



k a i n o s[®]

Prospectus



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Sole sponsor, financial adviser,
bookrunner, underwriter and broker

This document comprises a prospectus (the “**Prospectus**”) relating to Kainos Group plc (the “**Company**”) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (“**FCA**”) made under section 73A of the Financial Services and Markets Act 2000 as amended (“**FSMA**”). This Prospectus has been approved by the FCA in accordance with section 87A of FSMA and made available to the public as required by Rule 3.2 of the Prospectus Rules.

An application has been made to the FCA for all of the ordinary shares of 0.5 pence each in the capital of the Company (“**Ordinary Shares**”) to be admitted to the premium listing segment of the Official List maintained by the FCA (“**Official List**”) and to London Stock Exchange plc (“**London Stock Exchange**”) for all of the Ordinary Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities (together, “**Admission**”). Admission to trading on the London Stock Exchange’s main market for listed securities constitutes admission to trading on a regulated market. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence at 8.00 a.m. on 10 July 2015. Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place. **All dealings in Ordinary Shares before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. No application has been or is currently intended to be made for the Ordinary Shares to be admitted to listing or trading on any other exchange.**

The Directors, whose names appear on page 43 of this Prospectus and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Prospective investors should read the whole of this Prospectus. In particular, your attention is drawn to the “Risk Factors” section of this Prospectus which contains a description of certain important factors, risks and uncertainties that should be considered in connection with an investment in the Ordinary Shares. Prospective investors should be aware that an investment in the Ordinary Shares involves a degree of risk and that, if certain of the risks described in this Prospectus occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Ordinary Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.

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Kainos Group plc

(Incorporated under the Companies Act 2006 with registered number 9579188)

Offer of 37,691,763 Ordinary Shares at an Offer Price of 139 pence per Ordinary Share

and

**admission to the premium listing segment of the Official List
and to trading on the main market of the London Stock Exchange**



Investec Bank plc

Sole Sponsor, Financial Adviser, Bookrunner, Underwriter and Broker

**Issued and fully paid ordinary share capital immediately following Admission of up to
117,957,307 Ordinary Shares of 0.5 pence each**

The Selling Shareholders are offering 37,691,763 Ordinary Shares under the Offer. The Company will not receive any of the proceeds of the Offer. The net proceeds of the Offer will be paid to the Selling Shareholders.

This Prospectus does not constitute or form part of any offer to sell or issue, or any invitation or solicitation of any offer to invest in, any securities of the Company other than the Ordinary Shares. Prospective investors should only rely on the information contained in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, no such information or representation may be relied upon for any purpose. In particular, the contents of the websites of members of the Group do not form part of this Prospectus and prospective investors should not rely on them. The Company will comply with its obligations to publish a supplementary prospectus pursuant to section 87G of FSMA and Rule 3.4 of the

Prospectus Rules containing further updated information required by law or by any regulatory authority but, except as required by the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law, assumes no further obligation to publish additional information. Without prejudice to the Company's legal or regulatory obligations to publish a supplementary prospectus, neither the delivery of this Prospectus nor Admission shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Prospectus or that the information is correct as of any time subsequent to the date of this Prospectus.

Investec has been appointed as sole sponsor, financial adviser, bookrunner, underwriter and broker to the Company. Investec is authorised by the Prudential Regulation Authority ("**PRA**") and regulated by the PRA and the FCA and is acting exclusively for the Company and no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in this Prospectus. Investec and its affiliates may have engaged in transactions with and provided various investment banking, financial advisory and other services for, the Company for which they would have received customary fees.

Apart from the responsibilities and liabilities, if any, that may be imposed on Investec by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Investec accepts no responsibility whatsoever for and makes no representation or warranty, express or implied, as to the contents of, this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Offer and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. Investec accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Investec has given and not withdrawn its consent to the issue of this Prospectus with the inclusion of the references to its name in the form and context to which they are included.

Notice to Overseas Investors

This Prospectus does not constitute an offer of, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction to whom or in which jurisdiction such offer or solicitation is unlawful and, in particular, is not for distribution in Australia, Canada, the Republic of South Africa, New Zealand, Japan or the United States. The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 ("**Securities Act**") or any US state securities laws or under applicable securities laws in Australia, Canada, the Republic of South Africa, New Zealand or Japan. The Ordinary Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the US (as defined in Regulation S under the Securities Act ("**Regulation S**")) unless the Offer and sale of the Ordinary Shares has been registered under the Securities Act or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. The Ordinary Shares are being offered and sold only in "offshore transactions" outside the US, in reliance on Regulation S.

The distribution of this Prospectus and the offer and sale of Ordinary Shares in jurisdictions other than the United Kingdom may be restricted by law. No action has been or will be taken by the Company, the Directors or Investec to permit a public offer of Ordinary Shares or the possession or distribution of this Prospectus (or any other offering or publicity material or application form relating to the Ordinary Shares) in any jurisdiction, other than in the UK. Persons into whose possession this Prospectus comes are required by the Company, the Directors and Investec to inform themselves about and to observe any such restrictions. This Prospectus does not constitute or form part of an offer to sell, or the solicitation of an offer to buy, Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful.

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any US federal or state securities commission or any US federal or state regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The date of this Prospectus is 7 July 2015.

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PART I

SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. The Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for these types of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of these types of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of “not applicable”.

Section A – Introduction and warnings

A.1	Introduction and warnings	This summary should be read as an introduction to this prospectus (“ Prospectus ”) only. Any decision to invest in the ordinary shares of 0.5 pence each in the capital of Kainos Group plc (“ Company ”) (“ Ordinary Shares ”) should be based on consideration of the Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Ordinary Shares.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. No consent has been given by the Company or any person responsible for drawing up this Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B – Issuer

B.1	The Legal and commercial name	Kainos Group plc.
B.2	Domicile and legal form, applicable legislation and country of incorporation	The Company is a public limited company. It was incorporated on 7 May 2015 as a private company limited by shares in England and Wales and reregistered as a public limited company on 7 July 2015. The Company’s registered office is situated in England. The Company operates under the Companies Act 2006 (“ Companies Act ”) and is subject to the UK City Code on Takeovers and Mergers (“ Takeover Code ”).
B.3	Current operations, principal activities and markets	<p>The Company and its consolidated subsidiaries and subsidiary undertakings from time to time (“Group”) operates through three divisions.</p> <p>Digital Services</p> <p>Digital Services delivers full system developments of customised online digital solutions, principally for Central Government, Regional Government and Local Government (“UK Government”) departments and agencies, along with private sector organisations. Digital Services is helping to change the way that</p>

		<p>UK citizens engage with UK Government departments and agencies, by migrating paper-based systems and transactions to online platforms that are capable of handling high volumes of data and transactions and are also more accessible, easier to use and save time and money through increased efficiency. Typical solutions involve high volume, often complex, online interactions between a UK Government department or agency and UK citizens. The solutions provided by Digital Services significantly increase cost-efficiency for its UK Government customers and make public services more accessible and easier to use for the UK citizen. In the private sector, the Digital Services division provides similar online digital solutions to private sector organisations, as well as multi-year IT support and managed services.</p> <p>Evolve</p> <p>Evolve is Kainos' proprietary software product, developed in conjunction with medical practitioners and hospital managers. It is used for digitisation, storage and workflow of patient records. Evolve is the UK market leader in the digitisation of patient notes in the Acute Sector of the NHS, automating the digitisation of medical case notes and operational documents, enabling them to be captured, intelligently tagged and used in digital environments. Evolve has been licensed to a total of 26 Acute English NHS Trusts covering over 70 NHS hospitals, assisting those hospitals to meet the Government's stated desire to achieve a 'paperless' NHS by 2018. Evolve's customers enjoy lower cost, increased efficiency and clinical benefits by having easy and timely access to patient information through the use of Evolve.</p> <p>Workday Implementation Services</p> <p>Workday provides Cloud-based human capital management software, which enables enterprises to organise their staff efficiently and analyse their workforce data. Workday's software suite covers the full 'hire-to-retire' life cycle of human capital management as well as financial management. Workday is disrupting a market which has been dominated by traditional "on premise" vendors such as Oracle and SAP and is rapidly increasing its share of a market which is estimated to be worth over \$15.0 billion annually by 2018.⁵ Kainos is the only boutique Workday partner headquartered in the UK, responsible for implementing Workday's innovative SaaS platform for enterprise customers. The Group provides consulting, project management, integration, support and testing services for the Workday software suite. The Group has also developed Kainos Smart, a proprietary tool that automates the testing of initial Workday deployments and all subsequent software updates.</p>
B.4a	Recent trends	<p>Digital Services</p> <p>The aim of Government Digital Services ("GDS") (which was founded in April 2011 following the publication of the report by Martha Lane-Fox (the co-founder of lastminute.com) recommending that the UK Government establish a new central team in the Cabinet Office responsible for the UK citizen's experience on digital channels), is to transform significant UK Government services, making them more accessible, simpler, clearer and faster for the UK citizen to use. GDS aims to create "a competitive and open marketplace from which [the many individual departments of UK Government] buy[s] IT services and solutions – ending the oligopoly of large suppliers and opening up opportunities to new suppliers, including SMEs".⁶</p> <p>The strategy is also intended to save money for the UK Government. The Cabinet Office estimates that a digital transaction is generally 20 times cheaper than one by phone, 30 times cheaper than a postal transaction</p>

⁵ IPC Market Analysis – "Worldwide and U.S. Human Capital Management Applications 2014 - 2018 Forecast" dated May 2014

⁶ <https://www.gov.uk/government/speeches/francis-maude-speech-at-the-world-class-public-services-conference>

		<p>and 50 times cheaper than a face-to-face transaction and that switching to digital transactions could save UK Government between £1.7 and £1.8 billion annually.⁷</p> <p>GDS' strategy incorporates three significant elements:</p> <ul style="list-style-type: none"> ● The recommended adoption of agile software development methodologies as opposed to traditional 'waterfall' methodologies, which are thought to be less successful for IT development projects; ● The use, where feasible, of open source standards and software rather than proprietary software; and ● Working with Crown Commercial Services to implement new procurement frameworks such as G-Cloud which are designed to make procurement easier and quicker for small companies thereby avoiding substantial bidding costs for such work. <p>Together, these measures aim to ensure that digital IT projects are developed more efficiently and deliver a better service experience for UK citizens online, whilst also saving money for UK Government and taxpayers.</p> <p>In addition, the Government's objectives are to "increase digital uptake of government public services by 10 percentage points by mid-2016 and bring average digital uptake to 90 per cent. among those who are online by 2020".⁸ As a starting point, it identified 25 'exemplar' projects across a number of Central Government departments and agencies that aimed to digitise those services with the highest transaction levels. This programme was implemented by a combination of UK Government staff and medium-sized suppliers, including the Group.</p> <p>Today, GDS is working with Central Government departments and agencies to digitise many of the remaining approximately 784 different types of government-citizen transactions; of these, the Directors believe there are approximately 300 that have been identified as a priority which would represent a market opportunity for Kainos of more than £1.0 billion over the next five years. In addition, the Directors expect that other UK public sector organisations outside Central Government such as Regional Government and Local Government, police, healthcare and education, will also follow a similar 'GDS-style' approach towards procurement and implementation of citizen-centric IT services.</p> <p>Evolve</p> <p>In 2003, the Department of Health ("DoH") launched the multi-billion pound National Programme for IT ("NPfIT"). The primary aims of the NPfIT were to make the NHS more efficient and improve the quality of information and patient care, ostensibly through the creation of an electronic summary care record for every NHS patient in England which could be accessed by all relevant care providers. This was intended to replace manually written records kept at the patient's registered general practice and in Acute hospitals.</p> <p>Whilst the NPfIT had some success with some smaller elements of the programme, it has generally been viewed as an expensive failure, particularly in relation to the digitisation of patient records and, following a review by the Major Projects Authority, the Government announced in September 2011 that the NPfIT would be dismantled into its separate component parts, in effect abandoning the programme.</p> <p>NPfIT's failure has meant the DoH has not delivered a fully integrated care records system across the NHS. As a result many hospitals still have extensive libraries of paper documents stretching back many years that are sometimes held in another location or site, away from the point of care.</p>
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⁷ http://ec.europa.eu/isa/news/2012/uk_transactions_en.htm

⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382552/Efficiency_and_reform_in_the_next_Parliament.pdf (page 21, paragraph 1)

		<p>The Directors believe that the failure of the NPfIT has had a significant impact on procurement and deployment of IT systems in the NHS. First, as noted by the Public Accounts Committee in August 2011, it has caused NHS institutions to fall behind in digital investment resulting in a pressing need to upgrade and replace ageing IT systems. Secondly, the NHS is moving away from large, centralised procurement in favour of localised NHS Trust-led procurement. This was set out in the NHS ‘SME Action Plan’ with the stated intention of doubling the percentage of the NHS budget spent with SMEs to 18 per cent. by 2015. Thirdly, the NHS now favours an approach that emphasises procurement of ‘best-of-breed’ solutions from discrete suppliers to perform specific tasks, rather than seeking to select large complex multi-functional solutions. Finally, the NHS remains keen to adopt innovative technology and notes particularly the transformative potential of mobile technology in the provision of healthcare across the NHS care setting.</p> <p>The previous Conservative/Liberal Democrat coalition Government underlined its commitment to digitising the healthcare sector by announcing its desire to achieve a ‘paperless’ NHS by April 2018 and setting out an ambition to provide patients with compatible digital records across the entire NHS, identifying a goal of making digital information fully available across NHS and social care services. This approach is designed to make multiple existing records systems compatible and capable of exchanging data rather than the top-down single project approach previously attempted with the NPfIT.</p> <p>These initiatives have received significant financial support from the UK Government:</p> <ul style="list-style-type: none"> ● In July 2013, NHS England published ‘Safer Hospitals, Safer Wards: Achieving an integrated digital care record’, which set out the pathway for NHS providers to move from paper-based record-keeping through “paper-light” to paperless systems and which was backed by a £260 million fund (to be matched up to an equivalent amount from NHS Trusts’ internal funding); and ● In May 2014, NHS England announced the Integrated Digital Care Fund with £500 million of additional capital funding (to be matched up to an equivalent amount from NHS Trusts’ internal funding) “to enable health and care services to rapidly progress to digital systems and safe information flows between care providers”⁹ reflecting an increased emphasis on information sharing across organisational boundaries and a widening of eligibility criteria to include local authorities. <p>Workday Implementation Services</p> <p>Workday is disrupting a market which has been dominated by traditional “on premise” vendors such as Oracle and SAP and is rapidly increasing its market share of a market which is estimated to be worth over \$15.0 billion annually by 2018. Workday was founded in 2005 by Aneel Bhusri and David Duffield who are both industry veterans and were the founders of PeopleSoft, the ERP vendor acquired by Oracle in 2005 for \$10.3 billion. Workday completed its IPO on the New York Stock Exchange in 2012 with a market capitalisation of approximately \$4.5 billion which has since almost quadrupled.</p> <p>Workday was founded with the intention of revolutionising the current \$12.2 billion human capital management software market but is increasingly moving into the broader enterprise software ERP market estimated at being \$35.4 billion by 2018. Workday’s software product was</p>
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⁹ <http://www.england.nhs.uk/wp-content/uploads/2014/05/idcr.pdf>

		<p>designed around a Cloud-based delivery model and engineered to support complex high volume transactions, with high performance enabled by ‘in memory’ execution. The user interface emphasised ease of use and adopted a ‘look-and-feel’ common in the consumer software market. Support for mobile workers using mobile devices took priority over traditional desk-based work models and data analytics capability was considered at the outset rather than as a later adjunct to the design.</p> <p>Kainos is the only boutique Workday partner headquartered in the UK, responsible for implementing Workday’s innovative SaaS platform for enterprise customers. The Group provides consulting, project management, integration, support and testing services for the Workday software suite. The Group has also developed Kainos Smart, a proprietary tool that automates the testing of initial Workday deployments and regular updates provided.</p>																																																																																																				
B.5	Description of Issuer’s group	<p>The Group has undertaken a reorganisation of its corporate structure that has resulted in the Company becoming the holding company of the Group and Kainos Software Limited becoming the Company’s direct wholly-owned subsidiary (“Reorganisation”). The principal operating subsidiary is Kainos Software Limited.</p>																																																																																																				
B.6	Shareholders	<p>The interests of the Directors and the Senior Managers and (so far as is known to the Directors and the Senior Managers having made appropriate enquiries) of all such persons connected with the Directors and the Senior Managers in the issued share capital of the Company are as follows:</p> <table><thead><tr><th></th><th><i>Number of Ordinary Shares immediately prior to Admission</i></th><th><i>Percentage of issued ordinary share capital immediately prior to Admission</i></th><th><i>Number of Ordinary Shares immediately following Admission</i></th><th><i>Percentage of issued ordinary share capital immediately following Admission¹</i></th></tr></thead><tbody><tr><td colspan="5">Directors⁴</td></tr><tr><td>John Lillywhite</td><td>1,812,000</td><td>1.56</td><td>434,000</td><td>0.37</td></tr><tr><td>Brendan Mooney</td><td>16,967,020</td><td>14.62</td><td>14,107,020</td><td>11.96</td></tr><tr><td>Richard McCann</td><td>6,139,997</td><td>5.29</td><td>6,139,997</td><td>5.21</td></tr><tr><td>Paul Gannon</td><td>11,131,240</td><td>9.59</td><td>9,131,240</td><td>7.74</td></tr><tr><td>Andy Malpass</td><td>–</td><td>–</td><td>–</td><td>–</td></tr><tr><td>Chris Cowan²</td><td>–</td><td>–</td><td>21,582</td><td>0.02</td></tr><tr><td>Tom Burnet³</td><td>–</td><td>–</td><td>14,388</td><td>0.01</td></tr><tr><td colspan="5">Senior Managers⁴</td></tr><tr><td>Brian Gannon</td><td>7,217,440</td><td>6.22</td><td>6,217,440</td><td>5.27</td></tr><tr><td>Russell Sloan</td><td>685,519</td><td>0.59</td><td>685,519</td><td>0.58</td></tr><tr><td>Nigel Hutchinson</td><td>681,179</td><td>0.59</td><td>681,179</td><td>0.58</td></tr><tr><td>Sam Bolton</td><td>1,240,590</td><td>1.07</td><td>1,240,590</td><td>1.05</td></tr><tr><td>Malachy Smith</td><td>1,407,470</td><td>1.21</td><td>1,407,470</td><td>1.19</td></tr><tr><td>Tom Gray</td><td>617,140</td><td>0.53</td><td>617,140</td><td>0.52</td></tr><tr><td>Paul Hamill</td><td>1,700,000</td><td>1.47</td><td>1,500,000</td><td>1.27</td></tr><tr><td>Stephan Sakowicz</td><td>180,590</td><td>0.16</td><td>180,590</td><td>0.15</td></tr><tr><td>Grainne Burns</td><td>950,780</td><td>0.82</td><td>950,780</td><td>0.81</td></tr><tr><td>Colette Kidd</td><td>69,475</td><td>0.06</td><td>69,475</td><td>0.06</td></tr></tbody></table> <p>Notes:</p> <p>1. Assuming the Employee Offer is fully subscribed and the issue of up to 757,554 Ordinary Shares pursuant to the Kainos Group Share Incentive Plan (“SIP”) in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission).</p> <p>2. Chris Cowan will acquire 21,582 Ordinary Shares pursuant to his participation in the Offer.</p> <p>3. Tom Burnet will acquire 14,388 Ordinary Shares pursuant to his participation in the Offer.</p> <p>4. Each of the Directors and Senior Managers will receive Ordinary Shares pursuant to the SIP in connection with Admission, having a maximum value of £3,600 and these additional Ordinary Shares are not included in the holdings shown above.</p>		<i>Number of Ordinary Shares immediately prior to Admission</i>	<i>Percentage of issued ordinary share capital immediately prior to Admission</i>	<i>Number of Ordinary Shares immediately following Admission</i>	<i>Percentage of issued ordinary share capital immediately following Admission¹</i>	Directors⁴					John Lillywhite	1,812,000	1.56	434,000	0.37	Brendan Mooney	16,967,020	14.62	14,107,020	11.96	Richard McCann	6,139,997	5.29	6,139,997	5.21	Paul Gannon	11,131,240	9.59	9,131,240	7.74	Andy Malpass	–	–	–	–	Chris Cowan ²	–	–	21,582	0.02	Tom Burnet ³	–	–	14,388	0.01	Senior Managers⁴					Brian Gannon	7,217,440	6.22	6,217,440	5.27	Russell Sloan	685,519	0.59	685,519	0.58	Nigel Hutchinson	681,179	0.59	681,179	0.58	Sam Bolton	1,240,590	1.07	1,240,590	1.05	Malachy Smith	1,407,470	1.21	1,407,470	1.19	Tom Gray	617,140	0.53	617,140	0.52	Paul Hamill	1,700,000	1.47	1,500,000	1.27	Stephan Sakowicz	180,590	0.16	180,590	0.15	Grainne Burns	950,780	0.82	950,780	0.81	Colette Kidd	69,475	0.06	69,475	0.06
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Grainne Burns	950,780	0.82	950,780	0.81																																																																																																		
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		<p>As at 6 July 2015 (being the latest practicable date prior to the publication of this Prospectus), the Directors were aware of the following persons who, in addition to the Directors and the Senior Managers set out above, directly or indirectly, were interested in three per cent. or more of the Company's share capital or voting rights:</p> <table><tr><th></th><th>Number of Ordinary Shares immediately prior to Admission</th><th>Percentage of issued ordinary share capital immediately prior to Admission</th><th>Number of Ordinary Shares immediately following Admission</th><th>Percentage of issued ordinary share capital immediately following Admission¹</th></tr><tr><td><i>Shareholders</i></td><td></td><td></td><td></td><td></td></tr><tr><td>QUBIS Limited ("QUBIS")</td><td>39,000,000</td><td>33.61</td><td>18,947,257</td><td>16.06</td></tr><tr><td>Frank Graham</td><td>6,751,640</td><td>5.82</td><td>–</td><td>–</td></tr></table> <p>Notes:</p> <p>1. Assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission).</p> <p>The Ordinary Shares owned by the Company's major shareholders rank <i>pari passu</i> with other Ordinary Shares in all respects.</p> <p>At Admission, all of the Ordinary Shares will have the same voting rights.</p>		Number of Ordinary Shares immediately prior to Admission	Percentage of issued ordinary share capital immediately prior to Admission	Number of Ordinary Shares immediately following Admission	Percentage of issued ordinary share capital immediately following Admission ¹	<i>Shareholders</i>					QUBIS Limited ("QUBIS")	39,000,000	33.61	18,947,257	16.06	Frank Graham	6,751,640	5.82	–	–																																																								
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Frank Graham	6,751,640	5.82	–	–																																																																										
B.7	Selected historical key financial information	<p>The selected financial information set out below has been extracted without material adjustment from the audited consolidated financial statements accounts of Kainos Software Limited and its subsidiaries ("Operating Group") for the financial years ended 31 March 2013, 2014 and 2015.</p> <p>Consolidated Statement of Comprehensive Income</p> <table><tr><td><i>For the financial years ended 31 March</i></td><td><i>2013</i></td><td><i>2014</i></td><td><i>2015</i></td></tr><tr><td></td><td><i>£'000</i></td><td><i>£'000</i></td><td><i>£'000</i></td></tr><tr><td>Continuing operations</td><td></td><td></td><td></td></tr><tr><td>Revenue</td><td>29,933</td><td>41,915</td><td>60,778</td></tr><tr><td>Cost of sales</td><td>(14,907)</td><td>(20,446)</td><td>(28,329)</td></tr><tr><td>Gross profit</td><td>15,028</td><td>21,469</td><td>32,449</td></tr><tr><td>Operating expenses</td><td>(11,275)</td><td>(14,440)</td><td>(20,646)</td></tr><tr><td>Operating profit</td><td>3,753</td><td>7,029</td><td>11,803</td></tr><tr><td>Other income/(charges)</td><td>(69)</td><td>27</td><td>34</td></tr><tr><td>Profit before tax</td><td>3,684</td><td>7,056</td><td>11,837</td></tr><tr><td>Taxation on ordinary activities</td><td>(207)</td><td>(1,600)</td><td>(2,072)</td></tr><tr><td>Profit and total comprehensive income for the year</td><td>3,477</td><td>5,456</td><td>9,765</td></tr><tr><td>Earnings per share</td><td></td><td></td><td></td></tr><tr><td><i>Operating Group</i></td><td></td><td></td><td></td></tr><tr><td>Basic ('£')</td><td>£0.67</td><td>£1.05</td><td>£1.77</td></tr><tr><td>Diluted ('£')</td><td>£0.61</td><td>£0.96</td><td>£1.66</td></tr><tr><td><i>Group</i></td><td></td><td></td><td></td></tr><tr><td>Basic ('£')</td><td>0.03</td><td>0.05</td><td>0.08</td></tr><tr><td>Diluted ('£')</td><td>0.03</td><td>0.05</td><td>0.08</td></tr></table>	<i>For the financial years ended 31 March</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	Continuing operations				Revenue	29,933	41,915	60,778	Cost of sales	(14,907)	(20,446)	(28,329)	Gross profit	15,028	21,469	32,449	Operating expenses	(11,275)	(14,440)	(20,646)	Operating profit	3,753	7,029	11,803	Other income/(charges)	(69)	27	34	Profit before tax	3,684	7,056	11,837	Taxation on ordinary activities	(207)	(1,600)	(2,072)	Profit and total comprehensive income for the year	3,477	5,456	9,765	Earnings per share				<i>Operating Group</i>				Basic ('£')	£0.67	£1.05	£1.77	Diluted ('£')	£0.61	£0.96	£1.66	<i>Group</i>				Basic ('£')	0.03	0.05	0.08	Diluted ('£')	0.03	0.05	0.08
<i>For the financial years ended 31 March</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>																																																																											
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Consolidated Statement of Financial Position			
<i>As at 31 March</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non current assets			
Property, plant and equipment	1,271	1,364	1,751
Deferred tax	484	786	132
Other non current assets	1,345	3,335	3,334
	<u>3,100</u>	<u>5,485</u>	<u>5,217</u>
Current assets			
Trade and other receivables	7,940	10,658	12,062
Prepayments	1,236	1,624	1,519
Accrued income	2,932	2,898	4,051
Derivative financial instruments	–	63	–
Corporation Tax	81	–	–
Cash and bank balances	3,042	5,772	16,793
	<u>15,231</u>	<u>21,015</u>	<u>34,425</u>
Total assets	<u>18,331</u>	<u>26,500</u>	<u>39,642</u>
Current liabilities			
Trade creditors and accruals	(4,319)	(6,014)	(7,761)
Deferred income	(2,292)	(1,929)	(2,975)
Corporation tax	–	(1,235)	(226)
Other tax and social security	(1,352)	(2,192)	(2,975)
Other provisions	–	–	(158)
Derivative financial instruments	(72)	–	(98)
Obligations under finance leases	(279)	–	–
	<u>(8,314)</u>	<u>(11,370)</u>	<u>(15,565)</u>
Non-current liabilities			
Other provisions	–	–	(347)
Deferred government grants	(46)	–	–
	<u>(46)</u>	<u>–</u>	<u>(347)</u>
Total liabilities	<u>(8,360)</u>	<u>(11,370)</u>	<u>(15,912)</u>
Net assets	<u>9,971</u>	<u>15,130</u>	<u>23,730</u>
Equity			
Share capital	518	525	549
Share premium account	350	396	521
Capital redemption reserve	54	54	54
Retained earnings	9,049	14,155	22,606
Total equity	<u>9,971</u>	<u>15,130</u>	<u>23,730</u>

Consolidated Cash Flow Statement			
<i>As at 31 March</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net cash from operating activities	112	4,080	13,114
Investing activities			
Purchases of property, plant and equipment	(439)	(471)	(917)
Net cash used in investing activities	(439)	(471)	(917)
Financing activities			
Dividends paid	–	(651)	(1,325)
Repayments of obligations under finance leases	(696)	(281)	–
Proceeds on issues of shares	–	53	149
Net cash used in financing activities	(696)	(879)	(1,176)
Net increase/(decrease) in cash and cash equivalents	(1,023)	2,730	11,021
Cash and cash equivalents at beginning of year	4,065	3,042	5,772
Cash and cash equivalents at end of year	3,042	5,772	16,793
<ul style="list-style-type: none"> ● The Group has experienced entirely organic growth over the three year period ended 31 March 2015 (“Historical Period”), with a compound annual growth rate (“CAGR”) for revenue for the period from the financial year ended 31 March 2013 to the financial year ended 31 March 2015 of 43 per cent., underpinned by being recurring and repeating revenue (accounting for 88 per cent. in the financial year to 31 March 2015, 75 per cent. in the financial year to 31 March 2014 and 86 per cent. in the financial year to 31 March 2013 of total Group revenue). ● The Digital Services division accounted for 72 per cent. of total Group revenue during the financial year ended 31 March 2015 and delivered revenue CAGR of 36 per cent. during the Historical Period. The Evolve and Workday Implementation Services divisions accounted for 15 per cent. and 13 per cent. of Group revenue, respectively, for the financial year ended 31 March 2015 and delivered revenue CAGRs of 36 per cent. and 121 per cent., respectively during the Historical Period. ● Group-wide gross margins increased from 50.2 per cent. for the financial year ended 31 March 2013 to 53.4 per cent. for the financial year ended 31 March 2015, primarily as a result of employee utilisation rates increasing from 67.7 per cent. to 72.9 per cent. during the Historical Period. ● As revenues have grown, so operating profit increased from £3.8 million for the financial year ended 31 March 2013 to £11.8 million for the financial year ended 31 March 2015 (a CAGR of 76.5 per cent.), helped in part by cost control measures which resulted in corporate overheads reducing from 38 per cent. of revenue during the financial year ended 31 March 2013 to 34 per cent. during the financial year ended 31 March 2015. ● The Group’s balance sheet shows significant financial strength with £16.8 million of cash and no debt as at 31 March 2015. Net assets have increased from £10.0 million as at 31 March 2013 to £23.7 million as at 31 March 2015. 			

		<ul style="list-style-type: none"> ● Cashflow generation during the Historical Period (totalling £12.7 million) was characterised by operating cashflows (£17.3 million), capital investment amounting to £1.8 million (or 7.7 per cent. of Historical Period EBITDA) and dividends totalling £2.0 million. Operating cashflows equated to 106.4 per cent. of Group EBITDA during the financial year ended 31 March 2015, or 72.8 per cent. for the entire Historical Period. ● Dividends totalling £11.1 million were declared and paid by Kainos Software Limited between 1 April 2015 and the date of this Prospectus, which net of positive cash movements from ongoing profitable trading has reduced the Group's cash reserves. The Executive Directors and Brian Gannon utilised these dividends to repay outstanding loan amounts totalling £1.9 million to Kainos Software Limited on 19 June 2015. <p>Save in connection with the Reorganisation and the above noted payment of dividends totalling £11.1 million, there has been no significant change in the financial condition or operating results or trading position of the Operating Group since 31 March 2015, the date to which the last audited consolidated financial information of the Operating Group was prepared.</p>
B.9	Profit forecast/estimate	Not applicable. No profit forecasts or estimates are included in this Prospectus.
B.10	Audit report – qualifications	Not applicable. The report from Deloitte on the historical financial information included in this Prospectus does not contain any qualifications by the Company's auditors.
B.11	Explanation in respect of insufficient working capital	Not applicable. The Company is of the opinion that the working capital available to it is sufficient for the present requirements of the Group, that is, for at least 12 months from the date of this Prospectus.

