RNS Number : 3431F
Kainos Group plc
16 November 2020

16 November 2020

Kainos Group plc

("Kainos" or the "Group")

Interim results for the six months ended 30 September 2020

Kainos Group plc (KNOS), a leading IT provider, operating across two specialist business areas, Digital Services and its Workday Practice, is pleased to announce its results for the six months ended 30 September 2020.

Financial highlights

	H1 2021	H1 2020	Change
Revenue	£107.2m	£86.9m	+23%
Profit before tax	£24.0m	£12.0m	+100%
Adjusted pre-tax profit[1]	£26.1m	£12.8m	+104%
Cash	£62.5m	£41.3m	+51%
Bookings	£103.6m	£99.5m	+4%
SaaS bookings	£14.2m	£16.4m	-13%
Backlog[2]	£180.9m	£131.0m	+38%
Adjusted diluted earnings per share[1] (note 8)	17.0p	8.4p	+102%
Diluted earnings per share	15.7p	7.9p	+99%
Special dividend paid[3]	6.7p	-	100%
Interim dividend	6.4p	3.5p	83%

Operational highlights

- We have delivered a very strong performance during the Covid-19 pandemic.
  - Revenue growth of 23% (19% organic) to £107.2 million (H1 20: £86.9 million).
  - Adjusted pre-tax profit increased 104% to £26.1 million (H1 20: £12.8 million).
- Contracted backlog continues to underpin further revenue growth.
  - Bookings up 4% to £103.6 million (H1 20: £99.5 million).
  - Contracted backlog growth of 38% to £180.9 million (H1 20: £131.0 million).
- Revenue diversification continues across key segments.
  - International revenues up 54% to £27.6 million (H1 20: £17.9 million).
  - Commercial revenues up 34% to £39.2 million (H1 20: £29.3 million).
  - Healthcare revenues up 73% to £18.8 million (H1 20: £10.9 million).
  - SaaS and software-related revenues up 37% to £15.5 million (H1 20: £11.3 million).
- Strong revenue growth in Digital Services, up 16% to £71.4 million (H1 20: £61.5 million).
  - Significant ongoing engagements in UK government's digital transformation programme, including the support of the NHS as it responded to Covid-19.
- Very strong revenue growth in the Workday Practice, up 41% to £35.8 million (H1 20: £25.4 million).
  - Smart revenues increased by 40% to £11.8 million (H1 20: £8.5 million).
  - Further strengthening of position as the leading European Workday specialist; building presence in North America.
- Customer approval rated as 'good' or better by 97% of customers (H1 20: 98%)[4].
- Headcount of 1,729, up 11% (H1 20: 1,562 people), recruitment re-started following pause during the early months of the pandemic.
- Highly cash generative with cash conversion of 123% (H1 20: 60%) and period-end net cash of £62.5 million (H1 20: £41.3 million).

Outlook

Looking forward, we remain confident in our outlook for the financial year, which is underpinned by a robust pipeline and a significant contracted backlog. Notwithstanding we are mindful of the potential medium-term impacts of EU Exit, further lockdown measures and the broader economic disruption caused by Covid-19.

Brendan Mooney, CEO, commented:

"Against the backdrop of Covid-19, we recognise that our strong business performance during this period has been a result of the hard work and flexibility of our people, and the support and trust of our customers. We remain immensely grateful for their ongoing engagement.

We operate in digital transformation markets that have delivered strong growth over many years, which has added to the resilience our business has demonstrated through the pandemic. We anticipate that Covid-19 will continue to accelerate the already strong demand from customers for digital transformation and Workday services as organisations adapt to the changes that the pandemic has brought.

In Digital Services we continue to deliver significant programmes in partnership with the UK government and with leading commercial and healthcare clients. In what is now a familiar pattern, our growth is fuelled by demand from both existing and new clients, such as The Welsh Government, DVSA and GreenSteam.

Within the Workday Practice we continue to be the European partner of choice for forward-thinking organisations that are choosing Workday's innovative Software-as-a-Service (SaaS) platform to support their people and finance requirements. We continue to successfully deliver to internationally renowned customers such as EMC Insurance, Warner Music and Blackberry.

We have maintained good progress on our early-stage investments, including our Artificial Intelligence and Machine Learning Practice, our Adaptive Planning acquisitions, with the Workday Extend platform (formerly Workday Cloud Platform) and the launch of our Intelligent Automation Practice. While these initiatives are at the beginning of their development journey, we believe that they have the potential to add significant growth opportunities in the future.

Notwithstanding the uncertainty generated by Covid-19, we believe that by concentrating on the needs of our colleagues and our customers, we are well-positioned for further growth."

For further information, please contact:

Kainos Consulting LLP — **via FTI**
Brendan Mooney, Chief Executive Officer
Richard McCann, Chief Financial Officer

Investec Bank plc — +44 20 7597 5970
Patrick Robb / Ben Griffiths

Canaccord Genuity — +44 20 7523 4606
Simon Bridges / Emma Gabriel

FTI Consulting LLP — +44 20 3727 1000
Matt Dixon / Dwight Burden / Kwaku Aning

About Kainos

Kainos Group plc is a UK-headquartered IT provider, across two specialist business areas, Digital Services and its Workday Practice.

The Group's Digital Services include full lifecycle development and support of customised Digital Services for public sector, healthcare and commercial customers. These transformative solutions encompass a range of services from experience design to Artificial Intelligence and Cloud to deliver truly intelligent solutions that are secure, accessible and cost-effective.

The Group's Workday Practice is one of Workday's most respected partners. As a full-service partner, we are experienced in complex deployment and integrations, and the leader in Workday test automation. We're trusted by our customers to launch, test, expand and safeguard their Workday systems.

Kainos has over 1,700 people across 15 offices in Europe and North America.

Kainos is listed on the London Stock Exchange (LSE: KNOS).

For further information, please visit www.kainos.com.

