

RNS Number : 7493U  
Kinovo PLC  
07 December 2021

7 December 2021

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

**Half year results for the six months ended 30 September 2021**

Kinovo Plc (AIM:KINO), the specialist property services Group that delivers compliance and sustainability solutions, announces its unaudited half year results for the six months ended 30 September 2021 (the "Period").

	<b>Unaudited 6 months to 30 September 2021</b>	<b>Unaudited 6 months to 30 September 2020</b>	<b>Audited 12 months to 31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Continuing operations</b>			
<b>Income statement</b>			
Revenue	<b>23,760</b>	14,478	39,369
Gross profit	<b>5,861</b>	4,321	9,291
EBITDA <sup>1</sup> (excluding effect of lease payments)	<b>2,116</b>	1,439	2,777
Adjusted EBITDA <sup>2</sup> (including effect of lease payments)	<b>1,831</b>	1,038	2,096
Underlying operating profit <sup>3</sup>	<b>1,758</b>	975	2,010
Underlying profit before taxation <sup>4</sup>	<b>1,606</b>	739	1,572
Profit/(loss) after taxation	<b>834</b>	(361)	(252)
Basic earnings/(loss) per share <sup>5</sup>	<b>1.36</b>	(0.61)	(0.43)
Adjusted earnings per share <sup>6</sup>	<b>2.27</b>	1.30	2.76
<b>Cash flow</b>			
Net cash generated from operating activities	<b>2,540</b>	2,544	5,542
Adjusted net cash generated from operating activities <sup>8</sup>	<b>2,826</b>	1,439	4,360
Adjusted operating cash conversion <sup>9</sup> (%)	<b>154%</b>	139%	208%
<b>Financial position and net assets</b>			
Net (cash)/overdraft <sup>10</sup>	<b>(2,237)</b>	(2,465)	(1,293)
Term and other loans	<b>3,905</b>	7,325	3,966
Net debt <sup>7</sup>	<b>1,668</b>	4,860	2,673
Net assets	<b>11,250</b>	10,487	10,862
<b>Discontinued operations</b> - business held for sale (see note 11)			
(Loss)/profit after taxation	<b>(279)</b>	206	409
Basic (loss)/earnings per share	<b>(0.45)</b>	0.35	0.69

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 and bank covenant 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 (loss)/earnings per share is the (loss)/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 debt comprises term loans and other loans, and cash net of overdraft, and excludes lease obligations.

8. Net cash generated from operating activities before tax and after lease payments and adding back £nil (2020: £0.33m) exceptional items in the period ended 30 September 2021. It is also adjusted to reflect the payment of deferred HMRC payments to normal terms. Further analysis is set out in the financial review.

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

10. Including cash classified as held for sale.

**Financial Highlights**

- Continuing operations

- Revenues increased 64% to £23.76 million (H1 2020: £14.48 million)
- Regulation services delivers 60% (£14.15 million) of total revenues
- Adjusted EBITDA increased 76% of £1.83 million (H1 2020: £1.04 million)
- Operating profit £1.20 million (H1 2020: loss of £0.21 million)
- Basic earnings per share of 1.36 pence (H1 2020: loss of 0.61 pence)
- Cash flow and net debt
  - Strong Adjusted cash generation of £2.83 million from continuing operations
  - Adjusted operating cash conversion of 154%
  - Total net debt reduced further to £1.67 million (H1 2020: £4.86 million)
  - Resumption of full year final dividend
  - Covid-19 related deferred VAT liability reduced to £0.41 million and will be fully repaid in January 2022.

### Operational Highlights

- Discontinued operations - advanced discussions to sell non-core construction business, DCB (Kent) Ltd
- Secured new contracts with total multi-year potential value of £43.72 million, driven by investment in business development team
- Three-year visible revenues\* for continuing operations have increased by 37% from year end to £144 million
- Over 90% of continuing operations revenues are recurring, underpinning the value of long-term contracts
- Diversified revenues across Mechanical, Electrical and Building Services divisions; 30%, 36% and 34% respectively
- Installation of ground source heat pump, photovoltaic panels and EV chargers at Head Office
- IT infrastructure project completed and generating efficient returns
- Number of apprentices account for 10% of the total workforce in our continuing operations, enhancing our commitment to social value

*\* Three-year visible revenues represent the minimum identifiable revenues from the 1 April 2021 on a like for like basis excluding DCB; being contracted or anticipated spend, as well as historical run rates.*

### Post-period end

- A further £0.5 million of our term loan paid down at the end of November with outstanding balance on the HSBC term now £3.03 million
- An additional £0.21 million of our deferred VAT paid down at the end of November 2021 with the remaining £0.20 million to be paid by January 2022

### Commenting on the results and prospects, David Bullen, Chief Executive Officer, said:

"This has been the first six-month period since we rebranded and repositioned the Group. We are in an excellent position to better meet the needs of our customers, we are embracing our ESG responsibilities and continue to focus on our three strategic pillars of Regulation, Regeneration and Renewables. Revenues have increased 64% year on year and are well diversified across our strategic pillars and service divisions. In addition, we have continued to reduce our net debt and we have reinstated our final dividend payment.