Section C – Securities

C.1	Type and class of the securities being offered and admitted to trading, including the security identification number	<p>The Shareholders in the Company who intend to sell some or all of their Ordinary Shares pursuant to the Offer (the “Selling Shareholders”) are selling 37,691,763 Ordinary Shares for an aggregate amount of approximately £52.4 million, net of aggregate commissions and amounts in respect of stamp duty or SDRT, payable by the Selling Shareholders in connection with the Offer.</p> <p>The Offer Shares to be sold under the Offer will represent approximately 32.0 per cent. of the issued ordinary share capital of the Company immediately following Admission (assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission)). No new Ordinary Shares will be issued by the Company under the Offer.</p> <p>The Offer is made by way of an offer to certain institutional and professional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.</p> <p>When admitted to trading, the Ordinary Shares will be registered with ISIN number GB00BZ0D6727 and SEDOL number BZ0D672 and will trade under the ticker KNOS.</p>
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		In addition, please see E.1 below for details of the Employee Offer to be undertaken by the Company following the publication of this Prospectus and prior to Admission.
C.2	Currency of the securities issue	United Kingdom pounds sterling.
C.3	Shares issued/value per share	On Admission, the nominal value of the issued share capital of the Company will (assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission)) be up to £584,786.54 divided into 117,957,307 Ordinary Shares of 0.5 pence each, all of which will be fully paid.
C.4	Rights attached to the securities	The rights attaching to the Ordinary Shares are uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions declared, made or paid on the Ordinary Shares. The Ordinary Shares rank equally for voting purposes. On a show of hands each Shareholder has one vote and on a poll each Shareholder has one vote per Ordinary Share held. Each Ordinary Share ranks equally for any dividend declared. Each Ordinary Share ranks equally for any distribution made on a winding up of the Company.
C.5	Restrictions on free transferability of the securities	The Board may decline to register any transfer of certificated Ordinary Shares if it is not fully paid up (provided that the refusal does not prevent dealings in the Ordinary Shares from taking place on an open and proper basis). There are no other restrictions on the free transferability of the Ordinary Shares.
C.6	Admission/regulated markets where the securities are traded	Application has been made to the Financial Conduct Authority (" FCA ") for all of the Ordinary Shares to be admitted to the Official List of the FCA and to London Stock Exchange plc (" London Stock Exchange ") for all of the Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Admission to trading on the London Stock Exchange's main market for listed securities constitutes admission to trading on a regulated market. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence, at 8.00 a.m. on 10 July 2015.
C.7	Dividend policy	<p>The Board intends to adopt a progressive dividend policy for the Company from Admission which will look to maximise Shareholder value and reflect its strong earnings potential and cash flow characteristics, while allowing it to retain sufficient capital to fund on-going operating requirements and invest in the Company's long-term growth.</p> <p>The Directors intend that the Group will pay an interim and a final dividend to be announced at the time of the interim and preliminary results of the Group in the approximate ratio of 1/3:2/3. The Directors' intention is to target a dividend cover of 1.75x and expect to pay a full interim dividend in December 2015.</p>

Section D – Risks

D.1	Key information on the key risks specific to the Issuer or its industry	The Group relies, in part, on revenue from contracts with UK Government. Changes to Government policy or spending may have a material impact on contract awards and consequently on the performance, financial condition or business prospects of the Group. If Government procurement policy moves away from its current 'Digital by Default' policy favouring SMEs such as Kainos, or if the Government reduces its stated commitment to the 'Digital by Default' initiative, the Group's performance, financial condition or business prospects may be adversely impacted.
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		<p>Within the UK there are a finite number of Acute English NHS Trusts that will have a requirement for the adoption and implementation of an EDM solution such as Evolve. Therefore, whilst the adoption of Evolve by Acute English NHS Trusts is an investment of a long-term nature, the ability of the Group to generate significant new revenue streams from this 'platform' will require the Group to identify and develop other related or complementary products and services that can be sold to users of Evolve during the life cycle of the product. Any failure by the Group to identify and/or develop sufficient related or complementary products to Evolve could impact the ability of the Group to generate significant revenue streams in relation to Evolve in the future from the Acute English NHS Trusts that utilise it.</p> <p>Kainos has been a Workday implementation partner since 2011 and through that partnership Kainos is able to provide implementation services to Workday's clients. If Workday were to terminate its implementation partner agreement with Kainos, Kainos would be unable to deliver Workday Implementation Services, which could have a material adverse impact on the Group's business. Termination of this agreement would restrict the software Kainos could build and the service that Kainos could provide its clients and thus could have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.</p> <p>The Directors believe that Workday's success provides the Group with a significant market opportunity. Workday's annual revenue growth has averaged 69.7 per cent. for the financial period from 1 February 2013 to 31 January 2015. Workday has forecast annual revenue growth of 45 per cent. to 47 per cent. for the second quarter of fiscal 2016. These estimates for Workday's forecast revenue growth could provide a significant driver for an increased level of implementation services being required to be delivered by the Group. However, the failure of this growth to materialise could impact Kainos' ability to grow its business at similar rates.</p> <p>The business of the Group is dependent on certain key customers (the Group's ten largest customers for the financial year ended 31 March 2015 accounted for approximately 62 per cent. of revenue) who may seek lower prices or may reduce their demand for the products or services of the Group. If the Group's commercial relationship with any of its key customers terminates for any reason, or if one of its key customers significantly reduces its business with the Group and the Group is unable to enter into similar relationships with other customers on a timely basis, or at all, the Group's business, its results of operations and/or its financial condition could be materially adversely affected.</p> <p>The Group requires highly skilled employees to carry out its business and enable it to achieve its growth targets. The Directors believe that there is significant competition for skilled personnel, including software engineers, consultants and project managers with the skills and technical knowledge that the Group requires. The Group's ability to achieve substantial revenue growth will depend, in large part, on its success in recruiting, developing and retaining sufficient numbers of such people to support its growth.</p>
D.3	Key information on the key risks specific to the Ordinary Shares	<p>There is no existing market for the Ordinary Shares and an active market for the Ordinary Shares may not develop or be sustained.</p> <p>The share price of publicly traded companies can be highly volatile, including for reasons related to differences between expected and actual operating performance, corporate and strategic actions taken by such companies or their competitors, speculation about the business and management of such companies, general; market conditions and regulatory changes (some unrelated to the Company or its operating performance).</p>

Section E – Offer

E.1	Total net proceeds and estimate of total expenses of the issue/offer, including estimated expenses charged to investors	<p>The Offer comprises the sale by the Selling Shareholders of 37,691,763 Ordinary Shares at the Offer Price of 139 pence per Offer Share. Through the sale of Offer Shares by the Selling Shareholders, the Company expects the Selling Shareholders to receive net proceeds from the Offer of approximately £50.6 million (after deducting commissions and amounts in respect of stamp duty and SDRT payable by the Selling Shareholders).</p> <p>In addition, following the publication of this Prospectus the Company is proposing to offer those employees of the Group based in the United Kingdom, the Republic of Ireland and Poland as at the date of this Prospectus (“Eligible Employees”) the opportunity (subject to any applicable legal restrictions in the jurisdictions where such employees are based) to subscribe for Ordinary Shares in the Company at the Offer Price (the “Employee Offer”), provided that the maximum aggregate number of Ordinary Shares made available pursuant to the Employee Offer shall not exceed 1.0 per cent. of the entire issued ordinary share capital of the Company as at the date of this Prospectus. Shares issued pursuant to the Employee Offer will be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities at Admission.</p> <p>The Employee Offer is not part of the Offer and is not being underwritten and consequently the terms of the Employee Offer will be communicated to Eligible Employees in a separate communication.</p> <p>The Company will not receive any proceeds from the sale of the Ordinary Shares by the Selling Shareholders. However, the Company is expecting to receive proceeds of up to £1.6 million pursuant to the Employee Offer (assuming the Employee Offer is fully subscribed).</p> <p>The aggregate estimated expenses of the Offer, including fees, taxes and expenses of, or incidental to, Admission and the Offer incurred and to be borne by the Group are estimated to be approximately £1.3 million (inclusive of amounts in respect of VAT) which the Group intends to pay out of its existing cash resources. No expenses will be charged by the Company or the Selling Shareholders to any investor who purchases Offer Shares pursuant to the Offer.</p>
E.2a	Reasons for the offer, use of proceeds and estimated net amount of proceeds	<p>The Directors believe that Admission will enhance the Group’s public profile and status, provide a liquid market in the Ordinary Shares and assist in the incentivisation and retention of key management and employees.</p> <p>The Offer is being made by the Selling Shareholders and not the Company. Therefore, the Company will not raise any proceeds from the Offer.</p> <p>Assuming all Employee Offer Shares are issued under the Employee Offer, the proceeds from the Employee Offer will be £1.6 million. The Company intends to use such proceeds for general working capital and corporate purposes.</p>
E.3	Terms and conditions of the offer	<p>The Offer comprises an offer of 37,691,763 Ordinary Shares to be sold by the Selling Shareholders. The Offer comprises an offer to certain institutional and professional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S under the Securities Act.</p>

		<p>Pursuant to the Offer, all Offer Shares will be sold at the Offer Price, which has been determined by the Company and the Selling Shareholders in consultation with Investec Bank plc (“Investec”). A number of factors have been considered in deciding the Offer Price and the basis of allocation under the Offer, including the level and nature of demand for Ordinary Shares and the objective of encouraging the development of an orderly after market in the Ordinary Shares.</p> <p>It is expected that Admission will take place and unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 10 July 2015. Settlement of dealings from that date will be on a two-day rolling basis.</p> <p>The Offer Shares allocated under the Offer have been underwritten, subject to certain conditions, by Investec pursuant to the terms of a placing agreement dated 7 July 2015 entered into between the Company, the Directors, the Major Selling Shareholders and Investec (the “Placing Agreement”). The Offer is subject to the satisfaction of conditions contained in the Placing Agreement which are customary for transactions of this type, including Admission becoming effective by no later than 8.00 a.m. on 10 July 2015 or such later time and/or date as certain of the parties to the Placing Agreement may agree (not being later than 14 August 2015) and on the Placing Agreement not having been terminated prior to Admission.</p> <p>None of the Ordinary Shares may be offered for subscription, sale or purchase or be delivered, or be subscribed, sold or delivered and this Prospectus and any other offering material in relation to the Ordinary Shares may not be circulated, in any jurisdiction (including, without limitation, the US) where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.</p>
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E.4	Interests material to the offer, including conflicting interests	<p>The Company considers that each of the following persons have an interest that is material to the Offer by virtue of the size of its or their shareholding in the Company:</p> <table><tr><th></th><th><i>Number of Ordinary Shares immediately prior to Admission</i></th><th><i>Percentage of issued ordinary share capital immediately prior to Admission</i></th><th><i>Number of Ordinary Shares immediately following Admission¹</i></th><th><i>Percentage of issued ordinary share capital immediately following Admission¹</i></th></tr><tr><td>QUBIS Limited (“QUBIS”)</td><td>39,000,000</td><td>33.61</td><td>18,947,257</td><td>16.06</td></tr><tr><td>Brendan Mooney⁴</td><td>16,967,020</td><td>14.62</td><td>14,107,020</td><td>11.96</td></tr><tr><td>Paul Gannon⁴</td><td>11,131,240</td><td>9.59</td><td>9,131,240</td><td>7.74</td></tr><tr><td>Brian Gannon⁴</td><td>7,217,440</td><td>6.22</td><td>6,217,440</td><td>5.27</td></tr><tr><td>Richard McCann⁴</td><td>6,139,997</td><td>5.29</td><td>6,139,997</td><td>5.21</td></tr><tr><td>Danny Magill</td><td>3,359,020</td><td>2.89</td><td>959,020</td><td>0.81</td></tr><tr><td>John Lillywhite⁴</td><td>1,812,000</td><td>1.56</td><td>434,000</td><td>0.37</td></tr><tr><td>Chris Cowan²</td><td>–</td><td>–</td><td>21,582</td><td>0.02</td></tr><tr><td>Tom Burnet³</td><td>–</td><td>–</td><td>14,388</td><td>0.01</td></tr><tr><td>Frank Graham</td><td>6,751,640</td><td>5.82</td><td>–</td><td>–</td></tr><tr><td>Andy Malpass⁴</td><td>–</td><td>–</td><td>–</td><td>–</td></tr></table> <p>Notes:</p> <ol style="list-style-type: none">1. Assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of ordinary shares that can be issued pursuant to the SIP in connection with Admission).2. Chris Cowan will acquire 21,582 Ordinary Shares pursuant to his participation in the Offer.3. Tom Burnet will acquire 14,388 Ordinary Shares pursuant to his participation in the Offer.4. Each of the Directors and Senior Managers will receive Ordinary Shares pursuant to the SIP in connection with Admission, having a maximum value of £3,600 and these additional Ordinary Shares are not included in the holdings shown above. <p>The Company does not consider this to be a conflicting interest, and does not consider that there are any other interests, including conflicting interests, that are material to the Offer.</p>		<i>Number of Ordinary Shares immediately prior to Admission</i>	<i>Percentage of issued ordinary share capital immediately prior to Admission</i>	<i>Number of Ordinary Shares immediately following Admission¹</i>	<i>Percentage of issued ordinary share capital immediately following Admission¹</i>	QUBIS Limited (“ QUBIS ”)	39,000,000	33.61	18,947,257	16.06	Brendan Mooney ⁴	16,967,020	14.62	14,107,020	11.96	Paul Gannon ⁴	11,131,240	9.59	9,131,240	7.74	Brian Gannon ⁴	7,217,440	6.22	6,217,440	5.27	Richard McCann ⁴	6,139,997	5.29	6,139,997	5.21	Danny Magill	3,359,020	2.89	959,020	0.81	John Lillywhite ⁴	1,812,000	1.56	434,000	0.37	Chris Cowan ²	–	–	21,582	0.02	Tom Burnet ³	–	–	14,388	0.01	Frank Graham	6,751,640	5.82	–	–	Andy Malpass ⁴	–	–	–	–
	<i>Number of Ordinary Shares immediately prior to Admission</i>	<i>Percentage of issued ordinary share capital immediately prior to Admission</i>	<i>Number of Ordinary Shares immediately following Admission¹</i>	<i>Percentage of issued ordinary share capital immediately following Admission¹</i>																																																										
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Frank Graham	6,751,640	5.82	–	–																																																										
Andy Malpass ⁴	–	–	–	–																																																										
E.5	Name of offerors/Lock-up agreements	<p>Pursuant to the Offer, 37,691,763 Ordinary Shares will be sold by or behalf of the Selling Shareholders. The interests in Ordinary Shares of the Selling Shareholders immediately prior to Admission, together with their interests in Ordinary Shares immediately following Admission (assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission)) is set out below:</p>																																																												

		<i>Number of issued Ordinary Shares immediately prior to Admission</i>	<i>Percentage of issued ordinary share capital immediately prior to Admission</i>	<i>Number of issued Ordinary Shares immediately following Admission²</i>	<i>Percentage of issued ordinary share capital immediately following Admission¹</i>
<i>Shareholder</i>					
John Lillywhite		1,812,000	1.56	434,000	0.37
Brendan Mooney ²		16,967,020	14.62	14,107,020	11.96
Richard McCann ²		6,139,997	5.29	6,139,997	5.21
Paul Gannon ²		11,131,240	9.59	9,131,240	7.74
Brian Gannon		7,217,440	6.22	6,217,440	5.27
Frank Graham		6,751,640	5.82	–	–
QUBIS Limited		39,00,000	33.61	18,947,257	16.06
Joseph Hyland		218,260	0.2	173,480	0.1
Joanne Daly		390,720	0.3	210,720	0.2
Jacqueline Devine		218,280	0.2	173,480	0.1
Ivan Taylor		7,800	0.0	–	–
Clifford Rosney		369,000	0.3	439,000	0.3
Brian Reid		2,624,720	2.3	2,000,000	1.7
Susan McKeever		3,068,980	0.3	318,980	0.3
Stephanie Maury		500,000	0.4	–	–
Paula Barber		291,460	0.3	268,460	0.2
Paul Hamill		550,000	0.5	350,000	0.3
Kieran Barber		25,420	0.0	15,420	0.0
Joseph McKavanagh		17,340	0.0	9,680	0.0
Daniel Magill		3,351,020	2.9	941,000	0.8
Andrew Miller		7,630	0.0	–	–
Alan Dodridge		4,800	0.0	–	–
Sara Lillywhite		518,000	0.4	–	–
Sandra Duffy		14,600	0.1	8,000	0.1
Maureen Paul		89,500	0.0	80,000	0.1
Jeffrey Rea		15,900	0.0	7,960	0.0
Notes:					
1. Assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission).					
2. Each of the Directors and Senior Managers will receive Ordinary Shares pursuant to the SIP in connection with Admission, having a maximum value of £3,600 and these additional Ordinary Shares are not included in the holdings shown above.					
Pursuant to the terms of the Placing Agreement, each of the Directors and each of QUBIS Limited, Frank Graham and Brian Gannon (the “ Major Selling Shareholders ”) have agreed that for a 12-month period following Admission, subject to certain customary exceptions, he or it will not offer, sell or contract to sell, or otherwise dispose of, any Ordinary Shares (or any interest therein or in respect thereof) that he or it may hold, or enter into any transaction with the same economic effect as any of the foregoing. For the 12-month period thereafter, they have each agreed not to dispose of any Ordinary Shares (or any interest therein or in respect thereof) other than through Investec (for so long as Investec is engaged as broker to the Company) with a view to maintaining an orderly market in the Company’s securities.					
In addition to the lock-up arrangements entered into by the Directors and Major Selling Shareholders in the Placing Agreement, certain of the Selling Shareholders (excluding (i) the Major Selling Shareholders and (ii) those Directors selling Offer Shares pursuant to the Placing Agreement) (the “ Minor Selling Shareholders ”) (being those Minor Selling Shareholders who will, at Admission, hold Ordinary Shares representing 0.5 per cent. or more of the Ordinary Shares issued by the Company) have entered into lock-up arrangements pursuant to					

		<p>their respective Minor Selling Shareholder Agreements that are similar in all material respects to those entered into by the Directors and the Major Selling Shareholders pursuant to the Placing Agreement.</p> <p>Pursuant to the terms of the Placing Agreement, the Company has undertaken to Investec, amongst other things, during the period ending 120 days after Admission, not to issue any shares (other than pursuant to the share option schemes and other employee incentive arrangements described in this document), without the prior written consent of Investec (such consent not to be unreasonably withheld, delayed or conditioned).</p>
E.6	Dilution	<p>No new Ordinary Shares are being issued as part of the Offer. Therefore, there will be no dilution pursuant to the Offer.</p> <p>Assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission), the Employee Offer Shares and the Ordinary Shares issued pursuant to the SIP will represent approximately 1.65 per cent. of the issued ordinary share capital of the Company as at the date of this Prospectus.</p>
E.7	Estimated expenses charged to investors by the Company	<p>Not applicable. No commissions or expenses will be charged to any investors by the Company or the Selling Shareholders in respect of the Offer.</p>

PART II

RISK FACTORS

Any investment in the Ordinary Shares would be subject to a number of risks. Prior to investing in the Ordinary Shares, prospective investors should consider carefully the factors and risks associated with any investment in the Ordinary Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below. Additional risks and uncertainties that are not currently known to the Group, or that it currently deems immaterial, may also have an adverse effect on the Group's reputation, business, prospects, results of operation and financial condition. If this occurs the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this Prospectus and their personal circumstances.

Prospective investors should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in Part I: "Summary Information" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part I: "Summary" but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the Ordinary Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group's business, prospects, results of operation and financial position.

RISKS RELATING TO THE GROUP

Ability to attract, recruit, retain and develop high quality candidates and employees

The Group requires highly skilled employees to carry out its business and enable it to achieve its growth targets. The Directors believe that there is significant competition for skilled personnel, including software engineers, consultants and project managers with the skills and technical knowledge that the Group requires for its operations. The Group's ability to achieve substantial revenue growth will depend, in large part, on its success in recruiting, developing and retaining sufficient numbers of such people to support its growth.

The Group has strived to become an employer of choice in certain of its key locations, notably Belfast, Northern Ireland and Gdansk, Poland and has implemented a team, processes and infrastructure dedicated to recruiting the most appropriate candidates in a streamlined hiring process. If the Group is unable to increase recruitment activities and retain its employees in its existing and any new locations, this may harm the Group's growth prospects.

New employees, particularly at the graduate level, can require substantial training and may take significant time to achieve full productivity. Therefore, the Group's recent hires and planned hires may not become fully productive as quickly as expected and the Group may be unable to hire or retain sufficient numbers of qualified individuals in the markets where it does business or plans to do business. If the Group fails to identify and conduct appropriate training, the Group's personnel may not have adequate or appropriate training and consequently the Group's business and reputation may be harmed.

Reputation is important in winning contracts with both new and existing customers

The Group's reputation, in terms of the service it provides and the way in which it conducts its business, are central to the Group winning contracts with both new and existing customers. Failure to meet the expectations of these customers and other business partners may have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

The Group's future revenue growth and the contracts it wins depends on its ability to provide customers with a high quality of service. If the Group is unable to provide customers with a high quality of service, it

could face customer dissatisfaction, leading to decreased demand for its products and services, a loss of revenue and damage to the Group's reputation. Any such failure to meet its customers' service level expectations (whether contractual or not and for whatever reason, regardless of whether under or outside the Group's control), may entitle customers to terminate their contracts with the Group in addition to damaging the Group's reputation and reducing the confidence of the Group's customers in its products and services, thereby impairing its ability to retain existing customers and attract new customers. This could adversely affect the Group's ability to generate revenue and negatively impact its results of operation.

Security and privacy breaches of the Group's or customer's systems and data

The Group is regularly required and authorised by its customers to work with sensitive personal and confidential information in the deployment of the Group's products and services.

Although the Group employs security and testing measures for the software it deploys, these may not protect against all possible security breaches that could harm the Group's or its customers' business. Any compromise of the Group's security could harm its reputation or financial condition and, therefore, its business. In addition, a party who is able to circumvent the Group's security measures could, among other things, misappropriate proprietary information, interrupt the Group's operations or expose customers to computer viruses or other disruptions. Actual or perceived vulnerabilities may lead to claims against the Group. Whilst the Group will, where possible, seek to ensure that its customer agreements contain provisions that limit the Group's liability, the Group may need to enforce these provisions to enjoy the benefit of them, with the associated risk and expense.

Any security breach of the Group's business includes risks associated with security breach or fraudulent or negligent use or unauthorised access to personal data (particularly sensitive personal data) held on the Group's systems. This data is frequently made available to the Group during certain projects, such as when using citizen data to test software developed for the UK Government, Evolve implementations (which involves the Group's employees having access to sensitive patient data) and Workday implementations (which involves the Group's employees having access to live employee data).

Any security breach is likely to have a significant and well-publicised adverse impact on the Group's reputation, financial condition and ability to win new business.

Undetected defects in the software provided by the Group

The Group's business involves providing customers with reliable software. If the software contains undetected defects when first introduced or when upgraded or enhanced, the Group may fail to meet its customers' performance requirements or otherwise satisfy contract specifications. As a result, it may lose customers and/or become liable to its customers for damages and this may, amongst other things, damage the Group's reputation and financial condition.

The Group endeavours to negotiate limitations on its liability in its customer contracts and also often works on a 'time & materials' basis when developing software for its customers, which helps to limit the impact of any potential financial liability. However, defects in either the software developed on behalf of customers (in the case of Digital Services) or developed and sold by the Group (in the case of Evolve and Kainos Smart) could result in the loss of a customer, a reduction in business from any particular customer, negative publicity, reduced prospects and/or a distraction to its management team. Any of these eventualities could have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

Dependence on certain key customers

The Group's business is dependent on certain key customers (the Group's ten largest customers for the financial year ended 31 March 2015 accounted for approximately 62 per cent. of revenue) who may seek lower prices or may reduce their demand for the products or services of the Group. The relationship of the Group with its key customers could be materially adversely affected by a number of factors, including a decision by a key customer to diversify or change how, or from whom they source the products or services currently provided by the Group, an inability to agree on mutually acceptable pricing terms with any one of its key customers or a significant dispute with or between the Group and one of its key customers.

If the Group's commercial relationship with any of its key customers terminates for any reason, or if one of its key customers significantly reduces its business with the Group and the Group is unable to enter into similar relationships with other customers on a timely basis, or at all, the Group's business, its results of operations and/or its financial condition could be materially adversely affected.

Growth management

The Directors believe that further expansion, either organically or through acquisition, may be required to capitalise on the market opportunities available to the Group. Such expansion is expected to place further demands on management, support functions, sales and marketing functions and other resources of the Group.

In order to manage the further expansion of the Group's business and the growth of its operations and personnel, the Group may be required to expand and enhance its infrastructure and technology and enhance its operational and financial systems and procedures and controls from time to time in order to match that expansion. This could have a material cost to the Group.

Historically, the Group has invested in its people, infrastructure, processes and policies to enable and support continued revenue growth but its future success will depend, in part, on its ability to continue to manage this anticipated expansion.

There can be no assurance that the Group's current and planned staff, infrastructure, systems, procedures and controls will be adequate to support its expanding operations in the future. If the Group fails to manage its expansion effectively, its business, prospects and results of operations may be materially and adversely affected.

Key partner and supplier relationships

The Group has a number of partnerships across its business divisions. These include, most prominently, its partnership with Workday. The Group also has partner relationships with hosting providers as part of its managed services offering as well as certain software OEM supply relationships.

There is a risk that Kainos may not be able to develop future partnerships with OEMs in the healthcare sector whose products are used by healthcare providers in conjunction with Evolve and this may impact Evolve's future revenue growth.

Inability to contract with customers on the most favourable terms to the Group

The Group contracts with a wide variety of companies and bodies, many of which are in strong negotiating positions and have greater financial resources than the Group. Whilst the Group seeks to negotiate contracts on terms that it considers are the most beneficial to it in the circumstances the majority of the Group's material customer contracts are the product of tender processes where the Group, as supplier, has been afforded limited scope for negotiation of the contract terms. As such, these contracts contain provisions (such as liquidated damages clauses, broad indemnities and unlimited or high liability caps) which might ordinarily be regarded as onerous, but which are not unusual in a procurement context and the Directors believe that due to the nature of the work undertaken by the Group this will continue to be the case going forward. If claims were to be successfully made under such contracts, the Group could be liable for substantial damages awards which could materially and adversely affect its financial condition.

Material customer contracts enable customers to terminate on change of control and/or without cause

Members of the Group are party to certain customer contracts which require them to notify the relevant counterparty of a change of control of the Group which, in some instances, may allow the relevant counterparty to terminate their contracts with the Group. It is likely that Admission will trigger certain customers' rights to terminate for change of control. In addition, some of the material customer contracts allow the counterparty to terminate for convenience on less than three months' notice. The cumulative effect of these rights is that a number of key customers are able to terminate their contracts, or effectively cease trading with the Group, without breach by the Group. The Directors are not aware and do not anticipate any reasons or circumstances where any such key customers would wish to trigger their termination rights under such change of control provisions. There can be no certainty that key customers will provide any such

assurances or agree to any such amendments. In anticipation of Admission, customers may seek to renegotiate other terms of their contracts with the Group and such terms may not be as favourable to the Group. Any material problems or delays in the Group's business and operations, or the loss of any material customer contracts, could have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

Failure to offer high quality support subscription offerings

Any failure to offer high quality support subscription offerings may harm the Group's relationships with its support subscription customers and results of operations. Many of the Group's customers use the software support services provided by the Group to resolve their technical issues. The Group's sales process is highly dependent on its reputation and, in part, on positive recommendations from existing customers to whom it provides support services. Any failure to maintain a high quality support offering, or a market perception that Kainos does not maintain a high quality support offering, could harm the Group's reputation, its ability to sell subscriptions to its support offering to existing and prospective support subscription customers and its results of operations.

Failure of information systems

The Group's internal computer systems are vulnerable to damage or interruption from floods, fires, power loss, telecommunications failures and similar events. These systems may also be subject to sabotage, vandalism, viruses and similar misconduct.

Whilst the Group has taken steps to ensure that its systems are robust and adequately protected with backups to remote locations, any damage to or failure of the systems could result in interruptions to the Group's financial controls and customer service. Such interruptions could have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

Expansion into new geographic markets including the USA and Continental Europe

The Group has identified opportunities for its products and services, particularly in Workday Implementation Services and Evolve, in new geographies outside the UK.

The Group has recently established a new office in the USA and is in the process of establishing a new office in Continental Europe. There is a risk that the Group's lack of experience of international expansion means that it is managed incorrectly and/or causes a significant distraction to Kainos' management, each of which may have an adverse impact on the Group's business, results of operation and/or financial position. Further, there is also the risk that the Group may be unable to recruit and retain suitably skilled employees in any new jurisdiction of operation.

Products developed in and on 'open source' environments

The Group develops some of its products in and on 'open source' environments and these products may contain elements licensed under FOSS code. As with any type of software licence, the Group must abide by the terms of the relevant licences. The FOSS products used by the Group are a mix of 'permissive' and 'copyleft' licences, with the majority being 'permissive'. There is an inherent risk for any business that uses FOSS with a 'copyleft' effect that it may be obliged to release the source code to its proprietary software. This is sometimes referred to as 'contamination'. Whilst this risk cannot be entirely eliminated, the Group has implemented a FOSS policy that includes the following provisions to significantly reduce and mitigate the risk of 'contamination':

- the Group favours the use of permissive FOSS licences which do not pose a 'contamination' risk (specifically, high risk 'copyleft' licences are not used by the Group);
- if there is any question about how appropriate a FOSS licence is (for example, if it is unknown whether it is a permissive or 'copyleft' licence), then the Group will seek to agree a suitable method for re-licensing with the licensor or the Group will seek specific legal advice prior to entering into the relevant FOSS licence;
- when packaging any FOSS, where required, the terms of the licence will be placed in a licences file or folder contained in the product;

- the Group will use 'dynamic' rather than 'static' linking to FOSS code, wherever possible: this is generally accepted in the market as a way to reduce the risk of 'contamination' by the FOSS products the Group currently uses; and
- the Group maintains registers of FOSS components used within Kainos Smart and Evolve.

If the Group does not comply with its FOSS policy then the risk of 'contamination' by FOSS with a 'copyleft' effect is increased. To date, no instances of such non-compliance have been identified by the Group.

Competition

The Group may face significant competition, from both domestic and overseas competitors who may have greater capital and other resources, better brand recognition, or more aggressive pricing policies. There is no assurance that the Group will be able to compete successfully in such a market although the Directors believe that the Group does enjoy key differences compared to its existing competitors. The Directors believe that the Group has a broad number of key selling points across its divisions including a strong reputation for delivery and high quality of service, both of which allow the Group currently to compete actively in its markets.

If these standards were not to be maintained, there is a risk that the Group's reputation and competitiveness would suffer. There is an additional risk that new or currently unknown competitors could enter the market which would bring fresh challenges for the Group.

Customer relationships

A large proportion of the Group's business is derived from supplying on-going services to customers. Despite low levels of customer attrition and the longevity of many of the Group's relationships with Central Government and the private sector (in the case of Digital Services) and NHS Trusts (in the case of Evolve), it is possible that customer attrition rates may increase in the future in response to, for instance, failed delivery. While the Group has procedures in place to seek to minimise the risk of events of this nature occurring, the Directors believe that the high-profile and/or safety-critical nature of its products and services make the ability to reference existing customers and the Group's reputation of the utmost importance. Accordingly, such events could materially and adversely affect the Group's business, prospects, results of operation and financial condition.

Intellectual property, domain knowledge and know-how

The Group uses its proprietary know-how and other intellectual property in its operations. The Directors believe that the combination of the Group's domain experience together with the non-disclosure agreements typically entered into with employees, independent contractors and third parties in the ordinary course of its business provides a degree of protection to its intellectual property, domain knowledge and know-how. However these arrangements rely on the law of copyright and confidentiality, neither of which permits registration. Accordingly, there is a risk that the Group may not have the benefit of adequate intellectual property protection of its assets.

Any unprotected intellectual property (including unregistered or unregistrable intellectual property rights) used by the Group in the course of its business or in respect of which the Group believes it has rights may be prejudiced and/or open to challenge by third parties (including where such third parties have or claim to have pre-existing rights in such intellectual property). In any such case, the Group may be prevented from using such intellectual property or it may require the Group to become involved in litigation to protect its intellectual property rights, each of which may have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

Conversely, while the Directors believe the Group has taken precautions, they cannot guarantee that any action or inaction by the Group will not inadvertently infringe the intellectual property rights of others. Any infringement by the Group of the intellectual property rights of others could have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

Key man risks

The Group is highly dependent upon key senior management personnel who have extensive experience and knowledge of the Group, its products, its customers, its target markets and its business generally. The successful implementation of the Group's strategy depends on the continuing availability of senior management and the Group's ability to continue to attract, motivate and retain other highly qualified employees. If members of the Group's senior management depart and adequate succession plans are not put in place, the Group may not be able to find effective replacements in a timely manner, or at all and the Group's business may be disrupted or damaged. In addition, the loss of key members of senior management to competitors could have a material adverse effect on the Group's competitive position.

RISKS RELATING TO DIGITAL SERVICES

Change in Government policy

The Group relies, in part, on revenue from contracts with UK Government. Changes to Government policy or spending may have a material impact on future contracts it awards and consequently on the performance, financial condition or business prospects of the Group.

If Government procurement policy moves away from its current 'Digital by Default' policy favouring SMEs such as Kainos, or if any current or future Government reduces their stated commitment to the 'Digital by Default' initiative, the Group's performance, financial condition or business prospects may be adversely impacted.

Failure to deliver a particular project

The Group has a strong track record of delivering 'fit-for-purpose' systems to its customers. The Group's use of agile development methodologies, in which customers are provided with regular staged deliveries of software products which undergo regular testing, helps reduce the risk that a completed system is delivered which does not work or is unfit for purpose.

In the event that the Group delivers any system which fails to work or is unfit for purpose, the Group could experience significant damage to its reputation and reduce the confidence of the Group's customers in its services, which could have an adverse impact on the Group's business, results of operations and financial condition. In addition, delivery of a system which is unfit for purpose may give rise to a scenario whereby the Group feels it is appropriate to enter into a commercial arrangement to provide rectification work (potentially at its own cost), even if not contractually obliged to do so. Further, as the level of public sector work undertaken by the Group increases this also exposes the Group to an increased level of potential scrutiny and political sensitivity around the work product and services delivered by it which could also result in significant damage to the Group's reputation and have a material adverse effect on its business, results of operations and financial condition.

Specific examples include:

- (a) The Defra Rural Payments project, a significant project on which Kainos has been engaged since November 2012. Defra chose not to deploy the Rural Payments digital service in May 2015 as scheduled, citing concerns regarding the inability of various essential software components to integrate successfully. As a result, Defra has adopted a workaround solution, and is reviewing the extent to which some elements of the Kainos software should be impaired or written off. The outcome of this review may result in further scrutiny by the National Audit Office or other public bodies, and introduces uncertainty over the future direction for the digital service. Kainos has agreed to provide additional work at lower margins to help Defra launch the digital service successfully in time for the next Rural Payments window.
- (b) The View Driver Licence System, which provides online access for citizens to their driving licence details, suffered from outages on 8 June 2015 due to unprecedented volumes of online enquiries following the DVLA's announcement of the abolition of the paper driving licence counterpart. Kainos has been (and continues to be) one of the main development teams working on this system, which has been in stable operation since its launch in October 2014. The system was quickly restored to full operation and measures taken to prevent recurrence of this failure.

There is a risk that adverse publicity concerning these projects may have a negative impact on the Group's reputation, potentially impacting the Group's ability to secure further UK Government work from existing or new UK Government departments.

Unforeseen delays and cost over-runs for a particular project or projects being put on hold

The Group has considerable experience in forecasting and managing project implementation timetables across a range of different industries.

However, there is a risk that a particular customer project could experience unforeseen delays, incur unexpected expenses (potentially for reasons beyond the control of the Group and that were beyond its reasonable contemplation at the time of contract finalisation) or otherwise be put on hold by a customer or otherwise become subject to uncertainty (e.g. as in the case of the Defra Rural Payments project referred to above). If these were to occur in respect of a large or otherwise important project, it could have a material adverse effect on the Group's business, prospects, results of operation and financial condition and may also damage the Group's reputation and reduce the confidence of the Group's customers in its products and services.

Failure to be selected on UK and EU Government procurement frameworks such as the Digital Services Framework

The success of Digital Services is contingent upon the Group being selected to participate on a number of UK Government procurement frameworks (or with third parties who have been selected to participate on such procurements), as government bodies are only able to contract through these frameworks. These frameworks can contain many potential vendors whose ongoing selection to a framework is reviewed on a regular basis. At present, the Group has been awarded a position on the Digital Services Framework (RM1043), the 'G-Cloud' Frameworks (RM1557(v) and RM1557(vi)), the Corporate Software Solutions Framework (RM1042) and historically, SprintII, but there is no guarantee of being awarded positions on future frameworks when these expire.

UK public sector frameworks can be amended, or substituted by alternative frameworks or otherwise replaced by the UK Government or the OJEU. Nonetheless, if the selection criteria for any particular framework changes, or if a framework is scrapped altogether, there is a risk that the Group can no longer be selected to tender for new contracts through these frameworks which may have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

Increased competition

The Directors believe that significant barriers to entry exist to the markets in which Digital Services operates, both from a technical skills and capability perspective, a reputational perspective and due to the need for market participants to have access to appropriate capital resources and proprietary technology, all of which have allowed the Group to develop its leadership position in the UK Government digital services market. However, there can be no guarantee that other participants will not be able to enter the UK Government digital services market at some point in the future and that it will be able to compete successfully against current and future competitors or that competitive pressure (whether from current or future competitors) will not result in price reductions, reduced operating margins and loss of market share, any one of which could harm the Group's business, results of operations and financial condition. For example, some enterprise vendors are starting to build the capabilities required to respond to demands from GDS. For example, Deloitte, IBM and Accenture have established dedicated digital services divisions (Deloitte Digital, IBM Digital and Accenture Digital) which are aimed at meeting the criteria around flexibility and agility demanded by 'Digital by Default'.

RISKS RELATING TO EVOLVE

UK public sector healthcare spending

A key driver of the Evolve division is the level of NHS spending on IT relating to healthcare delivery.

Improvements in healthcare IT including the introduction and use of EPRs, inter-operable systems and cross-care setting solutions, have been supported by the Government with the intention of improving patient care, reducing risk and reducing the cost of running the NHS with an ageing population.

The Directors believe the Group is well placed to benefit from targeted IT healthcare spend as a result of the NHS seeking to generate efficiency savings through the use of its technology, including the drive towards a 'paperless' NHS by April 2018.

However, given the current political agenda to reduce the public sector budgetary deficit, the rate of growth in expenditure on healthcare-related IT may reduce significantly. This may have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

Third-party scanning errors

The Group sometimes contracts with third-party document scanning service providers as part of its Evolve product and service offering to NHS Trusts.

In scanning paper-based patient and operational documentation, there are a number of risks, including: (i) scanned documents are incomplete or illegible; (ii) documents are scanned against an incorrect patient record; and (iii) documents are lost, misplaced, stolen or misused.

The Group operates procedures to minimise its legal and financial risk in the context of sub-contracting this service. Contractually, the scanning supplier will perform quality assurance checks. There is a further contractual onus on the end customer (the NHS Trust) to quality check all scanned items and raise any issues. The level of insurances obtainable in respect of scanning services is different from professional services policies. The Group is cognisant of this and where insurance levels are detailed in a contract the Group will flow the levels of insurance held by the scanning sub-contractor through to the end customer.

Regardless of such procedures and insurance policies, errors in the presentation, handling or scanning of sensitive patient data by staff of the Group and/or by third parties engaged by the Group as part of its product and service offering could have a significant and widely publicised adverse reputational impact on the Group. This could reduce the Group's ability to win new contracts for Evolve, which could have an adverse impact on the Group's business, results of operation and financial condition.

Clinical safety risk

It is possible that a software defect could result in an inaccuracy in a patient record which could then lead to a clinical safety incident. The Group has robust internal quality procedures in place and external accreditations of its software in order to minimise this risk.

