

Company Registration No. 08375450 (England and Wales)

KANO COMPUTING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021



KANO COMPUTING LIMITED

COMPANY INFORMATION

Directors	A Klein J Klein J Brooks S Robson
Secretary	Eriska Secretaries Limited
Company Number	08375450
Registered Office	Unit 12.1 11-29 Fashion Street London E1 6PX
Independent Auditors	RSM Audit UK LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB

KANO COMPUTING LIMITED

CONTENTS

	Pages
Strategic report	4-6
Directors' report	7-8
Directors' responsibilities statement	9
Independent auditors' report	10-13
Income statement	14
Statement of financial position	15-16
Statement of changes in equity	17
Statement of cash flows	18
Notes to the financial statements	19-42

KANO COMPUTING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present the strategic report for the year ended 31 March 2021.

Principal Activities

Since inception to end 2021, Kano has designed, developed, produced and distributed over 1.2 million complex computer products globally. The Company's core focus has served a large and growing market - children who are eager to learn about building and coding computers and other peripherals.

In conjunction with the Company's software platform, Kano World, the Company creates educational tools for children, educators and beginners of all ages. Technological literacy is fundamental to the education of current and future generations and with its hardware and software offering, Kano is well placed to fill this need.

In addition to this, Kano has been working with a strategic development partner, Kanye West, to develop cutting edge tech products including a music device, the Stem Player, which was launched in August 2021.

Results and Performance

The results for the year show a loss before tax of £10.1m (2020: £16.8m). The Company has made significant progress on EBITDA performance which was up 66% compared with prior year. Overall, the business has streamlined its core operations, significantly reducing costs, as well as increasing revenue by 23%.

During the year the Company continued to sell the Kano PC which was launched in the last quarter of FY20 along with PC accessories (Headphones, Mouse, Webcam), backed by marketing support from partners such as Best Buy, Microsoft and Intel.

The Company expanded the content available on Kano, a recurring subscription revenue channel with the release of 'Pixel Motion' and bi-monthly content updates to the website, providing a well moderated community and the 'right kind of screen time'.

Streamlining operations through departmental restructuring, reducing headcount based in the US, leasing cheaper office space and reduced travel through FY20 and FY21 have contributed to a year on year saving of £5.7m.

The Company received Investment from the British Government via the Future Fund which was matched by existing investors, raising £6.485m in a convertible loan note in July 2020.

The Series E equity raise was completed in March 2021 of \$5.685m which triggered the conversion of the Future Fund loan note.

KANO COMPUTING LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Principal risks and uncertainties

The key risks and uncertainties that relate to the future profitability of the business are:

Liquidity Risk

Liquidity risk arises from the Company's management of working capital, finance charges and principal repayments on its debt. It is a risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company seeks to minimise financial risk by ensuring that daily cash management and forecasting is undertaken.

Exchange Rate Risk

The majority of the Company's sales are in USD which is a natural hedge to its manufacturing and financing costs. The Company manages its risk to exchange fluctuations by seeking to match and hold foreign currency balances in line with medium term obligations in those currencies.

Political Risk

All product manufacturing is currently in China and the Company is aware that there is a certain element of political risk. However due to the economics and efficiency of the trading partners in China, it is felt that the benefits outweigh the risks.

Computer Risk Shortage

Since 2020 there has been a world supply shortage of computer chips caused by the Coronavirus pandemic, US/China trade issues and various weather events. Kano has successfully sourced all relevant components to satisfy FY21 and FY22 production, albeit at an increased unit cost. Kano's procurement strategy is to maintain good relationships with suppliers, where possible to pay for components after production and to build price sensitivities into its financial models to assess the margin impact of any price volatility.