The commitment and dedication of my colleagues as usual deserve recognition, consistently delivering the high expectations of our clients in difficult circumstances. On behalf of the Board, I thank them for their sterling efforts.

With the expected disposal of DCB (Kent), we strengthen our core strategic pillars, enabling the Group to focus our investment for future growth.

We have continued to see challenges presented by the external market relating to supply chain issues and the ongoing Covid-19 pandemic but remain committed to mitigate these risks as much as possible by planning ahead. Notwithstanding these headwinds, we remain confident in our outlook for the full year. The Directors expect the second half of the financial year to be stronger than the first half, in line with historical reporting periods pre-Covid-19."

*This announcement contains information which, prior to its disclosure by this announcement, was inside information for the purposes of the Market Abuse Regulation*

**For further information please contact:**

**Kinovo Plc**

Sangita Shah, Chair

David Bullen, Chief Executive Officer

+44 (0)20 7796 4133

(via Hudson Sandler)

+44 (0)20 7523 8000

**Canaccord Genuity Limited** (Nominated Adviser  
and Sole Broker)

Corporate Broking:

Andrew Potts

Georgina McCooke

Sales:

Jonathan Barr

**Hudson Sandler** (Financial PR)

Daniel de Belder

Bertie Berger

+44 (0)20 7796 4133

**Notes to Editors:**

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

Its focus on Regulation, Regeneration and Renewables ensures it is well placed to capitalise on both the current and future macro-economic drivers that are underpinned by Government legislation and policy.

There are four subsidiaries within the Kinovo Group:

- Purdy, an award-winning contractor in electrical, mechanical and property services;
- Spokemead, a specialist in electrical installation, repairs and maintenance services;
- R. Dunham, a provider of electrical installation and maintenance services; and
- DCB (Kent), a high-quality building, refurbishment and maintenance services provider (non-core discontinued operations classified as held for sale as at 30 September 2021).

Through their collaboration and shared central functions, the Group offers a range of end-to-end specialist services to customers, working in partnership with them to meet their own compliance and sustainability goals.

Kinovo Plc is listed on the AIM market of the London Stock Exchange.

## Chair's statement

Kinovo's half year results have been extremely positive, reflecting the solid progress made in the implementation of the strategic plan relating to the pillars of Regulation, Regeneration and Renewables. The performance was delivered despite ongoing labour and supply chain challenges. We continue to win new contracts and deliver high expectations for our customers.

The results, together with the reintroduction of the dividend, clearly underline the successful turnaround of the business executed under the new executive and management team. Under David Bullen's leadership, the management team has collectively instilled a unified purpose and ensured the successful communication of the strategy to all staff.

In line with our strategy around the three strategic pillars of Regulation, Regeneration and Renewables, we are in advanced discussion on the disposal of DCB Kent Limited, the Group's construction arm, which we have deemed to be non-core. The disposal will allow Kinovo to focus on our key strengths: compliance and regulatory work under long-term contracts.

Whilst further market uncertainty remains in light of Covid-19, the Group has already taken measures to ensure that robust progress continues and where possible, built-in resilience to anticipate these potential issues.

The Group is enormously indebted to its people who continue to show an unstinting dedication and commitment. To each of them, I extend my profound gratitude on behalf of the Board. With their considerable effort, the business is now in a strong operational position and solid financial footing for a future that shows promise and continued growth.

## Chief Executive Officer's review

### Overview

Kinovo has delivered a robust and resilient performance during the first half of the year. We have rebranded and repositioned the Group, significantly increased our revenues and earnings, reinstated our final dividend payment, whilst continuing to reduce our net debt.

We are pleased with the progress made during the period as operations return to some semblance of normality as the challenges of Covid-19 have eased. However, we remain cautious of any new strains of the virus. Revenue during the six-month period increased by 64% year-on-year to £23.76 million, excluding our construction division, DCB (Kent) Limited, as we are currently in advanced discussions regarding its sale.

Adjusted EBITDA grew 76% from £1.04 million at the end of September 2020 to £1.83 million at the end of September 2021, while operating profit increased to £1.20 million compared with a loss of £0.21 million last year. Since September 2020, net debt has fallen by 66% from £4.89 million to £1.67 million, reiterating the cash-generative qualities of our underlying business. The Directors are committed to moving the Group into a net cash position.

The investment made to strengthen our business development team and drive organic growth is already demonstrating its value. During the first half of the year, several new contracts were secured with a total multi-year potential value of £43.6 million, most of which will commence in the second half of the current financial year.

These wins have increased the three-year visible revenues for our continuing operations since the year-end substantially by 37% to £144 million and include significant contracts with Sanctuary Housing, the London Boroughs of Waltham Forest and Wandsworth, ranging across our core services from electrical installation and fixed appliance testing, commercial boiler rooms, kitchens and bathroom replacements through to installing air source heat pumps and photovoltaic units.