It is also possible that the patient medical records held and viewed on the Group's software could be vulnerable to a breach in confidentiality. The Group has robust IT security protection in order to minimise this risk and complies with the ISO 27001 information security standard and security related issues are assessed regularly in IT steering meetings with the Group's senior management.

In addition, there are risks that records may not be created properly and so patient data may not be readily available, or that system lapses result in patient records not being available when required which may lead to patient safety being compromised.

Any such incidents would have a material adverse effect on the Group's reputation and consequently its business, prospects, results of operation and financial condition.

HP not providing adequate support for Meridio software or seeking to prevent the Group from using Meridio

The success of the Group's Evolve product is reliant, in part, on the Meridio product which was originally developed by the Group and which is today owned by HP. The Group has signed a number of OEM agreements which allow it to use the Meridio software in its Evolve product and which obligate HP to support Meridio. The current OEM agreement with HP is described in more detail at paragraph 13.4 of Part XIV (*Additional Information*), and has an expiry date of 31 December 2019.

Whilst the Directors believe that this is a remote risk, if HP terminates, justly or unjustly, the right of the Group to use the underlying software under the OEM agreement, or fails to provide adequate support for Meridio, this may significantly curtail the Group's ability to sell its Evolve product, at least for an interim period which could have a material adverse effect on the Group's reputation, business, prospects, results of operations

and financial condition. Further there can be no certainty that HP will renew the existing OEM agreement with the Group upon its expiry (or otherwise agree to enter into a new OEM agreement on materially equivalent terms), and any such decision by HP may also curtail the Group's ability to sell its Evolve product, at least for an interim period, which could have a material adverse effect on the Group's reputation, business, prospects, results of operations and financial condition.

Failure to execute fully on its mobile device strategy

The Group plans to focus future development of its Evolve platform exclusively on Apple's iOS operating system and has identified opportunities for its products and services on Apple mobile devices. As a result of this strategy, Evolve has started to build on an emerging relationship with the Apple UK healthcare team.

There is a risk that Evolve fails to take full advantage of opportunities presented by standardising on this operating system. This could limit Evolve's ability to establish a wide presence in healthcare markets outside the UK, which could have an adverse impact on its business, prospects, results of operation and financial condition.

Sales cycle for Evolve and related products and services is longer than elsewhere in the Group and can be unpredictable

The length of the Group's sales cycle, from initial evaluation to payment for its Evolve product is typically up to 12 months, but can vary considerably between customers. This is significantly longer than the sales cycle in the Group's other two business divisions and, as a result, the Group's results of operations may fluctuate, in part, because of the relatively resource-intensive nature of the sales effort and length and variability of the sales cycle of its Evolve offerings.

It is difficult to predict exactly when, or even if, the Group's Evolve division will make a sale to a potential customer or if it can increase sales to its existing customers. As a result, large individual sales within the Evolve division have, in some cases, occurred later than anticipated by the Group. The Group's revenue recognition policy, matching licence revenue to implementation periods, provides an element of smoothing of these contract wins although the loss or delay of one or more large transactions in a quarter could impact the Group's results of operations for that quarter and any future quarters for which revenue from that transaction is lost or delayed.

Finite number of customers in the UK market for Evolve

Within the UK there are a finite number of Acute English NHS Trusts that will have a requirement for the adoption and implementation of an EDRM solution such as Evolve. Therefore, whilst the Directors believe the adoption of Evolve by Acute English NHS Trusts is an investment of a long-term nature, the ability of the Group to generate significant new revenue streams from this 'platform' will require the Group to identify and develop other related or complementary products and services that can be sold to users of Evolve during the life cycle of the product. Any failure by the Group to identify and/or develop sufficient related or complementary products to Evolve could impact the ability of the Group to generate significant revenue streams in relation to Evolve in the future from the Acute English NHS Trusts that utilise it, which could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

Possible requirement to register certain elements of Evolve as a medical device

The Group has previously received advice from an independent consultant which indicated that although Evolve was not a medical device, certain of the Evolve modules may be classified as a 'medical device' (Health Care Analytics and eForms) and may consequently require registration with the MHRA and it was further recommended that the Group seek evaluation by the MHRA to obtain a definitive classification of the relevant modules. Should the MHRA ultimately determine that the relevant Evolve modules are medical devices, with the resultant registration requirements, this would serve to increase the administrative risk and burden assumed by the Group as a result of the requirement to maintain the required registrations going forward, which could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

RISKS RELATING TO WORKDAY IMPLEMENTATION SERVICES

Change of Workday strategy or partner or 'ecosystem' management

Although Workday currently has a small (22) 'ecosystem' of accredited partners globally, should it decide to significantly expand this 'ecosystem', this could have a material adverse impact on the Group's ability to implement contracts.

In addition, whilst the Directors believe that Workday's preferred implementation strategy is to use an accredited partner model, there remains a risk that it starts to deliver more implementation services itself which would reduce the Group's ability to provide implementation services.

Workday has indicated that it wishes to remain an independent company, but it is possible that it could be acquired by a competitor, with a resultant change in strategy and/or partner 'ecosystem' as a result of this change in ownership.

Any one, or a combination, of the above risks could have a material adverse effect on the Group's business, prospects, results of operation and financial condition.

Termination of arrangements with Workday

Kainos has been a Workday implementation partner since 2011 and through that partnership Kainos is able to provide implementation services to Workday's clients. If Workday were to terminate its implementation partner agreement with Kainos (or otherwise elect to (i) not renew it or (ii) not enter into an agreement on similar terms in all material respects, upon its expiry in April 2016), Kainos would be unable to deliver Workday Implementation Services, which could have a material adverse impact on the Group's business. There is also a risk to Kainos Smart associated with Workday terminating its software partner agreement with Kainos. The implementation partner agreement enables Kainos to gain early access to Workday's software enabling Kainos to develop intellectual property to support Workday implementations and generate longer-term subscription revenue from its Workday customers. Termination of this agreement would restrict the software Kainos could build and the service that Kainos could provide its clients and thus could have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

Failure to deliver implementation services to customers' and Workday's expectations negatively impacting Kainos' reputation with Workday and its customers

The Group's Workday implementations are often very complex projects and this level of complexity brings with it inherent risks around successful execution. There is a risk that any delivery does not meet either a customer's or Workday's expectations (or both) and that this jeopardises Kainos' working relationship with Workday. A tarnished reputation with Workday could therefore be significantly detrimental to the Group's ability to win new Workday implementation projects, which could have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

Failure of Workday to maintain its historic or expected rates of growth or to move into new markets to provide new areas of growth and expansion for Kainos, or to suffer from competitive threats and new market entrants

The Directors believe that Workday's success provides the Group with a significant market opportunity. Workday's annual revenue growth has averaged 69.7 per cent. for the financial period from 1 February 2013 to 31 January 2015. Workday has forecast annual revenue growth of 45 per cent. to 47 per cent. for the second quarter of fiscal 2016.

These estimates for Workday's forecast revenue growth could provide a significant driver for an increased level of implementation services being required to be delivered by the Group. However, the failure of this growth to materialise could impact Kainos' ability to grow its business at similar rates.

Workday's growth forecasts are enhanced by the expansion of its existing product suite beyond human capital management as well as a broader geographic remit, with particular focus in Europe and any failure by Workday to deliver this expansion could reduce the growth potential for Kainos.

Any one, or a combination, of the above risks could have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

OTHER RISKS IN RELATION TO THE GROUP

Future results of operations may fluctuate significantly and its recent results of operations may not be a good indication of its future performance

The Group's revenue and results of operations could vary significantly from period to period as a result of various factors, many of which are outside of its control. Although the Group typically has nine months' visibility over its contracted revenue, comparing the Group's revenue and results of operations on a period-to-period basis may not be meaningful and past results should not be relied on as an indication of its future performance.

The Group may not be able to predict accurately its future revenue or results of operations on an annual or longer-term basis. It bases its current and future expense levels on its operating plans and sales forecasts and its operating costs are expected to be relatively fixed in the short-term. As a result, the Group may not be able to reduce its costs sufficiently to compensate for an unexpected shortfall in revenue and even a small shortfall in revenue in a quarter could harm its financial results for that quarter and cause its financial results to fall short of market expectations.

In addition to the other risk factors described in this Part II, other factors that may cause the Group's results of operations to fluctuate from quarter to quarter include:

- the timing of new customer contracts;
- the renewal rates of the Group's customers;
- changes to the competitive dynamics of the Group's market;
- customers delaying purchasing decisions;
- the Group's ability to control costs, including its operating expenses;
- the 'collectability' of receivables; and
- general economic conditions, in both Kainos' domestic markets and internationally, as well as economic conditions specifically affecting industries in which the Group's customers participate.

Many of these factors are outside of the Group's control and the variability and unpredictability of such factors could result in the Group failing to meet or exceed its financial expectations for a given period.

Technological risks

The Group operates in industries where competitive advantages can be dependent on technology, including the use of proprietary software and hardware and the ability to provide 'best-of-breed' products.

A fundamental element of the Group's strategy is to invest in the identification, development and utilisation of leading industry technologies in order to retain the competitive advantage of the Group's products and services. However, if the Group's products and services do not sustain their competitive advantage, the Group's reputation, business, prospects, results of operation and/or financial condition may be materially adversely affected. For example, the market for healthcare software products is characterised by rapidly changing technology. The Group will need to continue to improve its products and services and to develop and market new products and services that keep pace with technological developments.

Ability to win new contracts with new and existing customers and cope with increased competition

Whilst the Directors believe that the Group has developed a strong position in its chosen markets and has a proven track record of innovation in its field, it is possible that the strength of the Group's competitors could improve or that the Group fails to win any new contracts from its competitors or fails to maintain its existing contracts.

The Group's competitors may be able to respond more quickly to new or emerging technologies, changes in customer requirements and/or demands or devote greater resources to the development, promotion and sales of their products and services than the Group can. The Group's current and potential competitors may develop and introduce new products and services that could be priced lower, provide superior performance or achieve greater market acceptance than the Group's products and services. The Group's current and

potential competitors may establish financial and strategic relationships amongst themselves or with existing or potential customers or other third parties to increase the ability of their products to address customer needs.

Accordingly, it is possible that new competitors or alliances amongst competitors could emerge and acquire significant market share at the Group's expense. Existing and/or increased competition could, therefore, adversely affect the Group's market share and/or force the Group to reduce the price of its products and/or services, which could have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

In addition, the Group's future growth depends in part upon expanding sales to its existing customers. If its existing customers do not purchase additional services its revenue may grow more slowly than expected, may not grow at all or may decline. If its efforts to expand sales to its existing customers are not successful, its business and operating results would be harmed.

Data privacy

The Group must comply with data protection and privacy laws. In the event that confidential information is wrongfully used or misappropriated by the Group or its employees or contractors, the Group could face legal sanctions. There is also the risk that the Group's database administrators could wrongfully use, misappropriate or otherwise unlawfully or improperly exploit customer data. It is also possible that laws in the Group's various operational jurisdictions may be introduced or interpreted in a manner which is inconsistent with the Group's existing data practices and which could, therefore, have a material adverse effect on the Group. There is a further reputation risk associated with handling large quantities of personal information and data. If the data were to be obtained by third parties without the consent of the customer, this would have serious risks and ramifications for the Group from both a regulatory and reputational perspective.

Changes to laws and regulations

The Group's business operations are affected by various UK statutes, regulations and laws as well as an increasing number of other directly applicable laws and regulations that originate outside of the UK.

Accordingly, the Group must comply with laws applicable to businesses generally, including, but not limited to, laws affecting health and safety, environmental, taxation, protection of customer and employee data, landlord and tenant, consumer safety, product liability, transportation, labour, employment practices (including pensions) and competition. It is possible that additional laws and regulations may be enacted covering issues such as user privacy, law enforcement, content liability, data encryption, copyright protection and quality of products and services. The requirement to comply with and adapt to such new or revised laws or regulations, or new or changed interpretations or enforcement of existing laws or regulations, may have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.

Loss of key accreditations and certifications

All Kainos divisions are reliant on a number of regulatory- or client-driven accreditations in order to be able to deliver their services and solutions. If these accreditations are detrimentally affected in any way, this could have a material adverse effect on the Group's financial condition and prospects as, unless those accreditations are restored, the Group could be excluded from opportunities to tender for future work or from being able to continue to perform its existing contracts.

In some cases, Group staff would be excluded from customer engagements unless relevant accreditations are held by individual staff members, such as in respect of Workday skills accreditations or security clearances for certain UK Government contracts.

Identification and implementation of acquisition opportunities

To the extent that suitable opportunities arise and are identified, the Group may expand its business through the acquisition of companies, businesses, assets and/or and services from third parties. There can be no assurance that the Group will identify suitable acquisitions or opportunities, obtain any financing necessary to complete and support such acquisitions or otherwise acquire businesses on satisfactory terms. In addition, there can be no certainty that any business acquired by the Group will prove to be profitable and

the acquisition and integration of independent businesses is a complex, costly and time-consuming process involving a number of possible problems and risks which could have a material adverse effect on the results of operations or financial condition of the Group. This includes possible adverse effects on the Group's operating results, diversion of management's attention, failure to retain personnel, failure to maintain customer service levels or disruption to relationships with customers and other third parties. There are also risks associated with unanticipated events or liabilities and difficulties in the assimilation of any acquired operations, technologies, systems, services, products and/or employees.

If the Group were to make any acquisitions in future or were to need capital for other growth opportunities, it may require further financing. Any additional equity financing may be dilutive to Shareholders and debt financing, if available, may involve restrictions on financing and operating activities.

If, following any such acquisition, the Group was required to record impairment of significant amounts of intangible assets, record impairment of goodwill in connection with future acquisitions, or divest non-performing assets at below market prices, its operating results could be materially and adversely affected.

Litigation risk

Whilst the Group has taken and intends to continue to take, such precautions as it regards appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Group, the Directors cannot preclude the possibility of litigation being brought against the Group.

There can also be no assurance that the other parties in any litigation proceedings will not be able to devote substantially greater financial resources than the Group to any litigation proceedings or that the Group will prevail in any such litigation. Any litigation, whether or not determined in the Group's favour or settled by the Group, may be costly and may divert the efforts and attention of the Group's management and other personnel from normal business operations.

Insurance

Whilst the Group maintains insurance that it considers adequate in terms of scope, with liability limitation levels which exceed the required coverage levels set out in all agreements with its customers, there are limitations (including as a result of customary deductibles and exclusions) on the total coverage for all aspects of the insurance policies, including for professional indemnity claims. As such, the Group's insurance may not be adequate to cover all losses. The Group will be responsible for any claims over and above the coverage limits and for any claims which are not covered by the Group's insurance policies.

Although the Group has historically been able to obtain insurance coverage that it believes is appropriate, it is possible that insurance costs may increase substantially in the future or that the availability of insurance coverage for certain risks may be withdrawn completely or increase significantly in cost. In these circumstances, the Group may be unwilling or unable to obtain commercial insurance either at acceptable prices or at all and, as such, may have to forego or limit its purchase of relevant commercial insurance.

Additional costs as a listed company

As a listed company, the Company will incur significant legal, accounting and other expenses, including the costs of recruiting and retaining non-executive directors, costs resulting from public company reporting obligations and the rules and regulations regarding corporate governance practices, including the admission and listing requirements of the London Stock Exchange and the FCA. The Company's management and other employees will need to devote a substantial amount of time to ensure that the Company complies with all of these requirements. The reporting requirements, rules and regulations will increase the Company's legal and financial compliance costs and make some activities more time-consuming and costly. These rules and regulations will make it more difficult and more expensive for the Company to obtain director and officer liability insurance and the Company may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These factors could also make it more difficult for the Company to attract and retain qualified persons to serve on the Board, particularly to serve on any board committees, or as executive officers.

Economic conditions

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's products (although as the Group's products and services are intended to save money for customers once implemented, the Group may be less exposed in this regard than organisations operating in other sectors, however this is subject to UK Government spending being maintained throughout any economic downturn). A more prolonged economic downturn may lead to an overall decline in the volume of the Group's sales, restricting the Group's ability to realise profit.

The markets in which the Group offers its services are directly affected by many national and international factors that are beyond the Group's control.

Taxation

Any change in the tax status of any member of the Group or in tax legislation could affect the Company's ability to provide returns to shareholders. Statements in this document in relation to tax and concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which is subject to change.

The taxation of an investment in the Company depends on the specific circumstances of the relevant investor. The nature and amount of tax which members of the Group expect to pay and the reliefs expected to be available to any member of the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties in a number of jurisdictions and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Group. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Group.

Risk management

The Group's policies, procedures and practices used to identify, monitor and control a variety of risks may not be effective.

The Group's risk management procedures and practices are also subject to human error, technological failure and fraud. There can be no assurance that the Group will continue to set risk management parameters accurately, that its testing and quality control practices will be effective in preventing technical software or hardware failure or that its employees will accurately and appropriately apply the Group's risk management procedures. Any failures in this regard could materially adversely affect the Group's financial performance and operations.

RISKS RELATING TO THE OFFER AND THE SHARES

Absence of prior trading market

Prior to the Offer, there has been no public trading market for the Ordinary Shares and a market for the Ordinary Shares may not develop after Admission. The Offer Price may not be indicative of the market price for the Ordinary Shares following Admission. Following Admission, the trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including those referred to in this section, as well as stock market fluctuations and general economic conditions that may adversely affect the market price of the Ordinary Shares, regardless of the Company's actual performance or conditions in its key markets.

If securities or industry analysts do not publish research or reports about the Group's business, or if they downgrade their recommendations, the market price of the Ordinary Shares and their trading volume could decline

The trading market for the Ordinary Shares may be influenced by the research and reports that industry or securities analysts publish about the Group or its business. If any of the analysts that cover the Group downgrade it or them, the market price of the Ordinary Shares may decline. If analysts cease coverage of the Group or fail to regularly publish reports on it, the Group could lose visibility in the financial markets, which in turn could cause the market price of the Ordinary Shares and their trading volume to decline.

The market price of the Ordinary Shares may fluctuate significantly

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Ordinary Shares may prove to be highly volatile. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, some of which are beyond the Company's control, including: variations in operating results in the Company's reporting periods; changes in financial estimates by securities analysts; poor stock market conditions affecting companies engaged in the technology sector; acquisitions, joint ventures or other capital commitments; additions or departures of key personnel; any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts; and future issues or sales of Ordinary Shares (including following the time expiration of any lock-up periods imposed on any Shareholders). Any or all of these events could result in a material decline in the price of the Ordinary Shares and/or impair Kainos' ability to raise capital through future sales of equity securities.

Suitability of the Ordinary Shares as an investment

The Ordinary Shares may not be a suitable investment for all the recipients of this Prospectus. Before making a final decision, Shareholders and other prospective investors are advised to consult an appropriate independent financial adviser authorised under FSMA if such Shareholder or other prospective investor is resident in the UK or, if not, from another appropriately authorised independent financial adviser who specialises in advising on acquisitions of shares and other securities.

The value of the Ordinary Shares and the income received from them, can go down as well as up and Shareholders may receive less than their original investment.

In the event of a winding up of the Company, the Ordinary Shares will rank behind any liabilities of the Company and therefore any return for Shareholders will depend on the Company's assets being sufficient to meet the prior entitlements of creditors.

The Company's ability to pay dividends in the future is not certain

The payment of dividends by the Company to Shareholders is highly dependent upon any dividends and profits that it receives from its subsidiary companies. The Company cannot guarantee that it will have sufficient cash resources to pay dividends in accordance with its stated dividend policy.

Further issuances of Ordinary Shares may be dilutive

The Company may decide to offer additional shares in the future for capital raising or other purposes. Shareholders who do not take up or who are not eligible to take such an offer will find their proportionate ownership and voting interests in the Company to be reduced. An additional offering could also have a material adverse effect on the market price of the Ordinary Shares as a whole.

Pre-emption rights for US and other non-UK holders of the Ordinary Shares may be unavailable

In the case of certain increases in the Company's issued share capital, existing holders of Ordinary Shares are generally entitled to pre-emption rights to subscribe for such shares, unless shareholders waive such rights by a resolution at a shareholders' meeting. However, US holders of ordinary shares in UK companies are customarily excluded from exercising any such pre-emption rights they may have, unless a registration statement under the Securities Act is effective with respect to those rights, or an exemption from the registration requirements thereunder is available. The Company does not intend to file any such registration statement and the Company cannot assure prospective US investors that any exemption from the registration requirements of the Securities Act or applicable non US securities law would be available to enable US or other non-UK holders to exercise such pre-emption rights or, if available, that the Company will utilise any such exemption.

A liquid market for the Ordinary Shares may fail to develop

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. Although Kainos has applied for Admission, Kainos can give no assurance that an active trading market for the Ordinary Shares will develop or, if developed, can be sustained. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

Changes in tax legislation or the interpretation of tax legislation could affect Kainos' ability to provide returns to Shareholders

Any change in tax legislation or the interpretation of tax legislation could affect Kainos' ability to provide returns to the Shareholders. Statements in this Prospectus concerning the tax position of Shareholders are based on current tax law and practice in the UK, which are subject to change. The taxation of an investment in Kainos depends on the individual circumstances of the relevant investor.

Overseas shareholders may be subject to exchange rate risk

The Ordinary Shares are and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in Ordinary Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. any depreciation of pounds sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in foreign currency terms.

PART III

IMPORTANT INFORMATION

GENERAL

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this Prospectus to inform themselves of and to observe, all applicable laws and regulations of any relevant jurisdiction.

Prospective investors should only rely on the information contained in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, no such information or representation may be relied upon for any purpose. In particular, the contents of the websites of members of the Group do not form part of this Prospectus and prospective investors should not rely on them. The Company will comply with its obligations to publish a supplementary prospectus pursuant to 87G of FSMA and Rule 3.4 of the Prospectus Rules containing further updated information required by law or by any regulatory authority but, except as required by the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law, the Company assumes no further obligation to publish additional information. Without prejudice to the Company's legal or regulatory obligations to publish a supplementary prospectus, neither the delivery of this Prospectus or Admission shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Prospectus or that the information is correct as of any time subsequent to the date of this Prospectus.

Prior to making any decision as to whether to invest in the Ordinary Shares, prospective investors should read this Prospectus in its entirety. In making an investment decision, each prospective investor must rely on his, her, or its own examination, analysis and enquiry of the Company, the Ordinary Shares and the terms of the Offer, including the merits and risks associated with such an investment. Investors who purchase Ordinary Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of Investec or any person affiliated to Investec in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained within in this Prospectus; and (iii) no person has been authorised to give any information or to make any representation concerning the Group or the Ordinary Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or Investec.

None of the Company, the Directors, Investec or any of their respective affiliates, officers, employees, or representatives makes or will make any representation to any prospective investor in the Ordinary Shares by any such prospective investor under the laws applicable to any such prospective investor. The contents of this Prospectus should not be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, financial or tax adviser for legal, financial or tax advice in relation to an investment in the Ordinary Shares.

FORWARD-LOOKING STATEMENTS

This document contains statements that are or may be deemed to be, "forward looking statements" within the meaning of the US federal and state securities laws. All statements other than statements of historical facts included in this Prospectus may be forward looking statements, including statements that relate to the Company's future prospects, developments and strategies.

Forward looking statements are identified by their use of terms and phrases such as "believe", "targets", "expects", "aim", "anticipate", "projects", "would", "could", "envisage", "estimate", "intend", "may", "plan", "will", "shall" or the negative of those, variations or comparable expressions, including references to assumptions. The forward looking statements in this Prospectus are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially from any results, performance or achievements expressed or implied by such forward looking statements. Factors that may cause actual results to differ materially from those expressed or implied by such forward looking statements include, but are not limited to, those described in the risk factors. These forward looking statements are based on numerous assumptions regarding the present and future business strategies of such entity and the environment in which each will operate in the

future. All subsequent oral or written forward looking statements attributed to the Company or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above.

Each forward looking statement speaks only as at the date of this Prospectus. Except as required by law, regulatory requirement, the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules, neither the Company nor any other party intends to update or revise these forward looking statements, whether as a result of new information, future events or otherwise.

The information contained within this Prospectus will be updated as required by the Prospectus Rules. You are advised to read this Prospectus and, in particular, Part I (*Summary*), Part II (*Risk Factors*), Part VII (*Information on the Group and Business Overview*) and Part IX (*Operating and Financial Review*) for a further discussion of the factors that could affect the Group's future performance and the industries and markets in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward looking statements in this Prospectus may or may not occur. Investors should note that the contents of these paragraphs relating to forward looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Prospectus.

PRESENTATION OF FINANCIAL INFORMATION

The Company and the Operating Group publish their financial statements in pounds sterling. The abbreviation "£'000" represents thousands of pounds sterling and references to "pence" and "p" represent pence in the UK. References to "dollars", "USD" or "\$" are to the lawful currency of the US. References to "zł" are to the lawful currency of Poland, the Polish Zloty.

The financial information presented in a number of tables in this Prospectus has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a table may not conform exactly to the total figure given for that table. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Certain non-IFRS measures such as EBITDA have been included in the financial information, as the Directors believe that these provide important alternative measures with which to assess the Group's performance. You should not consider EBITDA as an alternative for revenue or operating profit which are IFRS measures. Additionally, the Company's calculation of EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements of the Company are prepared in accordance with IFRS as endorsed and adopted by the European Union and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as endorsed and adopted by the European Union.

The Operating Group's consolidated historical financial information included in Section B of Part XI (*Historical Financial Information*) has been prepared in accordance with the requirements of the PD Regulation and the Listing Rules and in accordance with IFRS as adopted by the EU. The significant accounting policies are set out within note 3 (*Significant Accounting Policies*) of the Operating Group's consolidated historical financial information in Section B of Part XI (*Historical Financial Information*).

DISTRIBUTION OF THIS PROSPECTUS

This document does not constitute and may not be used for the purposes of, an offer to sell or issue or the solicitation of an offer to buy or subscribe for any Ordinary Shares to or from any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The distribution of this Prospectus and the offer and sale of the Ordinary Shares in certain jurisdictions may be restricted by law and regulation. Other than in the United Kingdom, no action has been taken or will be taken by the Company or Investec that would permit a public offering of the Ordinary Shares, or possession

or distribution of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this Prospectus, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

Prospective investors must inform themselves as to:

- (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares;
- (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and
- (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares.

ADVICE

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This document is for information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. Prospective investors must rely upon their own professional advisers, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this Prospectus are based on the law and practice currently in force in England and Wales and are subject to change.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to each Member State, an offer to the public of any Ordinary Shares may not be made in that Member State, except that an offer to the public in that Member State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Member State:

- (a) to any legal entity which is a “qualified investor” as defined under the Prospectus Directive;
- (b) to fewer than 100, or, if the Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive) per Member State, subject to obtaining the prior consent of Investec; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of any Ordinary Shares shall result in a requirement for the Company or Investec to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with Investec and the Company that it is a “qualified investor” within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any Ordinary Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied for that Member State by any measure implementing the Prospectus Directive in that Member State.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it pursuant to the Offer have not been acquired on a non discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public

other than their offer or resale in a relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Company and Investec has been obtained to each such proposed offer or resale.

CERTAIN NON-UNITED KINGDOM RECIPIENTS

This document is not for distribution into Australia, Canada, the Republic of South Africa, New Zealand, Japan or the United States. The issue of the Ordinary Shares has not been and will not be, registered under the applicable securities laws of Australia, Canada, the Republic of South Africa, New Zealand, Japan or the United States and, subject to certain exceptions, the Ordinary Shares may not be offered or sold directly or indirectly within Australia, Canada, the Republic of South Africa, New Zealand, Japan or the United States or to, or for the account or benefit of, any persons within Australia, Canada, the Republic of South Africa, New Zealand, Japan or the United States.

No securities commission or similar authority in Canada has in any way passed on the merits of the securities offered hereunder and any representation to the contrary is an offence.

No document in relation to the issue of the Ordinary Shares has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission.

No registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the issue of the Ordinary Shares.

The Ordinary Shares have not been and will not be registered under the Securities Act or any US state securities laws. The Ordinary Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the US (as defined in Regulation S under the Securities Act) unless the Offer and sale of the Ordinary Shares has been registered under the Securities Act or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. The Ordinary Shares are being offered and sold only in “offshore transactions” outside the US in reliance on Regulation S.

The Ordinary Shares have not been approved or disapproved by the SEC, any US state securities commission or any other US regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the US.

NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Group’s website or any website directly or indirectly linked to this website have not been verified and do not form any part of the Prospectus and prospective investors should not rely on such information.

MARKET AND ECONOMIC DATA

This Prospectus contains information regarding the Group’s business and the market in which it operates and competes, which the Company has obtained from third-party sources. All information from a third-party is sourced where it appears. Where information has been sourced from a third-party it has been accurately reproduced as at the date of extraction and so far as the Company is aware and is able to ascertain from the information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading as at the date of extraction. Such information has not been audited or independently verified by the Company or any other third-party and can be updated by such third-party.

REFERENCES TO DEFINED TERMS

Capitalised terms used in this Prospectus are defined in Part XV (*Definitions*).

LONDON TIME

All references to time in this document are to London time, unless otherwise stated.

REORGANISATION

Except where the context otherwise requires, all of the information in this Prospectus is presented as if the Reorganisation had already taken place as at the date of this Prospectus. All steps associated with the Reorganisation will be completed prior to, or with effect from, Admission.

PART IV

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Prospectus	7 July 2015
Latest time and date for receipt of completed application forms in relation to the Employee Offer	12.00 p.m. on 9 July 2015
Admission and commencement of unconditional dealings in Ordinary Shares (including the Employee Offer Shares) on the London Stock Exchange	8.00 a.m. on 10 July 2015
CREST accounts credited with uncertificated shares	8.00 a.m. on 10 July 2015
Despatch of definitive share certificates (where applicable)	From 10 July 2015

Notes:

- (a) The times and dates in the table above except the date of publication of this Prospectus, are indicative only and are subject to change.
- (b) No temporary documents of title will be issued.

PART V

OFFER STATISTICS

Offer Price (per share)	139 pence
Number of Ordinary Shares in issue immediately prior to Admission	116,039,360
Number of Ordinary Shares to be sold by the Selling Shareholders pursuant to the Offer	37,691,763
Number of Ordinary Shares to be made available pursuant to the Employee Offer	up to 1,160,393
Number of Ordinary Shares in issue immediately following Admission ^(a)	up to 117,957,307
Percentage of the Company's issued ordinary share capital immediately following Admission being sold pursuant to the Offer ^(a)	not less than 32.0 per cent.
Percentage of the Company's issued ordinary share capital immediately following Admission comprising the Employee Offer Shares and Ordinary Shares issued pursuant to the SIP in connection with Admission ^(a)	1.0 per cent.
Estimated net proceeds of the Offer receivable by the Selling Shareholders ^(b)	£50.6 million
Estimated net proceeds of the Employee Offer receivable by the Company	up to £1.6 million
Expected market capitalisation of the Company at the Offer Price following Admission ^{(a)(c)}	£164.0 million
Ticker symbol	KNOS
ISIN	GB00BZ0D6727
SEDOL Code	BZ0D672

Notes:

- (a) Assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission).
- (b) Estimated net proceeds receivable by the Selling Shareholders are stated after deduction of commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders in connection with the Offer. The Company will not receive any proceeds from the sale of Ordinary Shares being sold by the Selling Shareholders (all of which will be paid to the Selling Shareholders).
- (c) The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will equal or exceed the Offer Price.

PART VI

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Dr John Lillywhite (<i>Non-Independent Non-Executive Chairman</i>) Dr Brendan Mooney (<i>Chief Executive Officer</i>) Richard McCann (<i>Chief Financial Officer and Chief Operating Officer</i>) Paul Gannon (<i>Sales Director</i>) Andrew (Andy) Malpass (<i>Senior Independent Non-Executive Director</i>) Christopher (Chris) Cowan (<i>Independent Non-Executive Director</i>) Thomas (Tom) Burnet (<i>Independent Non-Executive Director</i>)
Company Secretary	Grainne Burns
Registered Office and Business Address	4th Floor 111 Charterhouse Street London EC1M 6AW
Sponsor, Financial Adviser, Bookrunner, Underwriter and Broker	Investec Bank plc 2 Gresham Street London EC2V 7QP
Legal Advisers to the Company as to English law	DLA Piper UK LLP 3 Noble Street London EC2V 7EE
Legal Advisers to Investec as to English law	Nabarro LLP 125 London Wall London EC2Y 5AL
Auditor	Deloitte LLP 19 Bedford Street Belfast BT2 7EJ
Reporting Accountants	Deloitte LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2DB
Registrar	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART VII

INFORMATION ON THE GROUP AND BUSINESS OVERVIEW

1. Overview

1.1 Background

Kainos is a high growth, high margin, UK-based provider of IT services, consulting and software solutions.

The Group was founded in April 1986 as a joint venture between ICL and QUBIS. The Group specialises across multiple sectors in the development of digital technology solutions; software design and agile software development; third-party software integration and implementation services; technology support services; and related ancillary services such as project management.

The Group is headquartered in Belfast, Northern Ireland and, as at 31 March 2015, had a headcount of 728 staff. As at 6 July 2015, being the last business day immediately prior to the publication of this Prospectus, QUBIS is the largest shareholder in Kainos (holding approximately 34 per cent.) with the balance being owned by the senior management team, staff and previous employees.

1.2 Divisions

The Group operates through three divisions. The Directors believe that each of these divisions operates in markets that are experiencing long-term structural and technological change, where the Group has the opportunity to maintain its current leadership position. The Group's employees are able to help customers solve complex problems using digital technologies together with their many years of experience gained in the commercial sector.

Across its three divisions, the Group's employees provide a combination of software development, IT and consulting services. These three divisions are:

1.2.1 Digital Services

Digital Services delivers full system developments of customised online digital solutions, principally for Central Government, Regional Government and Local Government ("**UK Government**") departments and agencies, along with private sector organisations.

Digital Services is helping to change the way UK citizens engage with UK Government departments and agencies, by migrating paper-based systems and transactions to online platforms that are capable of handling high volumes of data and transactions and are also more accessible, easier to use and save time and money through increased efficiency. Typical solutions involve high volume, often complex, online interactions between a UK Government department or agency and UK citizens.

The solutions provided by Digital Services significantly increase cost-efficiency for its UK Government customers and make public services more accessible and easier to use for the UK citizen. In the private sector, the Digital Services division provides similar online digital solutions to private sector organisations, as well as multi-year IT support and managed services.

1.2.2 Evolve

Evolve is Kainos' proprietary software product, developed in conjunction with medical practitioners and hospital managers. It is used for digitisation, storage and workflow of patient records.

Evolve is the UK market leader in the digitisation of patient notes in the Acute Sector of the NHS, automating the digitisation of medical case notes and operational documents, enabling them to be captured, intelligently tagged and used in digital environments. Evolve has been licensed to a total of 26 Acute English NHS Trusts covering over 70 NHS hospitals, assisting

those hospitals to meet the Government's stated desire to achieve a 'paperless' NHS by 2018.

Evolve's customers enjoy lower cost, increased efficiency and clinical benefits by having easy and timely access to patient information through the use of Evolve.

1.2.3 *Workday Implementation Services*

Workday provides Cloud-based human capital management software, which enables enterprises to organise their staff efficiently and analyse their workforce data. Workday's software suite covers the full 'hire-to-retire' life cycle of human capital management as well as financial management.

Workday is disrupting a market which has been dominated by traditional 'on-premise' vendors such as Oracle and SAP and is rapidly increasing its share of a market which is estimated to be worth over \$15.0 billion annually by 2018.¹ Workday was founded in 2005 by Aneel Bhusri and David Duffield who are both industry veterans and were the founders of PeopleSoft, the ERP vendor acquired by Oracle in 2005 for \$10.3 billion. Workday completed its IPO on the New York Stock Exchange in 2012 with a market capitalisation of approximately \$4.5 billion which has since almost quadrupled. It serves over 700 enterprise customers worldwide.