Key performance indicators

Key performance indicators which are monitored and reviewed by the business include revenue and operating profit/loss, with results for the year and comparative noted below:

	2021	2020
	£	£
Revenue	10,565,874	8,575,901
EBITDA	(4,386,826)	(13,140,213)

KANO COMPUTING LIMITED

STRATEGIC REPORT (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2021**

Future developments

The Company successfully co- designed, developed, manufactured and distributed the first technology product with Kanye West - the Donda Stem Player - in August 2021. The Stem Player included exclusive stems and content from the much anticipated Donda and Donda2 albums. Management continues to collaborate with Kanye West and are focussed on further developing this relationship utilising the unique skills of the team to realise the joint vision of this strategic partnership.

On behalf of the board.



A Klein
Director

Date 29/4/2022

KANO COMPUTING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and audited financial statements for the year ended 31 March 2021.

Results and Dividends

The results for the year are set out on page 14.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Klein

J Klein

S Goldring (appointed 20 August 2020 and resigned 27 January 2022)

J Brooks (appointed 28 January 2021)

S Robson (appointed 29 January 2021)

J Makinson (resigned 30 December 2020)

Directors' indemnity provisions are in place for the Company's directors.

Independent Auditors

RSM UK Audit LLP were appointed independent auditors of Kano in November 2021. RSM UK Audit LLP have indicated its willingness to continue in office.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company auditors are unaware. They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant information and to establish that the Company auditors are aware of that information.

The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to disclose future developments in the Strategic Report rather than the Directors' Report.

KANO COMPUTING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

On behalf of the board.



**A Klein
Director**

Date 29/4/2022

KANO COMPUTING LIMITED

DIRECTORS RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

The directors are responsible for preparing the strategic report, directors report and the financial statements in accordance with the applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have elected under Company law to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the Company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to such 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will continue in business.

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

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

KANO COMPUTING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KANO COMPUTING LIMITED

Opinion

We have audited the financial statements of Kano Computing Limited (the 'Company') for the year ended 31 March 2021 which comprise the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance International Accounting Standards in conformity with the requirements of the Companies Act 2006
- 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 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, 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.

Material uncertainty related to going concern

We draw attention to note 1.2 to the financial statements, which sets out that the Company's cash flow forecasts for the period to 31 March 2024 are subject to various assumptions, including equity funds being raised from new or existing investors and how new product development expenditure will be financed. These events or conditions, along with the other matters set out in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Other information

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

KANO COMPUTING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KANO COMPUTING LIMITED

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the 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 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 9, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

KANO COMPUTING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KANO COMPUTING LIMITED

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud.

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk 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 and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the Company operates in and how the Company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

KANO COMPUTING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KANO COMPUTING LIMITED

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, completing a financial statements disclosure checklist and reviewing tax computations prepared by external tax advisors.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing a sample of journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Coates

Richard Coates (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date: 3 May 2022

KANO COMPUTING LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

		2021	2020
	Notes	£	£
Revenue	4	10,565,874	8,575,901
Cost of sales		(9,907,752)	(9,542,363)
Gross profit/(loss)		658,122	(966,462)
Other operating income		80,135	32,403
Administrative expenses		(9,368,394)	(15,086,014)
Operating loss	5	(8,630,137)	(16,020,073)
Finance costs	8	(1,420,924)	(744,846)
Loss before taxation		(10,051,061)	(16,764,919)
Income tax income	9	705,624	600,618
Loss and total comprehensive expense for the year		(9,345,437)	(16,164,301)

The income statement has been prepared on the basis that all operations are continuing operations.