Cautionary statement

This report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. It should not be relied on by any other party or for any other purpose.

This report includes statements that are, or may be deemed to be, "forward-looking statements". These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report, but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Group Business Review

Our Covid-19 response - focused on Our People

In March 2020 as we responded to Covid-19, we implemented home working for over 1,700 colleagues, placing them in the safest possible environment from which to provide on-going support for all our customer engagements.

Our people have been remarkable in their response to the challenges Covid-19 has presented, and the seamless fashion in which they have supported our customers, delivering key programmes during the pandemic, including the NHS Home Testing Service, Smart testing for Teranet (Canada) and Workday deployments at UK charity, Autism Plus.

We re-opened our offices on 21 September. However, we continue to ask all our people to continue to work from home, which we believe represents the safest possible environment for them. At present, 97% of our people are choosing to work from home.

We recognise that the strong business performance during this period has been a result of the hard work and flexibility of our people, and the support and trust of our customers.

We would like to take this opportunity to, once again, thank our people and our customers for their ongoing engagement.

UK Government Job Retention Scheme repayment

As part of the precautionary cost containment measures implemented earlier this year, we utilised the UK Government Job Retention Scheme and placed 131 colleagues on furlough.

In light of our performance, we withdrew from the scheme in August and have repaid the UK government for all previously claimed support payments.

As well as returning all payments, we are pleased to confirm that all our people placed on furlough have returned to full-time employment.

Excellent performance despite Covid-19 challenges

Despite the global impacts of Covid-19, our business has continued to be resilient and has delivered strong results for the first six months of FY21.

Revenue for the period grew by 23% to £107.2 million (H1 20: £86.9 million). Adjusted pre-tax profit increased by 104% to £26.1 million (H1 20: £12.8 million). Our trading includes elements that we consider non-recurring in nature - reduced travel, training, marketing and recruitment expenses, as well as reduced holiday leave enhancing our revenue levels. We expect most of these elements to revert to normal levels in future trading periods.

Our sales performance underlines our success in winning business while operating remotely - extensions to existing contracts, additional projects placed by existing customers and winning new customers. Bookings in the first six months increased to £103.6 million (H1 20: £99.5 million), which resulted in a 38% increase in the contracted backlog to £180.9 million (H1 20: £131.0 million).

Following a pause in the first months of FY21, our recruitment activity has resumed normal levels and we are advertising over 150 roles across the organisation (as at 30 October 2020). During the period, staff and contractor numbers increased by 11% to 1,729 (H1 20: 1,562). Employee engagement remains high, with the Group placing 86th in the Sunday Times 'Best Companies to Work For' survey and with staff retention rising to 92% (H1 20: 87%).

Customer satisfaction remains high, with 97% of our customers rating service as 'good' or better. This high level of customer service underpins our long-term customer relationships, with existing customers accounting for 94% of total revenue (H1 20: 94%). We currently have 481 active customers (H1 20: 383)[5].

Significant progress has been made on increasing the geographic and sectoral spread of our business. Public sector customers now account for 46% of total revenue (H1 20: 54%), 37% is derived from commercial sector customers (H1 20: 34%) and 18% from healthcare customers (H1 20: 13%). The proportion of revenue generated from customers outside the UK increased by 54% to £27.6 million and is now 26% of total revenue (H1 20: 21%).

We finished the period with a strong net cash balance of £62.5 million at 30 September 2020 (H1 20: £41.3 million), representing 123% cash conversion (H1 20: 60%).

Digital Services review

Our Digital Services division focuses on the delivery of customised online digital solutions, principally for public sector, commercial sector and healthcare organisations. The solutions provided are highly cost-effective and make public-facing services more accessible and easier to use for the citizen and customer.

Revenue for the period grew by 16% to £71.4 million (H1 20: £61.5 million), bookings increased 10% to £66.2 million (H1 20: £60.1 million) and backlog increased by 49% to £118.1 million (H1 20: £79.3 million).

Public sector

Our existing clients within public sector have remained committed to their digital transformation programmes and these have continued at pace. We have been impressed by how quickly large departments have been able to switch from an office-based environment to working effectively from a home setting.

Against this backdrop, our revenues increased by 9% to £47.5 million (H1 20: £43.7 million).

Within central government, Kainos continues to consolidate a strong position across key accounts, extending services to deliver a number of the most high-profile digital programmes including the Passport Application service for Home Office and an EU Exit Imports programme for Defra. We have also added new customers such as the National Crime Agency to deliver new crime intelligence services using Data Science and Artificial Intelligence.

Commercial sector

In response to Covid-19, the immediate reaction of several commercial sector clients was to pause some of their programmes. Over the latter part of H1 21, our observation is that clients have recommenced their digital projects, with sales activity showing a marked increase.

During the period, revenues decreased 15% to £6.9 million (H1 20: £8.1 million). We have continued to assist our established customers such as New Ireland Assurance and Concardis as they increase investment in digital transformation; similarly, we have responded to those customers that have needed reduced support.

Healthcare sector

Healthcare revenues, including Evolve, increased by 75% to £17.0 million (H1 20: £9.7 million).

Kainos continues to enjoy a strong partnership with NHS Digital, and we have been heavily involved in supporting their response to the challenges of Covid-19, including the Isolation Note service from NHS Digital, NHS Home Testing and managing the successful delivery of HSCNI track and trace. All of these significant programmes were completed in extremely short timeframes.

At a hospital level, Evolve continues to be well regarded, with several Trusts renewing their subscription during the period.

Workday Practice review

The Workday Practice is closely linked to Workday Inc's software suite, which includes cloud-based software for finance, HR, and planning, which enables enterprises to organise their staff efficiently and to support financial reporting requirements.

Kainos first engaged with Workday Inc. in 2010 and is now one of the most experienced participants in Workday's partner ecosystem. Kainos remains the only specialist Workday partner headquartered in the UK and one of only 33 partners globally accredited to implement Workday's innovative SaaS platform.

