

RNS Number : 6960H
Kinovo PLC
28 November 2022

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Kinovo Plc
("Kinovo" or the "Group")

Interim Results
Strong momentum in underlying business

Kinovo plc (AIM:KINO), the specialist property services Group that delivers compliance and sustainability solutions, announces its unaudited Interim Results for the six months ended 30 September 2022.

Financial highlights (Continuing operations):

- Revenue increased by 25% to £29.8 million (H1 2021: £23.8 million)
- Gross margin percentage increased by 1.2% to 25.9% (H1 2021: 24.7%)
- Adjusted EBITDA increased 31% to £2.4 million (H1 2021: £1.8 million)
- Operating profit increased by 56% to £1.9 million (H1 2021: £1.2 million)
- Cash conversion of 130% during the period
- Net debt of £0.1 million (H1 2021: £1.7 million)
- Basic earnings per share increased 59% to 2.16p from 1.36p in H1 2021

Operating highlights:

- The underlying business continues to perform strongly despite a challenging macro-economic trading environment
- Revenue and profit attributable to our three key pillars; Regulation, Regeneration and Renewables, demonstrate robust growth during the period
- The Electrical Services Division, driven by new legislation changes, delivers growth of 37% in revenues
- The Building Services Division capitalised on decarbonisation opportunities as well as new contracts, increasing revenues by 30%
- The Group's ESGM Strategic Report has been published and our Carbon Net Zero Strategic Report is expected to be released in the new year
- Continued commitment to social value, with the number of apprentices compared to employees growing to 13% (H1 2021: 10%)
- Three-year visible revenues increased to £146 million with a robust pipeline in play and key contract wins and renewals including:
 - A four-year electrical works contract with Estuary Housing at £1.5 million per annum
 - A four-year repairs and maintenance contract with the London Borough of Bexley at £1.2 million per annum
 - A one-year contract worth £1 million with Orbit Voids

DCB (Kent) Limited ("DCB"):

- Cost to complete of construction projects, as previously announced, estimated to be a total of £4.3 million with the liability included in the financial statements at 30 September 2022
- As a result, discontinued operations loss after tax of £3.5 million (H1 2021: £0.3 million)
- Work has recommenced on two of the nine sites with a further three expected to commence in Q1 2023 and constructive dialogue continuing regarding the remainder of outstanding projects

Outlook:

- The implementation of regulatory-driven legislation changes during the period, alongside the Government's commitment to decarbonisation, align favourably with the Group's strategic pillars, positioning the Group well to support clients in delivering these mandates
- The Board is confident of achieving full year results in line with expectations

	Unaudited 6 months to 30 September 2022 £'000	Unaudited 6 months to 30 September 2021 £'000	Audited 12 months to 31 March 2022 £'000
Continuing operations			
Income statement			
Revenue	29,761	23,760	53,325
Gross profit	7,711	5,861	12,767
EBITDA ¹ (excluding effect of lease payments)	2,630	2,116	4,600
Adjusted EBITDA ² (including effect of lease payments)	2,396	1,831	4,237
Underlying operating profit ³	2,311	1,758	4,091
Underlying profit before taxation ⁴	2,099	1,606	3,822
Profit after taxation	1,344	834	2,262
Basic earnings per share ⁵	2.16	1.36	3.66
Adjusted earnings per share ⁶	2.87	2.27	5.33
Cash flow			
Net cash generated from operating activities ⁷	2,466	2,540	9,777
Adjusted net cash generated from operating activities ⁷	3,119	2,826	9,442
Adjusted operating cash conversion ⁸ (%)	130%	154%	223%
Financial position and net assets			
Net cash	(1,721)	(2,237)	(2,504)
Term and other loans	1,777	3,905	2,843
Net debt ⁹	56	1,668	339
Net assets/(liabilities)	(2,294)	11,250	(143)
Discontinued operations (see note 11)			
Loss after taxation	(3,486)	(279)	(13,144)

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

2. To align with internal reporting, Adjusted EBITDA is stated after a charge for lease payments, as set out in the financial review.

3. Underlying operating profit is stated before charging non-underlying items as set out in note 4.

4. Underlying profit before taxation is stated after finance costs and before charging non-underlying items as set out in the financial review.

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

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

7. Net cash generated from operating activities before tax for continuing operations. Adjusted net cash generation reflects lease payments and the payment of deferred HMRC payments to normal terms. Further analysis is set out in the financial review.

8. Adjusted net cash generated from operating activities divided by Adjusted EBITDA, as set out in the financial review.

9. Net debt comprises term loans and other loans, and cash net of overdraft, and excludes lease obligations.

David Bullen, Chief Executive Officer of Kinovo, commented:

"Our strategy, business model and investment case remain stronger than ever with sustainability at the heart of what we do, underpinned by the predominantly non-discretionary nature of our three key pillars: Regulation, Regeneration and Renewables.

While the DCB disposal has been challenging, we are pleased to be making progress on the outstanding projects. We have commenced work on two of the sites, a further three will begin in Q1 2023, and we are in a constructive dialogue with the clients of all the other projects. We continue to believe that the £4.3m total costs to complete is an appropriate estimate.

The underlying business continues to excel, with all three pillars delivering substantial growth and Kinovo is well-positioned to grow further. We believe a number of significant legislative changes that were implemented during the period alongside the Government's decarbonisation commitments will only increase the frequency and scope of our works."