### Repositioning

Following the Group's change of name to Kinovo earlier this year, we re-defined our business model and investment case to concentrate on three strategic pillars as our key areas for the business moving forward: Regulation, Regeneration and Renewables. These pillars are centred on compliance-driven, regulatory-led specialist services that offer long-term contracts, recurring revenue streams and strong cash generation. Regulation is the foundation of our business and has been demonstrated by delivering 60% of our total revenues in the period.

Kinovo has concluded that its construction division, DCB (Kent) Limited, is non-core to our proposition. This is aligned to the Group's clearer focus and strategic pillars. During the period, DCB's revenue delivered £11.42 million with a loss before tax of £0.28 million. The Group is in advanced discussions with various parties for the disposal of DCB and an update will be made when appropriate.

The disposal will allow Kinovo to prioritise our core business, broadening and deepening our expertise in these areas through organic growth and strategic acquisitions, as and when a suitable fit arises.

Over the period, we have seen increases in the amount of work in our continuing operations under each of the three strategic pillars, with Regulation revenues rising by 55%, Regeneration revenues by 64% and Renewables revenues by 94%, reiterating the strength of our strategy.

### People and Culture

We have built up our Human Resources department further in order to prioritise recruitment and training, aligned to our commitment to attract and retain talent as an employer of choice. To support a consistent and cohesive culture

that embeds our purpose and values, we have rolled out a leadership and management training programme across the Group's management, which has been very well received by the participants. We intend to broaden this further across the employee base.

The Group has also been scaling up our apprenticeship scheme to secure a pipeline of capable and skilled employees for the future and now account for 10% of the total workforce in our continuing operations, enhancing our social value commitment. In addition, our drive to facilitate personal and professional development within the Group has seen several opportunities for internal promotion fulfilled, demonstrating the benefits our growth potential brings to our people.

Following our first employee engagement survey, we have listened, acted and made great strides addressing areas for improvement as a Group. We intend to initiate another survey over the coming months to gain feedback on our progress to date and identify additional areas on which to focus moving forward.

## External factors

Our positive results for the first half of the year belie the headwinds of the significant market challenges that we have faced, notably supply chain cost inflation, labour and material availability.

These challenges persist post-period end, but we have continued to mitigate these risks as much as possible by broadening our procurement process, increasing our stockholding where feasible, and further diversifying our sub-contractor base.

Covid-19 has also continued to affect the business, albeit less so than last year. Whilst the UK was not in lockdown, as a people facing business, we have nevertheless experienced disruption to staffing during the period. We remain vigilant of the implications of potential surges, particularly as we move into the busiest period of the year. However, as we have previously demonstrated, the non-discretionary nature of most of our work positions us well, giving us a strong degree of comfort regarding our outlook.

## Outlook

Our strategy and repositioning of the business is already proving itself. Our commitment to ESG being at the heart of everything we do is increasingly evident, and we are continuing to see positive momentum across all areas of the Group.

While the Board remains very mindful of the continuing challenges in the external environment, the strength and resilience of our first half performance means we are confident in our outlook for the full year and with our new contract wins, we expect a return to our historical heavier weighting in our second half performance.

# Financial review

## Trading review

In the six-month period to 30 September 2021, Kinovo has continued to demonstrate resilient progress, delivering strong growth in revenues, earnings and cash generation from its continuing operations, as Covid-19 restrictions eased, despite the market challenges of supply chain inflation and material and labour availability.

Comparative revenues for continuing operations during the period grew 64% to £23.76 million (2020: £14.48 million), Adjusted EBITDA (after the effect of a charge for lease payments) increased by 76% to £1.83 million (2020: £1.04 million) with operating profit from continuing operations delivering £1.20 million (2020: loss £0.21 million).

Profit before taxation for continuing operations was £1.05 million (2020: loss £0.45 million). Total profit for the period was £0.56 million (2020: loss £0.16 million).

The Adjusted EBITDA on continuing operations of £1.83 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. It is also the measure for the covenants under our banking arrangements.

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. Comparative figures have been represented to split out the

results relating to operations that have now been discontinued:

	Unaudited 6 months ended 30 September 2021 £'000	Unaudited 6 months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
<b>Continuing operations</b>			
<b>Profit/(loss) before tax</b>	<b>1,046</b>	<b>(449)</b>	<b>(371)</b>
Add back: non-underlying items	560	1,188	1,943
<b>Underlying profit before tax</b>	<b>1,606</b>	<b>739</b>	<b>1,572</b>
<i>Adjustments for items not included in EBITDA:</i>			
Finance costs	152	236	438
Depreciation of property, plant and equipment	65	45	82
Depreciation of right-of-use assets	280	411	668
Amortisation of software costs	13	8	17
<b>EBITDA (excluding a charge for lease payments)</b>	<b>2,116</b>	<b>1,439</b>	<b>2,777</b>
Adjustment for lease payments	(285)	(401)	(681)
<b>Adjusted EBITDA</b>	<b>1,831</b>	<b>1,038</b>	<b>2,096</b>

### 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 3.

	Unaudited 6 months ended 30 September 2021 £'000	Unaudited 6 months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
<b>Continuing activities</b>			
Amortisation of customer relationships	517	847	1,582
Share based payment charge	43	15	27
Restructuring costs	-	326	334
<b>Total</b>	<b>560</b>	<b>1,188</b>	<b>1,943</b>

### Cash flow performance

Adjusted net cash generated from continuing operating activities in the Period was £2.82 million (2020: £1.44 million) delivering an Adjusted operating cash conversion of 154% (2020: 139%).