Kainos is the only boutique Workday partner headquartered in the UK, responsible for implementing Workday's innovative SaaS platform for enterprise customers. The Group provides consulting, project management, integration, support and testing services for the Workday software suite. The Group has also developed Kainos Smart, a proprietary tool that automates the testing of initial Workday deployments and all subsequent software updates.

1.3 *Customers*

The Group's customers include:

- **Digital Services:** UK Government departments and agencies such as the DVLA and the DWP, as well as a number of private sector organisations;
- **Evolve:** NHS Trusts such as the Royal Brompton and Harefield NHS Foundation Trust and Bradford Teaching Hospitals NHS Foundation Trust; and
- **Workday Implementation Services:** well-known global organisations such as Diageo and Travellex.

1.4 *Employees*

The Group has approximately 730 staff across its seven offices, situated in Belfast, London, Bristol and Derry/Londonderry in the UK, Dublin in the Republic of Ireland, Gdansk in Poland and Boston in the United States of America. Its employee base is highly skilled in agile development and the delivery of complex digital technology solutions. The Group is committed to developing talent and is consistently recognised in 'The Sunday Times 100 Best Companies to Work For' annual survey.

The Group runs a selective recruitment process, hiring only 4.6 per cent. of the 1,707 graduate applications and 1.8 per cent. of the 8,604 experienced applications that were received in the financial year ended 31 March 2015.

Headcount has increased from 406 employees as at 31 March 2013 to 728 as at 31 March 2015, whilst employee utilisation has increased from 67.7 per cent. to 72.9 per cent. over the Historical Period.

1. IPC Market Analysis – "Worldwide and U.S. Human Capital Management Applications 2014 - 2018 Forecast" dated May 2014.

1.5 Financial performance

The Group has experienced strong growth over the Historical Period, with revenue increasing at a CAGR of 43 per cent. over the period from the financial year ended 31 March 2013 to the financial year ended 31 March 2015. In the financial year ended 31 March 2015, the Group had revenue of £60.8 million (£41.9 million for the financial year ended 31 March 2014 and £29.9 million for the financial year ended 31 March 2013) giving profit before tax of £11.8 million in the financial year ended 31 March 2015 (£7.0 million for the financial year ended 31 March 2014 and £3.7 million for the financial year ended 31 March 2013).

The Group's growth has been entirely organic, underpinned by significant recurring and repeating revenue amounting to 88 per cent. of revenue for the financial year ended 31 March 2015 (75 per cent. for the financial year ended 31 March 2014 and 86 per cent. for the financial year ended 31 March 2013).

The Group generates approximately 86.5 per cent. of its revenue in the UK with the balance coming from the Republic of Ireland (7.3 per cent.) and the rest of the world (6.2 per cent.).

Divisional revenue and gross profit figures for each year were as follows:

	<i>Financial years ended 31 March</i>		
	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>(£'000)</i>	<i>(£'000)</i>	<i>(£'000)</i>
Digital Services			
Revenue	23,406	31,796	43,580
Gross Profit	10,747	16,289	23,070
Evolve			
Revenue	4,846	5,948	9,018
Gross Profit	3,416	3,462	4,704
Workday Implementation Services			
Revenue	1,681	4,171	8,180
Gross Profit	865	1,718	4,675

The Group has no bank debt and as at 31 March 2015 had cash balances of £16.8 million. As disclosed in Note 24 to Part XI (*Historical Financial Information*), dividends totalling £11.1 million were declared and paid by Kainos Software Limited between 1 April 2015 and the date of this Prospectus, which, net of positive cash movements from ongoing profitable trading, has reduced the Group's cash reserves. The Executive Directors and Brian Gannon utilised these dividends to repay outstanding loan amounts totalling £1.9 million to Kainos Software Limited on 19 June 2015.

2. History of the Group

The Group began trading in 1987 and its development since that date can be characterised in three distinct phases:

ICL 'Captive' (1986 to 2003)

The Group was founded as a joint venture between ICL (later acquired by Fujitsu) and QUBIS in April 1986. The Group's key milestones and developments during this phase include:

- 1989: Launched an electricity network analysis product for ICL's Distribution Network Information System (which continues to be supported by the Group);
- 1992: Developed and deployed a UK-wide personnel system for Marks & Spencer;
- 1993: Developed the Microsoft-based Meridio software product for enterprise document and records management, which was subsequently launched as a separate business (2001) and later acquired by Autonomy (2007);
- 1995: Developed and deployed call processing software in approximately 3,500 telephone switch locations for BT Group;

- 2000: Developed and deployed the core ticketing software system for London Underground;
- 2000: ACT Venture Capital acquires a 31 per cent. interest in the Group from Fujitsu;
- 2001: Developed an interactive mortgage application system for First Active; and
- 2002: Helped Littlewoods redesign its customer business processes and call centre systems throughout the UK.

Expansion in Ireland (2004 to 2009)

Following Fujitsu's acquisition of ICL and a subsequent change in its strategy, the Group built upon its success with UK-based enterprise customers whilst also beginning to focus on the then burgeoning Irish financial services and telecoms markets. During that phase of growth, the Group's revenue increased at a CAGR of 16.5 per cent. from £9.9 million for the financial year ended 31 March 2004 to £21.3 million for the financial year ended 31 March 2009.

The Group's key milestones and developments during this phase included:

- 2004: Developed and deployed a customer relationship management system for Bank of Ireland;
- 2005: Developed and deployed a case management system as a response to data protection legislation for the Information Commissioner's Office in the UK;
- 2006: Developed and deployed an actuarial engine for New Ireland Assurance;
- 2006: Established the Group's office in London;
- 2007: Established a wholly-owned subsidiary, SpeechStorm, providing automated voice, text and video products for enterprise call centres which was subsequently launched as a separate business in 2010;
- 2007: The Group's staff acquired Fujitsu's remaining 20 per cent. interest in the Group;
- 2007: Established an office in Gdansk, Poland; and
- 2009: Deployed a digital portal for eircom Group Limited supporting three million telephone subscribers.

Targeted markets (2010 to date)

With the decline in the Irish financial services and telecoms markets following the global financial crisis, the Group adjusted its customer focus away from these markets to focus on providing digital services in the UK. During this time, it aligned its operations across three divisions: Digital Services, Evolve and Workday Implementation Services. In this most recent phase of growth, the Group's revenue increased at a CAGR of 37.5 per cent. from £17.0 million during the financial year ended 31 March 2011 to £60.8 million for the financial year ended 31 March 2015.

The Group's key milestones and developments during this phase include:

- 2010: Entered the UK healthcare market with the first deployment of Evolve for The Ipswich Hospital NHS Trust;
- 2011: The Group's staff acquired ACT Venture Capital's 31 per cent. interest in the Group along with a repurchase by the Company of its Ordinary Shares;
- 2012: Completed its first 'prime' Workday implementation for King Digital;
- 2012: The Group commenced its first Digital Services project for the Cabinet Office – the 'Register to Vote' platform, which is today available to 46 million UK citizens; and
- 2014: 25th Acute English NHS Trust purchases Evolve, which is today licensed to be used in over 70 NHS hospitals.

3. The Group's principal activities

The Group operates as three divisions: Digital Services, Evolve and Workday Implementation Services. Each division benefits from sharing the Group's skilled consulting, project management and software engineering workforce. The Group also provides human resources, finance, legal, quality assurance, facilities and certain administrative functions to each division.

3.1 *Digital Services*

3.1.1 *Overview*

The Government's Digital Strategy aims to re-engineer UK Government's interactions with its citizens, in particular migrating paper-based and often labour-intensive processes towards more streamlined, efficient, online services which are more accessible and easy to use. Digital Services delivers full IT systems development for customised online digital solutions for UK Government departments and agencies as well as for large private sector organisations.

The primary customer focus of the division is on the many individual departments of UK Government, with activities ranging from bespoke software development using open source software and agile development methodologies to IT support and maintenance. Digital Services is one of a number of suppliers engaged by the UK Government to participate in its digital 'exemplar' programme, a series of 25 high-profile digital software projects carried out across Central Government departments and agencies between 2013 and 2015. These exemplar projects have been designed to provide reference sites for future digitisation of citizen-government projects and interactions.

Typical solutions involve high volume, complex, online digital interactions between a government department or agency and UK citizens. For example, over 700,000 digital 'transactions' occurred on the View Driving Licence exemplar project between April 2014 and April 2015. Private sector projects typically involve the development of similarly complex online digital solutions together with multi-year operations and maintenance support services. Digital Services also offers managed IT services that provide customers with oversight and maintenance of their software applications in Cloud-based environments.

3.1.2 *Market background to digitisation of government services*

In October 2010, at the request of the previous Labour government, Martha Lane-Fox, (the founder of lastminute.com) presented a report entitled 'Directgov 2010 and beyond: revolution not evolution' to the UK Government. This report recommended that the Government establish a new central team in the Cabinet Office to control the overall UK citizen's experience across all digital channels and appoint a new CEO for Digital in the Cabinet Office with the power to direct all Central Government spending for online services. This led to the formation in April 2011 of Government Digital Services ("**GDS**"), which is currently headed by Mike Bracken.

The aim of GDS is to transform significant UK Government services, making them more accessible, simpler, clearer and faster for the UK citizen to use. GDS aims to create "a competitive and open marketplace from which [the many individual departments of UK Government] buy[s] IT services and solutions – ending the oligopoly of large suppliers and opening up opportunities to new suppliers, including SMEs".²

This strategy is also intended to save money for the UK Government. The Cabinet Office estimates that a digital transaction is generally 20 times cheaper than one by phone, 30 times cheaper than a postal transaction and 50 times cheaper than a face-to-face transaction and that switching to digital transactions could save UK Government between £1.7 and £1.8 billion annually.³

GDS' strategy incorporates three significant elements:

- The recommended adoption of agile software development methodologies as opposed to traditional 'waterfall' methodologies which are thought to be less successful for IT development projects;
- The use, where feasible, of open source standards and software rather than proprietary software; and

² <https://www.gov.uk/government/speeches/francis-maude-speech-at-the-world-class-public-services-conference>

³ http://ec.europa.eu/isa/news/2012/uk_transactions_en.htm

- Working with Crown Commercial Services to implement new procurement frameworks such as G-Cloud which are designed to make procurement easier and quicker for small companies thereby avoiding substantial bidding costs for such work.

Together, these measures aim to ensure that digital IT projects are developed, more efficiently and deliver a better service experience for UK citizens online, whilst also saving money for UK Government.

In addition, the Government's objectives are to "increase digital uptake of government public services by 10 percentage points by mid-2016 and bring average digital uptake to 90 per cent. among those who are online by 2020".⁴ As a starting point, it identified 25 'exemplar' projects across a number of Central Government departments and agencies that aimed to digitise those services with the highest transaction levels. This programme was implemented by a combination of UK Government staff and SME suppliers, including Kainos.

Today, GDS is working with Central Government departments and agencies to digitise many of the remaining approximately 784 government-citizen transactions; of these, the Directors believe there are approximately 300 that have been identified as a priority which would represent a market opportunity for Kainos of more than £1.0 billion over the next five years. In addition, the Directors expect that other UK public sector organisations outside Central Government such as Regional Government and Local Government, police, healthcare and education, will also follow a similar 'GDS-style' approach towards procurement and implementation of citizen-centric IT services.

3.1.3 *Digital Services' history and background*

In response to the 'Directgov 2010 and beyond' report, the Government published a Digital Strategy in which it set out its ambition to offer services that are 'Digital by Default'. The Directors believed that the Group's experienced and skilled employee base was well-suited to meet the demand for digital services to fulfil this ambition.

The Group has worked with GDS and Central Government departments and agencies since March 2012, helping to develop complex digital solutions using the GDS 'Digital by Default' design principles which are based on open source technology and agile development methodologies.

This partnership has resulted in Kainos' involvement in a number of "firsts" in pioneering projects, the highlights including:

- Delivering one of the early exemplar projects to go live (the "Register to Vote" exemplar project) for the Cabinet Office using agile development methodologies from discovery and inception through to delivery of live operation. This project was available to 46 million citizens to register to vote online and is designed to increase accuracy and public trust in the electoral roll system. Over 465,000 voters used this system to register on a single day (20th April 2015);
- Working on the first UK Government digital service to deploy both programme code and data in the Cloud (the DVLA "View Driving Licence" exemplar project). As part of this project, over 40 million driver licence records were moved from on-premise storage to a Cloud-based environment allowing drivers, vehicle rental firms and insurance companies to check driving licence data more efficiently; and
- Deploying one of the early instances of the Government's new identity assurance ('Verify') service which validates a citizen's identity and makes online services more secure and is one of the first common services in the GDS 'Government-as-a-Platform' programme.

The Directors believe that Digital Services' growth and success is due to a combination of factors, including its skill in using agile methodologies and open source technology, the ability and expertise of its developers and managers acquired over its long history of successful

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382552/Efficiency_and_reform_in_the_next_Parliament.pdf (page 21, paragraph 1)

software deployments and the Group's engineers' ability to build and maintain deep and trusted relationships with UK Government customers.

This combination of skills, long-term experience and trust has been key to enabling the Group to significantly increase its public sector revenue since 2012 and serves as a significant barrier to potential new entrants to this market.

3.1.4 *Services offered*

Digital Services offers a range of services, including:

Agile software development

Agile software development describes the iterative and collaborative approach to developing digital technology, where software is released in small increments, typically every two weeks, so that testing can be done with users in near-real time enabling technicians to benefit from regular feedback on the technology. The Government now favours the use of agile methods of development to build user-centred services quickly and affordably as the use of regular feedback from real users during the development process enabled by this methodology reduces the risk that the service is either not fit for purpose or is never delivered at all.

Digital consulting

Digital consulting comprises a broad range of advisory services. In the first instance, it aids collaboration between non-technical civil servants and technology specialists who may have limited understanding of each other's domain expertise as UK Government departments and agencies look to deliver new digital services, manage information and work with stakeholders in new ways. It also provides specialist advice throughout a project lifecycle, from early stage consulting and business case creation to agile development, coaching, feasibility studies, build/buy advice, helping to choose between commercial and open-source software, project transformation management and training.

Managed services

IT managed services (or operational support) is a longstanding offering in the Group's portfolio. Customers typically engage the Group to provide maintenance of bespoke software solutions, usually through multi-year contracts. Typically, such services include problem diagnosis and resolution, small change management and security and performance management. Such services are usually provided at the end of traditional software development projects, but can also be provided during alpha and beta phases of digital solution provision. Managed services are provided with robust SLAs and typically involve a small consultancy and training component. Managed services are also offered as a complete outsourced service or as an adjunct to in-house operational services and are ISO20000 and ISO27001 accredited.

Managed Cloud

Kainos offers managed services to public and private sector bodies that use Cloud-based services. This service is required when customers do not have the in-house IT skills required to manage Cloud-based environments. Kainos meets this need through its ISO27001 accredited managed Cloud service.

3.1.5 *Customers*

The Directors believe that the growth and success in delivering digital services depends not only on its skills and experience, but also on its ability to form deep and trusted relationships with customers. This has proved essential in the expansion of Kainos' footprint beyond GDS and the Cabinet Office. To develop deeper relationships with UK Government customers, in 2013 the Group embarked on a programme of senior civil service engagement, which has resulted in a network of senior-level contacts and widespread awareness of the Group's role in the 'Digital by Default' programme and which has allowed the Group to build and deepen

relationships with the elements of the UK Civil Service that are charged with procuring services for and delivering digital services focussed projects.

Examples of Digital Services' customers include:

- Cabinet Office
- Defra
- Home Office
- Land Registry
- Northern Ireland Civil Service
- Scottish Courts and Tribunals Service
- Student Awards Agency Scotland
- Surrey County Council
- the dstl
- the DVSA
- the DWP
- the FCO
- the MoJ
- Welsh Assembly Government

GDS has used Kainos' specialists to provide advice and guidance on digital transformation to a variety of Central Government departments and agencies and has in the past engaged a Kainos consultant on secondment to a senior management role in GDS for over six months.

The Directors believe that the Group's wide network of contacts, supporters and mentors across all levels of UK Government has proven invaluable in an industry where reputation is of the utmost importance in winning contracts and that Kainos is well-positioned to benefit from the reputational and portfolio effects of its deep relationships with a broad range of customers that have similar needs.

Digital Services has also built and maintains important relationships with private sector customers, some of which stretch over many years. For example, the Group's relationship with eircom Group Limited has lasted over 15 years and it has provided digital services to Allied Irish Banks since 2002, including following its nationalisation in 2010.

3.1.6 *Commercial model*

There is no single customer across UK Government, with each department and agency having its own requirements, decision-making processes and procurement decisions, however they typically use a series of common procurement frameworks.

These procurement frameworks have been established "to give the public sector easy access to suppliers of all sizes, with the right digital capabilities, to help them build public services that are 'Digital by Default' and focused on user needs".⁵ These frameworks, of which the Group is a member (or with whom the Group has partnered with third parties who were members), allow for a relatively short sales cycle with limited pre-sales effort required and include:

- 'G-Cloud' Frameworks (RM1557 (v) and RM1557 (vi)): an online catalogue that allows public bodies to procure Cloud-based commodity IT services, such as hosting;
- Digital Services Framework (RM1043): a framework that allows public bodies to procure teams who have the capability and experience to design and build bespoke digital services; and
- Corporate Software Solutions Framework (RM1042): a framework that allows public bodies to access a specialist supply base for complex business needs based on common software products.

The majority of Digital Services' work is undertaken for customers on a 'time & materials' basis. Projects usually run to an estimated schedule and budget, which provides a basis for initial delivery timing and resource allocations, but which is refined continually over the course of that project. In this way, the Group does not assume any contractual risk on delivery and the use of agile development methodologies provides increased transparency to its customers. Digital Services rarely undertakes fixed price contracts.

⁵ <https://digitalmarketplace.blog.gov.uk/2015/03/19/digital-services-on-the-digital-marketplace/>

Government digital projects follow the agile project lifecycle which comprises four stages: Discovery (1-2 months), Alpha (1-2 months), Beta (2-12 months) and Live (on-going). This contracting dynamic typically gives the Group up to nine months' visibility over its revenue in this division.

The managed services offering is typically offered on either a call-off 'time & materials' basis or charged as a monthly fee. These engagements are typically contracted over one to five years, allowing significant predictability of revenue and revenue backlog growth.

3.1.7 *Competitive landscape and barriers to entry*

The Directors believe that the Group's track record of delivering large-scale, complex, digital solutions leaves it well-positioned in its competitive landscape. Moreover, the Government's policy of opening the procurement process to a wider supplier base has resulted in an increased amount of Government IT expenditure being £11.4 billion per annum now going to SME suppliers, which represents 26.1 per cent. of total UK Government IT expenditure. The Directors believe that the Group's skills, history with agile software development, experienced employee base, scale and UK headquarters has helped differentiate it from its competitors.

Digital Services competes against a number of different businesses, including:

Small-sized vendors

There are a large number of small vendors, typically with fewer than 20 staff, which each have a narrow range of skills applicable to this market but whose lack of scale and breadth of skills and experience will preclude them from competing for the larger projects for which the Group typically bids.

Medium-sized vendors

There are limited medium-sized competitors and the Directors believe that the Group enjoys significant capability advantages in scarce skillsets and a growing reputation for technical competence and cost-efficient delivery. The Group's competitors amongst the medium-sized vendors include:

- BJSS: a consultancy and software development firm of more than 500 people based in Leeds and the only British-headquartered medium-sized competitor. A private company, BJSS operates across a number of industry sectors, including government and is engaged by a number of customers alongside Kainos;
- Valtech: a French publicly-listed company of more than 1,600 staff operating in several countries across Europe and in the USA. Valtech's UK operation is relatively small and works with a number of Government customers, including the DfT and MoJ. The Group has a good working relationship with Valtech UK and has partnered and co-bid with the firm on a number of occasions;
- Thoughtworks: a private US-headquartered software company of more than 3,000 staff with operations in 12 countries. Thoughtworks worked on the GOV.UK project and is a strong advocate of agile development techniques; and
- Equal Experts: a network of agile associates and contractors operating across public and private sectors. Equal Experts has worked on a number of public sector engagements, including projects for the Home Office and HMRC.

Enterprise vendors

While some enterprise vendors still derive a proportion of their UK revenue from the public sector, public procurement for digital services is now more accessible to mid-sized and small businesses. Some enterprise vendors are starting to build the capabilities required to respond to demands from GDS. For example, Deloitte, IBM and Accenture have established dedicated digital services divisions (Deloitte Digital, IBM Digital and Accenture Digital) which are aimed at meeting the criteria around flexibility and agility demanded by 'Digital by Default'.

The Directors believe that the previous experiences of UK Government departments and agencies working with these enterprise vendors has given rise to a situation whereby Kainos and other SMEs are seen as more appropriate partners for these projects by many departments and agencies.

3.1.8 *Market opportunity*

GDS in conjunction with other UK Government departments and agencies has identified approximately 780 government to citizen 'transactions' that could be digitised and is actively working with UK Government departments and agencies to enable this. Of these, the Directors believe there are approximately 275 that have been identified as a priority for UK Government and which would represent a market opportunity for Kainos of more than £1.0 billion over the next five years. The Group has acted as lead supplier to four and played an active role in a further three of the 25 'exemplar' projects undertaken by GDS to date and the Directors believe that, given this track record, Kainos is well-positioned to take advantage of this opportunity.

In addition, the Directors expect that other UK public sector organisations outside Central Government such as Regional Government and Local Government, police, healthcare and education, will also follow a similar 'GDS-style' approach towards procurement and implementation of citizen-centric IT services.

More generally, the 2015 Conservative Party manifesto (consistent with the prevailing cross-party support for digitisation) contained a commitment to continue to move more services online in order to continue the drive commenced under the previous Conservative/Liberal Democrat coalition Government towards making interaction with the UK Government more efficient.

3.1.9 *Financial performance*

Sales bookings

The division's sales bookings have increased from £26.2 million to £49.0 million (a CAGR of 36.8 per cent.) over the period from the financial year ended 31 March 2013 to the financial year ended 31 March 2015, driven by an increase in the number of contracts from Central Government departments and agencies.

The Group has been successful in winning follow-on work from existing clients. The following table lists the division's new clients which were acquired in the Historical Period and additional revenue derived from these clients:

<i>Customer</i>	<i>Area</i>	<i>Landing date</i>	<i>Initial contract value (£'000)</i>	<i>Additional contracts</i>	<i>Additional revenue (£'000)</i>	<i>Latest contract date</i>
1	Central Govt	Sep-12	76	6	298	Oct-14
2	Local Govt	Sep-12	92	17	1,082	Mar-15
3	Local Govt	Oct-12	33	3	247	Nov-14
4	Local Govt	Nov-12	500	21	573	Mar-15
5	Central Govt	Nov-12	241	15	20,895	Jan-15
6	Local Govt	Jan-13	16	10	665	Dec-14
7	Central Govt	Jan-13	728	18	8,175	Mar-15
8	Central Govt	Aug-13	106	20	10,868	Apr-15
9	Central Govt	Oct-14	16	6	1,240	Mar-15
10	Central Govt	Nov-14	112	2	598	Mar-15
11	Local Govt	Nov-14	44	3	251	May-15
12	Central Govt	Dec-14	190	4	2,419	Apr-15
13	Central Govt	Mar-15	188	2	361	May-15
Total				2,342	127	47,672
Average			180	10	3,667	

Revenue and gross margin

For the financial year ended 31 March 2015, revenue increased 37.1 per cent. to £43.6 million and gross margin increased to 52.9 per cent. The revenue and gross margin growth in the Historical Period has been primarily driven by an increase in contracts awarded from Central Government. For the financial year ended 31 March 2015, Central Government revenue amounted to 70 per cent. of divisional revenue (financial year ended 31 March 2014: 44 per cent. and financial year ended 31 March 2013: 15 per cent.).

For the financial year ended 31 March 2014, revenue increased by 35.8 per cent. to £31.8 million and gross margin increased from 45.9 per cent. to 51.2 per cent. The financial year ended 31 March 2014 was a transitional year for Digital Services with increased delivery to Central Government and a reduction in the volume of smaller-scale private sector projects. This has helped increase gross margins in Digital Services from 45.9 per cent. in the financial year ended 31 March 2013, to 51.2 per cent. in the financial year ended 31 March 2014 and remain relatively stable at 52.9 per cent. in the financial year ended 31 March 2015 as this trend has continued.

Gross margin increased as the division reduced the proportion of revenue coming from smaller-scale private sector contracts, mainly from the Republic of Ireland. At the same time, utilisation levels have increased and delivery efficiency improved.

In addition, cost of sales includes the cost of divisional delivery personnel, both employees and contractors and their expense costs (travel and subsistence) and third-party hardware and software costs involved. Costs of sales as a percentage of revenue declined in the Historical Period as a higher mix of contractors (which can be more expensive) has been offset by a decrease in the percentage of third-party revenue (typically software and hardware) which tend to attract higher costs of sales.

3.2 *Evolve*

3.2.1 *Overview*

Kainos provides digital services to healthcare providers such as hospitals, ambulance services and community care organisations with its proprietary Evolve software solution, which was developed in conjunction with medical practitioners and hospital managers. It is used for digitisation, storage and workflow of patient records.

Evolve is the UK market leader in the digitisation of patient notes in the Acute Sector of the NHS, automating the digitisation of medical case notes and operational documents, enabling them to be captured, intelligently tagged and used in digital environments. Evolve has been licensed to a total of 26 Acute English NHS Trusts covering over 70 NHS hospitals, assisting those hospitals to meet the Government's stated desire to achieve a 'paperless' NHS by 2018.

Evolve has developed a version of its software that operates on an Apple iPad. It plans to focus future development of its mobile solutions exclusively on Apple's iOS operating system and has identified opportunities for its products and services on Apple mobile devices. As a result of this strategy, Evolve has started to build on an emerging relationship with the Apple UK healthcare team.

Evolve's customers enjoy lower cost, increased efficiency and clinical benefits by having easy and timely access to patient information through the use of Evolve.

3.2.2 *Background*

In 2003, the DoH launched the multi-billion pound NPfIT. The primary aims of the NPfIT were to make the NHS more efficient and improve the quality of information and patient care, ostensibly through the creation of an electronic summary care record for every NHS patient in England which could be accessed by all relevant care providers. This was intended to replace manually written records kept at the patient's registered general practice and in Acute hospitals.

Whilst the NPfIT had some success with some smaller elements of the programme, it has generally been viewed as an expensive failure, particularly in relation to the digitisation of patient records and, following a review by the Major Projects Authority, the Government announced in September 2011 that the NPfIT would be dismantled into its separate component parts, in effect abandoning the programme.

NPfIT's failure has meant the DoH has not delivered a fully integrated care records system across the NHS. As a result, many hospitals still have extensive libraries of paper documents stretching back many years that are sometimes held in another location or site, away from the point of care. Evolve therefore complements existing and to-be-installed EPR systems as it digitises historic and current paper records and tags the information in those records to enable intelligent search and review. It also allows the information to be presented electronically to the clinician, increasingly on a mobile device. This results in making the patient record more complete, accessible and greatly more efficient to process and maintain, which in turn can significantly reduce cost, increase patient safety and improve patient care.

Digitisation of healthcare records

The Directors believe that by digitising a patient's medical history, Evolve has the ability to transform the way a hospital manages its patients: at any time of day or night a clinician has the necessary clinical information required when providing patient care and is able to formulate a diagnosis and determine treatment quickly.

The Directors believe that the failure of the NPfIT has had a significant impact on procurement and deployment of IT systems in the NHS. First, as noted by PAC in August 2011, it has caused NHS institutions to fall behind in digital investment resulting in a pressing need to upgrade and replace ageing IT systems. Secondly, the NHS is moving away from large centralised procurement in favour of localised NHS Trust-led procurement. This was set out in the NHS 'SME Action Plan' with the stated intention of doubling the percentage of the NHS budget spent with SMEs to 18 per cent. by 2015. Thirdly, the NHS now favours an approach that emphasises procurement of 'best-of-breed' solutions from discrete suppliers to perform specific tasks rather than seeking to select large complex multi-functional solutions. Finally, the NHS remains keen to adopt innovative technology and notes particularly the transformative potential of mobile technology in the provision of healthcare across the NHS care setting.

The Directors believe that these trends favour Kainos which has, in Evolve, an affordable 'best-of-breed' solution with mobile capability that addresses the need to remove the inefficiencies inherent in a paper-based patient medical records system in Acute English NHS Trusts and other healthcare settings.

The previous Conservative/Liberal Democrat coalition Government underlined its commitment to digitising the healthcare sector by announcing its desire to achieve a 'paperless' NHS by April 2018 and setting out an ambition to provide patients with compatible digital records across the entire NHS, identifying a goal of making digital information fully available across NHS and social care services. This approach is designed to make multiple existing records systems compatible and capable of exchanging data rather than the top-down single project approach previously attempted with the NPfIT.

These initiatives have received significant financial support from UK Government:

- In July 2013, NHS England published 'Safer Hospitals, Safer Wards: Achieving an integrated digital care record', which set out the pathway for NHS providers to move from paper-based record-keeping through 'paper-light' to paperless systems and which was backed by a £260 million fund (to be matched up to an equivalent amount from NHS Trusts' internal funding); and
- In May 2014, NHS England announced the Integrated Digital Care Fund with £500 million of additional capital funding (to be matched up to an equivalent amount from NHS Trusts' internal funding) "to enable health and care services to rapidly progress to digital systems and safe information flows between care providers"⁶ reflecting an increased emphasis on

⁶ <http://www.england.nhs.uk/wp-content/uploads/2014/05/idcr.pdf>

information sharing across organisational boundaries and a widening of eligibility criteria to include local authorities.

3.2.3 *Evolve's history and product development*

The 'paper problem' – the cost and risk associated with accessing, searching, sharing, manipulating and storing paper documents – is common across many industries. The Group's background in solving the 'paper problem' through the use of EDRM solutions for public and private sector enterprises dates back to the Group's development of Meridio (a document management software product originally developed by the Group) in 1993, which was spun-off in 2001 and acquired by Autonomy (subsequently HP) in 2007. Since then, the Group has developed a strong capability, deep familiarity and expertise in EDRM which has included:

- In the 1990s, working with Allied Irish Banks to digitise its paper-intensive mortgage processing systems;
- In the early 2000s, being selected by several Local Government authorities to streamline their paper-based processes and digitise libraries of historic paper documents; and
- In 2007, being engaged on a major project to implement an EDRM solution to replace the paper generated by claims and underwriting processes for Shipowners', a specialist insurance firm.

This historical involvement enabled the Group to be well-positioned to build an EDRM system for The Ipswich Hospital NHS Trust when, in 2009, it initiated a project to digitise its library of paper records and automate the associated paper workflow. The Group developed Evolve following a research programme over several months where it worked closely with clinicians from The Ipswich Hospital NHS Trust to re-purpose the core Meridio product for the specifics of a clinical environment. This was seen as a first step on the path to creating a paperless healthcare environment with the aim of providing healthcare professionals with a more complete view of a patient medical record. Prior to digitisation, most medical records at The Ipswich Hospital NHS Trust were held in paper form. Typically, clinicians and other health workers would order patient notes at least four and up to 24 hours in advance of any appointment. These records were sometimes incomplete, missing or delivered late to clinicians.

As a result of its close engagement with clinicians, Kainos consultants developed an understanding of healthcare in an acute setting and also realised that the problems identified by The Ipswich Hospital NHS Trust were shared by other NHS Trusts and healthcare organisations and effort was therefore expanded to productise the Evolve EDRM solution. Evolve has now been licensed to a total of 26 Acute English NHS Trusts covering over 70 NHS hospitals in the past five years.

3.2.4 *Scanning and digitisation*

In many NHS Trusts the bulk of patient data is stored on paper residing in large physical repositories (medical records libraries) that are sometimes held in another location or site away from hospital wards. Over time, these records can become substantial, potentially amounting to hundreds of pages of handwritten and typed notes and images for each patient. As they are usually bound in paper folders and stored in cardboard boxes, they are susceptible to damage, loss or destruction and often they are simply hard to locate. Apart from the clinical risk this represents, the costs of record storage, filing, transportation and archiving is significant.

Evolve addresses this problem by digitising the paper record, storing it electronically in a database and presenting it on a desktop or mobile device. The secure digitisation process starts with indexing of the paper records: getting the paper in a methodical and logical order and then scanning, using high-capacity document scanning machines to render the information on the paper document as an electronic image in the Evolve database. Each intelligently tagged electronic image can then be accessed, searched, annotated and further modified and updated by clinicians just as the paper document could and once it is updated (for example, following a patient consultation), it can be filed back in the database.

In this way, NHS Trusts can reduce the cost and risk associated with storing paper patient records. For historical records (typically the bulk of a hospital's paper archives), this process is known as 'back scanning'. NHS Trusts can also ensure that future records are stored electronically in the same way by scanning all future paper notes as they are generated (a process known as 'forward scanning'). Over time, back and forward scanning allows Evolve to build a more complete electronic patient record.

Indexing and scanning of paper patient records into the Evolve system is a specialist, intensive exercise requiring dedicated scanning devices and personnel and is usually outsourced to a specialist provider. In some cases, the hospital will choose to do the scanning using its own staff.

3.2.5 *Evolve's product features*

Evolve's product suite includes a range of features covering the capture of paper documents and their interrogation, management and presentation as well as a sophisticated workflow, e-forms and reporting platform. The Group has continued to collaborate with clinicians and has developed a series of modules that complement and enhance the core Evolve product while delivering further step changes in efficiency and patient care. These include:

- Evolve Patient Manager: enables clinicians to manage patient activity proactively by ensuring that the appropriate clinical activity is prompted at the right time. It enables NHS Trusts to create customised processes, forms and reports, focused on improving the quality of patient care;
- Evolve for iPad: introduces portable electronic records to the NHS with an iPad app optimised for use in inpatient, outpatient and community contexts, allows authorised clinicians to access an electronic patient record whilst on the move (approximately 90,000 of 120,000 individual Evolve licences granted include Evolve for iPad);
- Evolve Timeline: provides an overview of a patient's medical history summarising incidents and care received over time;
- Evolve eDischarge: provides electronic clinical information to GPs at the point of hospital discharge. The solution aids compliance with the DoH's requirement to send a hospital discharge letter to a patient's GP within 24 hours after leaving hospital, improves efficiency and raises the quality of care by facilitating the smooth transfer of care between Acute and primary providers as well as minimising on fines attributable to the late delivery of a hospital discharge letter; and
- Evolve Analytics: harnesses the power of the HP/Autonomy IDOL tool to provide meaningful insights into hospital and patient data.

This product integrated suite offers the following significant benefits:

- Mobile access to critical patient information systems for clinicians on the ward and out in the community;
- Advanced process management delivered through a sophisticated, integrated workflow, e-forms and reporting platform;
- Patient status management, through the use of a visual dashboard which prompts 'next actions' as part of a patient's treatment regime;
- Reduced cost and effort through eliminating need for storing paper records; avoiding fines associated with, for example, late delivery of patient discharge letters and freeing staff for frontline healthcare activities; and
- Improved patient safety through more accurate and more easily accessible patient records.

Evolve has a range of accreditations including ITK accreditation by NICA, Technology Office, part of the DoH Informatics Directorate and granted in March 2013. ITK accreditation is an important part of Kainos' commitment to provide a 'best-of-breed' platform for the capture, management, presentation and sharing of clinical information.