Enquiries

Kinovo plc

Sangita Shah, Chairman
David Bullen, Chief Executive Officer

+44 (0)20 7796 4133
(via Hudson Sandler)

Canaccord Genuity Limited (Nominated Adviser and Sole Broker)

Adam James
Andrew Potts
Harry Rees

+44 (0)20 7523 8000

Hudson Sandler (Financial PR)

Dan de Belder
Harry Griffiths

+44 (0)20 7796 4133

This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Chair's statement

Overview

Despite the challenging macroeconomic conditions, Kinovo has continued its momentum in its continuing operations. This directly reflects our strategic repositioning and our ability to service our clients. Whilst we are not immune to the impacts of inflation, supply chain pressures and particularly labour shortages, Kinovo continues to mitigate these challenges through effective cost management, agile work practices and a focus on the implementation of the Group's strategy.

For the first half of this fiscal year, we were delighted to have achieved growth in all three of our divisions: mechanical, electrical and building services. This growth was also achieved across all three of our strategic pillars: Regulation, Regeneration and Renewables. Year on year revenues increased by 25% and, during the period, we are particularly pleased to have also won a number of significant contracts. We finish the first half of the year with EBITDA from continuing operations of £2.4 million, leaving Kinovo well-positioned to capitalise on further organic opportunities in a growing market requiring the services where we have considerable expertise and reputation.

DCB (Kent Limited) ("DCB")

Following the disposal of DCB, our former construction division, we provided working capital support to facilitate the completion of active projects which had not been completed to schedule, as previously announced.

We are actively managing the cost to complete on all projects, which are no longer under the sole control of third-party operators. Our team has begun working on-site on two of the projects, with a further three scheduled to commence in January 2023. We remain in constructive dialogue with clients for all of the other sites, and continue to expect the cost to complete to be approximately £4.3 million, over a period for completion, ranging from a number of months through to 2024. During the period, contracts have been signed on two projects and discussions are at an advanced stage on the others and the Board is confident they will be executed,

Chair Succession

As was announced at this year's Annual General Meeting, I will be stepping down from the Board of Kinovo once a suitable successor has been appointed. In spite of the myriad of challenges, it has been a privilege to serve as

Chair of Kinovo. Having successfully navigated these challenges, I am pleased that the Company is firmly set on a very promising trajectory of growth and success.

The search for my successor is actively underway, and an announcement will be made on this in due course.

Sangita Shah
Non-Executive Chair

28 November 2022

Chief Executive Officer's review

Overview

I am pleased to report another period of strong growth for Kinovo's continuing operations. We announced, 18 months ago, our rebranding and repositioning to focus on the three strategic pillars: Regulation, Regeneration and Renewables. Since then, the Group has made significant progress. The strategic pillars play to our core strengths and serve to benefit from the ever-increasing regulatory drivers within our sector as well as the Government's commitment to decarbonisation.

During the period, revenue increased by 25% to £29.8 million (H1 2021: £23.8 million), representing year-on-year increases across each of our three strategic pillars: Regulation by 14%, Regeneration by 67% and Renewables by 20%. All three of our service divisions also delivered period-on-period increases in revenues: Mechanical by 6%, Electrical by 37% and Building Services by 30%. This resulted in adjusted EBITDA from continuing operations of £2.4 million, a 31% rise on the previous year (H1 2021: £1.8 million).

The Group's performance is all the more impressive being set against a challenging trading environment, affected by the Russian invasion of Ukraine, the cost-of-living crisis and the lasting effects of the Covid-19 pandemic and Brexit. While material costs and supply chain disruptions have started to normalise, skilled labour shortages continue to remain a major issue.

We are mitigating this in line with our commitment to social value, through our apprenticeship and employee development programmes, with a number of internal promotions, "graduation" of apprentices to improved status and an overall increase in the number of apprentices we employ, which now accounts for 13% of our employees. Furthermore, we have continued to invest in the personal and professional development of our people, including further leadership training across the business, with the second round of management training, empowering our employees and providing them with the necessary skills to excel within and beyond their roles.

We have also benefitted from being able to draw on the utilisation of our broad sub-contractor base as the scaling up of our workforce alone to meet the opportunities of increased scope and quantities of contracts will continue to prove challenging.

The disposal of DCB, which was a key component in streamlining operations, has been a challenge post disposal as previously disclosed in our final results for the year ended 31 March 2022. However, we have now commenced on-site on two of the outstanding projects and an additional three will start in Q1 2023. We remain in constructive dialogue with clients on all other sites.

Operational Developments & Growth Drivers

During the period, we were pleased to secure a number of critical new contracts and renewals, including a £1.5 million per annum four-year contract for electrical works with Estuary Housing, a four-year agreement at £1.2 million per annum with London Borough of Bexley for repairs and maintenance, and with Orbit Voids on a one-year term for £1 million. With a robust pipeline of opportunities still in play, our three-year visible revenues have increased to £146 million, demonstrating our resilience and providing a solid foundation on which to build.

Other than Kinovo's repositioning, there are a number of key drivers which have contributed to our recent growth.

Kinovo is a clear beneficiary of a number of recent significant regulatory-focused legislative changes, as councils are beginning to prioritise initiatives that will become mandatory in the near future. The Building Safety Act received Royal Assent on 28 April 2022 and provides ground-breaking reforms to give residents and homeowners more rights, powers and protection, increasing the accountability of owners and leaseholders to ensure their safety. It compels safety and performance audits and requires the effective management and resolution of the risks identified with the Act, creating new independent bodies to provide effective oversight of the new regime - building inspector and building control approver registers will be open by April 2024.