Revenue for the period grew by 41% to £35.8 million (H1 20: £25.4 million) and backlog for the division increased by 21% to £62.8 million (H1 20: £51.8 million). Bookings reduced to £37.4 million (H1 20: £39.4 million) as a result of slower decision-making in the first weeks of the pandemic, with activity levels returning to a more typical cadence over the course of the period.

The number of accredited Workday consultants increased by 23% to 375 (H1 20: 305).

The Workday Practice comprises two areas of activity:

- *Workday Services*: the provision of consulting, project management, integration and Post Deployment Services for Workday's software suite.
- *Smart Automated Testing ("Smart")*: our proprietary cloud-based SaaS solution that allows Workday customers to automatically verify their Workday configuration both during implementation and in live operation. Smart is the leading automated testing platform specifically designed for the Workday product suite and is licensed on a subscription basis to customers.

Workday Services

Within Europe, Kainos continues to consolidate its position as the leading Workday partner. This leadership position is a result of high satisfaction levels within the Kainos customer base coupled with geographic expansion.

Our geographic expansion includes the opening of an office in Paris in 2019 to support growth within the French market. This is in addition to offices opened in Copenhagen (2017, to develop the Nordic markets of Denmark, Sweden, Norway and Finland), Amsterdam (2015, covering Belgium, Netherlands and Luxembourg) and Frankfurt (2017, covering Germany, Austria and Switzerland).

In North America, Kainos has been a partner in Canada since 2018, opening an office in Toronto to support the expansion in this market. Within the US, Kainos has offices in Denver, Indianapolis and Atlanta. In total the Workday Practice has 110 people based in North America.

In addition to the delivery of Workday for new customers, Kainos is increasingly involved in supporting the operation of customers that are already live on the Workday platform. This annuity-style revenue stream is described as Post Deployment Services.

As consolidation continues within the partner ecosystem[6], our underlying growth is enhanced by our prominence within the global partner ecosystem.

Revenue for the period grew by 41% to £23.9 million (H1 20: £16.9 million); backlog increased by 13% to £25.4 million (H1 20: £22.4 million). As noted above, bookings reduced 5% to £23.7 million

(H1 20: £24.9 million) as a result of slower decision-making in the first weeks of the pandemic.

Workday Adaptive Planning

In June 2018, Workday Inc. acquired Adaptive Insights for $1.6 billion. Adaptive Insight's Business Planning Cloud (now Workday Adaptive Planning) is a leading cloud-based platform for modernising business planning, providing budgeting, forecasting, reporting, and analytics for over 4,700 customers worldwide.

In the second half of FY20, Kainos completed the acquisition of three leading Adaptive Insights consulting organisations: Formulate (UK, 16 people), Implexa (Germany, 5 people) and IntuitiveTEK (USA, 38 people), creating one of the largest Adaptive Insights practices globally. By acquiring these businesses, we have strengthened our capabilities to sell, deliver and support Adaptive Planning implementations.

In total the acquisitions contributed revenue of £3.8 million (H1 20: £nil) during the period.

Smart

There are four modules: HCM, Security, Financials and Payroll. Smart is used by 218 global customers to automatically verify their Workday configurations (H1 20: 190), with EMC Insurance, Blackberry and Everton Football Club signing during the period. Over 80% of Smart clients now avail of our service option.

Revenue for the period increased by 40% to £11.8 million (H1 20: £8.5 million), of which £10.0 million relates to SaaS subscriptions (H1 20: £6.8 million). The Annual Recurring Revenue ("ARR") for Smart at period end was £20.4 million (H1 20: £16.2 million), an increase of 26%; backlog for Smart increased 28% to £37.4 million (H1 20: £29.3 million). Bookings reduced 6% to £13.7m (H1 20: £14.5m) as a result of slower decision-making in the first weeks of the pandemic.

We note a further test automation competitor for Smart - Cloudbera, joining WorkSoft and Turnkey Solutions.

Workday Extend

Workday Inc. has a Platform-as-a-Service offering known as Workday Extend, (previously Workday Cloud Platform) which achieved general availability in May 2020. Kainos has been part of the early adopter programme since 2017, and while Workday Extend is at an early stage it may offer new future growth opportunities - such as additional IP development for Kainos or specialised development services to other Workday customers and partners.

Our people

We believe that the future success of our organisation is dependent upon the ability, skills and motivation of the people working in Kainos; and our People Development Plan focuses on the key objectives of engagement, development, retention and recruitment.

Our culture

Our ambition is to be a great place to work. Our people tell us when we get it right and tell us about the areas where we can improve. We use the Sunday Times 'Best Companies to Work For' annual survey as an annual health check, alongside our continual engagement.

The 'Best Companies' survey is a confidential way for our colleagues to share their feedback and having first appeared in the Top 100 in 2012, we are delighted to still be here in 2020.

We are focused on creating a workplace environment that people want to join and then stay to develop their careers.

During the period, staff retention rose to 92% (H1 20: 87%) and on Glassdoor, the website which hosts anonymous employee reviews of global organisations, 83% of reviewers would recommend working at Kainos.

Recruitment

We work hard at retaining the talented people already in Kainos; we are also very focused on recruiting new talented colleagues. Kainos continues to attract strong interest in key recruitment markets, with several thousand candidates applying each year to join Kainos.

Over the period, headcount grew by 167 to 1,729 people (H1 20: 1,562). Of our colleagues, 11% are contractors (H1 20: 9%). By region, UK & Ireland increased to 1,277 people (+96), Central Europe grew to 342 people (+8) and North America increased to 110 people (+63).

Development

The Kainos Digital Academy and associated programmes are central to the development of our people and have contributed to the success of new capabilities in Cyber Security, Data, Machine Learning and Artificial Intelligence.

Covid-19 and our response to the pandemic have undoubtedly impacted our training activity. We have made significant progress in moving our learning curriculum and approach to a virtual delivery model.