Adjusted operating cash conversion is calculated as cash generated from continuing operations (after lease payments) of £2.26 million (2020: £2.16 million), after adding back exceptional cash payments of £nil (2020: £0.33 million) and adjusted for the effects of deferred HMRC repayments of £0.57 million (2020: net deferred £1.04 million), in the Period; divided by Adjusted EBITDA of £1.83 million (2020: £1.44 million), as set out below;

	Unaudited 6 months ended 30 September 2021 £'000	Unaudited 6 months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
<b>Continuing operations</b>			
<b>Net cash generated from operating activities per condensed consolidated statement of cash flows</b>	<b>1,926</b>	<b>3,004</b>	<b>5,814</b>
Adjustment for cash absorbed/(generated) from discontinued operations	614	(460)	(272)
<b>Net cash generated from continuing operating activities</b>	<b>2,540</b>	<b>2,544</b>	<b>5,542</b>
Less lease payments	(284)	(389)	(667)

Less corporation tax received	-	-	(163)
	<b>2,256</b>	<b>2,155</b>	<b>4,712</b>
Add back exceptional payments	-	326	334
Adjustment for deferred HMRC payments	570	(1,042)	(686)
<b>Adjusted net cash generated from continuing operating activities</b>	<b>2,826</b>	<b>1,439</b>	<b>4,360</b>
Adjusted EBITDA (as above)	1,831	1,038	2,096
<b>Adjusted operating cash conversion</b>	<b>154%</b>	<b>139%</b>	<b>208%</b>

Total HMRC VAT liabilities of £1.02 million were deferred at 31 March 2021 and during the Period £0.61 million was repaid in line with HMRC guidance. The remaining deferred VAT will be fully repaid by end January 2022.

### 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. See note 11 for additional details.

The activities of DCB have been presented as discontinued operations in the 6-month period ended 30 September 2021 and the comparatives of the Condensed Consolidated Statement of Comprehensive Income have been represented for the 6-month period ended 30 September 2020 and the year ended 31 March 2021.

Loss after tax for the discontinued activities for the 6-month period ended 30 September 2021 was £0.28 million (2020: profit £0.21 million).

The disposal of DCB will allow the Company to harmonise its operations and increase the focus on its three strategic workflow pillars; Regulation, Regeneration and Renewables. These pillars are centred on compliance driven, regulatory led specialist services that offer long-term contracts, recurring revenue streams and strong cash generation.

### Net debt

There has been a continuing priority on cash management and reduction in net debt. In the six-month period to 30 September 2021, net debt reduced by £1.00 million (37%) to £1.67 million compared to net debt of £2.67 million at 31 March 2021 including cash balances that rose from £1.29 million at 31 March 2021 to £2.24 million at 30 September 2021.

Net debt has reduced £3.19 million (66%) from £4.86 million at 30 September 2020 to £1.67 million at 30 September 2021.

During the six-month period, the Company reinstated its final dividend (0.50 pence per ordinary share) and paid £0.29 million.

In addition, deferred VAT totalling £0.61 million was paid, strengthening the Company's financial position further following the effects of the pandemic. Outstanding deferred VAT was £0.41 million at 30 September 2021 and will be fully repaid by January 2022.

Set out below is an analysis of net debt:

	<b>Unaudited at 30 September 2021 £'000</b>	<b>Unaudited at 30 September 2020 £'000</b>	<b>Audited at 31 March 2021 £'000</b>
Net (cash)/overdraft (including cash held for sale)	(2,237)	(2,465)	(1,293)
HSBC term loan	3,533	6,833	3,533
HSBC Mortgage	224	285	257
Other term loan	148	207	176
<b>Net debt</b>	<b>1,668</b>	<b>4,860</b>	<b>2,673</b>

On 22 May 2020 the Group secured the restructuring of £9.83 million debt facilities with HSBC UK Bank plc. The Group's previous debt facility was in the form of a £3.33 million term loan and a £6.50 million overdraft facility. This debt facility has been restructured to represent a £7.33 million term loan facility and a £2.50 million overdraft facility.

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

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

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

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

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

The covenants for the quarter to 31 December 2021 and beyond will be tested quarterly and they are:

- (i) achievement of minimum levels of Adjusted EBITDA;
- (ii) debt service cover; and
- (iii) interest cover.