KANO COMPUTING LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

		2021	2020
	Notes	£	£
Non-current assets			
Intangible assets	10	1,797,539	3,281,894
Property, plant and equipment	11	357,234	364,640
		<u>2,154,773</u>	<u>3,646,534</u>
Current assets			
Inventories	13	2,745,195	3,065,902
Trade and other receivables	14	1,118,432	2,929,036
Cash and cash equivalents		3,573,188	4,650,428
		<u>7,436,815</u>	<u>10,645,366</u>
Total assets		<u>9,591,588</u>	<u>14,291,900</u>
Current liabilities			
Trade and other payables	15	6,364,384	5,751,269
Borrowings	16	1,678,131	3,789,729
Lease Liabilities	17	80,183	15,492
Provisions	18	202,118	2,194,384
Contract liability	19	-	975,902
		<u>8,324,816</u>	<u>12,726,776</u>
Net current liabilities		<u>(888,001)</u>	<u>(2,081,410)</u>
Non-current liabilities			
Borrowings	16	403,900	2,419,684
Lease liabilities	17	33,831	9,650
		<u>437,731</u>	<u>2,429,334</u>
Total liabilities		<u>8,762,547</u>	<u>15,156,110</u>
Net assets/(liabilities)		<u>829,041</u>	<u>(864,210)</u>
Equity			
Called up share capital	22	581	312
Share premium account		53,438,282	42,399,863
Accumulated losses		(52,609,822)	(43,264,385)
Total equity		<u>829,041</u>	<u>(864,210)</u>

KANO COMPUTING LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED) AS AT 31 MARCH 2021

The financial statements on pages 14 to 42 were approved by the board of directors for issue on
...29/4/2022... and are signed on its behalf by:



**A Klein
Director**

Company Registration No. 08375450

KANO COMPUTING LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital £	Share premium account £	Accumulated losses £	Total £
Balance as at 1 April 2019		235	27,240,220	(27,100,084)	140,371
Year ended 31 March 2020:					
Loss and total comprehensive expense for the year		-	-	(16,164,301)	(16,164,301)
Issue of share capital		77	15,159,643	-	15,159,720
Balance at 31 March 2020		312	42,399,863	(43,264,385)	(864,210)
Year ended 30 March 2021:					
Loss and total comprehensive income for the year		-	-	(9,345,437)	(9,345,437)
Issue of share capital	22	269	11,038,419	-	11,038,688
Balance at 31 March 2021		581	53,438,282	(52,609,822)	829,041

KANO COMPUTING LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

		2021	2020
	Notes	£	£
Cash flows from operating activities			
Cash absorbed by operations	25	(5,275,553)	(10,310,528)
Interest paid		(968,676)	(744,846)
Tax refunded		<u>705,624</u>	<u>600,618</u>
Net cash outflow from operating activities		(5,538,605)	(10,454,756)
Investing activities			
Purchase of intangible assets		(2,247,731)	(2,375,378)
Purchase of property, plant and equipment		<u>(155,686)</u>	<u>(245,978)</u>
Net cash used in investing activities		(2,403,418)	(2,621,356)
Financing activities			
Proceeds from issues of shares		11,038,688	15,159,720
Proceeds from borrowings		-	296,369
(Repayment of) loans		(4,127,553)	(148,178)
Outflow of lease liabilities		<u>(46,353)</u>	<u>-</u>
Net cash generated from financing activities		<u>6,864,782</u>	<u>15,307,911</u>
Net (decrease)/increase in cash and cash equivalents		(1,077,240)	2,231,799
Cash and cash equivalents at beginning of year		4,650,428	2,418,629
Cash and cash equivalents at end of year		<u>3,573,188</u>	<u>4,650,428</u>

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. Accounting policies

Company information

Kano Computing Limited is a private Company limited by shares incorporated in England and Wales. The registered office is Unit 12.1 11-29 Fashion Street, London, E1 6PX.

1.1 Accounting convention

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the applicable legal requirements of the Companies Act 2006.

Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors have considered the Company's financial performance since the balance sheet date and its current financial position, noting that there is cash at bank as at the date of approval of these financial statements, of approximately £3m.

The directors have reviewed management prepared cash flow forecasts for the financial period ending 31 March 2024, which demonstrate that the Company should have adequate cash to pay its debts during this period. These forecasts incorporate various assumptions, including equity funds being raised from new or existing investors and how new product development expenditure will be financed. The forecasts incorporate a range of development expenditures and assume the products continue to be successfully sold.

