanding which have now all been cancelled. 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 2021 was £10,000 (2020: £3,000).

12. Share-based payments continued

Share options issued and the inputs used in the Black Scholes option model are detailed in note 28 to the consolidated financial statements of the Group. Share options outstanding at the end of the year have the following exercise dates and exercise prices. There are no share options exercisable at the reporting date.

	Grant date	Exercise date	Exercise price in £ per share	No. of options			2021
				2020	Issued/reinstated in year	Forfeited in year	
EMI	July 2015	July 2018	0.95	360,000	140,000	—	500,000
Unapproved	July 2016	July 2019	1.26	315,000	—	(315,000)	—
Unapproved	July 2017	July 2020	0.73	75,000	—	(75,000)	—
SIP	August 2020	August 2024	0.18	—	644,754	—	644,754
CSOP	October 2020	October 2023	0.23	—	1,235,000	—	1,235,000
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
				750,000	5,049,754	(390,000)	5,409,754

During the year £612,000 (2020: £254,000) was transferred from the share-based payment reserve to retained earnings in relation to tranches where all options have now been cancelled.

13. Share capital

	2021 £'000	2020 £'000
Ordinary shares of £0.10 each		
At 1 April	5,872	4,054
Issued in the year	249	—
Issue of consideration shares in connection with R. Dunham acquisition	—	1,818
At 31 March	6,121	5,872
Number of shares		
At 1 April	58,721,845	40,540,027
Issue of shares in connection with JSOP	2,492,858	—
Issue of consideration shares in connection with R. Dunham acquisition	—	18,181,818
At 31 March	61,214,703	58,721,845

Issued in the year

During the year, the company issued a total of 2,492,858 ordinary shares sold to the share trust for £850,000. These shares are to be held for future redemption by members of the JSOP scheme upon successful completion or vesting conditions. Within the Group financial statements the share trust is consolidated and the £850,000 value of shares is shown in equity as the Group ownership of own share capital.

14. Share premium

	2021 £'000	2020 £'000
At 1 April	8,609	8,609
Issued in the year (net of share issue costs)	601	—
At 31 March	9,210	8,609

15. Merger reserve

	2021 £'000	2020 £'000
At 1 April 2020 and 31 March 2021	2,251	2,251

Notes to the parent company financial statements continued

for the financial year ended 31 March 2021

16. Note to the statement of cash flows

	2021 £'000	2020 £'000
Cash flow from operating activities:		
Profit before income tax	1,135	2,578
Adjustments for:		
Net finance cost	356	409
Share-based payments	10	3
Amortisation	7	3
Depreciation	2	2
Movement in receivables	1,006	69
Movement in payables	1,731	(457)
Net cash generated from operating activities	4,247	2,607

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:

	2021 £'000	2020 £'000
Loans and receivables:		
Other receivables	3,815	4,821
Cash and cash equivalents	1,326	—
	5,141	4,821

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

	2021 £'000	2020 £'000
Held at amortised cost:		
Bank loans and overdrafts	3,790	7,203
Accruals	159	362
Trade payables	25	354
Amounts due to Group undertakings	2,690	781
	6,664	8,700

17. Financial instruments continued

The table below shows the maturity profile of the Company's financial liabilities as at 31 March:

2021	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	143	—	257
HSBC term loan	1,000	2,533	—	—	3,533
Trade payables	25	—	—	—	25
Accruals	159	—	—	—	159
Amounts due to Group undertakings	2,690	—	—	—	2,690
	3,931	2,590	143	—	6,664
2020	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	314	—	—	—	314
HSBC term loan	3,333	—	—	—	3,333
HSBC overdraft	3,556	—	—	—	3,556
Trade payables	354	—	—	—	354
Accruals	362	—	—	—	362
Amounts due to Group undertakings	781	—	—	—	781
	8,700	—	—	—	8,700

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.

	2021 £'000	2020 £'000
Net debt comprised as follows:		
Cash at bank and in hand	1,326	—
Bank borrowings and overdrafts	(3,790)	(7,203)
	(2,464)	(7,203)

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 2021	2,330	1,000
Year ended 31 March 2020	2,300	2,653

As at 31 March 2021 amounts owed by Group undertakings totalled £2,806,000 (2020: £4,406,000) and owed to Group undertakings totalled £2,690,000 (2020: £781,000).

Notes to the parent company financial statements continued

for the financial year ended 31 March 2021

19. Ultimate controlling party

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

20. Parent company guarantee

Parent company guarantees are in place supporting some selected contracts entered into by all trading subsidiaries. The form of guarantee provided by Kinovo obliges the Group to undertake the work of the service provider in the event the trading subsidiary is unable to fulfil the services provision required: indemnify the customer against any losses incurred due to failure of the trading subsidiary to fulfil the service and give a duty of care to the customer as if Kinovo itself was the service provider.

Corporate information

Registered office

201 Temple Chambers
3-7 Temple Avenue
London EC4Y 0DT

Website

www.kinovopl.com

Registered number

9095860

Listing information

AIM:KINO

Date of Annual General Meeting

1 September 2021

Advisers and registrars

**Nominated adviser,
financial adviser and broker**

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Solicitors

Dentons UKMEA LLP
One Fleet Place
London EC4M 7RA

Auditor

Moore Kingston Smith LLP
Devonshire House
60 Goswell Road
London EC1M 7AD

Financial PR

Hudson Sandler Ltd
25 Charterhouse Square
London EC1M 6AE

Registrar

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen B63 3DA

Company Secretary

ONE Advisory Limited
201 Temple Chambers
3-7 Temple Avenue
London EC4Y 0DT

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.

Produced by
designportfolio

κίνοβο[®]

201 Temple Chambers
3-7 Temple Avenue
London EC4Y 0DT