Alongside this, the Fire Safety Act came into force in May 2022, requiring the responsible person to ensure that a Fire Risk Assessment is carried out, and action taken to remove or negate the risks that are identified, in conjunction with increased electrical wiring legislation that, from September 2022, makes arc fault detection devices mandatory for higher risk residential buildings. Each of these key compliance drivers provides critical opportunities under our Regulation and Regeneration pillars.

ESG

We are pleased with the progress that continues to be made regarding ESG, with this being a critical part of our corporate purpose, underpinning each of our three key pillars. The Government's net zero strategy is gaining momentum, including its Public Sector Decarbonisation Scheme which supports the aim of reducing emissions from public sector buildings by 75% by 2037 and we are fully committed as an organisation to supporting its implementation. Our Renewables pillar aligns directly with this. During the period, we published a Sustainability/ESGM Strategic Report and are currently preparing a Carbon Net Zero Strategic Report. We also invested in the recruitment of a Greener Solutions Manager, further strengthening our commitment to decarbonisation, and a detailed survey is currently underway to assess and facilitate our fleet's transition to consisting entirely of electric vehicles.

With social value a key priority internally and externally, the Group has continued to support our local communities with volunteering work including Purdy regenerating a local piece of derelict land into an allotment for a local estate with raised beds, a wildflower garden, fresh running water, the provision of a shelter and a pond. Another example involves Spokemead engaging on a weekly basis in a programme to help cook and serve food for vulnerable members of the local community.

Our people remain our greatest asset, so engaging with them and listening to their feedback is vital. We recently completed our second Employee Survey, which received a 69% engagement rate and, whilst the finer details are still being reviewed, clearly demonstrates recognition from our staff of the positive and progressive development of our culture, our work environment and the benefits that we provide to our people.

Outlook

We are pleased with the progress that continues to be made across the continuing business; we have great people, a sustainable and growing pipeline of contracts and a number of industry tailwinds to support our growth.

The DCB situation has been challenging for Kinovo, particularly since DCB went into administration, but since we took active control of the outstanding sites we are managing them well and are engaged with DCB's clients to seek to reach agreement on completion of the outstanding nine projects. Although market challenges remain, notably inflationary pressures and labour shortages, the cost-of-living crisis, the energy crisis, the significance of the recent regulatory led legislation changes and the Government's increasing commitment to decarbonisation has led many councils to prioritise increasing the safety and efficiency of their homes.

Whilst there is still much to be done, our strategy, business model and investment case remain stronger than ever with sustainability at the heart of what we do, underpinned by the predominantly non-discretionary nature of our three key pillars; Regulation, Regeneration and Renewables.

The resilience of Kinovo and the potential of opportunities for us are robust. We remain confident of continuing our recent trajectory of strong revenue and Adjusted EBITDA growth, in line with the Board's expectations.

David Bullen
Chief Executive Officer

28 November 2022

Financial review

Trading review

In the six-month period to 30 September 2022, Kinovo has continued to deliver strong growth in revenues, earnings and cash generation from its continuing operations despite the market challenges of supply chain inflation and material and labour availability.

Comparative revenues for continuing operations during the period grew 25% to £29.76 million (H1 2021: £23.76 million), Adjusted EBITDA (after the effect of a charge for lease payments) increased by 31% to £2.40 million (H1 2021: £1.83 million) with operating profit from continuing operations delivering £1.87 million (H1 2021: £1.20 million).

Profit before taxation for continuing operations was £1.66 million (H1 2021: £1.05 million), an increase of 59%.

Kinovo continues to progress the fulfilment of its parent company guarantees on the DCB construction projects with two projects resuming on site. Discontinued operations include a full provision for the estimated costs to complete the projects which continues to be in line with previously disclosed expectations.

As a result of the discontinued operations provision, the Group has reported a total loss for the period of £2.14 million (H1 2021: profit £0.56 million).

The Adjusted EBITDA on continuing operations of £2.40 million in the period is considered by the Board 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.

Adjusted EBITDA is calculated as earnings before interest, taxation, depreciation and amortisation, excluding non-underlying items and is stated after the effect of a charge for lease payments.

A reconciliation of EBITDA (excluding lease payments) and Adjusted EBITDA (including a charge for lease payments) for continuing operations is set out below:

	Unaudited 6 months ended 30 September 2022	Unaudited 6 months ended 30 September 2021	Audited year ended 31 March 2022
	£'000	£'000	£'000
Continuing operations			
Profit before tax	1,661	1,046	2,792
Add back: non-underlying items	438	560	1,030
Underlying profit before tax	2,099	1,606	3,822
<i>Adjustments for items not included in EBITDA:</i>			
Finance costs	212	152	269
Depreciation of property, plant and equipment	64	65	130
Depreciation of right-of-use assets	222	280	336
Amortisation of software costs	33	13	44
Profit on disposal of property, plant and equipment	-	-	(1)

EBITDA (excluding a charge for lease payments)	2,630	2,116	4,600
Adjustment for lease payments	(234)	(285)	(363)
Adjusted EBITDA	2,396	1,831	4,237

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, and as set out in note 4.

	Unaudited 6 months ended 30 September 2022	Unaudited 6 months ended 30 September 2021	Audited year ended 31 March 2022
	£'000	£'000	£'000
Continuing activities			
Amortisation of customer relationships	383	517	940
Share based payment charge	55	43	90
Total	438	560	1,030

Customer relationship intangible fixed asset is fully amortised at 30 September 2022.