## Dividends

A final dividend for the year ended 31 March 2021 of 0.5 pence per ordinary share and totalling £0.29 million (2020: £nil) was paid in the Period. No interim dividend is currently recommended for the year ending 31 March 2022 as the Group continues to prioritise the reduction of net debt.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 September 2021

	Unaudited 6 months to 30 September 2021 £'000	Unaudited 6 months to 30 September 2020 £'000	Audited Year ended 31 March 2021 £'000
<b>Continuing operations</b>			
<b>Revenue</b>	<b>23,760</b>	<b>14,478</b>	<b>39,369</b>
Cost of sales	(17,899)	(10,157)	(30,078)
<b>Gross Profit</b>	<b>5,861</b>	<b>4,321</b>	<b>9,291</b>
Underlying administrative expenses	(4,103)	(3,346)	(7,281)
<b>Operating profit before non-underlying items</b>	<b>1,758</b>	<b>975</b>	<b>2,010</b>
<i>Non-underlying administrative expenses</i>			
Amortisation of customer relationships	(517)	(847)	(1,582)
Share based payment charge	(43)	(15)	(27)
Restructuring costs	-	(326)	(334)
<i>Total non-underlying administrative expenses (note 4)</i>	<i>(560)</i>	<i>(1,188)</i>	<i>(1,943)</i>
<b>Operating profit</b>	<b>1,198</b>	<b>(213)</b>	<b>67</b>
Finance costs	(152)	(236)	(438)
<b>Profit/(loss) before taxation</b>	<b>1,046</b>	<b>(449)</b>	<b>(371)</b>
Income tax expense (note 10)	(212)	88	119
<b>Total profit/(loss) from continuing operations for the period</b>	<b>834</b>	<b>(361)</b>	<b>(252)</b>
<b>Discontinued operations</b>			
(Loss)/profit for the period (note 11)	(279)	206	409
<b>Total comprehensive income/(loss) for the period</b>	<b>555</b>	<b>(155)</b>	<b>157</b>



**attributable to the equity holders of the parent company**

**Earnings/(loss) per share from continuing operations (note 6)**

Basic (pence)	1.36	(0.61)	(0.43)
Diluted (pence)	1.30	(0.61)	(0.43)

**Earnings/(loss) per share (note 6)**

Basic (pence)	0.90	(0.26)	0.27
Diluted (pence)	0.87	(0.26)	0.27

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**At 30 September 2021**

	Unaudited 30 September 2021 £'000	Unaudited 30 September 2020 £'000	Audited 31 March 2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible fixed assets	5,212	8,984	8,209
Property plant and equipment	1,005	1,326	1,307
Right-of-use-assets	1,420	1,684	1,688
<b>Total non-current assets</b>	<b>7,637</b>	<b>11,994</b>	<b>11,204</b>
<b>Current assets</b>			
Inventories	2,547	4,386	2,467
Trade and other receivables	11,775	15,481	16,726
Cash and cash equivalents	2,031	2,465	1,293
<b>Total current assets</b>	<b>16,353</b>	<b>22,332</b>	<b>20,486</b>
<b>Assets classified as held for sale (note 11)</b>	<b>9,920</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>33,910</b>	<b>34,326</b>	<b>31,690</b>
<b>Issued share capital and reserves</b>			
Share capital (note 8)	6,214	5,872	6,121
Own shares	(850)	-	(850)
Share premium	9,244	8,609	9,210
Share based payment reserve	30	630	30
Merger reserve	(248)	(248)	(248)
Retained earnings	(3,140)	(4,376)	(3,401)
<b>Total equity attributable to the equity of the group</b>	<b>11,250</b>	<b>10,487</b>	<b>10,862</b>
<b>Non-current liabilities</b>			
Borrowings (note 7)	1,781	5,206	2,842
Lease liabilities	995	1,133	1,183
Deferred tax liabilities	753	759	699
	<b>3,529</b>	<b>7,098</b>	<b>4,724</b>
<b>Current liabilities</b>			
Overdraft (note 7)	-	-	-
Borrowings (note 7)	2,125	2,119	1,124
Lease liabilities	440	610	552
Current income tax liabilities	29	-	-
Trade and other payables	10,259	14,012	14,428

	12,853	16,741	16,104
<b>Liabilities classified as held for sale (note 11)</b>	6,278	-	-
<b>Total equity and liabilities</b>	<b>33,910</b>	<b>34,326</b>	<b>31,690</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the six month period ended 30 September 2021**

	Unaudited 6 months to 30 September 2021 £'000	Unaudited 6 months to 30 September 2020 £'000	Audited Year ended 31 March 2021 £'000
<b>Net cash generated from operating activities (note 5)</b>	1,926	3,004	5,814
<b>Cash flow from investing activities</b>			
Purchases of property, plant and equipment	(82)	(22)	(87)
Purchase of intangible assets	(117)	(13)	(115)
Proceeds on disposal of property, plant and equipment	-	2	20
<b>Net cash used in investing activities</b>	(199)	(33)	(182)
<b>Cash flow from financing activities</b>			
Proceeds from borrowings	-	7,333	7,333
Issue of new share capital (net of share issue costs)	-	-	850
Purchase of own shares for JSOP*	-	-	(850)
Repayment of borrowings	(61)	(3,890)	(7,249)
Interest paid	(158)	(248)	(461)
Principal payments of leases	(270)	(369)	(630)
Dividends paid	(294)	-	-
<b>Net cash (used)/generated in financing activities</b>	(783)	2,826	(1,007)
<b>Net increase in cash and cash equivalents</b>	944	5,797	4,625
<b>Cash and cash equivalents at beginning of period/year</b>	1,293	(3,332)	(3,332)
<b>Cash and cash equivalents at end of period/year</b>	<b>2,237</b>	<b>2,465</b>	<b>1,293</b>