3.2.6 *Customers*

The Evolve product is currently licensed to 26 Acute English NHS Trusts (covering over 70 hospitals), including:

- Bradford Teaching Hospitals NHS Foundation Trust
- Buckinghamshire Healthcare NHS Trust
- Chelsea and Westminster Hospital NHS Foundation Trust
- Lancashire Teaching Hospitals NHS Foundation Trust
- Luton and Dunstable University Hospital NHS Foundation Trust
- Pennine Acute Hospitals NHS Trust
- Royal Brompton and Harefield NHS Foundation Trust
- The Ipswich Hospital NHS Trust
- University Hospitals Bristol NHS Foundation Trust

3.2.7 *Commercial model*

Evolve is typically procured through public procurement methods and is also available through existing supplier contracts and other non-public procurements.

These procurements typically take up to 18 months to secure and often require specialised contracting skills which the Group has developed over a number of years. A typical contract size is approximately £1.8 million split out over a contract length of five years and comprising:

- Perpetual licence (approximately 37 per cent.);
- Implementation costs (approximately 28 per cent.); and
- Support and maintenance (approximately 35 per cent.).

Consulting and implementation services are billed either on a 'time & materials' or fixed cost basis. The Group's experience and track record of successfully delivering deployments to 57 hospitals, covering 19 of the 26 sales made to Acute English NHS Trusts to date provides the Directors with confidence around the risks associated with deployments of this type.

Recurring revenue is derived from on-going support and maintenance activities. Typically, this is approximately 20 per cent. of upfront perpetual licence cost for contracts ranging from three to ten years.

The Group has enjoyed increased average licence sales year-on-year as it introduces new functionality to its product. The Group also generates revenue, albeit at a lower margin, from third-party scanning when it operates as prime contractor if required by a tender process. In these cases, the Group sub-contracts work to a dedicated scanning provider on a cost-plus basis and only provides project management and quality assurance services. The Group can also provide third-party scanning hardware when required. Scanning activities generate repeating revenue, in some cases over extended periods (up to five years) although this is usually at a lower margin.

3.2.8 *Competitive landscape and barriers to entry*

Since 2010, the Directors believe 60 Acute English NHS Trusts have deployed an EDRM solution. The breakdown of this installation base by supplier is estimated by the Directors as follows:

- Kainos: 26;
- Fortus: 8;
- OIT: 8;
- Civica: 5;
- Hyland: 4;
- Ideagen: 2; and
- Others: 7.

The Directors believe Evolve is becoming the preferred standard for NHS Trusts looking to implement an EDRM solution. In the past two years, the Group has been successful in tenders with 14 out of 17 Acute English NHS Trusts and as at 31 March 2015, Evolve has been licensed to 26 hospital NHS Trusts to support over 120,000 end users. The Directors believe this is due to the functionally-rich product, mobile capability, significant reference sites and successful, fast deployments of Evolve to date.

Although there are other EDRM vendors active in the NHS, the Directors believe that there are significant barriers to entry. Evolve has been developed over a period of more than five years, which has enabled it to develop a clear leading position in the Acute Sector of the NHS. Moreover, the specialist nature of the NHS IT services market means that it is difficult and expensive for a new supplier to develop knowledge of the complex procurement routes in the NHS. The Directors believe that much of Evolve's past and continuing success in the NHS derives from its continued deep engagement and research with clinicians, which has had the effect of enhancing the Group's reputation while at the same time strengthening its relationships with the NHS. The Directors believe that this would be difficult and costly for others to replicate because it would take time and investment for others to build contacts, understand the business challenges and establish a good reputation.

3.2.9 *Market opportunity*

In the UK, the Directors believe that 101 Acute English NHS Trusts have yet to decide on an EDRM solution. The Directors believe that approximately 110 healthcare organisations in the UK and Ireland are likely to choose an EDRM solution by 2020, providing a total market opportunity of approximately £200 million over the next five years. Further, the Directors believe that Evolve can extend beyond the Acute Sector of the NHS and into the Community, Ambulance and Mental Health sub-sectors of the NHS, as well as establishing a presence in healthcare outside the UK.

3.2.10 *Financial performance*

Sales bookings

The division's sales bookings (excluding third-party scanning services) have increased from £5.4 million to £17.9 million (a CAGR of 82.1 per cent.) over the period from the financial year ended 31 March 2013 to the financial year ended 31 March 2015, driven by new orders for perpetual licences, consulting, implementation, ongoing maintenance and support thereof. The growth in sales bookings has been driven by the target to achieve a paperless NHS by 2018 and the Group's success in selling Evolve to 26 of the 60 Acute English NHS Trusts which have adopted an EDRM solution to date.

In addition, upselling greater functionality into the existing customer base (e.g. Evolve for iPad licences) has expedited this trend during the Historical Period.

Revenue and gross margins

During the financial year ended 31 March 2015, revenue increased by 51.6 per cent. to £9.0 million and gross margin reduced to 52.2 per cent.. During the financial year ended 31 March 2014, revenue increased by 22.7 per cent. to £5.9 million and gross margin reduced from 70.5 per cent. to 58.2 per cent.

The Group typically obtains a gross margin of approximately 15 per cent. on the third-party scanning services it provides, being lower than the gross margin achieved on software products. The reduction in gross margin over the Historical Period related to extra scanning revenue at lower margins. If scanning revenue and costs were excluded, underlying margins on other revenue have been 70.6 per cent., 68.3 per cent. and 70.6 per cent. for each of the three financial years during the Historical Period. The change in revenue mix has driven a reduction in gross profit margins: revenue from third parties in the financial year ended 31 March 2013 amounted to only 3.6 per cent. of the total revenue in Evolve, growing to 13.8 per cent. of total revenue in the financial year ended 31 March 2014 and 25.0 per cent. in the financial year ended 31 March 2015.

3.3 *Workday Implementation Services*

3.3.1 *Overview*

Workday provides Cloud-based human capital management software, which enables enterprises to organise their staff efficiently and analyse their workforce data. Workday's software suite covers the full 'hire-to-retain' life cycle of human capital management as well as the core functions of accounting, revenue management, accounts payable and receivable, expenses and other financial management.

Workday is disrupting a market which has been dominated by traditional "on premise" vendors such as Oracle and SAP and is rapidly increasing its share of a market which is estimated to be worth over \$15.0 billion annually by 2018.⁷ Workday was founded in 2005 by Aneel Bhusri and David Duffield who are both industry veterans and were the founders of PeopleSoft, the ERP vendor acquired by Oracle in 2005 for \$10.3 billion. Workday completed its IPO on the New York Stock Exchange in 2012 with a market capitalisation of approximately \$4.5 billion which has since almost quadrupled. It serves over 700 enterprise customers worldwide.

Workday was founded with the intention of revolutionising the current \$12.2 billion human capital management software market but is increasingly moving into the broader enterprise software ERP market estimated at being \$35.4 billion by 2018. Workday's software product was designed around a Cloud-based delivery model and engineered to support complex high volume transactions, with high performance enabled by 'in memory' execution. The user interface emphasised ease of use and adopted a look-and-feel common in the consumer software market. Support for mobile workers using mobile devices took priority over traditional desk-based work models and data analytics capability was considered at the outset rather than as a later adjunct to the design.

Kainos is the only boutique Workday partner headquartered in the UK, responsible for implementing Workday's innovative SaaS platform for enterprise customers. The Group provides consulting, project management, integration, support and testing services for the Workday software suite. The Group has also developed Kainos Smart, a proprietary tool that automates the testing of initial Workday deployments and all subsequent software updates.

Workday provides a suite of software applications, including:

- Human capital management applications which include project and work management software designed to enable organisations to create, manage and track career development initiatives, build project plans and monitor career development;
- Workday Financial Management tools that provide the core finance functions of general ledger, global accounting, revenue management, accounts payable, employee expense management and accounts receivable;
- Workday Insight Applications that leverage data science and machine learning methodologies to help customers make smarter financial and workforce decisions; and
- Workday Professional Services Automation which provides a single, secure source of data to allow specialists to view and act on project, talent and financial information.

⁷ IPC Market Analysis – "Worldwide and U.S. Human Capital Management Applications 2014 - 2018 Forecast" dated May 2014.

3.3.2 *Historical involvement with Workday*

The Group developed a relationship with Workday in 2011 following an introduction from Cape Clear, a company owned by Workday and based in Dublin (where Workday has its European headquarters). The Group was contracted to provide staff to work alongside Workday specialists on the quality assurance and testing of the core Workday software engine. This provided not only a strong revenue stream but also offered the Group's engineers an insight into pre-release versions of Workday's product. The Group subsequently became one of four boutique Workday partners operating in Europe.

In 2014, the Group selected Workday human capital management software product as its corporate human resources system. This was successfully deployed in 12 weeks and now underpins the Group's talent management programmes whilst also providing the Group with first-hand knowledge of the Workday software suite.

The Group recently combined its expertise in software testing with its knowledge of Workday to develop an automated Workday testing product, Kainos Smart, which is now used by customers in the USA and Europe.

The Directors believe that the Group has established an extensive relationship with Workday: as a customer, service partner, software partner and supplier. This relationship is further strengthened by a track record of successful Workday deployments.

The Group employs more than 50 Workday-accredited specialists, one of the largest clusters of Workday capability in Europe. Consultants operate from all the Group's locations and product development is conducted in Kainos hubs in Belfast, Northern Ireland and Gdansk, Poland.

3.3.3 *Commercial model*

Workday Implementation Services engagements are typically charged on a 'time & materials' basis, based on day rates. A typical Workday implementation generates approximately £1.3 million in revenue for the Group. Consulting engagements are typically charged at higher rates, but with lower utilisation, whereas testing services are provided at a lower rate with higher utilisation.

Workday's typical commercial model is that the customer purchases the subscriptions directly from Workday whilst the implementation services are contracted between the customer and the implementation partner. The typical sales model is that Workday and the implementation partner would work closely together during the sales process to help secure the sale. The Group engages with Workday customers in either a prime or sub-contractor role. As a prime contractor, the Group would act as the lead implementation partner and be responsible for all aspects of deployment. This is Kainos' preferred method of engagement because it helps the Group develop a direct relationship with the end customer. The Group also contracts with Workday and other partners as a sub-contractor. An advantage of sub-contracted engagements is the very low cost of sale. Prime partners often choose to engage the Group as a sub-contractor when they do not have enough appropriately accredited employees to deliver a project. These sub-contracts are often with large technology partners (such as HP, Deloitte, IBM, Accenture and PricewaterhouseCoopers).

3.3.4 *Customers*

Kainos' Workday customers include major blue-chip global organisations such as:

- Computer Sciences Corporation
- Diageo
- easyJet
- Netflix
- Rackspace
- T Rowe Price
- The Metropolitan Museum of New York
- Travelex
- Tyco

3.3.5 *Competitive landscape, Workday ecosystem and barriers to entry*

Although it operates its own professional services arm, Workday relies on a network of partners to implement its products and approximately 75 per cent. of its deployment projects are led by its implementation partners. Kainos is one of 22 Workday services partners worldwide operating in a carefully controlled 'ecosystem' that comprises two different tiers of partners:

- (a) Boutique partners (such as Kainos) who typically engage as prime contractor with small and mid-size organisations (typically up to 10,000 employees) and include:
 - Workday specialists such as DayNine operating in the USA and Europe and Meteorix operating in the USA. These partners predominantly have PeopleSoft backgrounds and focus exclusively on Workday implementations; and
 - Cloud specialists such as Appirio in the USA which focusses on Cloud-based products and include Workday as one of a number of SaaS solutions in their portfolio;
- (b) Global partners who typically engage as prime contractor with larger organisations (typically over 10,000 employees) and include:
 - HR consultancies such as Aon Hewitt and Deloitte that have been expanding their technology skills to include Workday, both organically and inorganically; and
 - Large systems integrators such as Accenture, IBM and HP who are building Workday practices, with significant offshore capability. These partners typically also have large SAP and Oracle implementation practices.

Workday adopts a careful approach to growing its partner ecosystem to ensure quality whilst supporting the needs of a fast-growing customer base. Its involvement in implementation projects effectively limits non-accredited partners from doing work on Workday implementations. Workday carefully controls the ecosystem of their implementation partners and there are high barriers to entry to becoming a Workday implementation partner, with substantial training investment required for initial accreditation and continual requirements for on-going consultant accreditation with regular skills tests. The Directors believe this provides an effective barrier to entry into the market.

3.3.6 *Market opportunity*

Workday is increasingly moving into the broader enterprise software ERP market estimated to be worth \$35.4 billion by 2018, offering financial management systems (already live in over 50 customers) and other applications in its expansion into this broader market place. The Directors believe that Kainos will benefit from Workday's expansion as this will enable the Group to offer implementation services across the wider ERP market and not just the HR sub-sector.

In addition, Workday is increasingly looking to expand in continental Europe and the Directors believe Kainos is well placed to take advantage of this anticipated expansion.

3.3.7 *Financial performance*

Sales bookings

The division's sales bookings have increased from £3.7 million to £7.7 million (a CAGR of 44 per cent.) over the period from the financial year ended 31 March 2013 to the financial year ended 31 March 2015, driven by Workday's own growth, the movement of customers to Cloud-based ERP systems and the Group's accreditation and relationship strength through the Workday partner 'ecosystem', particularly with Global systems integrations who prefer to subcontract to boutique providers such as the Group, rather than providing revenue opportunities to direct competitors.

Revenue and gross margins

For the financial year ended 31 March 2015, 93 per cent. of the division's £8.1 million revenue was from 'time & materials'-based implementation contracts. For the financial year ended 31 March 2015, revenue increased 96.1 per cent. to £8.2 million and gross margin increased to 57 per cent. as the division reduced the volume of lower-rate work performed for Workday.

During the financial year ended 31 March 2014, revenue increased by 147 per cent. to £4.2 million and gross margin reduced from 51 per cent. to 41 per cent. The reduction in margins was primarily due to work being performed at discounted rates for Workday itself in order to strengthen the Group's business relationship and increase the number of accredited staff.

4. Key strengths

The Directors believe that the key strengths of the Group are:

- ***The Group's reputation***

The Group has a long history of delivering complex projects and saving money for its customers in both the public and private sectors.

- ***Established market position, high barriers to entry and significant growth opportunities***

Kainos' three divisions have all established market-leading positions in markets with high barriers to entry whilst also enabling opportunities for continued expansion. The Group has a clear strategy to achieve sustained revenue, profit and cash flow growth across each of its divisions.

- ***Experienced, highly skilled and capable employee pool containing high levels of technical and domain knowledge***

The Group's employees have longevity of employment and show low levels of attrition: 15 staff members have been with the Group for over 20 years and 20 per cent. of management have been with the Group for over ten years, while employee annual turnover is 8 per cent. across the Group.

- ***Strong, long-term relationships with its customer base***

The Group's ability to build long-term, mutually beneficial relationships with its customer base, which is due to two primary factors: the calibre of the Group's employees which has allowed them to gain the trust of customers at all levels and the Group's track record of having consistently delivered results to its customers over a period of almost 30 years. This dedication to delivering working solutions consistently is a major factor in customers remaining with the Group for the long-term.

- ***Economies of scale and diversification across multiple sectors***

The Group's flexibility and responsiveness. The majority of the technical workforce operates as a single resource pool which can be deployed as required across the operating divisions. This complements the increasing levels of specialist skills in each division whilst also enabling Kainos to mitigate the risks associated with slow down in a particular market and provides confidence for continued expansion.

- ***Favourable market dynamics and drivers***

Kainos operates in markets experiencing structural and technological disruption, a situation which the Directors believe is likely to create long-term opportunities for the Group. The Directors believe that Kainos' skilled employee base and experience allows it to capitalise on these factors and take advantage of this disruption to capitalise on the long-term anticipated growth in its end-markets.

- ***Ability to recruit experienced and entry level staff of a high calibre and continue to develop their skills and abilities***

The Group makes significant investment in a dedicated recruitment and talent management function. In addition, the Directors believe that the Group is an employer of choice in its key employee locations of Belfast, Northern Ireland and Gdansk, Poland. The Directors believe that this level of investment in high-quality recruitment remains a core strength.

- ***Robust financial track record and high levels of recurring and repeating revenue***

The Group's revenue has increased from £29.9 million to £60.8 million (giving a CAGR of 43 per cent.) over the period from the financial year ended 31 March 2013 to the financial year ended 31 March

2015. Recurring and repeating revenue amounted to 88 per cent. of revenue in the financial year ended 31 March 2015 (75 per cent. in the financial year ended 31 March 2014).

- **Proprietary technology and domain knowledge**

The Group has extensive domain knowledge in each of its three divisions. In addition, the Group provides a combination of proprietary software maintenance and support services to its clients.

- **Proven and experienced management team**

Several members of the team have held senior roles in global blue-chip organisations and others, including the CEO, have worked for the Group for over 20 years. The Directors believe that this blend of talent, experience and trust mean that the Group is well-positioned to manage high growth in a disciplined and collaborative manner.

5. Customers

5.1 Customer concentration

The Group's top ten customers represented approximately 62 per cent. of revenue for the financial year ended 31 March 2015 (approximately 53 per cent. for the financial year ended 31 March 2014). The Group's top 20 customers represented approximately 75 per cent. of revenue for the financial year ended 31 March 2015 (approximately 71 per cent. for the financial year ended 31 March 2014). The Group's top 10 customers have not been the same in any two years.

5.2 Customers by geography

The Group's customers are predominately based in the United Kingdom which represented approximately 87 per cent. of revenue for the financial year ended 31 March 2015 (approximately 76 per cent. for the financial year ended 31 March 2014). The remainder is made up of approximately seven per cent. from the Republic of Ireland which is predominately revenue derived from the Group's historic involvement with Irish financial services and telecom sectors and approximately six per cent. from the rest of the world.

5.3 Customer satisfaction

The Directors recognise the importance of building long-term relationships with customers and ensuring that existing customers are satisfied with Kainos' products and service offerings. This is crucial to increasing the level of repeating and recurring revenue and to securing larger and more complex project work with existing customers.

In May 2014, the Group initiated a formal customer satisfaction programme. The data received indicates a highly engaged customer base:⁸

Category	Excellent	Very Good	Good	Satisfactory	Poor
Overall	40%	45%	5%	9%	0%
Service Quality	31%	45%	13%	9%	1%
Solution Quality	23%	43%	25%	8%	1%
Kainos Staff	43%	41%	11%	5%	0%
Average	34%	44%	14%	8%	1%

6. Group strategy

The strategy of the Group is to achieve sustained revenue, profit and cash flow growth in its chosen markets. In this regard, the Group's strategy includes:

⁸ The data was extracted from the Group's internal Kimble system on 24 May 2015. The data covers the period from May 2014 to May 2015 and is collated from survey responses from 75 different clients, with the last one submitted on 11 May 2015.

6.1 **Group**

- Maintaining the quality and loyalty of staff through continued investment in career development and by providing interesting, varied and rewarding careers for the brightest graduates and experienced hires. This is being formalised into a structured training programme (Kainos MAP ('Master, Accomplish, Progress'));
- Continuing to invest in the Group's staff to ensure that the Group delivers high levels of customer satisfaction. It is working to maintain the already high levels of staff retention while developing its technological expertise and capabilities and solving increasingly complex problems for the Group's customers;
- Creating intellectual property across the Group to build on its existing track record of developing significant proprietary intellectual property to continue to enhance its existing verticals as well as identifying opportunities for new markets;
- Increasing the Group's market share with the purpose of targeting potential new customers and exploiting the opportunity created by the Government's 'Digital by Default' approach to citizen interactions; the changing procurement dynamics in the NHS following the demise of the NPfIT; and the migration of key ERP software solutions to a SaaS delivery model;
- Maintaining the level of attention paid to the Group's customers to ensure that they are satisfied and willing to stay engaged with Kainos for even longer periods; and
- Exploiting the growth of Big Data and Analytics across Kainos' industry verticals by strengthening the Group's capabilities in this area, both through direct investment in skills and by partnerships.

6.2 **Digital services**

- Continuing to lead as a digital service supplier to Central Government departments and agencies and seeking to exploit this position by deepening relationships with selected large Central Government departments and agencies through the successful delivery of beta and live releases in major programmes;
- Increasing business levels within Regional Government and Local Government;
- Executing on identified cross-selling opportunities with Central Government customers, embedding Kainos firmly in the public sector for the long-term; and
- Increasing the level of long-term support and maintenance engagements in the public sector.

6.3 **Evolve**

- Maintaining and extending the Group's market-leading position within the Acute Sector of the NHS;
- Growing the Group's presence outside the Acute Sector of the NHS (building on experience gained in the integrated healthcare environments in Northern Ireland) and outside the UK;
- Continuing to develop Evolve with increasing focus on mobility, supported by a Cloud-ready platform which will increasingly allow for NHS care providers to use the product on a SaaS basis, funding it through operating expenditure rather than capital expenditure. The Directors believe that this flexibility will be attractive to a broad range of healthcare providers in the UK and will also support the potential internationalisation of the business;
- Creating opportunities for strategic growth and differentiation through plans to focus future development of its mobile solutions exclusively on Apple's iOS operating system (the Group's success in winning the South East Coast Ambulance Trust contract in 2015 has highlighted the ability to utilise Evolve for iPad as a mobile platform for non-Acute Trusts); and
- Consolidating and growing its reputation in mobile and other healthcare applications by developing further IP on the Evolve platform.

6.4 **Workday Implementation Services**

- Extending Kainos' position as a boutique partner in the Workday ecosystem in the UK;
- Expanding implementation services in mainland Europe by opening an office base in Amsterdam and increasing headcount to support demand while minimising risk through the use of serviced offices and support from London-based implementation staff;
- Continuing to develop IP in testing and integration to support the Workday software suite; and
- Expanding in the USA by expanding the Boston office from the current level of two staff to support sales of the SMART product in the USA Workday customer base. Expansion will again be facilitated through secondment of existing staff based in serviced offices until demand increases.

7. **Reasons for the Offer and Admission**

The Offer will provide the Selling Shareholders with a partial realisation of their investment in the Company. The Directors believe that the Offer and Admission will:

- Enable the Selling Shareholders to monetise a proportion of their existing holdings and to provide an ongoing liquid market for their Ordinary Shares going forwards;
- Diversify the Company's shareholder base;
- Enhance the Group's public profile and status with customers, investors and business partners;
- Assist in the recruitment, incentivisation and retention of key management and employees; and
- Provide the Company with access to the capital markets, if necessary, in the future.

8. **Employees**

As at 31 March 2015, the Group has a headcount of 728 staff. These are categorised as follows: approximately 17.5 per cent. management, 75 per cent. delivery and the remaining 7.5 per cent. split between administrative and sales staff. The table below sets out the average number of employees of the Group for the Historical Period.

Kainos manages its employee base in a structure typical of most IT services and consultancy businesses. There are approximately 130 employees classified as management who act as the heads of divisions and include high-end solution architects, delivery/project managers and business analysts. These are the Group's most senior employees, however, they are typically the least profitable because of the comparison of their achieved day rate versus their Kainos remuneration structure. They are supported by the middle tier of approximately 550 delivery staff encompassing technical architects and senior software engineers and graduate level talent with approximately a further 50 employees in administration and sales.

Category	As at 31 March		
	2013	2014	2015
Management	92	106	128
Delivery	287	405	549
Administration and Sales	27	36	51
Total	406	547	728
Average	369	503	612

<i>Location</i>	<i>As at 31 March</i>		
	<i>2013</i>	<i>2014</i>	<i>2015</i>
Great Britain	30	71	155
Northern Ireland	272	336	389
Poland	65	102	148
Republic of Ireland	39	38	34
USA	0	0	2
Total	406	547	728
Average	369	503	612

For a breakdown of the numbers of employees and contractors in each of the financial years ended 2013, 2014 and 2015, please refer to the table set out at paragraph 1.3 of Part IX (*Operating and Financial Review*).

The Directors believe the Group's staff are the most important element of its success and it is therefore of paramount importance to ensure that the Group has appropriate and attractive terms of employment as well as a proactive career and talent development programme. As such, the Group concentrates on the following areas:

Staff engagement and retention

Kainos uses 'The Sunday Times Best Companies to Work For' survey to drive staff engagement, originally starting the process in 2010. Scores have increased every year and in 2015 the Group was ranked 40th in the UK. On Glassdoor.com, staff gave the Group a 94 per cent. approval rating.

Across the Group, attrition levels are consistently low and, for the financial year ended 31 March 2015, Group-wide employee turnover was 8 per cent. and 5 per cent. in Belfast.

The Directors believe that by managing attrition levels and by maintaining the Group's culture as evidenced in its 'The Sunday Times Best Companies to Work For' award, the Group will be able to maintain its high levels of utilisation which were 72.9 per cent. for the financial year ended 31 March 2015.

Skills

Kainos is proud of the high quality of its staff. Its strategy has been to recruit and train the best and most talented software engineers and provide them with a rewarding and fulfilling career. This policy has worked well: 89 per cent. of delivery staff are now experienced software engineers, with an average span of experience of 14 years. 96 per cent. of delivery staff have or are working towards degree qualification and the Group encourages and funds investment in skills development.

Recruitment

Kainos is highly selective in its recruitment, which requires a considerable administrative effort and an associated investment in senior management and delivery expert time to screen, interview and make job offers to candidates. For example, in the financial year ended 31 March 2015 the Group hired 152 experienced candidates from an initial application pool of 8,604 applicants following 1,872 interviews (1.8 per cent. successful). The Group's graduate recruitment programmes were similarly intensive, with over 1,707 applications, 195 interviews and 78 hires (a 4.6 per cent. success rate). The Directors believe that this high level of investment and effort is justified and that high-quality recruitment remains a core strength.

Nurturing digital ambition is supported through schemes such as Kainos CodeCamp and the ICT Apprenticeship Scheme. During the last three financial years, the Group has recruited 14 apprentices, as well as 14 employees participating in the Group's 'Earn as you Learn' scheme. The Group's AppCamp training programme is now in its fourth successful year.

The Group has recently expanded its offices in Gdansk and Belfast and opened an office in Bristol as well as Boston, USA. Links with universities in London and Swansea have been established to develop a pipeline for future graduate recruitment.

Locations

As the Group's markets and opportunities develop, Kainos will continue to expand its business operations in new locations. However, the majority of the Group's staff (more than 70 per cent.) are based in Belfast and Gdansk, where the Directors believe that the Group has become an employer of choice. Concentration of staff in these locations has resulted in reduced attrition and also delivered a cost advantage due to price differentials between delivery staff costs in these locations and London, estimated at 36 per cent. and 60 per cent. for Belfast and Gdansk respectively.

Training

The Group invests significantly in training. Over 14,000 hours of training were recorded in the financial year ended 31 March 2015, with training expenditure exceeding £1.0 million. Training and skills development remains a continuing activity in Kainos. The Group seeks opportunities for the most experienced professionals to further their education by enrolling them in prestigious executive education programmes (Stanford, Darden, IMD and MIT). In 2014 and 2015, the CEO and CFO attended separate management training courses in Switzerland and the United States respectively.

The Directors believe there is a direct link between career development and loyal and fulfilled staff. For this reason, the Directors have prioritised the development of a formal, structured talent development programme in Kainos. This is led by a long-standing Kainos staff member who joined the management team in 2015 with a mandate to build and operate an industry-leading career development programme for Kainos staff. Although the programme is still in development, it is expected that it will take the form of dedicated training from which Kainos staff will receive valuable and marketable skillsets. This initiative has been identified and supported by the Directors as a priority in the coming years.

9. Board and Senior Management

9.1 Board

Dr John Lillywhite, 74, *Non-Independent Non-Executive Chairman*

John is a Fellow of the Institute of Management Accountants and has been in the Information Technology industry for over 50 years. In 1997 he stepped down as Group Finance Director of ICL (now Fujitsu Services) after a long career with the group in which he worked in the UK, Europe, USA and the Far East filling roles in divisional management and various aspects of finance. In the last two years before stepping down he was group CFO with responsibility for acquisitions, disposals, start-ups and recovery programmes. John then started his own company advising and investing in software start-ups. He has been Chairman of seven start-up companies. Three have been sold profitably, one is mothballed, two continue to trade successfully (one on AIM) and he remains chairman of one. He is also a trustee director for a large pension fund. In 2011 he was awarded a Doctorate by Queen's University, Belfast for services to Commerce and Industry.

Dr Brendan Mooney, 48, *Chief Executive Officer*

Brendan is the CEO of Kainos responsible for setting the strategic direction of Kainos and for overseeing profitable growth. He studied Computer Science at University of Ulster, Jordanstown and was awarded an honorary Doctorate (DSc.) for services to business development. Brendan joined Kainos in 1989 as a graduate software engineer before moving into a number of technical and commercial roles. He was appointed Managing Director of Kainos in 2001. In addition to his role at Kainos, Brendan has been a Non-Executive Director at Meridio, Property News, the Probation Service for Northern Ireland, and until recently, was a serving lay magistrate. Brendan has over 25 years' of technical, business development and management experience.

Richard McCann, 50, *Chief Financial Officer and Chief Operating Officer*

Richard serves as the Chief Financial Officer and Chief Operating Officer. Richard joined Kainos in 2011, with over 20 years' experience in accounting. He joined Galen Holdings plc as financial controller of a start-up subsidiary in the US and subsequently became Senior Vice President in charge of Corporate Finance with responsibility for the organisation's acquisitions and investor relations. He served as the Managing Director of two subsidiaries in the Almac Group, including a US subsidiary that provides software development services for pharmaceutical companies. He is a Fellow of the Institute of Chartered Accountants in Ireland and trained with Coopers & Lybrand, before moving in to industry with Galen Holdings plc.

Paul Gannon, 52, Sales Director

Paul is the Sales Director for Kainos, responsible for all product and service sales activities in Kainos. He studied Engineering at Trinity College, Dublin and joined Kainos in 1998 as the sales manager for Ireland. Paul subsequently took on a company-wide role in strategy and marketing. Before joining Kainos, Paul spent four years in a sales role with ICL in Dublin and prior to that worked as a management consultant for Accenture in London. He started his professional career working for Siemens in Munich. Paul has over 25 years' experience of business development and sales in technology companies.

Andy Malpass, 53, Senior Independent Non-Executive Director

Andy has over 30 years' experience in the software industry covering both private and public companies, including, most recently, being Group Finance Director of Fidessa Group plc (formerly, Royalblue Group plc) since joining in 1995. Andy also served as Company Secretary of Fidessa Group plc. He is a Fellow of the Chartered Institute of Management Accountants. He has a BA (Hons) in Accounting and Finance from Lancaster University.

Chris Cowan, 56, Independent Non-Executive Director

Chris owns a board advisory business focused on digital transformation and has been at Accenture for over 20 years, having previously been the Managing Director of Accenture's Telco and Media business in the UK; Accenture's Telco Industry Managing Director for EALA; Chairman and CEO of Digiplug (an Accenture Digital business); and Managing Director of Value Partners Group's UK business.

Tom Burnet, 47, Independent Non-Executive Director

Tom is CEO of AIM-listed company accesso Technology Group plc, a leading supplier of technology platforms to the global leisure and attractions market, serving over 1,000 clients in 22 countries. In his two previous appointments he was Managing Director of Serco's Defence Services division and Managing Director of QinetiQ's consultancy business. He started his career as the UK's youngest Army Officer serving in the Black Watch (R.H.R.). He has an MBA from the University of Edinburgh and enjoys skiing, travel, golf and is a member of the Queen's Bodyguard in Scotland.

9.2 Senior Management**Dr Brian Gannon, 55, Senior Vice President Corporate Development**

Brian is the Senior Vice President, Corporate Development for Kainos, responsible for marketing, communications, media and industry analyst relationships. He studied Engineering at Trinity College, Dublin and holds a PhD in Information Systems from the University of London. Brian joined Kainos in 2006 to initially run Kainos in Great Britain. Previously, he worked as a management consultant at Andersen Consulting (now Accenture), Capgemini and the DMW Group and as a technology strategist at a number of blue-chip organisations, including Shell, Standard Chartered Bank and Allied Irish Banks, where he was Chief Information Officer. Brian has over 25 years' experience in deploying information and digital technology solutions.

Russell Sloan, 39, Divisional Director, Digital Services

Russell is responsible for the Government Business Unit in the Digital Services division. Russell studied Engineering at Queen's University, Belfast and more recently completed a management course at the Darden Graduate Business School, University of Virginia. Russell joined Kainos in 1999 as a software engineer. He worked as a team leader and manager before taking up a role as head of the Support business unit in Kainos. In 2012, Russell was charged with developing public sector business for Kainos and now leads the Government Digital Services business unit, part of the Digital Services division.

Nigel Hutchinson, 50, Divisional Director, Evolve

Nigel is the head of the Evolve division in Kainos, responsible for all activities in the Healthcare market. He studied Computer Science at Queen's University, Belfast. Nigel joined Kainos in May 2013 to lead its healthcare business, primarily focussed on Evolve. Nigel started his career at Kainos in 1988, before leaving to join records management company Meridio, which was established as a spinout from Kainos in 2001. Following the acquisition of Meridio by Autonomy in 2007, Nigel became Senior

Vice President EMEA, responsible for growing revenue for a major part of Autonomy's enterprise software portfolio across the region.

Dr Sam Bolton, 55, Divisional Director, Enterprise

Sam serves as head of the Enterprise Business Unit in the Digital Services division. Sam was previously Director of Delivery at Kainos where his responsibilities included maintaining the quality and efficient delivery of Kainos products and solutions and ensuring that the delivery capability was fully aligned with customer requirements. Sam has long experience in the IT industry, having spent a decade with IBM as a technical consultant and he progressed through a number of management positions during his five years with the IT division of Scottish Power, before joining Kainos in 2001. Sam holds an MBA from Herriott Watt University and a Ph.D. from Queen's University, Belfast.

Malachy Smith, 46, Divisional Director, Workday Implementation Services

Mal heads the Workday Implementation Services division for Kainos. He graduated from Queen's University, Belfast with a BSc. in Computer Science and joined Kainos in 1989 as a software engineer. He worked as team leader, project and programme manager before leading the Kainos Insurance business in 2002. In 2010, Mal was appointed head of the Workday business unit and charged with establishing Kainos as a leading boutique Workday implementation partner in EMEA.

Tom Gray, 47, Chief Technology Officer

Tom is the Chief Technology Officer (CTO) at Kainos, responsible for advising customers on Healthcare IT, Enterprise Architecture and Applied Technology. He graduated with a BSc in Computer Science from Queen's University Belfast and is currently studying Innovation Management, at MIT Sloan. Tom joined Kainos in 1990 as a Software Engineer and, subsequently took on roles in Support, Pre-Sales and Solution Architecture before being appointed CTO in 2005. Tom is Chairman of the University of Ulster Industrial Liaison Board and of the Institution of Engineering and Technology in Northern Ireland and is a member of the Industry Board of Manchester Connected Health and MATRIX Health & Life Sciences Panel.

Paul Hamill, 51, HR Director

Paul is head of HR at Kainos, responsible for employee engagement, compensation and performance management. He graduated from Queen's University Belfast with a BSc. in Computer Science and holds an MBA from the Ulster Business School. Paul has 29 years' experience in the IT industry. He joined Kainos as a software engineer shortly after graduating, following a brief spell with STC in London. In 2002, Paul moved into an HR role and has successfully led many of the growth, talent and employee engagement initiatives. Paul is a Chartered Engineer and a Fellow of the CIPD.

Szczepan (Stephan) Sakowicz, 36, Head of Gdansk Operations

Stephan is head of Gdansk operations for Kainos. He graduated from the Warsaw University of Technology, Electronics and IT Department. Stephan joined Kainos in 2007 as a Solution Consultant in the Dublin office. Previously, he worked as a Systems Designer in France Telecom in Paris. Since 2009, Stephan has led the Gdansk operation, a product and services delivery centre for Kainos.

Grainne Burns, 41, Legal Counsel

Grainne is head of Legal at Kainos. She graduated from Queen's University Belfast and holds an LLB Honours in Law and an LLM in Law and Computers. Grainne qualified as a Solicitor following completion of the LPC at the College of Law, Chester. Grainne joined Kainos in 2001 from a private practice background in personal injury and commercial litigation. She manages the in-house Legal team who have responsibility for contract negotiation and management; IP protection; commercial risk mitigation; commercial property/facilities, corporate governance and compliance.