Staff Share Incentive plan

The Group operates a Share Incentive Plan for all staff. Including the annual awards made in December 2019 a total of 2,535,968 free shares have been distributed to staff. In addition, the Group operates SAYE schemes through which 2,913,006 options have been granted to staff.

Summary and Outlook

Group outlook

During the early stages of Covid-19, we successfully adapted to the changing business environment and we remain confident that we will be able to respond to any future challenges in the wider macro-economic environment. We therefore remain focused on supporting our customers, ensuring the safety of our people and responding appropriately to the changing business landscape.

In the near-term, we anticipate that demand for digital transformation, Workday deployments and Smart will remain robust as organisations adapt to the changes that Covid-19 has brought. The trends that we are observing across our end markets support the general view that the pandemic has accelerated the move towards greater digitisation. We caution that these observations have occurred over a relatively short period and one which has been defined by significant volatility.

Over the medium-term, we remain well-placed to deliver further growth, as detailed in the following sections.

Digital Services outlook

In the medium-term, we remain optimistic about the future of digitisation in both the UK public sector and within the NHS. We are confident that based upon our strong reputation and successful track record, we are well positioned to maintain a central role in this transformation drive.

Outside of the UK public sector, a growing reputation in the commercial sector is expected to generate further long-term growth for the Group.

Workday Practice outlook

As an internationally focused business, the Workday Practice has the additional complexity of operating across several countries, each with a different health and economic response to Covid-19.

In the medium-term, continued strong growth for Smart will be powered by increased penetration of Smart in the Workday Inc. customer base, by the expansion of the Workday customer base itself and by the development and adoption of new Smart modules.

In a similar timeframe, our consulting activity growth prospects remain very strong, driven by our growth momentum in international markets and the further development of the Post Deployment Services offering. These prospects are, in turn, underpinned by the continued growth of Workday Inc.

Financial review

Kainos achieved revenue of £107.2 million (H1 20: £86.9 million), representing an increase of 23%. Digital Services revenue grew 16% to £71.4 million (H1 20: £61.5 million) reflective of customers continuing to prioritise digital transformation programmes in the NHS and public sector. Workday Practice revenue grew by 41% to £35.8 million (H1 20: £25.4 million) which was driven by 41% growth in Workday Services to £23.9 million (H1 20: £16.9 million) and 40% growth in Smart to £11.8 million (H1 20: £8.5million). The Workday Practice continues to benefit from its international scale and an ability to secure new consulting contracts across our geographies.

Overall gross margin was 52.1% (H1 20: 46.5%). Digital Services margins increased to 46.4% (H1 20: 39.7%) mainly due to an increase in utilisation, partly due to a reduction in holidays taken by staff, and reduced travel costs. The margin has benefited from some savings in the period that are considered non-recurring in nature. Workday Practice margins increased to 63.6% (H1 20: 62.8%) driven mainly by a higher proportion of SaaS based revenue within Smart.

Operating expenses

Operating expenses excluding share-based payments and acquisition-related expenses (including amortisation of acquired intangible assets) for the period increased by 9% to £30.1 million (H1 20: £27.7 million). Despite revenue increasing by 23%, the growth in operating expenses has been significantly lower due to reduced expenditure on costs such as training, recruitment, facilities and travel during the pandemic lockdown. Some of these savings are considered to be non-recurring in nature. The timeframe for the rephasing of these costs is somewhat dependent on the speed with which life returns to normal post the pandemic.

Investment in product development increased slightly to £2.0 million (H1 20: £1.9 million). All product development costs were expensed in the period. Research and Development Expenditure Credit (RDEC) grants recognised in the period totalled £0.6 million (H1 20: £0.6 million).

The share-based payment expense incurred in the period was £1.8 million (H1 20: £0.8 million). This increase results mainly from share price movements and additional share awards. Amortisation of acquired intangibles of £0.2 million was incurred in the period (H1 20: £nil). Adjusted pre-tax profit increased by 104% to £26.1 million (H1 20: £12.8 million). Profit before tax increased by 100% to £24.0 million (H1 20: £12.0 million).

Alternative performance measures

The business is managed and measured on a day-to-day basis using underlying results. The Directors believe that the 'adjusted profit before tax' and the 'adjusted diluted and basic earnings per share' measures presented are more representative of the underlying performance of the Group and enable comparability between periods.

To arrive at adjusted results, adjustments made include acquisition expenses, amortisation related to acquired intangible assets and share-based payments.

The adjusted profit measures can be reconciled to the reported numbers as follows:

	6 months to 30 Sep 2020 unaudited (£000s)	6 months to 30 Sep 2019 unaudited (£000s)	12 months to 31 Mar 2020 audited (£000s)
Profit before tax	**24,018**	**12,009**	**23,150**
Share-based payments and related costs	1,842	790	2,100
Acquisition-related expenses including amortisation of acquired intangible assets	195	-	266
Adjusted profit before tax	**26,055**	**12,799**	**25,516**

	6 months to 30 Sep 2020 unaudited (£000s)	6 months to 30 Sep 2019 unaudited (£000s)	12 months to 31 Mar 2020 audited (£000s)
Profit after tax	**19,379**	**9,633**	**18,564**
Share-based payments and related costs (net of associated taxes)	1,492	656	1,701
Acquisition-related expenses including amortisation of acquired intangible assets (net of associated taxes)	195	-	219
Adjusted profit after tax	**21,066**	**10,289**	**20,484**

Corporation tax charge

The effective tax rate for H1 21 was 19% (H1 20: 20%) and is in line with the UK corporation tax rate as expected.

Financial position

The Group continues to have a strong financial position with £62.5 million of cash (H1 20: £41.3 million), no debt and net assets of £72.3 million (H1 20: £59.2 million). The combined underlying trade receivables and accrued income totalled £39.9 million (H1 20: £40.6 million).