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

\* Joint Share Ownership Plan. Full details of the scheme is given in the annual report.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six month period ended 30 September 2021 (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 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 six month period ended 30 September 2020 (unaudited)**

Balance at 1 April 2020	5,872	8,609	-	612	(248)	(4,221)	10,624
Loss and total comprehensive income for the period	-	-	-	-	-	(155)	(155)
Share-based payment charge	-	-	-	18	-	-	18
Balance at 30 September 2020	5,872	8,609	-	630	(248)	(4,376)	10,487

**For the year ended 31 March 2021**

Balance at 1 April 2020	5,872	8,609	-	612	(248)	(4,221)	10,624
Profit and total comprehensive income for the period	-	-	-	-	-	157	157
Issue of share capital	249	601	(850)	-	-	-	-
Share-based payment charge	-	-	-	30	-	-	30
Deferred tax on share option	-	-	-	-	-	51	51
Transfer to retained earnings for share options cancelled	-	-	-	(612)	-	612	-
Balance at 31 March 2021	6,121	9,210	(850)	30	(248)	(3,401)	10,862

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

The interim financial information for the six months ended 30 September 2021 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 2022.

### Going concern

The Directors have prepared financial forecasts and cash flows looking beyond twelve months from the date of these consolidated financial statements. In developing these forecasts the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period, together with the expected ongoing effect of Covid-19.

The businesses have delivered a robust and resilient performance in the last six months; profitability has increased significantly, new contract wins have been achieved and visible revenues increased. The Board also review the

Group's sources of available funds and the level of headroom against its committed borrowing facilities and associated covenants. The Group reduced its net debt by £3.19 million in the last 12 months.

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

## Publication of non-statutory financial statements

The results for the six months ended 30 September 2021 and 30 September 2020 are unaudited and have not been reviewed by the auditor. Statutory accounts for the year ended 31 March 2021 were filed with the Registrar of Companies in September 2021.

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 2021. 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 2021 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 2021 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 2021.

## 3. Segmental analysis

The Board of Directors has determined an operating management structure aligned around the three core activities of the Group, being Gas maintenance, 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 2021 £'000	Unaudited 6 months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
<b>Continuing operations</b>			
Gas maintenance	7,100	4,072	12,262
Building services	7,999	4,350	13,185
Electrical services	8,661	6,056	13,922
<b>Total revenue</b>	<b>23,760</b>	<b>14,478</b>	<b>39,369</b>

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

	Unaudited 6 months ended 30 September 2021 £'000	Unaudited 6 months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
<b>Continuing operations</b>			
Gas maintenance	884	646	1,406
Building services	713	137	270
Electrical services	793	704	1,723
Unallocated central costs	(632)	(512)	(1,389)

<b>Operating profit before non-underlying items</b>	<b>1,758</b>	<b>975</b>	<b>2,010</b>
Amortisation of acquisition intangibles	(517)	(847)	(1,582)
Share-based payment charge	(43)	(15)	(27)
Restructuring costs	-	(326)	(334)
<b>Operating profit</b>	<b>1,198</b>	<b>(213)</b>	<b>67</b>
Finance costs	(152)	(236)	(438)
<b>Profit before tax</b>	<b>1,046</b>	<b>(449)</b>	<b>(371)</b>
Income tax expense	(212)	88	119
<b>Total profit/(loss) for the period from continuing operations</b>	<b>834</b>	<b>(361)</b>	<b>(252)</b>
(Loss)/profit from discontinued operations	(279)	206	409
<b>Total comprehensive income/(loss) for the period attributable to the equity holders of the parent company</b>	<b>555</b>	<b>(155)</b>	<b>157</b>

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 2021 £'000	Unaudited 6 months to 30 September 2020 £'000	Audited Year ended 31 March 2021 £'000
Amortisation of customer relationships	(a)	517	847	1,582
Share based payment charge	(b)	43	15	27
Restructuring costs	(c)	-	326	334
		560	1,188	1,943

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

*(a) Amortisation of customer relationships*

Amortisation of acquisition intangibles was £0.52 million for the period (H1 2020: £0.85 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 582,494 (2020: None) Ordinary shares. The share based payment charge has been separately identified as it is a non-cash expense. The share based payment charge relating DCB is presented in discontinued operations as set out in note 11.

*(c) Restructuring costs*

Comprise redundancy and associated costs and costs of the rationalisation of the property portfolio resulting from the restructure of the Group operations and were one off and non-recurring. There were £nil restructuring costs in the period to 30 September 2021 (2020: £0.33 million). Restructuring costs relating DCB are presented in discontinued operations as set out in note 11.