Cash flow performance

Adjusted net cash generated from continuing operating activities in the period was £3.12 million (H1 2021: £2.83 million) delivering an Adjusted operating cash conversion of 130% (H1 2021: 154%).

Adjusted operating cash conversion is calculated as cash generated from continuing operations (after lease payments) of £2.23 million (H1 2021: £2.26 million), adjusted for the effects of deferred HMRC repayments of £0.89 million (H1 2021: £0.57 million), in the period; divided by Adjusted EBITDA of £2.40 million (H1 2021: £1.83 million), as set out below;

	Unaudited 6 months ended 30 September 2022	Unaudited 6 months ended 30 September 2021	Audited year ended 31 March 2022
	£'000	£'000	£'000
Continuing operations			
Net cash generated from operating activities per condensed consolidated statement of cash flows	814	1,926	3,660
Adjustment for cash absorbed by discontinued operations	1,652	614	6,117
Net cash generated from continuing operating activities	2,466	2,540	9,777
Less lease payments	(234)	(284)	(471)
	2,232	2,256	9,306
Adjustment for deferred HMRC payments	887	570	136
Adjusted net cash generated from continuing operating activities	3,119	2,826	9,442
Adjusted EBITDA (as above)	2,396	1,831	4,237
Adjusted operating cash conversion	130%	154%	223%

VAT liabilities of £0.89 million were deferred at 31 March 2022 and during the period, in line with agreed arrangements with HMRC was fully repaid. Cash conversion in the period has benefitted from extension of credit on the HSBC purchasing card facility.

Discontinued operations

Following its rebranding and strategic review, Kinovo determined that DCB Kent Limited (DCB), the Company's construction business was non-core and initiated a process to dispose of the business which was completed in January 2022.

The terms of the disposal included certain working capital commitments. The business entered administration in May 2022 and Kinovo retained commitments under parent company guarantees, signed prior to the disposal of DCB, to complete its' construction projects.

The total cost of the commitment to complete the DCB construction projects continue to be estimated at £4.30 million, which has been provided for in the financial statements at 30 September 2022. The outstanding provision for the completion of the projects amounts to £4.00 million at 30 September 2022. The provision for the costs to complete the DCB projects together with the prior period operational results and loss on disposal have been presented as discontinued operations.

Loss after tax for the discontinued activities for the 6-month period ended 30 September 2021 was £0.28 million.

Cash outflow in the 6-month period to 30 September 2022 relating to the discontinued operations amounted to £1.65 million including £1.23 million in respect of working capital contributions made to DCB prior to it entering administration and accrued at 31 March 2022.

Net debt

There has been a continuing priority on cash management and reduction in net debt. In the six-month period to 30 September 2022, net debt reduced by £0.28 million to £56,000 compared to net debt of £0.34 million at 31 March 2022.

Net debt has reduced £1.61 million from £1.67 million at 30 September 2021 to £56,000 at 30 September 2022.

Set out below is an analysis of net debt:

	Unaudited at 30 September 2022 £'000	Unaudited at 30 September 2021 £'000	Audited at 31 March 2022 £'000
Net cash	(1,721)	(2,237)	(2,504)
HSBC term loan	1,534	3,533	2,534
HSBC mortgage	171	224	200
Other term loan	72	148	109
Net debt	56	1,668	339

During the period the Group repaid £1.07 million of borrowings being £1.00 million on the HSBC term loan, £57,000 on the HSBC mortgage and £37,000 on the legacy Funding Circle Term loan. Total borrowings at 30 September 2022 were £1.78 million (H1 2022: £3.91 million).

The Group also has on demand overdraft facility of £2.50 million which was undrawn at 30 September 2022. The facility was renewed in September 2022 and interest is charged at 3% above Bank of England Base rate.

On 30 September 2022 the HSBC term loan was refinanced, extending the term by 1 year. The term loan now expires in September 2023 with £0.38 million quarterly repayments which commence in November 2022. Interest is charged at 4.0% above SONIA.

All financial covenants were achieved in the period and the covenants for the refinanced HSBC Term loan will be tested monthly and quarterly and comprise:

- (i) achievement of minimum levels of EBITDA;
- (ii) interest cover; and
- (iii) minimum liquidity

Dividends

No final dividend was paid for the year ended 31 March 2022 and no interim dividend is currently recommended for the year ending 31 March 2023 as the Group continues to fulfil the liabilities relating to the DCB construction projects and to proactively prioritise the reduction of net debt.

Clive Lovett
Group Finance Director

28 November 2022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 September 2022 (unaudited)

	Unaudited 6 months to 30 September 2022 £'000	Unaudited 6 months to 30 September 2021 £'000	Audited Year ended 31 March 2022 £'000
Continuing operations			
Revenue	29,761	23,760	53,325
Cost of sales	(22,050)	(17,899)	(40,558)
Gross Profit	7,711	5,861	12,767
Underlying administrative expenses	(5,400)	(4,103)	(8,676)
Operating profit before non-underlying items	2,311	1,758	4,091
<i>Non-underlying administrative expenses</i>			
Amortisation of customer relationships	(383)	(517)	(940)
Share based payment charge	(55)	(43)	(90)
<i>Total non-underlying administrative expenses (note 4)</i>	<i>(438)</i>	<i>(560)</i>	<i>(1,030)</i>
Operating profit	1,873	1,198	3,061
Finance costs	(212)	(152)	(269)
Profit before taxation	1,661	1,046	2,792
Income tax expense (note 10)	(317)	(212)	(530)
Total profit from continuing operations for the period	1,344	834	2,262
Discontinued operations			
Loss for the period (note 11)	(3,486)	(279)	(13,144)
Total comprehensive income/(loss) for the period attributable to the equity holders of the parent company	(2,142)	555	(10,882)