Colette Kidd, 41, Head of Talent Development

Colette is responsible for Recruitment, Staff Development, Training and Staff Assignments. She graduated from University of Ulster, Jordanstown in 1997 and holds a B.Eng in Software Engineering. Colette joined Kainos as a software developer in 1997 before spending a year on placement with Microsoft in Dublin. Her career path has given her the opportunity to fulfil many roles in the business including software developer, business consultant, team leader, project manager and talent manager before taking up her current post as Head of Talent Development in November 2014.

10. Research and Development

The Group's Research and Development team comprises five staff members based in Belfast, led by the CTO. The team's activities cover a range of new and emerging technologies, including mobile, Cloud and open source platforms and applications. The current focus for investment continues to be in the area of Big Data/Analytics, as Kainos customers take more confident steps in the use of tools and platforms to exploit the corporate data asset more effectively. The Group has, for example, developed an alliance with Cloudera, a fast-growing Hadoop vendor.

The Group plans to develop similar partnerships with other organisations as the opportunity arises, particularly to boost its Analytics capabilities and credentials and will seek opportunities to deploy consumer technology innovations such as Vision Processing and Sensors where they can differentiate and add value to the Group's products and solutions.

11. Awards

<i>Year</i>	<i>Award</i>
2015	<ul style="list-style-type: none">● Number 40 in 'The Sunday Times 100 Best Companies to Work For' 2015
2014	<ul style="list-style-type: none">● Technology provider of the year at the HealthInvestor Awards 2014 for Evolve● Placed 2nd in the "Industry" category and 12th overall at the Digital Leaders 100 Awards● Awarded "Placement Employer of the Year" by University of Ulster● Placed in the top 5 per cent. of organisations in the Microsoft Partner Network (2013-2014)● Number 50 in 'The Sunday Times 100 Best Companies to Work For' 2014● Awarded 2 Star accreditation by Best Companies
2013	<ul style="list-style-type: none">● Placed 3rd in the "Industry" category and 13th overall at the Digital Leaders 50 Awards● "Business of the Year" at the Belfast Business Top 50 Awards● "Large Company of the Year" at the Aer Lingus Viscount Awards● Number 55 in 'The Sunday Times 100 Best Companies to Work For' 2013● Awarded 2 Star accreditation by Best Companies● Placed in the top 5 per cent. of organisations in the Microsoft Partner Network (2012-2013)
2012	<ul style="list-style-type: none">● Enterprise CMS of the Year at the 2012 Document Manager Awards● Finalist in 2012 DM Awards, for Company and Software Product of the Year● Gold Standard Accolade at Deloitte Best Managed Companies Awards for one of the UK and Ireland's best managed companies● Awarded 1 Star accreditation by Best Companies
2011	<ul style="list-style-type: none">● Winning the "Best Public Sector Project Award" at the 2011 Document Manager Awards● Best Managed Company Award in the Deloitte Best Managed Companies Awards● Awarded 1 Star accreditation by Best Companies
2010	<ul style="list-style-type: none">● Best Managed Company Award in the Deloitte Best Managed Companies Awards● Shortlisted for the Irish Technology Leadership Group Innovation Awards at Stanford University in California, U.S.
2009	<ul style="list-style-type: none">● Named one of Ireland's Best Managed Companies in the Deloitte Best Managed Companies Awards
2008	<ul style="list-style-type: none">● ICT Award for Sales Professional of the Year● Shortlisted for the ICT Excellence Awards for the categories of "Best IT Company to Work For" and "Sales Professional of the Year"
2007	<ul style="list-style-type: none">● Second place in Belfast Business Awards for Best Business Growth
2006	<ul style="list-style-type: none">● Most Effective Use of Software, with customer Hibernian, in the Information Age Effective IT Awards
2001	<ul style="list-style-type: none">● Awarded first prize and top honours for its work on Propertynews.com at Information Management awards

12. Dividend policy

The Board intends to adopt a progressive dividend policy for the Company from Admission which will look to maximise Shareholder value and reflect its strong earnings potential and cash flow characteristics, while allowing it to retain sufficient capital to fund on-going operating requirements and invest in the Company's long-term growth.

The Directors intend that the Group will pay an interim and a final dividend to be announced at the time of the interim and preliminary results of the Group in the approximate ratio of 1/3:2/3. The Directors' intention is to target a dividend cover of 1.75x and expect to pay a full interim dividend in December 2015.

13. Kainos in the community

13.1 Values

The Directors believe that maintaining strong values in the Group is key to underpinning the success of a business dependent on its people and their skills. These values include:

- Integrity, consideration and support for Kainos staff, customers and partners;
- Excellence and determination, both personally and professionally;
- Genuine, open-minded curiosity about digital technology and what it can do to make the world better;
- Creativity and imagination in solving problems for Kainos and its customers;
- Flexibility, adaptability and a willingness to embrace change; and
- Openness, warmth and a desire to engage positively with others to build productive relationships.

13.2 Developing IT talent in the community

The Directors believe that the Group's digital technology expertise has the potential to promote positive social outcomes. The Group actively engages with educational and other organisations with the intent of encouraging entrants to the IT profession through a set of initiatives designed to encourage digital talent into the workforce in each of its locations.

These include 'hackathons', coding camps and innovative work placements for young people to get them excited about digital technology and these activities have proved as rewarding for the Group's staff as for the participants. This broad commitment to harnessing home-grown innovation continued in 2014 through AppCamp programmes in Belfast, London and Gdansk, along with HealthHacks in Belfast and Dublin. In June 2014, in collaboration with the Belfast Metropolitan College, Kainos launched its CodeCamp initiative for secondary school students, designed to bridge the gap between school-taught ICT and real-life software development. CodeCamp participants learnt how software is designed, built and tested and obtained an inside view of working as a software engineer. Partly as a result of the interest generated by CodeCamp, Kainos has developed a programme to lead the re-introduction of Computer Science teaching in schools by running CodeShows – a day-long introduction to the world of software development – for 12 partner secondary schools in the UK.

Kainos' direct economic impact on the local community now extends to Bristol and Swansea, where in 2014 Kainos created a total of 13 new jobs and is working with local schools to identify ways in which to help promote digital education in the area, having scheduled AppCamp in Swansea in the coming year. Kainos sees this as the start of a mutually beneficial relationship.

13.3 Kainos links with education

The Directors believe that the Group's digital technology expertise has the potential to promote positive social outcomes and actively engages with educational organisations at various levels with the intent of encouraging entrants to the IT profession:

- University: the Group runs a number of initiatives including University Work Placements; Apprenticeship Schemes; Earn-as-you-Learn; and a University Engagement Programme. It runs these schemes in conjunction with the University of Ulster, Queen's University Belfast, University of London, University Of Wales (Trinity St. David's), Gdansk University of Technology and The

University of Gdansk. The aim of these initiatives is to nurture career aspirations for those interested in digital technology and attract them to the digital workforce.

- Workplace: Kainos runs the Kainos Career Path Development; Kainos Talent Programme; Kainos Advanced Education Programme; and Automated Test Academy. It runs these in conjunction with PluralSight, the Association of Computing Machinery and IEEE with the aim of developing talent and helping individuals fulfil their career ambitions in IT.

14. Environmental

The Group recognises the importance of environmental protection and is committed to operating the Group's business responsibly and in compliance with environmental law, regulation and approved codes of practice applicable to its business activities. Kainos seeks to reduce the Group's environmental impact, with its ultimate goal being to reduce its overall carbon footprint by embedding best practice in the daily management of the Group's operations and encouraging positive behaviour from its employees. The Directors believe that environmental controls and practices can also benefit the Group's business, such as promoting the efficient use of energy and resources thereby helping to reduce costs.

15. Health and safety

Employee health and safety is of high importance to the Group and the Group's health and safety policies are applied across each of the Group's sites. Such policies are regularly reviewed and updated to take account of new legislative requirements and best practice as well as to reflect new or increased health and safety risks.

16. Intellectual property

The Group's employees (or contractors providing services under contracts whereby all intellectual property created is transferred to the Group upon creation) have developed and the Group therefore owns the intellectual property rights in the following software products:

- Software products for sale to customers: Evolve and Smart automated testing tool (SMART);
- Software products which are used internally by the Group for incident management: Workday Absence Builder (an internal tool used by Kainos Worksmart Ltd and Kainos Worksmart Inc. to capture absence requirements and generate workday absence configuration), Kainos Incident Tracking (KIT) (an internal incident tracking tool used to record and track software defects), Kainos Incident Management (KIM) (a support ticketing system for customers to log faults and request support) and Assistance (a support ticketing system used by employees of the Group to log faults on internal system and request infrastructure support); and
- Certain historic software products which are no longer marketed but are still in use by some customers: Connect (developed application program interface used to make Meridio easier to view) and Kainos Development Framework (KDF) (a software product used on customer projects).

The software products EVOLVE and SMART both contain third-party and open source software and the Directors believe that the third-party software can be replaced, but with varying degrees of difficulty.

The EVOLVE product incorporates certain portions of HP run-time software. An OEM agreement is in place with HP which grants Kainos Software Limited until 31 December 2019 a non-exclusive, non-transferable and non-assignable licence to use and incorporate such HP software.

Generally, all project specific intellectual property rights arising as a result of customer contracts will vest with the customer. The exception to this is any background intellectual property which is retained by the Group and licensed to the customer under contract for use solely in relation to the services provided.

Kainos Software Limited has entered into a number of escrow agreements with customers for the deposit of source code for certain software packages which entitle these customers to access the source code in the event of certain trigger events. The escrow agreements are based on NCC Group Escrow Limited's standard multi-party terms with the exception of some minor amendments relating to the trigger events.

The Group submitted two UK patent applications in 2014 for the EVOLVE and SMART software, which were rejected by the UK Intellectual Property Office. The EVOLVE patent application was rejected because the UK Intellectual Property Office considered that the software was not patentable. The SMART patent application was rejected because the UK Intellectual Property Office considered that the software was not patentable and also lacked novelty due to prior disclosures made by the Group through webinars. Consequently, the Group submitted a European patent application on 1 April 2015 for the EVOLVE software. As at the date of this Prospectus, this patent is being examined by the European Patent Office.

As at the date of this Prospectus, the Group owns eight UK registered trade marks, two European Community trade marks, one Irish registered trade mark and one US registered trade mark in relation to the business, its products and its services. These include, among others, registrations for the word mark KAINOS in the UK and a stylised mark for EVOLVE in the EU.

The Group also owns several domain names including kainos.com and kainosmart.com.

As at the date of this Prospectus, the Group is not currently party to any intellectual property disputes.

17. Information Technology Systems

The Group has invested in a robust portfolio of IT systems to provide accurate operational and management information and to provide tools and services for staff. These systems are underpinned by hosted computer servers and telecommunications networks and managed by an in-house team of specialists.

The Group's main IT systems include:

- Kimble, a SaaS product for professional services automation;
- Workday, a SaaS product for recruitment and performance management;
- Salesforce, a SaaS product for customer relationship management;
- Microsoft Office suite for office productivity, including email;
- TalentLMS for on-line training; and
- MangoApps for the staff Intranet and information hub.

18. Property/Facilities

The Group currently operates from the following locations:

<i>Country</i>	<i>Location</i>	<i>Principal activities</i>
United Kingdom	Belfast	Operating Group head office, delivery and product development
United Kingdom	London	Delivery and sales
United Kingdom	Derry/Londonderry	Delivery and support
United Kingdom	Bristol	Delivery
Republic of Ireland	Dublin	Delivery and sales
Poland	Gdansk	Delivery and product development
United States	Boston	Sales

19. Insurance

The Directors believe the Group maintains insurance policies customary (including the terms of and the coverage provided by such insurance) for the industry in which it operates to cover certain risks. The Directors consider the Group's insurance coverage to be adequate both as to risks and amounts for the business the Group conducts.

PART VIII

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

1. Directors and Senior Management of the Group

1.1 *The Board of Directors*

1.1.1 *The Board comprises the following people:*

<i>Name</i>	<i>Age</i>	<i>Position</i>
John Lillywhite	74	Non-Independent Non-Executive Chairman
Brendan Mooney	48	Chief Executive Officer
Richard McCann	50	Chief Financial Officer and Chief Operating Officer
Paul Gannon	52	Sales Director
Andy Malpass	53	Independent Non-Executive Director
Chris Cowan	56	Independent Non-Executive Director
Tom Burnet	47	Independent Non-Executive Director

1.1.2 The business address of each of the Directors is Kainos House, 4-6 Upper Crescent, Belfast, BT7 1NT.

1.1.3 Brief biographical details of each of the Directors are set out in paragraph 9 of Part VII (*Information on the Group and Business Overview*).

1.2 *Senior Management*

1.2.1 *The Senior Management comprises the following people:*

<i>Name</i>	<i>Age</i>	<i>Position</i>
Brian Gannon	55	SVP Corporate Development
Russell Sloan	39	Divisional Director, Digital Services
Nigel Hutchinson	50	Divisional Director, Evolve
Sam Bolton	55	Divisional Director, Enterprises
Malachy Smith	46	Divisional Director, Workday Implementation Services
Tom Gray	47	Chief Technology Officer
Paul Hamill	51	HR Director
Stephan Sakowicz	36	Head of Gdansk Operations
Grainne Burns	41	Legal Counsel and Company Secretary
Colette Kidd	41	Head of Talent Development

1.2.2 The business address of each of the Senior Managers (apart from Mr Gannon and Mr Sakowicz) is Kainos House, 4-6 Upper Crescent, Belfast, BT7 1NT. The business address for Mr Sakowicz is Centrum Biurowe Gnilna 2, ul. Gnilna 2, IIIp, 80-847 Gdansk, Poland. The business address for Mr Gannon is 4th Floor, 111 Charterhouse Street, London EC1M 6AW.

1.2.3 Brief biographical details of each of the Senior Managers are set out in paragraph 9 of Part VII (*Information on the Group and Business Overview*).

2. Corporate Governance

2.1 *UK Corporate Governance Code*

2.1.1 The Board is committed to the highest standards of corporate governance and intends that the Company should comply with all requirements of the UK Corporate Governance Code that are applicable to it as a “smaller company” (as defined in the UK Corporate Governance Code as being a company below the FTSE 350, and which it is anticipated that the Company will be on Admission). Save as set out in paragraphs 2.1.2 and 2.2.1 below, the Board considers that the Company is compliant with all aspects of the UK Corporate Governance Code that are

applicable to it as a “smaller company”. The Company will report to its Shareholders on its compliance with the UK Corporate Governance Code in accordance with the Listing Rules.

2.1.2 The UK Corporate Governance Code recommends that, on appointment, the chairman of a company with a premium listing on the Official List should meet the independence criteria set out in the UK Corporate Governance Code. The Chairman is John Lillywhite, who does not meet the independence criteria set out in the UK Corporate Governance Code and, accordingly, the Company does not comply with the UK Corporate Governance Code in this regard. The Board considers that John Lillywhite’s long experience as Chairman of the board of Kainos Software Limited (which, prior to the Reorganisation, was the parent company of the Operating Group) will be of benefit to the Board in providing benefits associated with the continuity of knowledge of the Group held by John Lillywhite. John Lillywhite intends to step down as Chairman of the Board in the medium term when an appropriate replacement Chairman can be identified, which is likely to be within the next 24 months.

2.1.3 The UK Corporate Governance Code recommends that, other than in the case of a UK listed company that is a “smaller company” (as defined in the UK Corporate Governance Code as being a company that is below the FTSE 350) at least half the board of directors of a UK listed company, excluding the chairman, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director’s judgement. The UK Corporate Governance Code recommends that a “smaller company”, which it is anticipated that the Company will be on Admission, should have at least two independent non-executive directors. The Board currently comprises the non-independent Chairman (John Lillywhite) three Executive Directors (Brendan Mooney, Richard McCann and Paul Gannon) and three independent non-executive directors (Andy Malpass, Chris Cowan and Tom Burnet), and the Board therefore considers that the Company is compliant with the UK Corporate Governance Code (as it applies to the Company) in this regard. The Board considers each of the Non-Executive Directors (other than John Lillywhite) to be independent for the purposes of the UK Governance Code, notwithstanding any interests in shares of the Company they may acquire pursuant to the Offer or any of the Share Plans. It should be noted that were the Company to move into the FTSE 350 at some point in the future, then in order to ensure its continued compliance with the UK Corporate Governance Code, the Company would need to ensure that at least half of its board of directors comprised independent non-executive directors.

2.1.4 The UK Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List should appoint one of the non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of the chief executive officer has failed to resolve or for which such contact is inappropriate. Andy Malpass has been appointed as the Senior Independent Director.

2.1.5 As envisaged by the UK Corporate Governance Code, the Board has established three committees: an audit committee, a nomination committee and a remuneration committee. If the need should arise, the Board may set up additional committees as appropriate.

2.2 **Audit committee**

Andy Malpass (*Chairman*), **Chris Cowan** and **John Lillywhite**

2.2.1 The UK Corporate Governance Code recommends that an audit committee should comprise at least three members (or in the case of a “smaller company”, which is defined in the UK Corporate Governance Code as a company that is below the FTSE 350, two members) who are independent non-executive directors and that at least one member should have recent and relevant financial experience. In the case of a “smaller company” the company chairman may be a member, but not chair, of the audit committee in addition to the independent non-executive directors, provided he was considered independent on appointment as chairman. The Audit Committee will be chaired by Andy Malpass and its other members will be Chris Cowan and John Lillywhite. The Directors consider that Andy Malpass has recent and relevant financial experience in accordance with the requirements of the UK Corporate Governance Code. Whilst

John Lillywhite is not considered independent for the purposes of the UK Corporate Governance Code, the Directors consider that his attendance at the meetings of the Audit Committee will allow the other committee members to benefit from his knowledge of the Group. Given John Lillywhite is not considered independent for the purposes of the UK Corporate Governance Code, it is not proposed that he would have the ability to vote at any meeting of the Audit Committee. The Board therefore considers that, save as outlined in this paragraph, the Company is compliant with the UK Corporate Governance Code in this regard.

2.2.2 The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Group. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee will give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules.

2.2.3 The Audit Committee will normally meet not less than three times a year. Further meetings may be called as required. The internal and external auditors have the right to attend meetings. The relevant Executive Directors, the Company's legal advisers and other persons may, by invitation from the Audit Committee, attend meetings. At least once per year, the Audit Committee may, if it so requires, meet privately with the external auditors.

2.2.4 The Audit Committee will be responsible for:

2.2.4.1 assisting the Board in discharging its responsibilities and in making all relevant disclosures in relation to the financial affairs of the Company;

2.2.4.2 reviewing accounting policies and financial reporting and regulatory compliance;

2.2.4.3 reviewing the Company's system of internal control; and

2.2.4.4 monitoring the Company's processes for internal audit, risk management and external audit.

2.2.5 From Admission, the Audit Committee chairman will be available at annual general meetings of the Company to respond to questions from Shareholders on the activities of the Audit Committee.

2.2.6 The Audit Committee has taken appropriate steps to ensure that the Auditors are independent of the Company and obtained written confirmation from the Auditors that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

2.3 **Nomination committee**

John Lillywhite (*Chairman*), **Tom Burnet** and **Chris Cowan**

2.3.1 The UK Corporate Governance Code recommends that a majority of the members of a nomination committee should be independent non-executive directors. The Nomination Committee is chaired by John Lillywhite and its other members will be Tom Burnet and Chris Cowan. The Board therefore considers that the Company is compliant with the UK Corporate Governance Code in this regard. The Nomination Committee will meet once annually and also as and when is required.

2.3.2 The Nomination Committee will be responsible for assisting the Board in the formal selection and appointment of directors. It will consider potential candidates and will recommend appointments of new directors to the Board and will also be responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise. The appointments will be based on merit and against objective criteria, including the time available to and the commitment which will be required of, the potential director. It will also be responsible for carrying out an annual performance evaluation of the Board, its committees and individual Directors.

2.3.3 The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board, retirements and appointments of additional and replacement directors and committee members and will make appropriate recommendations to the Board on such matters.

2.3.4 In addition, the Nomination Committee will make recommendations to the Board as regards succession planning for both Executive Directors and Non-Executive Directors. The Nomination Committee will take into account the challenges and opportunities facing the Group and what skills and expertise will therefore be needed on the Board in the future.

2.4 **Remuneration committee**

Tom Burnet (*Chairman*), **Chris Cowan** and **John Lillywhite**

2.4.1 The UK Corporate Governance Code recommends that all members of the Remuneration Committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Remuneration Committee is chaired by Tom Burnet and its other members are Chris Cowan and John Lillywhite. The Board therefore considers that the Company is compliant with the UK Corporate Governance Code in this regard. The Remuneration Committee will meet not less than twice a year.

2.4.2 The Remuneration Committee recommends what policy the Company should adopt on executive remuneration, determines the levels of remuneration for each of the Executive Directors and recommends and monitors the remuneration of members of Senior Management. The Remuneration Committee will also generate an annual remuneration report to be approved by the shareholders of the Company at the annual general meeting.

2.4.3 The Remuneration Committee will be responsible for determining and agreeing with the Board the broad policy for the remuneration of the Chairman, the Chief Executive and such other members of the executive management as it is designed to consider. The Remuneration Committee, within the terms of the agreed policy, will determine the total individual remuneration package of each Executive Director. In addition, the Remuneration Committee will ensure that provisions regarding disclosure of remuneration are fulfilled. The Remuneration Committee will make recommendations to the Board on the remuneration arrangements for the Executive Directors and the Chairman. The Remuneration Committee will oversee the remuneration policy of the Group.

2.4.4 No Director will be involved in decisions as to his or her own remuneration.

3. **Model code**

From Admission, the Company shall require the Directors and other persons discharging managerial responsibilities within the Group to comply with the Model Code as published in the Listing Rules and shall take all proper and reasonable steps to secure their compliance. Such steps shall include the introduction of a code for dealing in securities applicable to relevant individuals and the monitoring of such individuals' compliance with that code.

4. **Takeover code**

The Takeover Code is issued and administered by the Takeover Panel. The Company will, following Admission, be subject to the Takeover Code. For more information about the Takeover Code, see paragraph 21 of Part XIV (*Additional Information*).

PART IX

OPERATING AND FINANCIAL REVIEW

The section that follows should be read in conjunction with Part VII (Information on the Group and Business Overview) and Part XI (Historical Financial Information). Prospective investors should read the entire document and not just rely on the summary information set out below. The financial information considered in this Part IX is extracted from the information set out in Part XI (Historical Financial Information). The consolidated financial statements referred to in this discussion have been prepared in accordance with EU IFRS.

Unless otherwise indicated, the selected financial information included in this Part IX has been extracted without material adjustment from the Operating Group's audited annual report and accounts for the three years ended 31 March 2015. The financial information set out in this Part IX does not constitute statutory accounts for any company within the meaning of section 435 of the Companies Act.

The following review contains forward-looking statements that are based on assumptions about future business developments and that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in the forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Risk Factors" and "Important Information—Information Regarding Forward-Looking Statements".

This section discusses certain non-EU IFRS measures. Please refer to "Important Information—Presentation of Information" of this Prospectus and section 1.2: "Key Performance Indicators" of this Part IX for further information in relation to those measures.

1. Operational overview

1.1 Background

Kainos is a high growth, high margin, UK-based provider of IT services, consulting and software solutions.

The Group was founded in April 1986 as a joint venture between ICL and QUBIS. The Group specialises across multiple sectors in the development of digital technology solutions; software design and agile software development; third-party software integration and implementation services; technology support services; and related ancillary services such as project management.

The Group is headquartered in Belfast, Northern Ireland and, as at 31 March 2015, had a headcount of 728 staff. As at 6 July 2015, being the last business day immediately prior to the publication of this Prospectus, QUBIS is the largest shareholder in Kainos (holding approximately 34 per cent.) with the balance being owned by the senior management team, staff and previous employees.

1.2 Divisions

The Group operates through three divisions. The Directors believe that each of these divisions operates in markets that are experiencing long-term structural and technological change, where the Group has the opportunity to maintain its current leadership position. The Group's employees are able to help customers solve complex problems using digital technologies together with their many years of experience gained in the commercial sector.

Across its three divisions, the Group's employees provide a combination of software development, IT and consulting services. These three divisions are:

1.2.1 Digital Services

Digital Services delivers full system developments of customised online digital solutions, principally for UK Government departments and agencies, along with private sector organisations.

Digital Services has grown organically and revenue grew at a CAGR of 37 per cent. over the period from the financial year ended 31 March 2013 to the financial year ended 31 March 2015, largely as a result of the Government's 'Digital by Default' strategy, its increasing interaction with the SME sector and Kainos' track record of delivering large scale digital programmes.

Digital Services' revenue primarily constitutes 'time & materials' contracts which, for the financial year ended 31 March 2015, accounted for over 90 per cent. of the divisions services revenue with the remaining services revenue from fixed price contracts.

1.2.2 *Evolve*

Evolve is Kainos' proprietary software product, developed in conjunction with medical practitioners and hospital managers. It is used for digitisation, storage and workflow of patient records.

Evolve has grown organically and revenue grew at a CAGR of 36 per cent. over the period from the financial year ended 31 March 2013 to the financial year ended 31 March 2015, largely as a result of the NHS' 'paperless by 2018' target, NHS Trust-led decision making following the end of the NPfIT and Evolve's historical win-rate increasingly making it the preferred choice for NHS Trusts.

Evolve's revenue is a mixture of perpetual licences, support and maintenance of these licences, implementing services and the procurement of third-party hardware such as scanning services and scanners. For the financial year ended 31 March 2015, Evolve's revenue mix was as follows:

- 57 per cent. of revenue related to the sale (33 per cent.) and implementation (23 per cent.) of perpetual licences;
- 19 per cent. of revenue related to support and maintenance (being 20 per cent. of the perpetual licence value charged on an annual basis); and
- 25 per cent. of revenue related to the procurement of third-party hardware.

1.2.3 *Workday Implementation Services*

Kainos is the only boutique Workday partner headquartered in the UK, responsible for implementing Workday's innovative SaaS platform for enterprise customers. The Group provides consulting, project management, integration, support and testing services for the Workday software suite. The Group has also developed Kainos Smart, a proprietary tool that automates the testing of initial Workday deployments and all subsequent software updates.

Workday Implementation Services has grown organically and revenue grew at a CAGR of 121 per cent. over the period from the financial year ended 31 March 2013 to the financial year ended 31 March 2015, largely as a result of Workday's own sales growth as well as Kainos' Workday accreditation.

Workday Implementation Services' revenue primarily constitutes consulting, project management, integration, support and testing services for Workday's SaaS product and the sale and implementation of Kainos Smart, an automated testing product that facilitates Workday deployments. For the financial year ended 31 March 2015, Workday Implementation Services' revenue mix was as follows:

- 92 per cent. of revenue related to consulting, project management, integration, support and testing services; and
- 8 per cent. of revenue related to the sale and implementation of Kainos Smart.

Across each of its divisions, Kainos employees provide a combination of proprietary software development, maintenance and support services to its customers.

In the financial year ended 31 March 2015, 72 per cent. of revenue was generated by the Digital Services division, 15 per cent. by the Evolve division and 13 per cent. by the Workday Implementation Services division. Approximately 87 per cent. of revenue was generated in the UK,

with a further 7 per cent. coming from the Republic of Ireland and 6 per cent. from the Rest of the World.

Each division has its own customer delivery teams (a significant proportion of which are based in Gdansk), whilst a centralised corporate back office team primarily in Belfast provides recruitment, talent management, training, financial, legal, administrative facilities, delivery support and managerial support on a Group-wide basis providing consistency and economies of scale. Gdansk and Belfast offer considerable cost savings on comparable labour costs in England.

Corporate overheads largely include sales and marketing and delivery overheads not directly attributed to a division, premises costs and administrative and other support costs and largely represent people in Belfast.

1.3 **Review of key performance indicators**

The Group uses several measures as indicators of the performance of the Group and each of its divisions, principally:

<i>Years ended 31 March</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Utilisation	67.7%	69.9%	72.9%
Revenue	29,933	41,915	60,778
Group Operating expenses	11,275	14,440	20,646
Operating expenses as a percentage of revenue	37.7%	34.5%	34.0%
Repeating and recurring revenue	25,562	32,558	54,345
Repeating and recurring revenue as a percentage of revenue	85.3%	77.6%	89.4%
Top 10 customer concentration	44.4%	53.4%	62.2%
Backlog at:			
Start of year	n/a	26,834	53,109
End of year	26,834	53,109	72,514
Number of employees/contractors			
Employees (as at 31 March)	372	502	655
Contractors (as at 31 March)	34	45	73
Total full time employees (as at 31 March)	406	547	728
Average employees for the year	369	503	612
Operating expenses per employee (average)	31	29	34
HR key performance indicators			
Graduate hires (as at 31 March)	25	42	51
Employee attrition	9.1%	8.2%	7.9%

Utilisation

Utilisation is a key driver of Group revenue and effective rates and is calculated by dividing the time booked and billed to revenue earning projects by the number of working days for delivery staff less public holidays and vacation.

The calculation includes account management and delivery management staff and excludes sales, dedicated presales, product development and administrative staff.

The increase in utilisation rates from 67.7 per cent. for the financial year ended 31 March 2013 to 72.9 per cent. for the financial year ended 31 March 2015 was achieved despite a significant increase in Group-wide delivery employees – from 287 at 31 March 2013 to 549 at 31 March 2015 (an increase of 91 per cent. or a CAGR of 38 per cent.).

Revenue

The Group's revenue has increased from £29.9 million for the financial year ended 31 March 2013 to £60.8 million for the financial year ended 31 March 2015, a CAGR of 42.5 per cent. 65.4 per cent. of this revenue growth was driven by Digital Services whose revenue increased from £23.4 million for the financial year ended 31 March 2013 to £43.6 million for the financial year ended 31 March 2015.

Group operating costs (division and corporate indirect costs) and Group operating costs as a percentage of revenue

Group corporate operating costs cover HR, finance, legal, delivery support, premises, sales and marketing activities.

As the Group's business has expanded, it has benefited from the economies of scale which its centralised administrative function provides to the Group, as shown by the continual reduction in Group operating expenses as a percentage of Group revenue.

Operating expenses have reduced as a percentage of Group revenue over the period from 31 March 2013 to 31 March 2015 from 37.7 per cent. to 34.0 per cent. respectively. This reduction is due, in part, to the Group's operating expenses per employee increasing at a slower rate (CAGR of 5.1 per cent.) than the revenue per employee (CAGR of 10.6 per cent.) over the same period.

Repeating and recurring revenue and repeating and recurring revenue as a percentage of Group revenue

The Group defines repeating revenue as revenue from a customer that was a client in a prior year and recurring revenue as revenue from multi-year contracts spanning more than two years respectively.

The increase in repeating and recurring revenue shown during the period from 31 March 2013 to the financial year ended 31 March 2015 is consistent with the Group focusing on larger-scale projects and developing, maintaining and enhancing long-term business relationships and partnerships with key customers.

New customer wins are important for the Group to expand repeating and recurring revenue streams in future years in-line with the Group's business development strategy. New revenue increased from £4.1 million for the financial year ended 31 March 2013 to £6.7 million for the financial year ended 31 March 2015, growing at a CAGR of 28.1 per cent. during the period from the financial year ended 31 March 2013 to the financial year ended 31 March 2015.

Top 10 customer concentration

The Group's largest 10 customers accounted for 44 per cent. of revenue for the financial year ended 31 March 2013, increasing to 62 per cent. of Group revenue for the financial year ended 31 March 2015. The main driver for this movement was in the Digital Services division where the Group transitioned away from commercial contracts (mainly in the Republic of Ireland) towards larger-scale projects for UK Government departments as well as a number of large contract wins in the financial year ended 31 March 2015 including a £12.4 million project for DEFRA, a £6.4 million project for the DVSA and a £5.6 million project for the DVLA.

Backlog

Backlog represents sales orders not yet recognised as revenue at a point in time that relates to the previous financial year and is tracked on an ongoing basis by the Group's Kimble system, a professional services automation system which allows real-time reporting of Group-wide backlog.

As at 31 March 2015, the Group has a backlog of £72.5 million, an increase of 36.5 per cent. on the backlog of £53.1 million as at 31 March 2014.

The split of total backlog by division is shown below:

<i>As at 31 March</i>	<i>2013</i> <i>£'000</i>	<i>2014</i> <i>£'000</i>	<i>2015</i> <i>£'000</i>
Digital Services	17,150	23,957	31,385
Evolve	5,948	11,042	23,539
Workday Implementation Services	1,926	5,102	4,938
Third-party (scanning)	1,810	13,008	12,651
Total	26,834	53,109	72,514
<i>Of which to be delivered in the following year</i>	<i>18,218</i>	<i>30,612</i>	<i>40,763</i>

Backlog as at 31 March 2015 can be further analysed as follows:

<i>As at 31 March 2015</i>	<i>Services</i> <i>£'000</i>	<i>Licences</i> <i>£'000</i>	<i>Third-party</i> <i>£'000</i>
Digital Services	31,385	–	1,121
Evolve	18,100	5,439	11,530
Workday Implementation Services	2,407	2,531	–
Total	51,892	7,970	12,651

Gross margin

The Group's gross margin has increased from 50.2 per cent. for the financial year ended 31 March 2013 to 51.2 per cent. for the financial year ended 31 March 2014 to 53.4 per cent. for the financial year ended 31 March 2015. This increase in gross margin has resulted in £1.9 million of additional profit before tax being generated for the financial year ended 31 March 2015. The drivers behind this increase are explained in the "Operational results" analysis in section 6 of this Part IX and are mainly explained by increasing licence revenue from the Evolve and Workday Implementation Services divisions and the increasing utilisation rates shown above.

Number of employees/contractors

As at 31 March 2015, the Group had a headcount of 728 staff across its seven offices, situated in Belfast, London, Bristol and Derry/Londonderry in the United Kingdom, Dublin in the Republic of Ireland, Gdansk, Poland and Boston, United States. The Group is committed to developing talent and is consistently recognised in 'The Sunday Times' 100 Best Companies to Work For'.

The Group's headcount has increased at a CAGR of 33.9 per cent. for the period from 31 March 2013 to 31 March 2015 whilst Group operating costs per full time employee have increased marginally from £31,000 per employee for the financial year ended 31 March 2013 to £34,000 for the financial year ended 31 March 2015, a CAGR of 5.1 per cent.).

HR key performance indicators

Kainos has a highly selective recruitment process, hiring 4.6 per cent. of the 1,707 graduate applications and 1.8 per cent. of the 8,604 experienced applications it received in the financial year ended 31 March 2015.

The Group invests significantly in training (spending £1.7 million in the financial year ended 31 March 2015 on employee training) and has employee mentoring, coaching and career development programmes in order to support the decreasing levels of employee attrition shown above. As at 31 March 2015, 15 staff members had over 20 years of service and 72 staff members have over 10 years.

1.4 Basis of production

The selected audited and unaudited financial information in this section for each respective period for the Group has been extracted, without material adjustment, as follows:

- Audited financial information: from Part XI (Historical Financial Information); and

- Unaudited financial and non-financial information: from the accounting, HR and other systems of the Group at each reporting date.

The audited results for the Group are prepared in accordance with EU IFRS for the financial years ended 31 March 2013, 2014 and 2015.