#### 5. Cash flows from operating activities

Unaudited                      Unaudited                      Audited

	6 months to 30 September 2021 £'000	6 months to 30 September 2020 £'000	Year ended 31 March 2021 £'000
Profit/(loss) before income tax	696	(192)	140
Adjusted for:			
Finance costs	157	248	461
Loss/(profit) on disposal of property, plant and equipment	1	(2)	(2)
Depreciation	384	505	847
Amortisation of intangible assets	652	976	1,843
Share based payments	46	18	30
Movement in receivables	(1,640)	3,826	2,580
Movement in payables	1,969	(1,770)	(1,561)
Movement in inventories	(384)	(605)	1,313
Tax reclaimed	45	-	163
Net cash from operating activities*	1,926	3,004	5,814

\* 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. For the year end 31 March 2021 none of the options were dilutive as the exercise price on the schemes were below the average share price for the year.

Basic earnings per share amounts are calculated by dividing net profit for the year or period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Basic and diluted earnings per share is calculated as follows:

	Unaudited 6 months to 30 September 2021 £'000	Unaudited 6 months to 30 September 2020 £'000	Audited Year ended 31 March 2021 £'000
Profit/(loss) used in calculating basic and diluted earnings per share			
Continuing operations	834	(361)	(252)
Discontinued activities	(279)	206	409
Total operations	555	(155)	157
Weighted average number of shares for the purpose of basic earnings per share	61,376,111	58,721,845	58,956,248
Weighted average number of shares for the purpose of diluted earnings per share	64,116,798	58,721,845	58,956,248

### Continuing operations

Basic earnings/(loss) per share (pence)	1.36	(0.61)	(0.43)
Diluted earnings/(loss) per share (pence)	1.30	(0.61)	(0.43)

### Discontinued activities

Basic (loss)/earnings per share (pence)	(0.45)	0.35	0.69
Diluted (loss)/earnings per share (pence)	(0.43)	0.35	0.69

**Total operations**

Basic earnings/(loss) per share (pence)	0.90	(0.26)	0.27
Diluted earnings/(loss) per share (pence)	0.87	(0.26)	0.27

**Adjusted earnings per share**

Profit after tax is stated after deducting non-underlying items totalling £0.68 million (2020: £1.35 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 2021 £'000	Unaudited 6 months to 30 September 2020 £'000	Audited Year ended 31 March 2021 £'000
<b>Continuing activities</b>			
Profit/(loss) after tax	834	(361)	(252)
Add back:			
Amortisation of acquisition intangible assets	517	847	1,582
Share based payment charge	43	15	27
Restructuring costs	-	326	334
Impact of above adjustments on corporation tax	-	(62)	(63)
	<u>1,394</u>	<u>765</u>	<u>1,628</u>
<b>Discontinued operations</b>			
(Loss)/profit after tax	(279)	206	409
Add back:			
Amortisation of acquisition intangible assets	115	116	232
Share based payment charge	3	3	3
Restructuring costs	-	45	45
Impact of above adjustments on corporation tax	-	(9)	(9)
	<u>(161)</u>	<u>361</u>	<u>680</u>
<b>Total activities</b>			
Profit/(loss) after tax	555	(155)	157
Add back:			
Amortisation of acquisition intangible assets	632	963	1,814
Share based payment charge	46	18	30
Restructuring costs	-	371	379
Impact of above adjustments on corporation tax	-	(70)	(72)

	1,233	1,127	2,308
Weighted average number of shares for the purpose of basic adjusted earnings per share	61,376,111	58,721,845	58,956,248
Weighted average number of shares for the purpose of diluted adjusted earnings per share	64,116,798	58,721,845	58,956,248
<b>Continuing operations</b>			
Basic adjusted earnings per share (pence)	2.27	1.30	2.76
Diluted adjusted earnings per share (pence)	2.17	1.30	2.76
<b>Discontinued activities</b>			
Basic adjusted (loss)/earnings per share (pence)	(0.26)	0.61	1.15
Diluted adjusted (loss)/earnings per share (pence)	(0.25)	0.61	1.15
<b>Total activities</b>			
Basic adjusted earnings per share (pence)	2.01	1.92	3.91
Diluted adjusted earnings per share (pence)	1.92	1.92	3.91

## 7. Borrowings

	Unaudited 30 September 2021 £'000	Unaudited 30 September 2020 £'000	Audited 31 March 2021 £'000
<b>Non-current borrowings</b>			
<i>Bank and other borrowings;</i>			
Term loans	1,534	4,833	2,533
Mortgage loan	167	228	200
Other loans	80	145	109
<b>Total non-current borrowings</b>	<b>1,781</b>	<b>5,206</b>	<b>2,842</b>
<b>Current borrowings;</b>			
<i>Bank and other borrowings;</i>			
Term loans	2,000	2,000	1,000
Mortgage loans	57	57	57
Other loans	68	62	67
Overdraft	-	-	-
<b>Total current borrowings</b>	<b>2,125</b>	<b>2,119</b>	<b>1,124</b>
<i>Bank and other borrowings;</i>			
Term loans	3,533	6,833	3,533
Mortgage loans	224	285	257
Other loans	148	207	176
Overdraft	-	-	-
<b>Total borrowings</b>	<b>3,905</b>	<b>7,325</b>	<b>3,966</b>

The fair value of the borrowings outstanding as at 30 September 2021 is not materially different to its carrying value since interest rates applicable on the loans are close to market rates.