The directors consider that whilst each of the material assumptions within the cash flow forecasts are reasonable and probable, they accept that there can be no certainty that each or all of the assumptions will be correct, especially in relation to timings and quantum.

Whilst acknowledging the material uncertainty created by the factors set out above, the directors remain confident that the Company will have adequate resources to continue as a going concern for the period to at least 31 March 2024. As a result, the financial statements have been prepared on a going concern basis.

1.3 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume related rebates.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from development services is recognised as a single performance obligation bundle that is delivered over time. Revenue is recognised to the extent that separately identifiable costs and appropriate margin are deemed recoverable. Where timing differences arise between the delivery of performance obligations and consideration received, these are recognised as contract assets or contract liabilities.

1.4 Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

The Company capitalises development costs of projects which are in turn used for production of hardware and software that are ultimately sold to customers. The criteria for capitalisation is:

- It is technically feasible to complete the production of goods so that it will be available for use
- The intention of the management is to finish the production of goods to use or sell it
- There is an ability to use or sell the goods
- It can be demonstrated how the goods will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the goods are available
- The expenditure attributable during its development phase can be reasonably measured.

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

- Software - 20% straight line
- IP and Trademarks - 20% straight line
- Development costs - 33.33% straight line

1.5 Property, plant and equipment

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

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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

Land and buildings leasehold	50% straight line
Fixtures, fittings and equipment	33.33% straight line
Plant and machinery	33.33% straight line

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

1.6 Impairment of tangible and intangible assets

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Stock consists of finished goods, partially finished goods and various computing components that are used in the manufacture of products and finished goods.

Inventories held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to incurred in marketing, selling and distribution.

1.8 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are classified into specific categories, depending on the nature and purpose of the financial assets.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets are not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (e.g. trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership to another entity.

1.11 Financial liabilities

The Company recognises financial debt when the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled or they expire.

1.12 Equity instruments

Equity instruments issued by the Company are recorded as proceeds are received. Dividends payable equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or 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 reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements 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 generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1.14 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Share-based payments

a) Employee services

The Company operates an equity-settled, share-based compensation plan, under which the Company receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. A credit is recognised directly in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each vesting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

b) Parties other than employees

The Company also has arrangements in place for an equity settled compensation plan, under which the Company may receive goods or services from parties other than employees.

Where these services cannot be measured directly in reference to the goods or services received they are measured by reference to the fair value of the equity instruments granted, measured at the date the equity obtains the goods or the counterparty renders service.

1.18 Leases

At inception, the Company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful lives of right-to-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or,

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the Company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the Company's estimate of the amount expected to be payable under a residual value guarantee; or the Company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying amount of the right-to-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rate of exchange prevailing at the dates of transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.20 Group accounts

The Company has US subsidiaries, Kano Computing Inc and Solutions Organization LLC. All costs in relation to the subsidiaries are borne by this Company. The Company also has a subsidiary in China, Kano Dongguan Trading Limited, again all costs in relation to this entity are borne by this Company.

The Company has availed of the exemption available under Companies Act 405(2) not to consolidate on the basis that these subsidiaries are not material for the purpose of giving a true and fair view to the results.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1.21 Reserves

The share premium account comprises the premium on shares issue in excess of nominal value less issue costs. Accumulated losses comprise cumulative losses incurred by the Company.

2.0 Adoption of new and revised standards and changes in accounting policies

There have been no changes in accounting policies in the current year.

3.0 Critical accounting estimates and judgements

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions 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.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

Capitalisation of development costs

The Company capitalises development costs of projects. All costs associated with development including personnel costs and associated charges based on elapsed time spent on the R&D projects. Time spent on and subcontracting related to market research, talking to customers, PR, marketing, maintenance, sales and other non-development activities have not been included in the capitalisation and is amortised over its useful life as per IAS 38.