Cash flow and cash conversion

The Group entered the period with a cash balance of £40.8 million and paid a special dividend of £8.2 million on 4 September 2020.

Cash conversion, calculated by taking cash generated by operations over EBITDA[7], continued to be strong at 123% (H1 20: 60%).

Dividends

As part of the Covid-19 related cost reduction measures the Board had previously elected not to declare a final dividend for the year ended 31 March 2020. In light of the Group's performance, during the period, a special dividend of 6.7 pence per share was approved by the Board and paid on 4 September 2020 to shareholders on the register at the close of business on 7 August 2020.

In line with the Group's pre-Covid-19 dividend payment cycle, an interim dividend of 6.4 pence per share has been declared for H1 21 (H1 20: 3.5 pence). This will be paid on 18 December 2020 to shareholders on the register at the close of business on 27 November 2020, with an ex-dividend date of 26 November 2020.

Related party transactions

Related party transactions are disclosed in note 11 to the condensed set of financial statements. There have been no material changes in related party transactions from those described in the last annual report.

Risks & Uncertainties

There are several potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from forecast and historic results. These principal risks and uncertainties remain consistent with the detailed description provided in pages 14 - 20 of the Annual Report associated with the Group's Annual Results published on 26 May 2020 (available on the Group's website www.kainos.com).

However, the Covid-19 pandemic has placed significant focus on risks associated with the pandemic. The Group's effective response to the evolving risks associated with the pandemic has been crucial in maintaining performance and will shape the risk agenda for the remainder of this financial year and in future periods.

The effects of the pandemic continue to contribute to an unprecedented level of economic disruption and uncertainty across all markets in which Kainos operates.

The long-term effects on economies remains uncertain. In addition, the potential health impact to Kainos colleagues, customers and staff, while not significant to date, remains a risk. In the interests of colleague safety, Kainos continues to operate on a largely remote basis with offices re-opened in September 2020 on a limited basis only for colleagues with exceptional need.

The impact of the pandemic on our financial performance has been limited but this continues to be monitored, particularly regarding sales pipeline.

The Group's mitigation strategies largely remain unchanged from those described in the Annual Report but also include:

1. Monitoring for signs of increased activity in our markets, particularly with regard to accelerated digital transformation trends resulting from revised operating models within our customer base.
2. Establishment of a Modern Workplace Programme to consider the impact of the move to remote working on Kainos colleagues and customers with a view to determining and implementing current and potential future improvements to Kainos ways of working.

Going concern

As stated in note 2 to the condensed consolidated financial statements, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

Condensed consolidated income statement for the six months ended 30 September 2020

Continuing operations	Note	**6 months to 30 Sep 2020 unaudited (£000s)**	6 months to 30 Sep 2019 unaudited (£000s)	12 months to 31 Mar 2020 audited (£000s)
Revenue	5	**107,161**	86,889	178,778
Cost of sales	5	**(51,290)**	(46,509)	(94,817)
Gross profit		**55,871**	40,380	83,961
Operating expenses		**(32,114)**	(28,534)	(59,278)
Impairment gains & losses (including reversals of impairment losses) on trade receivables		**271**	-	(1,840)
Operating profit		**24,028**	11,846	22,843
Finance income		**40**	205	368
Finance expense		**(50)**	(42)	(61)
Profit before tax		**24,018**	12,009	23,150
Taxation on ordinary activities	6	**(4,639)**	(2,376)	(4,586)
Profit for the period		**19,379**	9,633	18,564

Consolidated statement of comprehensive income for the six months ended 30 September 2020

	6 months to 30 Sep 2020 unaudited	6 months to 30 Sep 2019 unaudited	12 months to 31 Mar 2020 audited

		(£000s)	(£000s)	(£000s)
Profit for the period		**19,379**	9,633	18,564
Items that may be reclassified subsequently to profit or loss:				
Currency translation difference		**(113)**	435	577
Total comprehensive income for the period		**19,266**	10,068	19,141
Earnings per share				
Basic	8	**16.1p**	8.0p	15.5p
Diluted	8	**15.7p**	7.9p	15.1p

Condensed consolidated statement of financial position as at 30 September 2020

	Note	**30 Sep 2020 (unaudited) (£000s)**	30 Sep 2019 (unaudited) (£000s)	31 Mar 2020 (audited) (£000s)
Non-current assets				
Goodwill		**3,183**	-	3,220
Other intangible assets		**3,670**	-	3,989
Property, plant and equipment		**9,808**	10,126	9,854
Right-of-use assets		**3,580**	4,860	4,468
Investments		**1,225**	1,025	1,025
Deferred tax asset		**2,313**	1,076	1,559
		23,779	17,087	24,115
Current assets				
Trade and other receivables	9	**19,763**	25,987	29,269
Prepayments		**2,250**	2,206	2,368
Accrued income		**21,797**	16,178	16,883
Cash and cash equivalents		**62,497**	41,311	40,785
		106,307	85,682	89,305
Total assets		**130,086**	102,769	113,420
Current liabilities				
Trade creditors and accruals		**(22,953)**	(17,150)	(23,599)
Deferred income		**(13,658)**	(11,996)	(13,752)
Corporation tax		**(3,456)**	(1,628)	(2,145)
Lease liabilities		**(1,379)**	(1,508)	(1,619)
Other tax and social security		**(11,777)**	(6,135)	(8,157)
		(53,223)	(38,417)	(49,272)
Non-current liabilities				
Other provisions		**(2,687)**	(2,276)	(2,528)
Lease liabilities		**(1,838)**	(2,906)	(2,466)
		(4,525)	(5,182)	(4,994)
Total liabilities		**(57,748)**	(43,599)	(54,266)
Net assets		**72,338**	59,170	59,154
Equity				
Share capital		**612**	607	610
Share premium account		**5,628**	3,780	5,446
Capital reserve		**664**	665	664
Share-based payment reserve		**6,800**	4,638	5,610
Translation reserve		**542**	225	655