Earnings per share from continuing operations

(note 6)			
Basic (pence)	2.16	1.36	3.66
Diluted (pence)	2.16	1.30	3.61
Earnings/(loss) per share (note 6)			
Basic (pence)	(3.45)	0.90	(17.62)
Diluted (pence)	(3.43)	0.87	(17.62)

There are no items of other comprehensive income for the period.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2022 (unaudited)

	Unaudited 30 September 2022 £'000	Unaudited 30 September 2021 £'000	Audited 31 March 2022 £'000
Assets			
Non-current assets			
Intangible fixed assets	4,393	5,212	4,780
Property plant and equipment	1,069	1,005	1,103
Right-of-use-assets	696	1,420	786
Total non-current assets	6,158	7,637	6,669
Current assets			
Inventories	3,528	2,547	2,454
Deferred tax asset	783	-	306
Trade and other receivables	11,988	11,775	10,625
Cash and cash equivalents	1,721	2,031	2,504
Total current assets	18,020	16,353	15,889
Assets classified as held for sale (note 11)	-	9,920	-
Total assets	24,178	33,910	22,558
Issued share capital and reserves			
Share capital (note 8)	6,213	6,213	6,213
Own shares	(850)	(850)	(850)
Share premium	9,245	9,245	9,245
Share based payment reserve	65	30	74
Merger reserve	(248)	(248)	(248)
Retained earnings	(16,719)	(3,140)	(14,577)
Total equity attributable to the equity of the group	(2,294)	11,250	(143)
Non-current liabilities			
Borrowings (note 7)	114	1,781	177
Lease liabilities	384	995	434
Deferred tax liabilities	-	753	-
	498	3,529	611
Current liabilities			
Borrowings (note 7)	1,663	2,125	2,666
Lease liabilities	324	440	362
Current income tax liabilities	-	29	-
Trade and other payables	19,987	10,259	19,062
Provisions (note 11)	4,000	-	-
	25,974	12,853	22,090
Liabilities classified as held for sale (note 11)	-	6,278	-
Total equity and liabilities	24,178	33,910	22,558

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six-month period ended 30 September 2022 (unaudited)

	Unaudited 6 months to 30 September 2022 £'000	Unaudited 6 months to 30 September 2021 £'000	Audited Year ended 31 March 2022 £'000
Net cash generated from operating activities (note 5)	814	1,926	3,660
Cash flow from investing activities			
Purchases of property, plant and equipment	(27)	(82)	(253)
Purchase of intangible assets	(8)	(117)	(142)
Net cash used in investing activities	(35)	(199)	(395)
Cash flow from financing activities			
Issue of new share capital (net of share issue costs)	-	-	81
Share incentive plan (SIP)	(64)	-	-
Repayment of borrowings	(1,065)	(61)	(1,123)
Interest paid	(212)	(158)	(275)
Principal payments of leases	(221)	(270)	(443)
Dividends paid	-	(294)	(294)
Net cash used in financing activities	(1,562)	(783)	(2,054)
Net increase/(decrease) in cash and cash equivalents	(783)	944	1,211
Cash and cash equivalents at beginning of period/year	2,504	1,293	1,293
Cash and cash equivalents at end of period/year	1,721	2,237	2,504

The condensed consolidated statement of cash flows includes all activities of the Group. Cash flows from discontinued operations are set out in note 11.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 September 2022 (unaudited)

	Issued share capital £'000	Share premium £'000	Own shares £'000	Share based payment reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2022	6,213	9,245	(850)	74	(248)	(14,577)	(143)
Loss and total comprehensive income for the period	-	-	-	-	-	(2,142)	(2,142)
Issue of share capital	-	-	-	-	-	-	-
Share-based payment charge	-	-	-	55	-	-	55
Share incentive plan (SIP)	-	-	-	(64)	-	-	(64)
Dividends paid	-	-	-	-	-	-	-
Balance at 30 September 2022	6,213	9,245	(850)	65	(248)	(16,719)	(2,294)

For the six-month period ended 30 September 2021 (unaudited)

Balance at 1 April 2021	6,121	9,210	(850)	30	(248)	(3,401)	10,862
Profit and total comprehensive income for the period	-	-	-	-	-	555	555
Issue of share capital	93	34	-	(46)	-	-	81
Share-based payment charge	-	-	-	46	-	-	46
Dividends paid	-	-	-	-	-	(294)	(294)
Balance at 30 September 2021	6,214	9,244	(850)	30	(248)	(3,140)	11,250

For the year ended 31 March 2022

Balance at 1 April 2021	6,121	9,210	(850)	30	(248)	(3,401)	10,862
Loss and total comprehensive income for the period	-	-	-	-	-	(10,882)	(10,882)
Issue of share capital	92	35	-	(46)	-	-	81
Share-based payment charge	-	-	-	90	-	-	90
Dividends paid	-	-	-	-	-	(294)	(294)
Balance at 31 March 2022	<u>6,213</u>	<u>9,245</u>	<u>(850)</u>	<u>74</u>	<u>(248)</u>	<u>(14,577)</u>	<u>(143)</u>

NOTES TO THE INTERIM STATEMENT

1. Basis of preparation

Kinovo Plc and its subsidiaries (together "the Group") operate in the gas heating, electrical and general building services industries. The Group 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.