Amortisation

Intangible assets are recorded at cost less accumulated depreciation. Judgement is required to determine whether there are indicators of impairment of the Company's intangible assets. Factors taken into consideration in reaching such a decision include the future performance of the asset and expected useful life.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

4 Revenue

	2021	2020
	£	£
Revenue analysed by class of business		
Sale of goods	7,936,749	8,090,043
Development revenue	2,629,125	485,857
	<u>10,565,874</u>	<u>8,575,901</u>

5 Operating loss

	2021	2020
	£	£
Operating loss for the year is stated after charging:		
Exchange losses	229,038	702,070
Research and development costs	123,306	729,883
Fees payable to the company's auditor for the audit of the company's financial statements	60,000	66,830
Depreciation of property, plants and equipment	288,418	217,874
Amortisation of intangible assets	3,275,827	2,762,524
Loss on impairment of intangible assets	-	439,840
Staff Costs	3,304,061	3,389,320
Cost of inventories recognised as an expense	<u>8,816,328</u>	<u>7,133,383</u>

Other income in the year of £80,135 (2020: £32,403) was generated through the re-sale of PC manufacturing components.

Depreciation and amortisation are included within administrative expenses in the income statement.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

6 Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

	2021 Number	2020 Number
Executive team	2	2
Design and Engineering	20	32
Sales, Marketing and Support	10	13
Operations	7	10
Finance and Admin	4	8
	<u>43</u>	<u>65</u>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	2,923,487	3,207,653
Social security costs	289,607	209,686
Other pension costs	90,967	(28,019)
	<u>3,304,061</u>	<u>3,389,320</u>
Less capitalised as development cost	(872,891)	(2,375,378)
	<u>2,431,170</u>	<u>1,013,942</u>

7 Directors Remuneration

	2021 £	2020 £
Remuneration for qualifying services	233,359	186,780
Equity settled share based payments	-	80,452
Company pension contributions to defined contribution schemes	5,070	5,119
	<u>238,429</u>	<u>272,351</u>

The number of directors for whom retirement benefit are accruing under defined contribution schemes amounted to 1 (2020 - 1).

The number of directors who were awarded shares during the year was nil (2020 - 1).

The highest paid director received remuneration of £171k (2020: £171k) and pension contributions of £5k (2020: £5k) in the year.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

8 Finance costs

	2021 £	2020 £
Interest on loans	1,231,603	683,904
Other interest	20,072	-
Bank charges	169,249	60,942
	<u>1,420,924</u>	<u>744,846</u>

9 Income tax income

	2021 £	2020 £
Current tax		
UK corporation tax on losses for the current year	<u>(705,624)</u>	<u>(600,618)</u>

The charge for the year can be reconciled to the loss per the income statement as follows:

	2021 £	2020 £
Loss before taxation	<u>(10,051,061)</u>	<u>(16,764,919)</u>
Expected tax credit based upon corporation tax rate of 19.00% (2020: 19.00%)	(1,909,702)	(3,185,335)
Effect of expenses not deductible in determining taxable profit	31,082	12,404
Unutilised tax losses carried forward	1,862,281	3,095,928
Other timing differences	16,339	77,003
Adjustment in respect of prior years	<u>(705,624)</u>	<u>(600,618)</u>
Taxation credit for the year	<u>(705,624)</u>	<u>(600,618)</u>

The adjustment in respect of prior years relates to a research and development tax credit receipt in the year of £705,624 (2020: £600,618) in respect of the year ended 31 March 2019 (2020: 31 March 2018).

The Company had tax losses as at 31 March 2021 to carrying forward against future tax profits of approximately £52m (2020: £42m). A deferred tax asset of approximately £9.9m (2020: £8.0m) has not been recognised in respect of this asset due to uncertainty as to the timing of future taxable profits.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