Retained earnings	**58,092**	49,255	46,169
Total equity	**72,338**	59,170	59,154

Condensed consolidated statement of changes in equity for the six months ended 30 September 2020

	Share capital (£000s)	Share premium (£000s)	Capital reserve (£000s)	Share-based payment reserve (£000s)	Translation reserve (£000s)	Retained earnings (£000s)	Total equity (£000s)
Balance at 31 March 2019 (audited)	**605**	**3,596**	**665**	**3,895**	**(210)**	**39,616**	**48,167**
Profit for the period	-	-	-	-	-	9,633	9,633
Other comprehensive income	-	-	-	-	435	-	435
Total comprehensive income for the period	-	-	-	-	435	9,633	10,068
Share-based payment expense	-	-	-	743	-	-	743
Current tax for equity-settled share-based payments	-	-	-	-	-	255	255
Deferred tax for equity-settled share-based payments	-	-	-	-	-	(249)	(249)
Issue of share capital	2	184	-	-	-	-	186
Balance at 30 September 2019 (unaudited)	**607**	**3,780**	**665**	**4,638**	**225**	**49,255**	**59,170**
Profit for the period	-	-	-	-	-	8,931	8,931
Other comprehensive income	-	-	-	-	142	-	142
Total comprehensive income for the period	-	-	-	-	142	8,931	9,073
Share-based payment expense	-	-	-	972	-	-	972
Adjustments in respect of prior periods	-	-	-	-	288	(288)	-
Current tax for equity-settled share-based payments	-	-	-	-	-	286	286
Deferred tax for equity-settled share-based payments	-	-	-	-	-	132	132
Issue of share capital	3	1,666	(1)	-	-	-	1,668
Dividends	-	-	-	-	-	(12,147)	(12,147)
Balance at 31 March 2020 (audited)	**610**	**5,446**	**664**	**5,610**	**655**	**46,169**	**59,154**
Profit for the period	-	-	-	-	-	19,379	19,379
Other comprehensive income	-	-	-	-	(113)	-	(113)
Total comprehensive income for the period	-	-	-	-	(113)	19,379	19,266
Share-based payment expense	-	-	-	1,190	-	-	1,190
Current tax for equity-settled share-based payments	-	-	-	-	-	181	181
Deferred tax for equity-settled share-based payments	-	-	-	-	-	558	558
Issue of share capital	2	182	-	-	-	-	184
Dividends	-	-	-	-	-	(8,195)	(8,195)
Balance at 30 September 2020 (unaudited)	**612**	**5,628**	**664**	**6,800**	**542**	**58,092**	**72,338**

Consolidated statement of cash flows for the six months ended 30 September 2020

	6 months to 30 Sep 2020 (unaudited) (£000s)	6 months to 30 Sep 2019 (unaudited) (£000s)	12 months to 31 Mar 2020 (audited) (£000s)
Net cash from operating activities	**31,569**	7,207	24,231
Investing activities			
Interest received	**40**	-	368
Purchases of property, plant and equipment	**(406)**	(7,797)	(8,186)
Investments	**(200)**	-	-
Acquisition of subsidiaries	**-**	-	(4,464)
Net cash used in investing activities	**(566)**	(7,797)	(12,282)
Financing activities			
Dividends paid	**(8,195)**	-	(12,147)
Interest paid	**(50)**	-	(61)
Repayment of lease liabilities	**(1,255)**	(792)	(1,716)
Proceeds on issue of shares	**184**	184	253
Net cash used in financing activities	**(9,316)**	(608)	(13,671)
Net increase/(decrease) in cash and cash equivalents	**21,687**	(1,198)	(1,722)
Cash and cash equivalents at start of period	**40,785**	42,488	42,488
Effects of foreign exchange rate changes	**25**	21	19
Cash and cash equivalents at end of period	**62,497**	41,311	40,785

	6 months to 30 Sep 2020 (unaudited) (£000s)	6 months to 30 Sep 2019 (unaudited) (£000s)	12 months to 31 Mar 2020 (audited) (£000s)
Profit for the period	**19,379**	9,633	18,564
Adjustments for:			
Finance income	**(40)**	-	(368)
Finance expense	**50**	-	61
Income tax expense	**4,639**	2,376	4,586
Share-based payment expense	**1,842**	790	2,100
Depreciation of property, plant and equipment	**452**	649	1,310
Depreciation of right-of-use assets	**987**	845	1,884
Amortisation of intangible assets	**195**	-	56
Increase in provisions	**158**	-	243
Operating cash flows before movements in working capital	**27,662**	14,293	28,436
Decrease/(increase) in trade and other receivables	**4,650**	(908)	(3,612)
Increase/(decrease) in trade and other payables	**1,447**	(4,927)	2,749
Cash generated by operations	**33,759**	8,458	27,573
Income taxes paid	**(2,190)**	(1,251)	(3,342)
Net cash from operating activities	**31,569**	7,207	24,231

Notes to the condensed consolidated financial statements

1. Corporate information

Kainos Group plc ("Company") is a public company limited by shares incorporated and domiciled in the UK (Company registration number 09579188), having its registered office at 21 Farringdon Road, 2nd Floor, London, EC1M 3HA.

These condensed consolidated financial statements for the six months ended 30 September 2020 comprise the Company and its subsidiaries (together the "Group"). The nature of the Group's operations and its principal activities are set out in the Business Review and in note 5. The Group is headquartered in Belfast.

These statements have not been audited but have been reviewed by the Group's auditor pursuant to International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim

Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council.

These condensed consolidated financial statements were approved for issue on 13 November 2020.

2. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 September 2020 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS34 "Interim Financial Reporting" as adopted by the European Union.