These interim financial statements of the Group have been prepared on a going concern basis under the historical cost convention, and in accordance with UK adopted Accounting Standards, the International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Boards ("IASB") that are effective or issued and early adopted as at the time of preparing these financial statements and in accordance with the provisions of the Companies Act 2006. The Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as they have been adopted by the United Kingdom, that are relevant to its operations and effective for accounting periods beginning on 1 April 2021.

The interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements, being the statutory financial statements for Kinovo Plc as at 31 March 2022, which have been prepared in accordance with IFRIC of the IASB as adopted by the United Kingdom.

The interim financial information for the six months ended 30 September 2022 do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim financial information has not been audited.

Significant accounting policies

The accounting policies adopted in the preparation of the interim financial information is consistent with those expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31 March 2023.

Going concern

The Directors have adopted the going concern basis in preparing these interim financial statements.

During the prior year Kinovo plc disposed of its non-core construction business, DCB (Kent) Limited. The terms of the disposal included provision for working capital commitments.

On 16th May 2022 DCB entered into administration and Kinovo retained commitments under parent company guarantees, signed prior to the disposal of DCB to complete its' construction projects.

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

resumed on site.

The Directors estimate that the net costs to complete the projects will be approximately £4.3 million, over a period for completion, ranging from a number of months through to 2024.

Three of the projects also had performance bonds, which are indemnified by Kinovo plc, totalling £2.10 million. One of the bonds has now been cancelled worth £0.95 million, and discussion on the others continue to either cancel or novate.

During H1 a new term loan agreement has been signed with HSBC, refinancing and extending the repayment of the loan for 12 months. At the 30 September 2022 £1.53 million remained of the term loan, a reduction of £1.0 million since the year end. No further additional funding is expected to be required over the next 12 months.

During September 2022 the £2.50 million overdraft facility was also renewed for 12 months.

The continuing business traded strongly in the first 6 months with EBITDA 31% ahead of prior year.

In assessing the Group's ability to continue as a going concern, the Board reviews and approves the 12-month budget and longer-term strategic plan, including forecasts of cash flows.

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

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

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

As final agreements with some clients of the DCB projects were outstanding at 30 September 2022, technically, a material uncertainty remains, which may cast significant doubt on the Group's ability to continue as a going concern. During the period, contracts have been signed on two projects and discussions are at an advanced stage on the others and the Board is confident they will be executed. For this reason, the Board continues to adopt the going concern basis in preparing the consolidated financial statements.

Publication of non-statutory financial statements

The results for the six months ended 30 September 2022 and 30 September 2021 are unaudited and have not been reviewed by the auditor. Statutory accounts for the year ended 31 March 2022 were filed with the Registrar of Companies in September 2022.

The interim financial information has been prepared on the basis of the same accounting policies as published in the audited financial statements for the year ended 31 March 2022. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") pronouncements as adopted by the United Kingdom. Comparative figures for the year ended 31 March 2022 have been extracted from the statutory financial statements for that period.

2. Corporate governance, principal risks and uncertainties

The Corporate Governance Report included with our Annual Report and Financial Statements for 2022 detailed how we embrace governance. The Kinovo Board recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its shareholders.

The Quoted Companies Alliance has published a corporate governance code for small and mid-sized quoted companies, which includes a standard of minimum best practice for AIM companies, and recommendations for reporting corporate governance matters (the "QCA Code"). Kinovo has adopted the QCA Code.

The nature of the principal risks and uncertainties faced by the Group have not changed significantly from those set out within the Kinovo Plc annual report and accounts for the year ended 31 March 2022.

3. Segmental analysis

The Board of Directors has determined an operating management structure aligned around the three core activities of the Group, being Mechanical services, Building services and Electrical services. Operating profit before non-underlying items has been identified as the key performance measure. The following is an analysis of the performance by segment:

	Unaudited 6 months ended 30 September 2022	Unaudited 6 months ended 30 September 2021	Audited year ended 31 March 2022
	£'000	£'000	£'000
Continuing operations			
Mechanical services	7,524	7,100	15,418
Building services	10,389	7,999	18,057
Electrical services	11,848	8,661	19,850
Total revenue	29,761	23,760	53,325

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

	Unaudited 6 months ended 30 September 2022	Unaudited 6 months ended 30 September 2021	Audited year ended 31 March 2022
	£'000	£'000	£'000
Continuing operations			
Mechanical services	740	884	1,981
Building services	816	713	1,576
Electrical services	1,585	793	1,903
Unallocated central costs	(830)	(632)	(1,369)
Operating profit before non-underlying items	2,311	1,758	4,091
Amortisation of acquisition intangibles	(383)	(517)	(940)
Share-based payment charge	(55)	(43)	(90)
Restructuring costs	-	-	-
Operating profit	1,873	1,198	3,061
Finance costs	(212)	(152)	(269)
Profit before tax	1,661	1,046	2,792
Income tax expense	(317)	(212)	(530)
Total profit for the period from continuing operations	1,344	834	2,262
Loss from discontinued operations	(3,486)	(279)	(13,144)
Total comprehensive income/(loss) for the period attributable to the equity holders of the parent company	(2,142)	555	(10,882)

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.

4. Non-underlying items

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

	Note	Unaudited 6 months to 30 September 2022	Unaudited 6 months to 30 September 2021	Audited Year ended 31 March 2022
		£'000	£'000	£'000
Amortisation of customer relationships	(a)	383	517	940

Share based payment charge	(b)	55	43	90
		438	560	1,030

All non-underlying items have been charged to other operating expenses.