10 Intangible Assets

	Software	IP and Trademarks	Development Costs	Total
	£	£	£	£
Cost				
At 1 April 2019	59,316	55,706	5,023,685	5,138,707
Additions - internally generated	-	-	2,375,378	2,375,378
Eliminated on impairment	-	-	(540,378)	(540,378)
At 31 March 2020	59,316	55,706	6,858,685	6,973,707
Additions - internally generated	-	-	872,891	872,891
Additions - purchased	-	119,126	1,255,714	1,374,840
Eliminated on impairment	-	-	(5,847,593)	(5,847,593)
At 31 March 2021	59,316	174,832	3,139,697	3,373,845
Amortisation and impairment				
At 1 April 2019	23,327	38,867	967,633	1,029,827
Charge for the year	18,418	5,061	2,739,045	2,762,524
Eliminated on impairment	-	-	(100,538)	(100,538)
At 31 March 2020	41,745	43,928	3,606,140	3,691,813
Charge for the year	13,626	5,904	3,256,297	3,275,827
Eliminated on impairment	-	-	(5,391,334)	(5,391,334)
At 31 March 2021	55,371	49,832	1,471,103	1,576,306
Net book amount				
At 31 March 2021	3,945	125,000	1,668,594	1,797,539
At 31 March 2020	17,571	11,778	3,252,545	3,281,894
At 31 March 2019	35,989	16,839	4,056,052	4,108,880

Material intangible assets are development costs, which are incurred in relation to the staff cost of those engaged in research and development. Carrying amount is as indicated above, which is amortised in accordance with accounting policy note 1.4.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

11 Property, plant and equipment

	Land and buildings leasehold £	Fixtures, fittings and equipment £	Plant and machinery £	Total £
Cost				
At 1 April 2019	-	653,448	-	653,448
Additions	31,203	220,321	19,596	271,120
At 31 March 2020	31,203	873,769	19,596	924,568
Reclassification	-	(572,462)	572,462	-
Disposals	(31,203)	(3,956)	(6,114)	(41,273)
Additions	160,367	36,363	119,323	316,053
At 31 March 2021	160,367	333,714	705,267	1,199,348
Accumulated depreciation and impairment				
At 1 April 2019	-	342,054	-	342,054
Charge for the year	6,232	211,642	-	217,874
At 31 March 2020	6,232	553,696	-	559,928
Reclassification	-	(316,950)	316,950	-
Disposals	(6,232)	-	-	(6,232)
Charge for the year	46,353	52,574	189,491	288,418
At 31 March 2021	46,353	289,320	506,441	842,114
Net book amount				
At 31 March 2021	114,014	44,394	198,826	357,234
At 31 March 2020	24,971	320,073	19,596	364,640
At 31 March 2019	-	311,394	-	311,394

Leasehold land and buildings comprise the value in use of assets under the leases disclosed in note 17 in accordance with IFRS 16.

12 Investments

The Company has an investment in 100% of the shares of Kano Computing Inc. having its registered office at 6 Liberty Square, PMB #398, Boston, MA 01209 USA. This entity is used to allow the Company to employ members of staff in the US.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

The Company has an investment in 100% of the shares of Solutions Organization LLC, having its registered office at 6 Liberty Square, PMB #398, Boston, MA 01209 USA. There are no Company operations performed under this entity.

The Company has an investment in 100% of the shares of Kano (Dongguan) Trading Co. Ltd, which is 100% owned, having its registered office at Room 602, 4th Building, No 303 South Chang'an Changqing Road, Chang'an County, Dongguan City, Guang Dong Province, China. This Company employs members of staff in China who work with production partners, overseeing the manufacturing operations of the Company.

These investments were held in both the current and previous years without change.

13 Inventories

	2021	2020
	£	£
Finished goods	2,300,375	1,278,597
Components	444,820	1,787,305
	<u>2,745,195</u>	<u>3,065,902</u>

During the year, the Company wrote off £463,426 (2020: £1.8m) of obsolete inventories.