These condensed consolidated financial statements do not constitute statutory accounts of the Group within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2020 have been filed with the registrar of companies. The auditor's report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

The annual statements of Kainos Group plc are prepared in accordance with IFRSs as adopted by the European Union. These consolidated financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Going concern

The Directors have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

3. Significant accounting policies

The accounting policies, presentation and methods of computation applied by the Group in these condensed consolidated financial statements are the same as those applied in the Group's latest audited annual consolidated financial statements for the year ended 31 March 2020. No newly introduced standard or amendments to standards had a material impact on the condensed financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the statutory accounts for the year ended 31 March 2020. The only exceptions relate to the estimate of the provision of income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the profit before tax of the interim period.

5. Segment reporting

All the Group's revenue during the period to 30 September 2020 was derived from continuing operations. Kainos is structured into two divisions: Digital Services and the Workday Practice.

During the year ended 31 March 2020, the Group opted to amend the reporting structure, both internally to the CEO and publicly, by now grouping the business as Digital Services (formerly Digital Transformation and Evolve) and Workday Practice (previously Workday Implementation and Smart, our Workday testing product).

Accordingly, the results for the six months ended 30 September 2019 have been presented as per this revised structure and not as previously reported.

The following is an analysis of the Group's revenue and results by reportable segment:

2020 ***6 months to 30 September (unaudited)***	**Digital Services (£000s)**	**Workday Practice (£000s)**	**Consolidated (£000s)**
Revenue	**71,384**	**35,777**	**107,161**
Cost of sales	**(38,277)**	**(13,013)**	**(51,290)**
Gross profit	**33,107**	**22,764**	**55,871**
Direct expenses[8]	**(6,554)**	**(12,809)**	**(19,363)**
Contribution	**26,553**	**9,955**	**36,508**
Central overheads[8]			**(10,453)**
Adjusted pre-tax profit			**26,055**

2019 ***6 months to 30 September (unaudited)***	**Digital Services (£000s)**	**Workday Practice (£000s)**	**Consolidated (£000s)**
Revenue	61,484	25,405	86,889
Cost of sales	(37,051)	(9,458)	(46,509)
Gross profit	24,433	15,947	40,380
Direct expenses[8]	(8,034)	(9,469)	(17,503)
Contribution	16,399	6,478	22,877
Central overheads[8]			(10,078)
Adjusted pre-tax profit			12,799

2020 ***12 months to 31 March (audited)***	**Digital Services (£000s)**	**Workday Practice (£000s)**	**Consolidated (£000s)**
Revenue	122,500	56,278	178,778
Cost of sales	(73,580)	(21,237)	(94,817)
Gross profit	48,920	35,041	83,961
Direct expenses[8]	(15,158)	(23,053)	(38,211)
Contribution	33,762	11,988	45,750
Central overheads[8]			(20,234)
Adjusted pre-tax profit			25,516

Disaggregation of the Group's revenue is presented in the following tables:

2020 ***6 months to 30 September (unaudited)***	**Digital Services (£000s)**	**Workday Practice (£000s)**	**Consolidated (£000s)**
Type of revenue			
Services	**66,651**	**22,977**	**89,628**
SaaS and related	**2,687**	**12,790**	**15,477**
Third party and other	**2,046**	**10**	**2,056**
	71,384	**35,777**	**107,161**
Revenue recognition			
At a point in time	**2,046**	**10**	**2,056**
Over time	**69,338**	**35,767**	**105,105**
	71,384	**35,777**	**107,161**

2019 ***6 months to 30 September (unaudited)***	**Digital Services (£000s)**	**Workday Practice (£000s)**	**Consolidated (£000s)**
Type of revenue			
Services	57,304	16,939	74,243
SaaS and related	2,855	8,449	11,304
Third party and other	1,325	17	1,342
	61,484	25,405	86,889
Revenue recognition			
At a point in time	1,325	17	1,342
Over time	60,159	25,388	85,547
	61,484	25,405	86,889

2020 ***12 months to 31 March (audited)***	**Digital Services (£000s)**	**Workday Practice (£000s)**	**Consolidated (£000s)**
Type of revenue			
Services	114,114	36,973	151,087
SaaS and related	5,689	19,282	24,971
Third party and other	2,697	23	2,720
	122,500	56,278	178,778
Revenue recognition			
At a point in time	2,697	23	2,720

Over time	119,803	56,255	176,058
	122,500	56,278	178,778

The adjusted profit measures can be reconciled to the reported numbers as follows:

	6 months to 30 Sep 2020 unaudited (£000s)	**6 months to 30 Sep 2019 unaudited (£000s)**	**12 months to 31 Mar 2020 audited (£000s)**
Profit before tax	**24,018**	**12,009**	**23,150**
Share-based payments and related costs	1,842	790	2,100
Acquisition-related expenses including amortisation of acquired intangible assets	195	-	266
Adjusted profit before tax	**26,055**	**12,799**	**25,516**

6. Taxation on ordinary activities

The total tax charge for the six months ended 30 September 2020 is £4.6 million (six months ended 30 September 2019: £2.4 million). This tax charge equates to an effective tax rate of 19% (30 September 2019: 20%). The expected annual tax rate for the year to 31 March 2021 is 19% (31 March 2020: 20%).

7. Dividends

The dividends paid in the periods covered by these condensed consolidated financial statements are detailed below:

	6 months to 30 Sep 2020 (unaudited) (£000s)	6 months to 30 Sep 2019 (unaudited) (£000s)	12 months to 31 Mar 2020 (audited) (£000s)
Amounts recognised as distributions to equity holders in the period:			
Special dividend of 6.7p per share	**8,195**	-	-
Final dividend for 2019 of 6.5p per share	**-**	-	7,895
Interim dividend for 2020 of 3.5p per share	**-**	-	4,252
	8,195	-	12,147

No final dividend was declared for the year ending 31 March 2020. During the period, a special dividend of 6.7 pence per share was paid on 4 September 2020 to shareholders on the register at the close of business on 7 August 2020.