(a) *Amortisation of customer relationships*

Amortisation of acquisition intangibles was £0.38 million for the period (H1 2022: £0.52 million) and relates to amortisation of the customer relationships identified by the Directors on the acquisition of Purdy, Spokemead and R. Dunham. Amortisation relating to DCB is presented in discontinued operations as set out in note 11.

(b) *Share based payment charge*

A number of share option schemes are in place and new options have been granted during the period relating to the Share Incentive Plan amounting to 289,954 (H1 2022: 582,494) Ordinary shares and CSOP 50,000 (H1 2022: None). The share-based payment charge has been separately identified as it is a non-cash expense. The share-based payment charge relating to DCB is presented in discontinued operations as set out in note 11.

5. Cash flows from operating activities

	Unaudited 6 months to 30 September 2022 £'000	Unaudited 6 months to 30 September 2021 £'000	Audited Year ended 31 March 2022 £'000
Profit/(loss) before income tax	(2,643)	696	(11,558)
Adjusted for:			
Finance costs	212	157	275
Loss/(profit) on disposal of property, plant and equipment	-	1	(1)
Depreciation	287	384	636
Amortisation of intangible assets	416	652	1,139
Loss on disposal of intangible assets	-	-	2,296
Share based payments	55	46	90
Movement in receivables	(1,364)	(1,640)	6,101
Movement in payables	925	1,969	4,670
Movement in provisions	4,000	-	-
Movement in inventories	(1,074)	(384)	12
Tax reclaimed	-	45	-
Net cash from operating activities*	814	1,926	3,660

* Includes all activities of the Group. Cash flows from discontinued operations are set out in note 11

6. Earnings/(loss) per share

The calculation of basic 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. Diluted earnings per share is calculated under the same method adjusted for the weighted average share options outstanding during the period as well as ordinary shares in issue.

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.

Basic and diluted earnings per share is calculated as follows:

	Unaudited 6 months to	Unaudited 6 months to	Audited Year ended
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	30 September 2022 £'000	30 September 2021 £'000	31 March 2022 £'000
Profit/(loss) used in calculating basic and diluted earnings per share			
Continuing operations	1,344	834	2,262
Discontinued activities	(3,486)	(279)	(13,144)
Total operations	(2,142)	555	(10,882)
Weighted average number of shares for the purpose of basic earnings per share	62,137,757	61,376,111	61,755,891
Weighted average number of shares for the purpose of diluted earnings per share	62,264,963	64,116,798	62,637,298

Continuing operations

Basic earnings per share (pence)	2.16	1.36	3.66
Diluted earnings per share (pence)	2.16	1.30	3.61

Discontinued activities

Basic loss per share (pence)	(5.61)	(0.45)	(21.28)
Diluted loss per share (pence)	(5.59)	(0.43)	(21.23)

Total operations

Basic earnings/(loss) per share (pence)	(3.45)	0.90	(17.62)
Diluted earnings/(loss) per share (pence)	(3.43)	0.87	(17.62)

Adjusted earnings per share

Profit after tax is stated after deducting non-underlying items totalling £0.44 million (H1 2022: £0.56 million). Non-underlying items are either exceptional in size, one off in nature or non-trading related. 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.

	Unaudited 6 months to 30 September 2022 £'000	Unaudited 6 months to 30 September 2021 £'000	Audited Year ended 31 March 2022 £'000
Continuing activities			
Profit after tax	1,344	834	2,262
Add back:			
Amortisation of acquisition intangible assets	383	517	940
Share based payment charge	55	43	90
	1,782	1,394	3,292
Discontinued operations			
Loss after tax	(3,486)	(279)	(13,144)
Add back:			
Amortisation of acquisition intangible assets	-	115	155
Share based payment charge	-	3	-

	(3,486)	(161)	(12,989)
Total activities			
Profit/(loss) after tax	(2,142)	555	(10,882)
Add back:			
Amortisation of acquisition intangible assets	383	632	1,095
Share based payment charge	55	46	90
	(1,704)	1,233	(9,697)
Weighted average number of shares for the purpose of basic adjusted earnings per share	62,137,757	61,376,111	61,755,891
Weighted average number of shares for the purpose of diluted adjusted earnings per share	62,264,963	64,116,798	62,637,298
Continuing operations			
Basic adjusted earnings per share (pence)	2.87	2.27	5.33
Diluted adjusted earnings per share (pence)	2.86	2.17	5.25
Discontinued activities			
Basic adjusted loss per share (pence)	(5.61)	(0.26)	(21.03)
Diluted adjusted loss per share (pence)	(5.59)	(0.25)	(20.73)
Total activities			
Basic adjusted earnings/(loss) per share (pence)	(2.74)	2.01	(15.70)
Diluted adjusted earnings/(loss) per share (pence)	(2.73)	1.92	(15.48)

7. Borrowings

	Unaudited 30 September 2022 £'000	Unaudited 30 September 2021 £'000	Audited 31 March 2022 £'000
Non-current borrowings			
<i>Bank and other borrowings;</i>			
Term loans	-	1,534	-
Mortgage loan	114	167	143
Other loans	-	80	34
Total non-current borrowings	114	1,781	177
Current borrowings;			
<i>Bank and other borrowings;</i>			
Term loans	1,534	2,000	2,534
Mortgage loans	57	57	57
Other loans	72	68	75
Total current borrowings	1,663	2,125	2,666
<i>Bank and other borrowings;</i>			
Term loans	1,534	3,533	2,534
Mortgage loans	171	224	200
Other loans	72	148	109
Total borrowings	1,777	3,905	2,843

The fair value of the borrowings outstanding as at 30 September 2022 is not materially different to its carrying value since interest rates applicable on the loans are close to market rates.