14 Trade and other receivables

	2021	2020
	£	£
Trade receivables	757,799	2,447,506
Provision for bad and doubtful debts	-	(64,527)
	<u>757,799</u>	<u>2,382,979</u>
VAT recoverable	94,436	143,876
Other receivables	118,499	177,644
Prepayments	147,698	224,537
	<u>1,118,432</u>	<u>2,929,036</u>

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

No significant receivable balances are impaired at the reporting date.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Movement in the allowance for doubtful debts

	2021 £	2020 £
Balance at 31 March	-	64,527

15 Trade and other payables

	2021 £	2020 £
Trade payables	3,598,386	2,748,826
Accruals	1,580,052	2,516,268
Social security and other taxation	902,553	182,352
Other payables	283,393	303,823
	<u>6,364,384</u>	<u>5,751,269</u>

16 Borrowings

	2021 £	2020 £
Other loans	<u>2,082,031</u>	<u>6,209,413</u>

Maturity analysis of borrowings

	2021 £	2020 £
Within one year	1,678,131	3,789,729
In two to five years	403,900	2,419,684
Total undiscounted liabilities	<u>2,082,031</u>	<u>6,209,413</u>

The Company has secured debt, which will be repaid during FY22.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

17 Lease liabilities

	2021	2020
	£	£
Maturity analysis		
Within one year	84,193	16,583
In two to five years	35,522	10,307
Total undiscounted liabilities	119,715	26,890
Future finance charges and other adjustments	(5,701)	(1,748)
Lease liabilities in the financial statements	114,014	25,142

Lease liabilities are classified based on the amounts that are expected to be settled within the next twelve months and after more than 12 months from the reporting date as follows:

	2021	2020
	£	£
Current liabilities	80,183	15,492
Non-current liabilities	33,831	9,650
	114,014	25,142

The fair value of the Company's lease obligations is equal to its carrying value.

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

18 Provisions

	2021	2020
	£	£
Provisions against potential future liabilities	202,118	2,194,384

Analysis of provisions

Provisions are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

Current liabilities	202,118	2,194,384
---------------------	---------	-----------

Movements on provisions:

	Provisions against potential future liabilities
	£
At 1 April 2020	2,194,384
Provision for the year	64,527
Provision utilised	(2,056,793)
At 31 March 2021	202,118

The above provisions are against sales in relation to potential price promotions, reductions and returns.

19 Contract liability

	2021	2020
	£	£
Arising from consideration in advance of performance obligation	-	975,902

Analysis of deferred revenue

Deferred revenues are classified based on the amounts that are expected to be settled within the next 12 months and more than 12 months from the reporting date, as follows:

	2021	2020
	£	£
Current liabilities	-	975,902

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

20 Retirement benefit schemes

Defined contribution schemes

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £90,967 (2020 - income £28,109).

21 Share based transaction payments

Share option

	Number of share options		Weighted average share price	
	2021	2020	2021 £	2020 £
Outstanding at 1 April 2020	383,822	159,296	-	-
Granted in the year	83,569	290,319	-	-
Forfeited in the year	(50,477)	(65,793)	-	-
Outstanding at 31 March 2021	416,914	383,822	-	-
Exercisable at 31 March 2021	-	-	-	-

The options outstanding at 31 March 2021 had a weighted average exercise price of £0.0001 (2020: £0.0001).

Share options are held by current employees, ex employees and advisors of the Company. Options granted and forfeited in the year were in respect of employees and leavers of the Company respectively. Vested options can only be exercised on the occurrence of an exit event.

Liabilities and expenses

There were no expenses in the year related to equity settled share based payment transactions. (2020 - £80,452).

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Share Warrants

	Number of warrants		Weighted average share price	
	2021	2020	2021	2020
			\$	\$
Outstanding at 1 April 2020	61,080	61,080	25.33	25.33
Granted in the year	-	-	-	-
Forfeited in the year	-	-	-	-
Outstanding at 31 March 2021	61,080	61,080	25.33	25.33
Exercisable at 31 March 2021	-	-	-	-

Share warrants are held by debt and service providers to the Company in lieu of payment. There were no warrants issued or forfeited in the year.

Liabilities and expenses

There were no expenses in the year related to share warrant transactions. (2020 - £Nil).