An interim dividend of 6.4 pence per share has been declared for the six months to 30 September 2020. This will be paid on 18 December 2020 to shareholders on the register at the close of business on 27 November 2020, with an ex-dividend date of 26 November 2020. These condensed consolidated financial statements do not reflect the interim dividend payable.

8. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares in issue during the period.

	6 months to 30 Sep 2020 (unaudited) (£000s)	6 months to 30 Sep 2019 (unaudited) (£000s)	12 months to 31 Mar 2020 (audited) (£000s)
Profit for the period	**19,379**	9,633	18,564
	Thousands	Thousands	Thousands
Weighted average number of ordinary shares for the purposes of basic earnings per share	**120,741**	119,905	120,112
Effect of dilutive potential ordinary shares from share options	**3,060**	2,627	2,957

Weighted average number of ordinary shares for the purposes of diluted earnings per share	**123,801**	122,532	123,069
Basic earnings per share	**16.1p**	8.0p	15.5p
Diluted earnings per share	**15.7p**	7.9p	15.1p

Adjusted basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent company, excluding share-based payments (including associated taxes) and acquisition-related expenses by the weighted average number of ordinary shares in issue during the period.

	6 months to 20 Sep 2020 (unaudited) (£000s)	6 months to 30 Sep 2019 (unaudited) (£000s)	12 months to 31 Mar 2020 (audited) (£000s)
Profit for the period	**19,379**	9,633	18,564
Share-based payments (including associated taxes)	**1,492**	656	1,701
Acquisition-related expenses including amortisation of acquired intangibles (net of associated taxes)	**195**	-	219
Adjusted profit for the period	**21,066**	10,289	20,484
	Thousands	Thousands	Thousands
Weighted average number of ordinary shares for the purposes of basic earnings per share	**120,741**	119,905	120,112
Effect of dilutive potential ordinary shares from share options	**3,060**	2,627	2,957
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**123,801**	122,532	123,069
Adjusted basic earnings per share	**17.4p**	8.6p	17.1p
Adjusted diluted earnings per share	**17.0p**	8.4p	16.6p

9. Trade and other receivables

	30 Sep 2020 (unaudited) (£000s)	30 Sep 2019 (unaudited) (£000s)	31 Mar 2020 (audited) (£000s)
Trade receivables	**19,708**	24,849	28,294
Loss allowance	**(1,571)**	(431)	(1,840)
	18,137	24,418	26,454
Other receivables	**1,626**	1,569	2,815
	19,763	25,987	29,269

10. Financial Instruments

The Directors consider that the carrying amount for all financial instruments and liabilities is a reasonable approximation of their fair value.

11. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Trading transactions

During the year, Group companies entered into the following transactions with a related party who is not a member of the Group:

	6 months to 30 Sep 2020 (unaudited) (£000s)	6 months to 30 Sep 2019 (unaudited) (£000s)	12 months to 31 Mar 2020 (audited) (£000s)
Cirdan Imaging Limited	487	370	879

Amounts outstanding at the period end date

	6 months to 30 Sep 2020 (unaudited) (£000s)	6 months to 30 Sep 2019 (unaudited) (£000s)	12 months to 31 Mar 2020 (audited) (£000s)
Cirdan Imaging Limited	438	230	263

Cirdan Imaging Limited is a related party due to the Group's shareholding of 9.2% in this company.

12. Contingent liability

In the US, the commercial arrangement with Evolve IC and Telehealth provider InTouch Health concluded on 31 March 2018. InTouch Health terminated their commercial relationship with Kainos to develop their own internal solution. Kainos has since referred this matter to US legal counsel and has pursued legal recourse for breach of contract by InTouch Health. In response, InTouch Health has counterclaimed against Kainos. At this stage the Directors' assessment, based on independent US legal advice, is that the basis for InTouch's counter-claim has little merit and it is not probable that an economic outflow will be required to settle the claim.

Responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events and their impact during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Richard McCann

Chief Financial Officer/Chief Operating Officer

13 November 2020

Independent Review Report to Kainos Group plc

We have been engaged by the Company to review the condensed set of financial statements included in the half yearly financial report for the six months ended 30 September 2020 which comprise the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in shareholders' equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE 2410") issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this review report, or for the conclusions we have formed.

Directors responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report, in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with the accounting policies the Company intends to use in the preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Richard Howard

Deloitte (NI) Limited

Chartered Accountants and Statutory Auditor

Belfast, United Kingdom

13 November 2020

[1] *Adjusted measures are based on reported profit numbers excluding the effect of share-based payments, acquisition-related expenses and amortisation of acquired intangible assets. Reconciliations between the reported and adjusted measures are included in the Financial Review.*

[2] *The value of contracted revenue that has yet to be recognised.*

[3] *Paid 4 September 2020.*

[4] *Data collected from all completed feedback surveys conducted with Kainos customers over the course of the period. There are five possible designations: 'Poor', 'Satisfactory', 'Good', 'Very Good' or 'Excellent'.*

[5] *The number of active customers at the period end excludes the 202 customers of the acquired businesses, IntuititiveTEK, Formulate and Implexa. An active customer is defined as one where Kainos has undertaken paid-for work in the current financial year.*

[6] *Recent transactions include the Ataraxis acquisition by HR Path (2018). In 2019 Alight acquired the Workday-related business elements of Wipro, for a reported $110 million (350 consultants). In 2020 Accenture acquired US-focused Sierra-Cedar (275 consultants) and Cognizant completed the acquisition of Collaborative Solutions (c.1,000 consultants).*

[7] *EBITDA is calculated as being adjusted pre-tax profit add back depreciation, finance income and finance expenses.*

[8] *Operating expenses excluding share-based payments, acquisition-related costs and amortisation of acquired intangible assets includes direct expenses, central overheads, impairment loss on trade receivables and finance income/expenses.*

[8] *Operating expenses excluding share-based payments, acquisition-related costs and amortisation of acquired intangible assets includes direct expenses, central overheads, impairment loss on trade receivables and finance income/expenses.*