At 30 September 2022, £1.53 million remained outstanding on the HSBC term loan, a reduction of £1.0 million since the year end. On 30 September 2022, the Term loan was refinanced, extending the repayment of the loan for

12 months. Interest is charged at 4.0% above SONIA.

During September 2022 the £2.50 million HSBC overdraft facility, which was unutilised at 30 September 2022, was renewed for 12 months. Interest is charged at 3.0% above Bank of England base rate.

8. Share capital

Ordinary shares of £0.10 each	Unaudited 30 September 2022 £'000	Unaudited 30 September 2021 £'000	Audited 31 March 2022 £'000
At the beginning of the period	6,213	6121	6,121
Issued in the period	-	92*	92
At the end of the period	6,213	6,213	6,213

* Funds received into SIP trust in September 2021 and remitted to Company in October 2021.

Number of shares	Unaudited 30 September 2022	Unaudited 30 September 2021	Audited 31 March 2022
At the beginning of the period	62,137,757	61,214,703	61,214,703
Issued in the period	-	923,054	923,054
At the end of the period	62,137,757	62,137,757	62,137,757

9. Dividends

The Company did not pay a final dividend for the year ended 31 March 2022 (2021: 0.50 pence per ordinary share totalling £0.29 million). The Board do not recommend an interim dividend for the year ending 31 March 2023.

10. Taxation

The income tax charge for the six months ended 30 September 2022 is calculated based upon the effective tax rates expected to apply to the Group for the full year of 19% (2022: 19%). Differences between the estimated effective rate and the statutory rate of 19% are due to non-deductible expenses.

11. Discontinued operations

(a) Description

Following the disposal of the non-core DCB Kent Ltd (DCB) in January 2022, the business subsequently entered administration in May 2022, as detailed in the Kinovo plc 2022 annual report. Under parent company guarantees, signed prior to the disposal of DCB, Kinovo has a commitment to complete the DCB construction projects. The Kinovo plc 2022 annual report set out the expected costs to complete the projects amounting to £4.30 million. It is still considered that this represents the best estimate of the future obligation under the guarantees. £0.30 million of costs have been incurred since the year end and £4.00 million has been provided for the future loss on these contracts.

(b) Financial performance and cash flow information from discontinued operations

	Unaudited 6 months to 30 September 2022 £'000	Unaudited 6 months to 30 September 2021 £'000	Audited Year ended 31 March 2022 £'000
Revenue	-	11,420	13,432
Cost of sales	-	(10,011)	(11,780)
Gross Profit	-	1,409	1,652
Underlying administrative expenses	-	(1,635)	(2,168)
Operating loss before non-underlying items	-	(226)	(516)

Non-underlying administrative expenses			
Amortisation of customer relationships	-	(115)	(155)
Share based payment charge	-	(3)	-
Loss on disposal	(4,304)	-	(12,595)
Total non-underlying administrative expenses	(4,304)	(118)	(12,750)
Operating loss	(4,304)	(344)	(13,266)
Finance costs	-	(5)	(6)
Loss before taxation	(4,304)	(349)	(13,272)
Income tax credit	818	70	128
Loss for the period/year	(3,486)	(279)	(13,144)

Operating profit excludes allocation of Corporate costs in accordance with IFRS 5, which states that only costs clearly identifiable as directly relating to the discontinued operations can be included.

Loss per share from discontinued operations

Basic (pence)	(5.61)	(0.45)	(21.28)
Diluted (pence)	(5.59)	(0.43)	(21.28)

Cash flows from discontinued operations

Net cash outflow from operating activities	-	(614)	(1,453)
Net cash outflow from investing activities	-	(10)	(10)
Net cash outflow from financing activities	-	(18)	(16)
Net reduction in cash generated by the subsidiary	-	(642)	(1,479)

In the period to 30 September 2022, £1.65 million cash payments were made relating to the disposal of DCB, consisting of working capital payments required under the disposal agreement (prior to DCB entering administration) and construction project costs. These have not been included in the table above as not considered to be operating cashflow of the operations.

(c) Assets and liabilities of subsidiary classified as held for sale

	Unaudited 30 September 2022 £'000	Unaudited 30 September 2021 £'000	Audited 31 March 2022 £'000
Assets classified as held for sale			
Intangible - Goodwill	-	1,351	-
Intangible - Customer relationship	-	1,048	-
Intangible - Computer software	-	73	-
Property, plant and equipment	-	268	-
Inventory	-	303	-
Trade and other receivables	-	6,671	-
Cash	-	206	-
Total assets held for sale	-	9,920	-
Liabilities directly associated with assets classified as held for sale			
Trade and other payables	-	6,105	-
Finance leases	-	41	-
Income tax liabilities	-	44	-
Deferred tax	-	88	-
Total liabilities classified as held for sale	-	6,278	-

At 30 September 2021 the assets and liabilities of DCB (Kent) Limited were included as held for sale at their carrying value, as the full assessment of the fair value had not been completed.

12. Forward-Looking statements

This report contains certain forward-looking statements with respect to the financial condition of Kinovo Plc. These statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There could be a number of factors which influence the actual results and developments. These could impact on the forward-looking statements included in this report.

13. Interim Report

Copies of this Interim Report will be available to download from the investor relations section on the Group's website www.kinovopl.com.

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