## 8. Share capital

Ordinary shares of £0.10 each	Unaudited	Unaudited	Audited
-------------------------------	-----------	-----------	---------



	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
At the beginning of the period	6,121	5,872	5,872
Issued in the period	93*	-	249
<b>At the end of the period</b>	<b>6,214</b>	<b>5,872</b>	<b>6,121</b>

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

	Unaudited 30 September 2021	Unaudited 30 September 2020	Audited 31 March 2021
<b>Number of shares</b>			
At the beginning of the period	61,214,703	58,721,845	58,721,845
Issued in the period	923,054	-	2,492,858
<b>At the end of the period</b>	<b>62,137,757</b>	<b>58,721,845</b>	<b>61,214,703</b>

## 9. Dividends

In the period, the Company paid a final dividend for the year ended 31 March 2021 of 0.50 pence per ordinary share totalling £0.29 million. The Board do not recommend an interim dividend for the year ending 31 March 2022.

## 10. Taxation

The income tax charge for the six months ended 30 September 2021 is calculated based upon the effective tax rates expected to apply to the Group for the full year of 19% (2020: 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 its rebranding and strategic review, Kinovo announced that DCB Kent Limited (DCB), the Company's construction business was non-core and held for sale. The proposed disposal of DCB will allow the Company to harmonise its operations and increase the focus on its three strategic workflow pillars; Regulation, Regeneration and Renewables. These pillars are centred on compliance driven, regulatory led specialist services that offer long-term contracts, recurring revenue streams and strong cash generation.

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

	Unaudited 6 months to 30 September 2021 £'000	Unaudited 6 months to 30 September 2020 £'000	Audited Year ended 31 March 2021 £'000
<b>Revenue</b>	<b>11,420</b>	<b>8,954</b>	<b>20,817</b>
Cost of sales	(10,011)	(7,281)	(17,210)
<b>Gross Profit</b>	<b>1,409</b>	<b>1,673</b>	<b>3,607</b>
Underlying administrative expenses	(1,635)	(1,240)	(2,793)
<b>Operating (loss)/profit before non-underlying items</b>	<b>(226)</b>	<b>433</b>	<b>814</b>
<i>Non-underlying administrative expenses</i>			
Amortisation of customer relationships	(115)	(116)	(232)
Share based payment charge	(3)	(3)	(3)
Restructuring costs	-	(45)	(45)
<i>Total non-underlying administrative expenses</i>	<i>(118)</i>	<i>(164)</i>	<i>(280)</i>
<b>Operating (loss)/profit</b>	<b>(344)</b>	<b>269</b>	<b>534</b>
Finance costs	(5)	(12)	(23)
<b>(Loss)/profit before taxation</b>	<b>(349)</b>	<b>257</b>	<b>511</b>

Income tax credit/(expense)	70	(51)	(102)
<b>(Loss)/profit for the period</b>	<b>(279)</b>	<b>206</b>	<b>409</b>

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)/earnings per share from discontinued operations**

Basic (pence)	(0.45)	0.35	0.69
Diluted (pence)	(0.43)	0.35	0.69

#### **Cash flows from discontinued operations**

Net cash (outflow)/inflow from operating activities	(614)	460	272
Net cash outflow from investing activities	(10)	(26)	(40)
Net cash outflow from financing activities	(18)	(25)	(44)
Net (reduction)/increase in cash generated by the subsidiary	(642)	409	188

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

	Unaudited 30 September 2021 £'000	Unaudited 30 September 2020 £'000	Audited 31 March 2021 £'000
<b>Assets classified as held for sale</b>			
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	-	-
<b>Total assets held for sale</b>	<b>9,920</b>	<b>-</b>	<b>-</b>
<b>Liabilities directly associated with assets classified as held for sale</b>			
Trade and other payables	6,105	-	-
Finance leases	41	-	-
Income tax liabilities	44	-	-
Deferred tax	88	-	-
<b>Total liabilities classified as held for sale</b>	<b>6,278</b>	<b>-</b>	<b>-</b>

The assets and liabilities of DCB (Kent) Limited have been included as held for sale at their carrying value, as the full assessment of the fair value has yet to be completed. A review of the effect of the planned disposal of DCB will be undertaken for the results for the year ending 31 March 2022.

## **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](http://www.kinovopl.com).

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact [rns@lseg.com](mailto:rns@lseg.com) or visit [www.rns.com](http://www.rns.com).

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

IR ZZMGZLVLGMZM