1.5 **Financial overview**

Income statement

<i>Group Income Statement</i>	<i>Years ended 31 March</i>		
	<i>2013</i> <i>(£'000)</i>	<i>2014</i> <i>(£'000)</i>	<i>2015</i> <i>(£'000)</i>
Revenue	29,933	41,915	60,778
Cost of sales	(14,905)	(20,446)	(28,329)
Gross profit	15,028	21,469	32,449
Operating expenses	(11,275)	(14,440)	(20,646)
Operating profit	3,753	7,029	11,803
Other (charges)/income	(69)	27	34
Profit before tax	3,684	7,056	11,837
Taxation on ordinary activities	(207)	(1,600)	(2,072)
Profit for the year	3,477	5,456	9,765
Earnings per share			
Basic	£0.67	£1.05	£1.77
Diluted	£0.61	£0.96	£1.66
Gross margin	50.2%	51.2%	53.4%
Profit before tax margin	12.3%	16.8%	19.5%
Effective tax rate	5.6%	22.7%	17.5%

The Group's three divisions have grown throughout the Historical Period as their underlying addressable market size has grown and they have successfully tendered for provision of their services and licences.

As the Group's revenue has grown at a CAGR of 42.5 per cent. over the period from 31 March 2013 to 31 March 2015 from £29.9 million to £60.8 million, primarily due to the revenue growth in Digital Services which has seen revenue grow at a CAGR of 36.5 per cent. from £23.4 million to £43.6 million over the period from 31 March 2013 to 31 March 2015.

Operating expenses for the Group have increased in absolute terms, primarily as a result of the need to support the Group's growth. The Group has however benefited from the realisation of economies of scale in its centralised corporate back-office (which is primarily based in Belfast). The relative costs to the Group have also benefitted from the labour cost advantage associated with a higher mix of the divisional delivery teams being based in Gdansk, Poland. As a result, over this period, an increase in both the daily effective rates and the utilisation rates of the Group's staff has combined with this reduction in the operating expenses as a percentage of Group revenue to increase profit before tax margin from 12.3 per cent. in the financial year ended 31 March 2013, to 19.5 per cent. in the financial year ended 31 March 2015.

The Group invests significantly in training, with Group-wide training costs increasing from £0.9 million for the financial year ended 31 March 2013 (or £2,237 per full time employee) to £1.7 million for the financial year ended 31 March 2015 (or £2,550 per FTE).

The Group's R&D costs are expensed as incurred and accounted for £1.1 million of Group operating expenses for the financial year ended 31 March 2015 (£0.9 million for the financial year ended 31 March 2014; and £0.5 million for the financial year ended 31 March 2013).

Grant income amounted to £0.9 million for the financial year ended 31 March 2015 (£0.6 million for the financial year ended 31 March 2014; and £0.5 million for the financial year ended 31 March 2013) and is included as negative amount within the Group's operating expenses. These grants primarily relate to additional employment, research and development and training in Northern Ireland.

Other income primarily relates to interest income from the Group's cash deposits, partially offset by bank and interest charges. For the financial year ended 31 March 2013, this included £0.1 million of non-recurring write-off costs related to the Group's investment in a related-party associate, SpeechStorm Limited.

The Group's effective tax rate was 5.6 per cent. in the financial year ended 31 March 2013, primarily due to the incorporation of the Group's Irish office into a legal entity during that year which enabled prior tax losses to be realised, thus reducing the overall level of profit chargeable to UK corporation tax. The tax charge for the financial year ended 31 March 2015 was reduced by £0.4 million in respect of prior year adjustments.

Balance Sheet

<i>Group Balance Sheet</i>	<i>As at 31 March</i>		
	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-current assets	3,100	5,485	5,217
Current assets			
Trade and other receivables	9,257	12,345	13,581
Accrued income	2,932	2,898	4,051
Cash and bank balances	3,042	5,772	16,793
	<u>15,231</u>	<u>21,015</u>	<u>34,425</u>
Total assets	<u>18,331</u>	<u>26,500</u>	<u>39,642</u>
Trade and other payables	(4,319)	(6,014)	(7,761)
Deferred income	(2,292)	(1,929)	(4,347)
Other liabilities	(1,749)	(3,427)	(3,804)
Total liabilities	<u>(8,360)</u>	<u>(11,370)</u>	<u>(15,912)</u>
Net assets	<u>9,971</u>	<u>15,130</u>	<u>23,730</u>
Equity			
Share capital	518	525	549
Other reserves	404	450	575
Retained earnings	9,049	14,155	22,606
Total equity	<u>9,971</u>	<u>15,130</u>	<u>23,730</u>

The Group's offices are primarily held under operating leases and its tangible fixed asset base primarily relates to IT hardware and office equipment. Non-current assets at 31 March 2015 includes £1.8 million of property, plant and equipment and £2.4 million of employee and director loans. Capital expenditure is relatively limited, restricted mainly to computer and office equipment, spend in the financial years ended 31 March 2014 and 31 March 2015 was £0.5 million and £0.9 million respectively.

Trade and other receivables reflect contract-related work in progress and invoiced accounts receivable. Provisions are maintained against these balances on a specific basis to reflect expected cashflow realisation of balances at each reporting date.

Comparing trade receivables to the Group's revenue shows the following movement during the Historical Period:

	<i>As at 31 March</i>		
	<i>2013</i>	<i>2014</i>	<i>2015</i>
Trade receivables (number of days)	80	81	67

Other current assets primarily relate to prepayments and accrued income.

The deferred income current liability arises primarily due to the Group's accounting policy for Evolve licence revenue recognition, whereby licence revenue is recognised during the implementation period along with licence support and maintenance fees which are billed in advance on an annual basis.

Other current liabilities primarily relate to leasehold-related provisions and the fair value of forward currency contracts held.

The Group's net working capital (current assets less current liabilities) amounted to £6.9 million at 31 March 2013, £9.6 million at 31 March 2014 and £18.9 million at 31 March 2015, which was primarily due to higher trade receivables as the business has grown partly offset by:

- (i) An increase in trade creditors and accruals from £4.3 million to £7.8 million, driven by a severance provision of £0.3 million at 31 March and an increase in employee-related accruals given increase in headcount from 546 at 31 March 2014 to 723 at 31 March 2015; and
- (ii) An increase in deferred income from £2.3 million to £4.3 million, driven by an increase in WorkSmart sales where the subscriptions are collected annually in advance (an indicator of this growth is revenue for WorkSmart where licence sales increased from Nil in the financial year ended 31 March 2013 to £0.6 million in the financial year ended 31 March 2015). There was also an increase in the sales of Evolve support which is typically collected annually in advance.

In addition, working capital management process improvements and increased resource has led to more effective management of working capital.

The Group has no bank or other financial-institutional debt. Cash at bank and in hand increased from £5.8 million at 31 March 2014 to £16.8 million at 31 March 2015 mainly driven by operating income of £12.3 million less a dividend payment of £1.3 million. As at 31 March 2015, the Group held £10.3 million (or 62 per cent. of total cash balances) on deposits of 1-3 months duration (£0.7 million as at 31 March 2014 and 31 March 2013 respectively) with no other restrictions on the Group's cash balances. Following the financial year ended 31 March 2015, the Group made further dividend payments of £11.1 million.

Cashflows

<i>Group Cash Flow Statement</i>	As at 31 March		
	2013 £'000	2014 £'000	2015 £'000
Net cash from operating activities	112	4,080	13,114
Investing activities			
Capital expenditure	(439)	(471)	(917)
Financing activities			
Dividends paid	–	(651)	(1,325)
Repayments of obligations under finance leases	(696)	(281)	–
Proceeds on issue of shares	–	53	149
Net cash used in financing activities	(696)	(879)	(1,176)
Net (decrease)/increase in cash	(1,023)	2,730	11,021
Cash and cash equivalents at beginning of year	4,065	3,042	5,772
Cash at end of year	3,042	5,772	16,793

The Group's cash balance increased from £4.1 million to £16.8 million during the Historical Period due to the following factors:

- Increasing levels of profit and net cash from operating activities averaged 72.8 per cent. of EBITDA, whilst capital expenditure averaged just 7.7 per cent. of EBITDA;
- Dividend payments equating to approximately 20 per cent. of prior year profit after tax. Dividends for the financial year ended 31 March 2015 were declared and paid subsequently to 31 March 2015; and
- Finance lease obligations being settled during the financial year ended 31 March 2014.

Over the Historical Period, increases in receivables balances as the business has grown have resulted in reduced operating cash conversion of 23 per cent. in the financial year ended 31 March 2013 and 60 per cent. in the financial year ended 31 March 2014. This was further impacted by the increased sales of Evolve licences to customers who wished to spread their payments over multiple financial years as well as collecting balances from UK Government customers. A greater level of experience at collecting public sector receivables developed over the Historical Period and, together with additional resources taken on in the financial year ended 31 March 2015, contributed to a reduction in debtor days and lower cash absorption.

The Group's capital expenditure requirements are relatively low when compared to the growth in the business and is predominantly for computer equipment, with some furniture and fittings also purchased in the Historical Period. There are no material creditors relating to any of the capital expenditure.

2. Principal factors affecting the Group's results of operations

In addition to general economic and market condition there are certain other key factors that have had and may have, an effect on the Group's financial performance.

2.1 Group

In addition to the divisional-level factors listed below, further factors which may materially impact on the Group's financial performance include:

- Ability to hire, retain and develop talent and competitors' actions in this area;
- Regulatory changes which could impact the ability to deploy delivery resources based on profitable customer requirements;
- Increased competition across the Group's three divisions;
- Impact of the Group's increased visibility as a result of becoming a Premium-sector listed company;
- Impact on reported earnings of employee share option schemes which were not in existence during the Historical Period, but which may increase the Group's cost base in the future;
- Changes in corporation tax in each of the Group's operating jurisdictions; or
- Future dividend policy and payment.

2.2 Digital Services

Key factors which may materially impact on divisional financial performance include:

- Central Government IT spending policy and procurement practice, including ongoing strategy and performance of GDS and Cabinet Office;
- Number of transactions with citizens which will be fully digitised;
- Extent of health, security, regional and Local Government replication of digitisation performed by Central Government departments and agencies;
- Market growth; or
- Leadership position within those markets.

2.3 **Evolve**

Key factors which may materially impact on divisional financial performance include:

- Central Government policy on NHS spending and decision-making structure;
- NHS Trust IT spending budgets;
- Other healthcare bodies in Ireland and Northern Ireland choosing to adopt digitised solution for patient records e.g. mental health and community trusts, ambulance trusts, etc.;
- Timing of licence deals being signed by NHS Trusts;
- Implementation timetables;
- Position as market leader, with functionally-rich offering;
- Increasing functionality of competitor's products and service offering;
- Ability to on-sell into existing customer base;
- Post-'Paperless 2018' strategy and NHS Trust-level requirements;
- Ability to transition from perpetual licence to SaaS product;
- Ability to develop a Cloud-based system;
- Appetite of NHS Trusts to move to subscription-based contract/revenue models; or
- Movement of competitive landscape.

2.4 **Workday Implementation Services**

Key factors which may materially impact on divisional financial performance include:

- Workday's own continued growth – European focus and launch of new and integrated offerings e.g. financial reporting and management systems;
- Workday rapidly expanding the number of European implementation partners;
- Maintaining Workday accreditation and increasing the number of accredited delivery employees within Workday Implementation Services division;
- Global SI subcontracting continuing to favour Kainos (as opposed to other Global SIs or boutiques);
- Competition action, particularly on daily rates;
- Ongoing growth in Kainos Smart licence sales and ability to grow Cloud-based hosting capacity;
- Relationship and reputation with Workday; or
- Expansion into new geographies, including, new offices.

During the period under review some of these factors have had a material effect on the Group's financial performance. Part II (*Risk Factors*), also describes the risk areas to which the business is exposed.

3. Operational results

3.1 Group trading results by revenue type

The Group generates its revenue through the provision of consulting services, proprietary software licence sales and re-selling third-party products and services. The breakdown of this is provided below:

	<i>For the financial years ended 31 March</i>			
	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>CAGR</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
Services	25,401	36,541	53,400	45.0%
Third-party	2,285	2,983	3,773	28.5%
Licences	2,247	2,391	3,605	26.7%
Revenue	29,933	41,915	60,778	42.5%
Cost of sales	(14,905)	(20,446)	(28,329)	37.9%
Services	12,463	18,632	28,310	50.7%
Third-party	460	602	730	26.0%
Licences	2,105	2,235	3,409	27.3%
Gross profit	15,028	21,469	32,449	46.9%
Operating expenses	(11,275)	(14,440)	(20,646)	35.3%
Operating profit	3,753	7,029	11,803	77.3%
Other (charges)/income	(69)	27	34	
Profit before tax	3,684	7,056	11,837	79.3%
Services gross margin	49.1%	51.0%	53.0%	
Third-party gross margin	20.1%	20.2%	19.3%	
Licences gross margin	93.7%	93.5%	94.5%	
Total gross margin	50.2%	51.2%	53.4%	
Operating profit margin	12.5%	16.8%	19.4%	
EBITDA margin	13.6%	17.6%	20.3%	
Profit before tax margin	12.3%	16.8%	19.5%	

Services revenue has grown most significantly over the Historical Period at 45.0 per cent. CAGR between the years ended 31 March 2013 and 2015, compared to a CAGR of 28.5 per cent. for third-party revenue and 26.7 per cent. for software licence revenue over the same period. Within the services revenue line, approximately £20.8 million of this revenue growth has been within the Digital Services division, through the delivery of large public sector contracts as services revenue in the division have increased from £21.3 million in the financial year ended 31 March 2013 to £42.1 million in the financial year ended 31 March 2015.

Licence revenue relates to Evolve perpetual licence sales and the sale of WorkSmart SaaS licences. WorkSmart licence sales generate a gross margin of 100.0 per cent. Evolve licences generate a gross margin of approximately 90.0 per cent., with the small direct cost being attributable to the cost of certain HP software which forms part of the Evolve product and is supplied by HP.

Third-party revenue represents the sale of third-party software and services. This revenue stream generated the lowest gross margin during the Historical Period, averaging 19.9 per cent. compared to 51.0 per cent. from services and 93.9 per cent. from licences.

3.2 The contribution of each division to the Group's financial performance in each of the financial years ended 31 March is shown in the following tables:

	Digital Services £'000	Evolve £'000	Workday Imple- mentation Services £'000	Group £'000
2015				
Revenue	43,580	9,018	8,180	60,778
Cost of sales	(20,510)	(4,314)	(3,505)	(28,329)
Gross profit	23,070	4,704	4,675	32,449
Corporate overheads				(20,646)
Group operating profit				11,803
Gross margin	52.9%	52.2%	57.2%	53.4%
Corporate overheads as % of Group revenue				34.0%
Group operating margin				19.4%
<i>Divisional % of Group consolidated revenue</i>	71.7%	14.8%	13.5%	
2014				
Revenue	31,796	5,948	4,171	41,915
Cost of sales	(15,507)	(2,486)	(2,453)	(20,446)
Gross profit	16,289	3,462	1,718	21,469
Corporate overheads				(14,440)
Group operating profit				7,029
Gross margin	51.2%	58.2%	41.2%	51.2%
Corporate overheads as % of Group revenue				34.5%
Group operating margin				16.8%
<i>Divisional % of Group consolidated revenue</i>	75.9%	14.1%	10%	
2013				
Revenue	23,406	4,846	1,681	29,933
Cost of sales	(12,659)	(1,430)	(816)	(14,905)
Gross profit	10,747	3,416	865	15,028
Corporate overheads				(11,275)
Group operating profit				3,753
Gross margin	45.9%	70.5%	51.5%	50.2%
Corporate overheads as % of Group revenue				37.7%
Group operating margin				12.5%
<i>Divisional % of Group consolidated revenue</i>	78.2%	16.2%	5.6%	

Divisional cost of sales includes the cost of divisional delivery personnel (directly-employed and contractors), delivery personnel expense costs (travel, subsistence, etc.), third-party hardware costs and the licensing and support costs associated with using partner's licences.

3.3 **Digital Services**

Introduction

The Group's Digital Services division generates its revenue through two main streams:

- (i) Providing system development and consultancy services to deliver customised digital solutions for public sector and private clients. This is generally charged on a 'time & materials' basis and

is priced on a job-by-job basis typically using daily charge-out rates for Kainos' staff. The contract lengths vary from job-to-job although short-term initial contracts can result in multi-year contracts through add-ons and additional services. Kainos recognises its revenue on a percentage of completion basis and invoices on delivery milestones (which accounts for the development of work in progress). This revenue stream contributed 68.3 per cent. of Group revenue in the financial year ended 31 March 2015.

- (ii) Through the sale of third-party services and software licences. This is charged on a fixed price per licence basis, based on a mark-up on cost. These are invariably one-off sales and both revenue and costs are recognised when the service or licence is delivered. This revenue stream contributed 2.5 per cent. of Group revenue in 31 March 2015.

Sales bookings

The division's sales bookings have increased from £26.2 million in the financial year ended 31 March 2013 to £49.0 million in the financial year ended 31 March 2015 (CAGR: 36.8 per cent.), driven by an increase in the number of contracts from Central Government departments and agencies.

Revenue

For the financial year ended 31 March 2015, revenue increased 37.1 per cent. to £43.6 million and gross margin increased to 52.9 per cent. The revenue and gross profit growth in the Historical Period has been primarily driven by an increase in contracts awarded from Central Government. For the financial year ended 31 March 2015, Central Government revenue amounted to 69.4 per cent. of divisional revenue (financial year ended 31 March 2014: 44.0 per cent.; financial year ended 31 March 2013: 14.7 per cent.).

During the financial year ended 31 March 2014, revenue increased by 35.8 per cent. to £31.8 million and gross margin increased from 45.9 per cent. to 51.2 per cent. The financial year ended 31 March 2014 was a transitional year for Digital Services with increased delivery to Central Government and a reduction in the volume of smaller-scale private sector projects.

A crucial part of the Group's growth strategy in Digital Services is to 'Land & Expand' through new customer wins. The following analysis demonstrates the implementation of this strategy with the division's new clients which were acquired through the financial year ended 31 March 2013 to the financial year ended 31 March 2015:

<i>Customer</i>	<i>Business Unit</i>	<i>Landing date</i>	<i>Initial contract value (£'000)</i>	<i>Additional contracts</i>	<i>Additional revenue (£'000)</i>	<i>Latest contract date</i>
1	Central Govt	Sep-12	76	6	298	Oct-14
2	Local Govt	Sep-12	92	17	1,082	Mar-15
3	Local Govt	Oct-12	33	3	247	Nov-14
4	Local Govt	Nov-12	500	21	573	Mar-15
5	Central Govt	Nov-12	241	15	20,895	Jan-15
6	Local Govt	Jan-13	16	10	665	Dec-14
7	Central Govt	Jan-13	728	18	8,175	Mar-15
8	Central Govt	Aug-13	106	20	10,868	Apr-15
9	Central Govt	Oct-14	16	6	1,240	Mar-15
10	Central Govt	Nov-14	112	2	598	Mar-15
11	Local Govt	Nov-14	44	3	251	May-15
12	Central Govt	Dec-14	190	4	2,419	Apr-15
13	Central Govt	Mar-15	188	2	361	May-15
Total			2,342	127	47,672	
Average			180	10	3,667	

Gross margins

Gross margin has increased as the division has reduced the proportion of revenue coming from smaller-scale private sector contracts, mainly from the Republic of Ireland. As the division has established itself as a leading provider of agile services to Government, the level of utilisation has increased and delivery efficiency improved due to a longer track record having been established.

In addition, cost of sales includes the cost of divisional delivery personnel, both employees and contractors and their expense costs (travel and subsistence) and third-party hardware and software costs involved. Costs of sales as a percentage of revenue have declined in the three years ended 31 March 2015 as a higher mix of contractors (which can be more expensive) has been off-set by a decrease in the percentage of third-party revenue (typically software and hardware) which tend to attract higher costs of sales.

The division has executed more bigger-ticket, large-scale projects for Central Government, whilst phasing out certain smaller scale commercial projects, thereby reducing bench time which increases utilisation and effective daily rates, driving an increase in gross profit and achieving operating leverage.

3.4 Evolve

Introduction

The Group's Evolve division generates its revenue through three main streams:

- (i) Through the sale of perpetual licences for the use of the Evolve product. The revenue generated from these perpetual licenses is determined by the number of users within the customer. The sale of licences is typically one-off, given the perpetual nature of the licence, although it does allow for the sale of additional modules into an incumbent user base. The Company recognises the revenue from these licence sales over the period of implementation which can typically be 9-12 months. The invoice is typically raised at the start of the implementation period. This revenue stream contributed 4.9 per cent. of Group revenue in the financial year ended 31 March 2015.
- (ii) Providing maintenance, consulting and implementation services for the perpetual licences sold. The consulting services typically generate revenue during the initial implementation period and these are charged on a 'time & materials' basis. Maintenance services are typically contracted over a five-year period and are charged annually at approximately 20 per cent. of the perpetual licence list price. These maintenance services are billed annually in advance. This revenue stream contributed 6.2 per cent. of Group revenue in the financial year ended 31 March 2015.
- (iii) There is also third-party revenue generated through the provision of scanning services. These contracts are usually fixed price and can be one-off where documents are back-scanned in batches, or otherwise provide for longer-term revenue where customers adopt a forward-scanning approach. The sale is charged at a mark-up on cost, with both revenue and costs recognised together when a third-party license or scanning service is delivered. This revenue stream contributed 3.7 per cent. of Group revenue in the financial year ended 31 March 2015.

Sales bookings

The division's sales bookings (excluding third-party scanning services) have increased from £5.4 million in the financial year ended 31 March 2013 to £17.9 million in the financial year ended 31 March 2015 (CAGR: 82.1 per cent.), driven by new orders for perpetual licences, consulting, implementation, ongoing maintenance and support thereof. The growth in revenue has been driven by the target to achieve a paperless NHS by 2018 and the Group's success in licencing Evolve to 26 of the 60 Acute English NHS Trusts which have adopted an electronic document management system to date.

In addition, upselling greater functionality into the existing customer base (e.g. Evolve for iPad licences has expedited this trend during the period from the financial year ended 31 March 2013 to the financial year ended 31 March 2015).

Revenue and gross margins

During the financial year ended 31 March 2014, revenue increased by 22.7 per cent. to £5.9 million and gross margin reduced from 70.5 per cent. to 58.2 per cent. During the financial year ended 31 March 2015, revenue increased by 51.6 per cent. to £9.0 million and gross margin reduced to 52.2 per cent.

The Group obtained a gross margin of 11.8 per cent. on the third-party scanning services and hardware it provided to support its licence sales. The reduction in gross margin over the Historical Period related to a proportional increase in these third party revenue streams to overall divisional revenue (from 3.6 per cent. in the financial year ended 31 March 2013 to 25.0 per cent. in the financial year ended 31 March 2015). If these revenues were excluded, underlying margins on other revenues have been 70.6 per cent., 68.3 per cent. and 70.6 per cent. for each of the three financial years ended 31 March, respectively.

3.5 Workday Implementation Services

Introduction

The Group's Workday Implementation Services division generates its revenue through three main streams:

- (i) Through the provision of implementation services for the Workday HR platform which are provided on a 'time & materials' basis based on a matrix of day rates. Revenue is recognised as a percentage of completion with invoices provided against implementation project milestones. This revenue stream contributed 12.4 per cent. of Group revenue in the financial year ended 31 March 2015.
- (ii) Through the sale of licences of the Group's WorkSmart software product which is sold on a SaaS basis. Subscriptions are collected annually in advance and revenue is recognised equally across the contract period. This revenue stream contributed 1.0 per cent. of Group revenue in the financial year ended 31 March 2015.
- (iii) Through the provision of third-party training services, which are typically one-off contracts and are charged on a fixed-price basis and at a mark-up to the cost to the Group. Revenue and costs are both recognised at the time the service is delivered. This revenue stream contributed 0.5 per cent. of Group revenue in the financial year ended 31 March 2014, but reduced to less than 0.1 per cent. in the financial year ended 31 March 2015.

Sales bookings

The division's sales bookings have increased from £3.7 million in the financial year ended 31 March 2013 to £7.7 million in the financial year ended 31 March 2015 (CAGR: 44.3 per cent.), driven by Workday's own growth, the movement of customers to Cloud-based ERP systems and the Group's accreditation and relationship strength through the Workday partner 'ecosystem' (particularly with Global systems integrations who prefer to subcontract to boutique providers such as the Group, rather than providing revenue opportunities to direct competitors).

Revenue and gross margins

During the financial year ended 31 March 2015, 92.5 per cent. of the division's £8.1 million revenues were from 'time & materials' based implementation contracts.

During the financial year ended 31 March 2014, revenue increased by 148.1 per cent. to £4.2 million, gross margin reduced from 51.5 per cent. to 41.2 per cent., which was primarily due to work being performed at discounted rates for Workday itself in order to strengthen the Group's business relationship and increase the number of accredited staff.

During the financial year ended 31 March 2015, revenue increased by 96.1 per cent. to £8.2 million, gross margin increased to 57.5 per cent. as the division reduced the volume of work performed for Workday at lower day rates.

3.6 Corporate

Introduction

Corporate overheads include sales and marketing and delivery overheads not directly attributed to a division, premises costs and administrative and other central support costs.

Total corporate overheads amounted to £11.3 million for the financial year ended 31 March 2013, rising to £14.4 million for the financial year ended 31 March 2014 (an increase of 27.4 per cent.) and £20.6 million for the financial year ended 31 March 2015 (an increase of 43.1 per cent.). Proportional to Group revenue, these costs reduced from 37.7 per cent. in the financial year ended 31 March 2013 to 34.5 per cent. in the financial year ended 31 March 2014 and to 34.0 per cent. in the financial year ended 31 March 2015. There were no exceptional items arising within these costs during the Historical Period.

3.6.1 The main components of these costs are shown in the table below:

<i>Year ended 31 March</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>CAGR</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
Delivery support	3,859	6,312	10,028	61.2%
Sales & Marketing	3,769	4,533	5,199	17.4%
Premises	1,253	1,395	1,743	17.9%
Administration	2,922	2,630	4,609	25.6%
Less: Grant income	(529)	(431)	(933)	32.8%
Total	11,275	14,440	20,646	35.3%
Average number of employees	369	503	612	28.8%
<i>Corporate cost per employee</i>	<i>31</i>	<i>29</i>	<i>34</i>	<i>5.1%</i>

3.6.2 These costs include the following research & development spending of £1.1 million for the financial year ended 31 March 2015 (financial year ended 31 March 2014: £ 0.9 million; financial year ended 31 March 2013: £0.5 million) and depreciation of £0.5 million for the financial year ended 31 March 2015 (financial year ended 31 March 2014: £0.4 million; financial year ended 31 March 2013: £0.3 million).

3.7 Seasonality

There is limited seasonality in the Group's trading, however, services revenue has experienced peaks in revenues, work-in-progress, profitability and cashflow over the Historical Period typically at the end of the Group's financial year, driven by the build-up in public sector spend in this period. In addition, there are typically low points in revenues, work-in-progress, profitability and cashflow in December as a result of the reduction in working days over the holiday period and the level of 'time & materials'-based services in the Group's revenue mix.

4. Critical accounting policies

For details of the Group's critical accounting policies and judgements made in applying the Group's accounting policies, see Notes 3 and 4 in Part XI (*Historical Financial Information*).

PART X

LIQUIDITY AND CAPITAL RESOURCES

1. Capitalisation

The Operating Group's capitalisation as at 30 April 2015 was £1,124,000 comprising 5,479,806 ordinary shares with a nominal value of £0.10 each, 142,500 ordinary B1 shares with a nominal value of £0.01 each and a capital redemption reserve of £54,000. Subsequent to 30 April 2015, a Reorganisation, as described in more detail in paragraphs 3 and 4 of Part XIV (*Additional Information*), has taken place.

The tables below set out the Operating Group's net cash position and capitalisation as at as at 30 April 2015. This statement of capitalisation and indebtedness has been prepared under IFRS using policies which are consistent with those used in the preparing the Operating Group's financial information for the three years ended 31 March 2015 as set out in Part XI (*Historical Financial Information*).

All information set out below has been extracted without material adjustment from the Operating Group's unaudited management accounts as of 30 April 2015. There has been no material change to the capitalisation of the Group since 30 April 2015.

Indebtedness

The Group and the Operating Group had no external short-term or long-term debt and accordingly its indebtedness at 30 April 2015 is £nil.

Capitalisation

The table below outlines the Operating Group's total capitalisation as at 30 April 2015:

	30 April 2015 £'000
Shareholders' Equity	
Share capital	549
Share premium account	521
Capital redemption reserve	54
Total shareholders' equity	<u>1,124</u>

Capital and reserves do not include the Operating Group's retained earnings reserve.

2. Net funds

The table below sets out the net funds of the Operating Group in the short-term and medium-term as at 30 April 2015:

	30 April 2015 £'000
Cash and bank balances	12,712
Financial debt	—
Net financial funds	<u>12,712</u>

The Group and the Operating Group has no indirect or contingent indebtedness as at 30 April 2015.

As disclosed in Note 24 to Part XI (*Historical Financial Information*), dividends totalling £11.1 million were declared and paid by Kainos Software Limited between 1 April 2015 and the date of this Prospectus, which net of positive cash movements from ongoing profitable trading, has reduced the Group's cash balances subsequent to 30 April 2015. The Executive Directors and Brian Gannon utilised these dividends to repay outstanding loan amounts totalling £1.9 million to Kainos Software Limited on 19 June 2015.

PART XI

HISTORICAL FINANCIAL INFORMATION

Section A and Section B

The information in Sections A and B of this Part XI (*Historical Financial Information*) provides financial information for the Operating Group for the three years ended 31 March 2013, 31 March 2014 and 31 March 2015.

**Section A: Accountant's report on the Operating Group
for the three years ended 31 March 2013, 31 March 2014 and 31 March 2015**



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London
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Investec Bank plc
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London
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7 July 2015

Dear Sirs

Kainos Software Limited (the “Operating Company” and together with its subsidiaries the “Operating Group”)

We report on the financial information of the Operating Group for the three years ended 31 March 2013, 31 March 2014 and 31 March 2015 set out in section B of Part XI of the prospectus dated 7 July 2015 of Kainos Group plc (the “**Company**”) (the “**Prospectus**”). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 4 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the “**Prospectus Directive Regulation**”) and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether

the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Operating Group as at 31 March 2013, 31 March 2014 and 31 March 2015 and of its profits, cash flows and changes in equity for the three years ended 31 March 2013, 31 March 2014 and 31 March 2015 in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

**Section B: Historical financial information on the Operating Group
for the three years ended 31 March 2013, 31 March 2014 and 31 March 2015.**

**Consolidated Historical Financial Information
for the years ended 31 March 2013, 2014 and 2015.**

Consolidated Statement of Comprehensive Income

		<i>Years ended 31 March</i>		
	<i>Note</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Continuing operations				
Revenue	3,5	29,933	41,915	60,778
Cost of sales	5	(14,905)	(20,446)	(28,329)
Gross profit	5	15,028	21,469	32,449
Operating expenses	5	(11,275)	(14,440)	(20,646)
Operating profit	6	3,753	7,029	11,803
Other (charges)/income		(69)	27	34
Profit before tax		3,684	7,056	11,837
Taxation on ordinary activities	8	(207)	(1,600)	(2,072)
Profit and total comprehensive income for the year		<u>3,477</u>	<u>5,456</u>	<u>9,765</u>
Earnings per share				
<i>Operating Group</i>				
Basic ('£')	10	<u>0.67</u>	<u>1.05</u>	<u>1.77</u>
Diluted ('£')	10	<u>0.61</u>	<u>0.96</u>	<u>1.66</u>
<i>Group</i>				
Basic ('£')		<u>0.03</u>	<u>0.05</u>	<u>0.08</u>
Diluted ('£')		<u>0.03</u>	<u>0.05</u>	<u>0.08</u>

**Consolidated statement of financial position
at 31 March 2013, 2014 and 2015**

		<i>As at 31 March</i>		
	<i>Note</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-current assets				
Property, plant and equipment	11	1,271	1,364	1,751
Deferred tax	13	484	786	132
Other non-current assets	14	1,345	3,335	3,334
		<u>3,100</u>	<u>5,485</u>	<u>5,217</u>
Current assets				
Trade and other receivables	15	7,940	10,658	12,062
Prepayments		1,236	1,624	1,519
Accrued income		2,932	2,898	4,051
Derivative financial instruments	23	–	63	–
Corporation tax		81	–	–
Cash and bank balances		3,042	5,772	16,793
		<u>15,231</u>	<u>21,015</u>	<u>34,425</u>
Total assets		<u>18,331</u>	<u>26,500</u>	<u>39,642</u>
Current liabilities				
Trade creditors and accruals	17	(4,319)	(6,014)	(7,761)
Deferred income	17	(2,292)	(1,929)	(4,347)
Corporation tax	17	–	(1,235)	(226)
Other tax and social security	17	(1,352)	(2,192)	(2,975)
Other provisions	17	–	–	(158)
Derivative financial instruments	17	(72)	–	(98)
Obligations under finance leases	23	(279)	–	–
		<u>(8,314)</u>	<u>(11,370)</u>	<u>(15,565)</u>
Non-current liabilities				
Other provisions	17	–	–	(347)
Deferred government grants		(46)	–	–
		<u>(46)</u>	<u>–</u>	<u>(347)</u>
Total liabilities		<u>(8,360)</u>	<u>(11,370)</u>	<u>(15,912)</u>
Net assets		<u>9,971</u>	<u>15,130</u>	<u>23,730</u>
Equity				
Share capital	18	518	525	549
Share premium account		350	396	521
Capital redemption reserve		54	54	54
Retained earnings		9,049	14,155	22,606
Total equity		<u>9,971</u>	<u>15,130</u>	<u>23,730</u>

Consolidated statement of changes in equity

	<i>Share Capital £'000</i>	<i>Share Premium Account £'000</i>	<i>Capital Redemption Reserve £'000</i>	<i>Retained Earnings £'000</i>	<i>Total Equity £'000</i>
Balance at 1 April 2012	518	350	54	5,579	6,501
Profit and total comprehensive income for the year	–	–	–	3,477	3,477
Deferred tax on share options	–	–	–	(7)	(7)
Balance at 31 March 2013	<u>518</u>	<u>350</u>	<u>54</u>	<u>9,049</u>	<u>9,971</u>
Profit and total comprehensive income for the year	–	–	–	5,456	5,456
Current tax for equity – settled share-based payments	–	–	–	60	60
Deferred tax on share options	–	–	–	241	241
Issue of share capital	7	46	–	–	53
Dividends	–	–	–	(651)	(651)
Balance at 31 March 2014	<u>525</u>	<u>396</u>	<u>54</u>	<u>14,155</u>	<u>15,130</u>
Profit and total comprehensive income for the year	–	–	–	9,765	9,765
Current tax for equity – settled share-based payments	–	–	–	185	185
Deferred tax on share options	–	–	–	(174)	(174)
Issue of share capital	24	125	–	–	149
Dividends	–	–	–	(1,325)	(1,325)
Balance at 31 March 2015	<u><u>549</u></u>	<u><u>521</u></u>	<u><u>54</u></u>	<u><u>22,606</u></u>	<u><u>23,730</u></u>

Consolidated cash flow statement
Years ended 31 March 2015, 2014 and 2013

	<i>Note</i>	<i>2013</i> <i>£'000</i>	<i>2014</i> <i>£'000</i>	<i>2015</i> <i>£'000</i>
Net cash from operating activities	19	<u>112</u>	<u>4,080</u>	<u>13,114</u>
Investing activities				
Purchases of property, plant and equipment		<u>(439)</u>	<u>(471)</u>	<u>(917)</u>
Net cash used in investing activities		<u>(439)</u>	<u>(471)</u>	<u>(917)</u>
Financing activities				
Dividends paid		–	(651)	(1,325)
Repayments of obligations under finance leases		(696)	(281)	–
Proceeds on issue of shares		<u>–</u>	<u>53</u>	<u>149</u>
Net cash used in financing activities		<u>(696)</u>	<u>(879)</u>	<u>(1,176)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(1,023)</u>	<u>2,730</u>	<u>11,021</u>
Cash and cash equivalents at beginning of year		<u>4,065</u>	<u>3,042</u>	<u>5,772</u>
Cash and cash equivalents at end of year		<u><u>3,042</u></u>	<u><u>5,772</u></u>	<u><u>16,793</u></u>

1. General information and basis of preparation

Basis of preparation

Kainos Software Limited ("**Operating Company**") is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Kainos House, 4-6 Upper Crescent, Belfast BT7 1NT. The nature of the Operating Company together with its subsidiaries ("**Operating Group**") operations and its principal activities are set out in note 3.