22 Called up share capital

	2021	2020
	£	£
Ordinary share capital		
<i>Issued and fully paid</i>		
635,365 (2020: 635,364) Ordinary shares of 0.01p each	64	64
	64	64
Preference share capital		
<i>Issued and fully paid</i>		
592,381 (2020: 548,477) Seed shares of 0.01p each	59	55
839,280 (2020: 530,785) Series A of 0.01p each	84	53
953,631 (2020: 651,159) Series B of 0.01p each	95	65
491,136 (2020: 354,930) Series C of 0.01p each	49	35
480,838 (2020: 383,632) Series D of 0.01p each	48	38
1,818,634 Series E of 0.01p each	182	0
	518	247

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Each class of shares carries the right to vote and the entitlement to dividends ranked pari passu with any other class of shares to whom such distribution is made. However, on a winding up the preferred shares of Series D and E shares, have first right to a return of capital.

Any holder of preferred shares may convert into ordinary shares subject to class majority vote. All preferred shares shall convert into ordinary shares upon the occurrence of a qualifying IPO. In relation to shareholder decision making, there are certain reserved matters that require the approval of preferred shareholders.

During the year there were the following equity fundraising events:

- In July 2020, Kano entered into a convertible loan agreement of £3.2m with the Future Fund which was matched by existing investors, raising £6.485m.
- In March 2021, a further convertible loan note was entered into for \$685k (£493k).
- In March 2021, the Company raised additional equity through the issue of 511,247 preference shares for cash consideration of \$5m (£3.6m) (Series E).
- The Series E fundraise triggered the conversion of both convertible notes where an additional 1,237,346 and 70,041 preference shares were issued at a share premium of \$7.90 and \$9.87 respectively, resulting in a total share premium of £7m with a nominal value of £0.0001 per share.

Reconciliation of movements during the year:

Called up share capital

	Pref Seed Number	Pref Series A Number	Pref Series B Number	Pref Series C Number	Pref Series D Number	Pref Series E Number	Pref Total Number
At 1 April 2019	548,477	530,785	651,159	-	-	-	1,730,421
Issue of fully paid up shares	-	-	-	354,930	383,632	-	738,562
At 1 April 2020	548,477	530,785	651,159	354,930	383,632	-	2,468,983
Issue of fully paid up and anti-dilution shares	43,904	308,495	302,472	136,206	97,206	1,818,634	2,706,917
At 31 March 2021	592,381	839,280	953,631	491,136	480,838	1,818,634	5,175,900

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

23 Capital risk management

The Company is not subject to any externally imposed capital requirements.

24 Controlling party

No one person has overall control over the Company.

25 Cash absorbed by operations

	2021	2020
	£	£
Loss for the year after tax	(9,345,437)	(16,164,301)
Adjustments for:		
Taxation credited	(705,624)	(600,618)
Finance costs	1,420,924	744,846
Amortisation and impairment of intangible assets	3,732,087	3,202,364
Depreciation and loss on disposal of property, plant and equipment	298,488	217,874
Movements in working capital:		
(Decrease) in provisions	(1,992,266)	(1,090,287)
Decrease in inventories	320,707	209,353
Decrease/(increase) in trade and other receivables	1,810,604	(256,618)
Increase in trade and other payables	160,867	2,450,957
(Decrease)/increase in deferred revenue	(975,902)	975,902
Cash absorbed by operations	(5,275,552)	(10,310,528)

KANO COMPUTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

26 Analysis of changes in net debt

	2021	Cashflows	Non-cash flows	2020
	£	£	£	£
Cash and cash equivalents	3,573,188	(1,077,240)	-	4,650,428
Borrowings:				
Repayable in one year	(1,758,314)	4,173,906	(2,127,000)	(3,805,220)
Repayable after one year	(437,731)	-	1,991,604	(2,429,335)
	(2,196,045)	4,173,906	(135,396)	(6,234,555)
Net Debt	1,377,143	3,096,666	(135,396)	(1,584,127)