The consolidated Historical Financial Information ("**HFI**") have been prepared in accordance with International Financial Reporting Standards (IFRS), in accordance with IFRS adopted by the European Union and therefore the consolidated HFI comply with Article 4 of the EU IAS Regulation subject to the application of SIR 2000. The consolidated HFI has been prepared in accordance with the requirements of the Prospectus Directive regulation and the UK Listing Rules.

This consolidated HFI is presented in pounds sterling because that is the currency of the primary economic environment in which the Operating Group operates. Foreign operations are included in accordance with the policies set out in note 3.

"Historical Period" refers to the three year period ended 31 March 2015. "2015", "2014" and "2013" throughout refers to the years ended 31 March 2015, 2014 and 2013 respectively.

Basis of accounting

The consolidated HFI has been prepared on the historical cost basis, except for the revaluation of foreign currency forward contracts that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Operating Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated HFI is determined on such a basis.

Basis of consolidation

The consolidated HFI incorporates the HFI of the Operating Company and entities controlled by the Operating Company (its subsidiaries) made up to 31 March each year. Control is achieved when the Operating Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Operating Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Operating Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Operating Company considers all relevant facts and circumstances in assessing whether or not the Operating Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Operating Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Operating Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Operating Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Operating Company obtains control over the subsidiary and ceases when the Operating Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Operating Company gains control until the date when the Operating Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Operating Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Operating Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the consolidated HFI of subsidiaries to bring the accounting policies used into line with the Operating Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transitions between the members of the Operating Group are eliminated on consolidation.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transitions between the members of the Operating Group are eliminated on consolidation.

2. Adoption of new and revised standards

At the date of authorisation of these consolidated HFI, the following Standards and Interpretations which have not been applied in these consolidated HFI were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Amendments to IFRS 10, IFRS 12 and IAS 28 (Dec 2015)	Investment Entities: Applying the Consolidation Exception
Amendments to IAS 1 (Dec 2015)	Disclosure Initiative
Annual Improvements to IFRSs: 2012-2014 Cycle (Sept 2014)	Annual Improvements to IFRSs: 2012-2014 Cycle
Amendments to IFRS 10 and IAS 28 (Sept 2014)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 27 (Aug 2014)	Equity Method in Separate Financial Statements
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IAS 16 and IAS 38 (May 2014)	Clarification of Acceptable Methods of Depreciation and Amortisation

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the Operating Group's consolidated financial statements in future periods.

IFRS 9 will impact both the measurement and disclosures of Financial Instruments, but the Operating Group's current capital structure means that the impact of this standard is not expected to be significant.

With regards to IFRS 15, the Directors, having sought the views of advisers as part of their consideration of the originally-drafted standard issued by the IASB, at this early stage of the standard implementation process, preliminarily consider it would not have a material impact on the reported financial performance or position of the Operating Group if it were applied in that form. However, it should be noted that the IASB has indicated that there may be some limited clarifying amendments made to the standard before it becomes fully applicable in the future. The Directors do not expect these amendments to affect the Operating Group's consolidated reported financial performance or position materially, but the impact may be increased depending on the extent of changes which may be introduced by the IASB prior to the full standard being issued. The Directors will continue to monitor the extent of proposed changes from the

IASB and, subject to a detailed review will update the relevant policy in conjunction with guidance from the Audit Committee and following discussions with the Operating Group's auditors.

Any other standards not listed above have been applied in this consolidated HFI.

3. Significant accounting policies

Going concern

After making enquiries, the Directors have a reasonable expectation that the Operating Company and Operating Group have adequate resources to continue in operational existence for the foreseeable future. In making this assessment they have considered the Operating Group's budgets (including cash flow forecasts) for the period to 31 March 2018. The Operating Company has considerable financial resources, no debt from financial institutions, negligible liquidity risk and is operating within a sector that is experiencing growing demand for its products and services. The Directors therefore have a reasonable expectation that the Operating Group has 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 consolidated HFI.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Operating Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding applicable taxes or duty. Revenue from the Operating Group's activities is recognised as follows:

3.1 Rendering of services

3.1.1 Time & Materials contracts

Contracts for the provision of services generally tend to be 'time & materials' contracts whereby the customer is contractually bound to pay for services for each hour or day spent in delivering a contractually-agreed services scope. These contracts have no payment milestones, refunds or bundling with other services or products. Revenue is therefore recognised in line with the chargeable 'time & materials' which are allocated to the contracted project.

3.1.2 Fixed price contracts

If the customer contract is on a fixed price basis (with or without milestones), revenue is recognised to reflect the value of contract activity during the reporting period. If milestones are present, revenue is recognised once milestones are passed and the ability to deliver the remaining contract is virtually certain. These contracts are valued at cost plus attributable profit less foreseeable losses. Attributable profit is included when the outcome of a contract can be assessed with reasonable certainty.

3.2 Support and maintenance

Revenue is recognised on a straight line basis over the period contracted, when the Operating Group's performance obligations are also considered to be provided on a straight line basis over the contracted term.

Where support and maintenance work is contracted as part of a larger, multi-element contract, the fair value of the support and maintenance elements are separately measured and revenue recognised on this measurement basis.

3.3 Third-party goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

3.4 *Licence income*

Licences charged to customers for the use of proprietary software are assessed on a contract by contract basis and depending on the terms, revenue is recognised on a straight-line basis during the licence implementation period.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Operating Group as lessee

Assets held under finance leases are recognised as assets of the Operating Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Operating Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The individual financial statements of each Operating Group entity are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated HFI, the results and financial position of each Operating Group entity are expressed in pounds sterling, which is the functional currency of the Operating Company and the presentation currency for the consolidated HFI. In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated HFI, the assets and liabilities of the Operating Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Government grants

Government grants are not recognised until there is reasonable assurance that the Operating Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Operating Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Operating Group should purchase non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other grants are credited to the income statement as the related expenditure is incurred.

Retirement benefit costs

The Operating Group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Operating Group to the fund in respect of the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Operating Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Current tax is recognised in the Income Statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated HFI and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Operating Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Operating Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Property, plant and equipment

Property, plant and equipment assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost less residual value of each asset on a straight-line basis, over its expected life. The principal annual rates are as follows:

Long-term leasehold property	2.5%
Short term leasehold property	Over the term of the lease
Fixtures and fittings	20%
Office equipment	33%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Financial instruments

Financial assets and financial liabilities are recognised in the Operating Group's statement of financial position when the Operating Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All financial assets are initially measured at fair value. The Operating Group holds receivables and cash as financial assets. Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "Trade and other receivables". The Operating Group's receivables are predominately short-term in nature so the Operating Group.

Receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment could include the Operating Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the historical average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Financial liabilities

The Operating Group's financial liabilities are initially measured at fair value. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Operating Group derecognises financial liabilities when and only when, the Operating Group's obligations are discharged, cancelled or they expire.

Forward foreign exchange contracts

The Operating Group enters into forward foreign exchange contracts to manage its exposure to foreign exchange rate risk. The fair value of these contracts are measured at each balance sheet date, based on "Level 2" (as defined by IAS 36) inputs provided by the Operating Group's bankers. The resulting gain or loss is recognised in profit or loss immediately. If the contract has a positive fair value, it is shown in the statement of financial position as a financial asset, but if a negative fair value is measured, it is recognised as a financial liability. The financial asset or liability will be presented as non-current if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Amounts due to be settled within 12 months are presented as current assets or current liabilities.

Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 21.

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Operating Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Operating Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements and estimates in applying the Operating Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Operating Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated HFI.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Operating Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is recognised when the significant risks and rewards derived by a customer from service, licence or goods delivery have passed to the Operating Group's customer.

Rendering of services

Revenue from the rendering of services on fixed price contracts is recognised with reference to the stage of completion. Stage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs. There are no critical judgements applied in the recognition of revenue from 'time & materials' contracts.

The Operating Group estimates costs to complete its contractual obligations by reference to the current run-rate of these costs, increased by inflationary factors to cover the estimate cost of providing the required resources until contractual completion.

In making its judgement, management considered the detailed criteria for the recognition of revenue as set out in IAS 18 Revenue and IFRS 15 Revenue from Contracts (as originally issued by the IASB – see note 2), in particular, whether the Operating Group had completed its contractual obligations sufficiently to recognise a quantifiable element of contractual revenue. Given the level of profit margin obtained from the Operating Group's contracted revenue, the absence of significant credit risk from the Operating Group's customer base and the contractual limitation on customer's ability to require further work to be performed post-contractual completion, the Directors are satisfied that the significant risks and rewards have been transferred and that recognition of revenue during the Historical Period is appropriate.

Support and maintenance

As the period over which support and maintenance is provided by the Operating Group is contractually defined, other than in the event of a contractual dispute, there are no critical judgements applied in the

recognition of revenue from this activity. The Operating Group has not experienced any material contractual disputes in relation to its support and maintenance contracts during the Historical Period.

Licence income

Licences charged to customers for the use of proprietary software are assessed on a contract by contract basis depending on the implementation terms specified in the underlying contract. The implementation period may change due to customer requirements, but any such changes have not required any critical judgements or estimates to be made in respect of licence revenue recognition during the Historical Period.

5. Operating segments

All of the Operating Group's revenue during the Historical Period was derived from continuing operations. An analysis of the Operating Group's revenue is as follows.

Products and services from which reportable segments derive their revenue

Information reported to the Operating Group's Chief Executive and Board of Directors as the Chief Operating Decision Maker ("**CODM**") for the purposes of resource allocation and assessment of segment performance is focussed on the category of customer for each type of activity. The principal categories of customer are digital services rendered to public and private sector customers ("**Digital Services**"), Evolve licence sales, implementation and supporting services ("**Evolve**") and Workday implementation and Kainos Smart sales, implementation and supporting services ("**Workday Implementation Services**").

The Operating Group's reportable segments under IFRS 8 are therefore Digital Services, Evolve, Workday and "Corporate" which contains the Operating Group's corporate overhead costs. The Operating Group has no inter-segment sales.

Segment revenue and results

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

2015

	<i>Digital Services £'000</i>	<i>Evolve £'000</i>	<i>Workday Imple- mentation Services £'000</i>	<i>Group £'000</i>
Revenue	43,580	9,018	8,180	60,778
Cost of sales	(20,510)	(4,314)	(3,505)	(28,329)
Gross profit	23,070	4,704	4,675	32,449
Operating expenses				(20,646)
Operating profit				11,803

2014

	<i>Digital Services £'000</i>	<i>Evolve £'000</i>	<i>Workday Imple- mentation Services £'000</i>	<i>Group £'000</i>
Revenue	31,796	5,948	4,171	41,915
Cost of sales	(15,507)	(2,486)	(2,453)	(20,446)
Gross profit	16,289	3,462	1,718	21,469
Operating expenses				(14,440)
Operating profit				7,029

2013

	<i>Digital Services £'000</i>	<i>Evolve £'000</i>	<i>Workday Imple- mentation Services £'000</i>	<i>Group £'000</i>
Revenue	23,406	4,846	1,681	29,933
Cost of sales	(12,659)	(1,430)	(816)	(14,905)
Gross profit	10,747	3,416	865	15,028
Operating expenses				(11,275)
Operating profit				3,753

The accounting policies of the reportable segments are the same as the Operating Group's accounting policies described in note 3. Segment assets and liabilities are not reported to the CODM on a segmental basis and therefore are not disclosed.

Significant customer

A customer within Digital Services ("**Customer A**") accounted for £12.4 million (or 20.4 per cent.) of total Operating Group revenue during 2015 (2014: £6.1 million or 14.6 per cent.). Another Digital Services customer ("Customer B") accounted for £6.4 million (or 10.5 per cent.) of total 2015 Operating Group revenue. No other single customer contributed 10 per cent. or more to the Operating Group's consolidated revenue during the Historical Period.

6. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	<i>2013 £'000</i>	<i>2014 £'000</i>	<i>2015 £'000</i>
Net foreign exchange losses/(gains)	79	(116)	(133)
Operating lease rentals	625	991	1,014
Research and development costs	598	936	1,146
Government grants	(526)	(649)	(912)
Depreciation of property, plant and equipment	324	378	521
Staff costs (see note 7)	17,438	22,954	30,954
Fair value measurement of foreign currency forward contracts	(72)	(135)	161

7. Staff costs

The average monthly number of employees (including executive Directors) was:

	<i>2013 Number</i>	<i>2014 Number</i>	<i>2015 Number</i>
Technical	320	448	539
Administration	26	36	49
Selling	23	19	24
	369	503	612

Their aggregate remuneration comprised:

	2013 £'000	2014 £'000	2015 £'000
Wages and salaries	15,026	19,732	26,796
Social security costs	1,791	2,409	3,121
Other pension costs	621	813	1,037
	<u>17,438</u>	<u>22,954</u>	<u>30,954</u>

A number of share-based payment arrangements have been in place over the historical financial period to incentivise key management and personnel. See note 21 for further details. These costs have been included in Wages and salaries above.

8. Tax on ordinary activities

	2013 £'000	2014 £'000	2015 £'000
Corporation tax:			
Current year	270	1,647	1,957
Adjustments in respect of prior years	(3)	14	(365)
	<u>267</u>	<u>1,661</u>	<u>1,592</u>
Deferred tax (see note 13)	(60)	(61)	480
	<u>207</u>	<u>1,600</u>	<u>2,072</u>

UK Corporation tax is calculated at 21 per cent. (2014: 23 per cent.) (2013: 24 per cent.) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The Operating Group's tax charge can be reconciled to the profit in the income statement as follows:

	2013 £'000	2014 £'000	2015 £'000
Profit before tax on continuing operations	3,684	7,056	11,837
Tax at the UK corporation tax rate of 21% (2014: 23%) (2013: 24%)	884	1,623	2,486
Non-deductible expenses/(non-taxable income)	32	93	(9)
Taxable foreign exchange gain	–	–	126
Utilisation of tax losses not previously recognised	(324)	–	–
Recognition of deferred tax asset not previously recognised	(86)	–	–
Effect of change in UK corporation tax rate	10	58	(24)
Effect of non-UK tax rates	(306)	(188)	(142)
Adjustments to tax charge in respect of prior years	(3)	14	(365)
Tax expense for the year	<u>207</u>	<u>1,600</u>	<u>2,072</u>

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in equity

	2013 £'000	2014 £'000	2015 £'000
Current tax			
Excess tax deductions related to share-based payments on exercised options	–	(60)	(185)
Deferred tax			
Change in estimated tax deductions related to share-based payments	7	(241)	174
Total tax recognised directly in equity	<u>7</u>	<u>(301)</u>	<u>(11)</u>

9. Dividends

	2013 £'000	2014 £'000	2015 £'000
Amounts recognised as distributions to equity holders in the period:			
Dividend for 2013 of 12.6p per share	–	651	–
Dividend for 2014 of 24.2 p per share	–	–	1,325
	<u>–</u>	<u>651</u>	<u>1,325</u>
Proposed dividend for 2015 of 46.5p per share	–	–	2,548
	<u>–</u>	<u>–</u>	<u>2,548</u>

See Note 24 for details of the dividends for the financial year ended 31 March 2015 which were declared subsequently to 31 March 2015 and are therefore not included as a liabilities on the 31 March 2015 consolidated statement of financial position.

10. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	2013 £	2014 £	2015 £
Profit for the year attributable to Operating Company owners	<u>3,477,000</u>	<u>5,456,000</u>	<u>9,765,000</u>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	5,180,335	5,201,839	5,518,330
Effect of dilutive potential ordinary shares from share options	<u>530,611</u>	<u>490,115</u>	<u>380,377</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>5,710,946</u>	<u>5,691,954</u>	<u>5,898,707</u>
Basic earnings per share	0.67	1.05	1.77
Diluted earnings per share	<u>0.61</u>	<u>0.96</u>	<u>1.66</u>

11. Property, plant and equipment

	<i>Leasehold property £'000</i>	<i>Office equipment £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Total £'000</i>
Cost				
<i>At 1 April 2012</i>	2,545	912	647	4,104
Additions	–	328	111	439
Disposals	–	(74)	–	(74)
<i>At 31 March 2013</i>	2,545	1,166	758	4,469
Additions	–	334	137	471
Disposals	–	(173)	–	(173)
<i>At 31 March 2014</i>	2,545	1,327	895	4,767
Additions	–	760	157	917
Disposals	–	(11)	–	(11)
<i>At 31 March 2015</i>	<u>2,545</u>	<u>2,076</u>	<u>1,052</u>	<u>5,673</u>
Accumulated depreciation				
<i>At 1 April 2012</i>	1,817	580	549	2,946
Charge for the year	68	212	44	324
Eliminated on disposals	–	(72)	–	(72)
<i>At 31 March 2013</i>	1,885	720	593	3,198
Charge for the year	37	276	65	378
Eliminated on disposals	–	(173)	–	(173)
<i>At 31 March 2014</i>	1,922	823	658	3,403
Charge for the year	35	380	106	521
Eliminated on disposals	–	(2)	–	(2)
<i>At 31 March 2015</i>	<u>1,957</u>	<u>1,201</u>	<u>764</u>	<u>3,922</u>
Carrying amount				
<i>At 31 March 2015</i>	<u>588</u>	<u>875</u>	<u>288</u>	<u>1,751</u>
<i>At 31 March 2014</i>	<u>623</u>	<u>504</u>	<u>237</u>	<u>1,364</u>
<i>At 31 March 2013</i>	<u>660</u>	<u>446</u>	<u>165</u>	<u>1,271</u>

12. Subsidiaries

The Operating Group consists of the Operating Company (incorporated in Northern Ireland) and a number of directly and one indirectly-held subsidiary, which operate and are incorporated around the world as follows:

<i>Subsidiary undertakings</i>	<i>Incorporated</i>	<i>Principal activity</i>	<i>Holding</i>	<i>%</i>
Kainos Software Ireland Limited	Republic of Ireland	Software development	Ordinary Shares	100
Kainos Software Poland Spółka z.o.o.	Poland	Software development	Ordinary Shares	100
Kainos Trustees Limited	Northern Ireland	Dormant	Ordinary Shares	100
Kainos Managers Limited	Northern Ireland	Dormant	Ordinary Shares	100
Kainos Evolve Limited	Northern Ireland	Software development	Ordinary Shares	100
Kainos Worksmart Limited	Northern Ireland	Software development	Ordinary Shares	100
Kainos Worksmart Inc	USA	Software development	Ordinary Shares	100

There are no significant restrictions on the ability of the Operating Group to access or use assets and settle liabilities. The Directors consider that the Operating Group has no ultimate controlling party.

13. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Operating Group and movements thereon during the Historical Period.

	<i>Accelerated capital allowances £'000</i>	<i>Forward contract fair value £'000</i>	<i>Share- based payments £'000</i>	<i>Tax losses £'000</i>	<i>Licence revenue £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
At 1 April 2012	(65)	–	159	–	271	66	431
Charge to retained earnings	–	–	(7)	–	–	–	(7)
(Charge)/credit to profit	11	17	–	86	(40)	(4)	70
Effect of change in tax rate	3	(1)	–	–	(10)	(2)	(10)
At 1 April 2013	(51)	16	152	86	221	60	484
Credit to retained earnings	–	–	241	–	–	–	241
(Charge)/credit to profit	(20)	(31)	–	(86)	236	20	119
Effect of change in tax rate:	9	2	–	–	(60)	(9)	(58)
At 1 April 2014	(62)	(13)	393	–	397	71	786
Charge to retained earnings	–	–	(174)	–	–	–	(174)
(Charge)/credit to profit	(54)	34	–	–	(397)	(87)	(504)
Effect of change in tax rate:	3	(2)	–	–	–	23	24
At 31 March 2015	(113)	19	219	–	–	7	132

Deferred tax assets and liabilities are offset where the Operating Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<i>31 March 2013 £'000</i>	<i>31 March 2014 £'000</i>	<i>31 March 2015 £'000</i>
Deferred tax liabilities	(51)	(75)	(113)
Deferred tax assets	535	861	245
	484	786	132

14. Other non current assets

	<i>31 March 2013 £'000</i>	<i>31 March 2014 £'000</i>	<i>31 March 2015 £'000</i>
Employee Loans	–	854	962
Director loans	–	1,046	1,404
Accrued income	25	255	–
Prepayments	1,320	1,180	968
	1,345	3,335	3,334

15. Trade and other receivables

	31 March 13 £'000	31 March 14 £'000	31 March 15 £'000
Trade receivables	8,286	10,745	11,584
Allowance for doubtful debts	(352)	(87)	–
	<u>7,934</u>	<u>10,658</u>	<u>11,584</u>
Other debtors	6	–	478
	<u>7,940</u>	<u>10,658</u>	<u>12,062</u>

Included within "Trade receivables"

Customer A – 2015: £2.5 million (2014: £2.9 million, 2013: £0.5 million)

Customer B – 2015: £nil (2014: £0.4 million, 2013: £0.6 million)

The average credit period extended to customers is 30 days. Specific provision on overdue amounts is made based on historical trade with the counterparty and the counterparty's current financial standing. The Operating Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Operating Group to the counterparty.

Other than Customer A and Customer B, there are no other customers who represent more than five per cent. of the total balance of trade receivables.

The ageing of the Operating Group's trade debtors which are past due but not impaired is shown below:

	31 March 2013 £'000	31 March 2014 £'000	31 March 2015 £'000
31 – 60 days	1,972	3,616	3,117
61 – 90 days	947	355	533
91 – 120 days	76	38	–
120+ days	857	141	18
<i>Sub-total</i>	<u>3,852</u>	<u>4,150</u>	<u>3,668</u>

The Operating Group's impaired trade debtors at each balance sheet date were aged as follows:

	31 March 2013 £'000	31 March 2014 £'000	31 March 2015 £'000
120+ days	352	87	–

The movement in the allowance for doubtful debts is shown below:

	31 March 2013 £'000	31 March 2014 £'000	31 March 2015 £'000
Balance at the beginning of the period	230	352	87
Impairment losses recognised	172	87	–
Amounts written off during the year as uncollectible	–	(282)	–
Amounts recovered during the year	(52)	(69)	(87)
Foreign exchange translation gains and losses	2	(1)	–
<i>Balance at the end of the period</i>	<u>352</u>	<u>87</u>	<u>–</u>

In determining the recoverability of a trade receivable the Operating Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

16. Obligations under finance leases

	<i>Minimum lease payments</i>		
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts payable within one year	<u>279</u>	<u>–</u>	<u>–</u>

All lease obligations are denominated in sterling. The leases were entered into a partially fund the non-current prepayment shown in note 14. The fair value of the Operating Group's lease obligations was approximately equal to their carrying amount at 31 March 2013 as they all fell due within the financial year ended 31 March 2014.

17. Trade and other payables

	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade creditors and accruals	4,319	6,014	7,761
Deferred income	2,292	1,929	4,347
Corporation Tax	–	1,235	226
Other tax and social security	1,352	2,192	2,975
Other provisions	–	–	158
Derivative financial instruments	72	–	98
Obligations under finance leases	<u>279</u>	<u>–</u>	<u>–</u>
	<u>8,314</u>	<u>11,370</u>	<u>15,565</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs, including payroll. For most suppliers no interest is charged on payables. The Operating Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms once all contractual obligations have been fulfilled. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Deferred income is analysed as follows:

	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>By type</i>			
Arising from advance payments	2,235	1,883	4,312
Arising from government grant	<u>57</u>	<u>46</u>	<u>35</u>
Total deferred income	<u>2,292</u>	<u>1,929</u>	<u>4,347</u>

The deferred revenue arises in respect of support and maintenance contracts billed quarterly or annually in advance. Certain licence agreements are billed annually in advance and others are billed on contract signature, with revenue being recognised for both over the licence implementation period.

Other provisions are analysed as follows:

	31 March 2013 £'000	31 March 2014 £'000	31 March 2015 £'000
Dilapidations provision	–	–	505
Current	–	–	158
Non-current	–	–	347
	–	–	505
	<i>Dilapidations provision £'000</i>		<i>Total £'000</i>
At 1 April 2014		–	–
Additional provision in the year		505	505
At 31 March 2015		505	505

The dilapidations provision represents management's best estimate of the Operating Group's liability for future contractual repair works at the end of a lease or rental period.

18. Share capital and reserves

Share capital

	31 March 2013 £'000	31 March 2014 £'000	31 March 2015 £'000
Issued and fully paid:			
<i>Ordinary shares</i>			
Opening balance	518	518	525
Issued during the year	–	7	23
Closing balance	518	525	548
<i>Ordinary B1 shares</i>			
Opening balance	–	–	–
Issued during the year	–	–	1
Closing balance	–	–	1
Total share capital	518	525	549

The Operating Company has two classes of ordinary shares which carry no right to fixed income. The Operating Company's articles of association do not specify any limit on the total authorised share capital of the Operating Company.

At 31 March 2015, the Operating Company has 5,479,806 ordinary shares with a nominal value of £0.10 each and 142,500 ordinary B1 shares with a nominal value of £0.01 each.

Share premium account

	£'000
Balance at 1 April 2012 and at 31 March 2013	350
Issue of share capital at a premium	46
Balance at 31 March 2014	396
Issue of share capital at a premium	125
Balance at 31 March 2015	521

Capital redemption reserve account

There has been no movement in the Capital redemption reserve in any of the periods presented.

Retained earnings

	£'000
Balance at 1 April 2012	5,579
Deferred tax equity movement	(7)
Profit for the year	3,477
Balance at 31 March 2013	9,049
Deferred tax equity movement	301
Dividends paid	(651)
Net profit for the year	5,456
Balance at 31 March 2014	14,155
Deferred tax equity movement	11
Dividends paid	(1,325)
Profit for the year	9,765
Balance at 31 March 2015	22,606

19. Notes to the cash flow statement

	2013 £'000	2014 £'000	2015 £'000
Profit for the year	3,477	5,456	9,765
<i>Adjustments for:</i>			
Income tax expense	207	1,600	2,072
Government grants released	(13)	(11)	(11)
Depreciation	324	378	521
Loss on disposal of tangible assets	2	–	9
Increase in provisions	–	–	505
Write-off of investments and related party loans	95	–	–
Derivative financial instruments	72	(135)	161
Operating cash flows before movements in working capital	4,164	7,288	13,022
Increase in receivables	(2,660)	(5,063)	(2,449)
Increase/(decrease) in payables	(545)	2,138	4,959
Cash generated by operations	959	4,363	15,532
Income taxes paid	(847)	(283)	(2,418)
Net cash from operating activities	112	4,080	13,114

No additions to fixtures and equipment during 2014 or 2015 were financed by new finance leases.

20. Operating leases**The Operating Group as a lessee**

	2013 £'000	2014 £'000	2015 £'000
Lease payments recognised as an expense in the year	625	991	1,014

The Operating Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 March 2013 £'000	31 March 2014 £'000	31 March 2015 £'000
Within one year	569	701	530
In the second to fifth years inclusive	1,199	804	238
Greater than five years	—	—	2
	<u>1,768</u>	<u>1,505</u>	<u>770</u>

Operating lease payments represent rentals payable by the Operating Group for certain of its office properties and vehicles. The Operating Group's property leases cover its offices and apartments required to deliver customer projects. The lease terms vary in duration and are all priced at prevailing market rate.

21. Share-based payments

Equity-settled share option scheme

The Operating Group has two share option schemes, an Enterprise Management Incentive Scheme ("EMI") and an Unapproved Share Option Scheme.

EMI

EMI was introduced in December 2008. Under the scheme the Operating Company can grant options over its shares to Operating Group employees. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. There are no reload features or vesting period, other than continued employment. Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. No share options were granted during the Historical Period. The fair value per option granted and the assumptions used in the calculations for options are as follows:

	17 December 2008	22 December 2008	24 December 2008
Share price at grant date	£0.450	£0.450	£0.450
Exercise price	£0.450	£0.450	£0.450
Number of employees	24	23	6
Shares under option	222,089	206,174	3,549
Expected volatility	35%	35%	35%
Option and expected life (years)	10	10	10
Risk free rate	1.0763%	1.0628%	1.0131%
Fair value per option	£0.2031	£0.2029	£0.2023

The expected volatility is based on comparable published volatilities for similar companies. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of option movements over the Historical Period is shown below:

	<i>Number</i> 2013	<i>Weighted Average Exercise Price</i> 2013	<i>Number</i> 2014	<i>Weighted Average Exercise Price</i> 2014	<i>Number</i> 2015	<i>Weighted Average Exercise Price</i> 2015
Outstanding at 1 April	431,812	£0.45	431,812	£0.45	428,705	£0.45
Forfeited	–	–	(2,281)	–	–	–
Exercised	–	–	(826)	£0.45	(216,369)	£0.45
Outstanding at 31 March	431,812	£0.45	428,705	£0.45	212,336	£0.45
Exercisable at 31 March	431,812	£0.45	428,705	£0.45	212,336	£0.45

The weighted average fair value of options granted in 2009 was £0.09 million, the weighted average exercise price of options granted was £0.45 and the expected and contractual weighted average remaining lives of those options was 10 years.

Unapproved

The Unapproved Share Option Scheme was introduced in December 2001 and all options were issued prior to 7 November 2002. Under the terms of the scheme, the Board of Directors on behalf of the Operating Group can grant options over the Operating Company's shares to employees of, Directors of, or consultants to the Operating Group. Options are granted with a fixed exercise price determined by the Board and not less than the nominal value of the shares. The contractual life of an option is 10 years. There are no reload features and no vesting period, other than continued employment. Exercise of an option is subject to continued employment. A summary of option movements during the Historical Period is shown below:

	<i>Number</i> 2013	<i>Weighted Average Exercise Price</i> 2013	<i>Number</i> 2014	<i>Weighted Average Exercise Price</i> 2014	<i>Number</i> 2015	<i>Weighted Average Exercise Price</i> 2015
Outstanding at 1 April	137,741	£0.45	137,741	£0.45	64,106	£0.45
Exercised in the year	–	–	(69,885)	£0.45	(4,250)	–
Forfeited in the year	–	–	(3,750)	–	–	–
Outstanding at 31 March	137,741	£0.45	64,106	£0.45	59,856	£0.45
Exercisable at 31 March	137,741	£0.45	64,106	£0.45	59,856	£0.45

22. Pensions

The Operating Group operates a defined contribution retirement benefit scheme. The assets of the schemes are held separately from those of the Operating Group in independently administered funds under the control of trustees. The total cost charged to income of £1 million (2014: £0.8 million, 2013: £0.6 million) represents contributions payable to these funds by the Operating Group at rates specified in the rules of the schemes. As at 31 March 2015, contributions of £nil (31 March 2014 and 2013: £0.01 million) were payable to the funds and are included in creditors.

23. Financial Instruments

Capital risk management

The Operating Group manages its capital to ensure that all Operating Group entities will be able to continue as going concerns while maximising the return to shareholders. The Operating Group's overall strategy remained unchanged throughout the Historical Period. The capital structure of the Operating Group

consists of Operating Company equity only (comprising issued capital, reserves and retained earnings). The Operating Group is not subject to any externally imposed capital requirements and has no borrowings.

Financial risk management objectives

The Operating Group's Corporate Treasury function provides services to the business, manages and forecasts cash balances on each bank account held and researches available facilities and reports to the Chief Financial Officer on the financial risks relating to the operations of the Operating Group. These risks include market (including currency risk and price risk), credit and liquidity risk.

The Operating Group seeks to minimise the effects of these risks by using forward foreign exchange contracts to hedge foreign currency risk exposure. The use of financial derivatives is governed by the Operating Group's policies approved by the board of Directors, which provide written principles on foreign exchange risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Chief Financial Officer and the Finance function on a continuous basis. The Operating Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Finance function reports to the Operating Group's Audit & Risk committee which monitors risks and policies implemented to mitigate risk exposures.

Foreign currency risk

The Operating Group's activities expose it to changes in foreign currency exchange rates. This risk is measured through the Operating Group's budgeting and cash flow forecasting processes which identify net foreign currency exposures in Polish Zloty, Euro and US Dollars. The Finance function quantifies and suggests risk mitigation measures to manage the risk in accordance with Operating Group policies and obtains Chief Financial Officer approval for implementation of these risk mitigation procedures.

There has been no change to the nature of market risk which the Operating Group was exposed to during the Historical Period, but consistent with the overall growth of the Operating Group's business, the value of this exposure has increased in absolute size, as shown below.

The carrying amounts of the Operating Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<i>Liabilities</i>			<i>Assets</i>		
	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Polish Zloty	112	200	730	146	148	574
Euro	803	783	783	3,013	2,207	1,361
US Dollar	–	–	12	–	3	631

Foreign currency sensitivity analysis

The Operating Group is mainly exposed to the currency of Poland (Polish Zloty currency), Ireland (Euro currency) and USA (US dollar currency).

The following table details the Operating Group's profit and loss sensitivity to a 1 per cent. increase in Sterling against the relevant foreign currencies. 1 per cent. is the sensitivity rate used when considering foreign currency risk internally by key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1 per cent. change in foreign currency rates. The sensitivity analysis includes loans to foreign operations within the Operating Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where Sterling strengthens 1 per cent. against the relevant currency. For a 1 per cent. weakening of Sterling against the relevant currency, there would be a comparable impact on the profit and other equity and the balances below would be negative.

	<i>Euro impact</i>			<i>ZL impact</i>			<i>USD Impact</i>		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1% increase in strength of sterling	(22)	(14)	(6)	–	1	2	–	–	(6)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange exposure. Polish Zloty denominated costs are seasonal in line with the Operating Group's overall staff costs, including bonuses.

Forward foreign exchange contracts

It is the policy of the Operating Group to enter into forward foreign exchange contracts to manage the risk associated with anticipated costs for 12 months, for 60 per cent. exposure generated. The Operating Group utilises a rollover hedging strategy, using contracts with terms of up to 12 months. Upon the maturity of a forward contract, the Operating Group enters into a new contract designated into a separate hedging relationship. The following table details the forward foreign currency ('FC') contracts outstanding as at each year end:

<i>Outstanding contracts</i>	<i>Average exchange rate</i>		<i>Foreign currency</i>		<i>Notional value</i>		<i>Fair value</i>	
	2013	2014	2013	2014	2013	2014	2013	2014
	rate	rate	€000	€000	£'000	£'000	£'000	£'000
Sell Euro								
Less than 3 months	0.8389	0.8522	1,700	1,150	1,399	981	(40)	29
3 to 6 months	0.8436	0.8432	1,350	1,050	1,114	885	(29)	17
6 to 12 months	0.8528	0.8438	2,250	1,050	1,906	886	(3)	17
							(72)	63

<i>Outstanding contracts</i>	<i>Average exchange rate</i>	<i>Foreign currency</i>	<i>Notional value</i>	<i>Fair value</i>
	2015	2015	2015	2015
	rate	ZL'000	£'000	£'000
Purchase Polish Zloty				
Less than 3 months	5.271	3,000PLN	569	(32)
3 to 6 months	5.282	3,000PLN	568	(33)
6 to 12 months	5.291	3,000PLN	567	(33)
				(98)

The Operating Group does not hedge expected future revenue denominated in Euro or US Dollars as the net exposure is not material to the Operating Group's financial performance or position.

Interest rate risk management

The Operating Group's exposures to interest rates on financial assets are detailed in the liquidity risk management section of this note. The Operating Group's exposure to interest rate risk is immaterial to its financial performance and position given that no external borrowings are held and bank deposit interest income amounted to less than £0.1 million during each year in the Historical Period.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Operating Group. The Operating Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Operating Group only transacts with entities that are rated the equivalent of investment grade and above, many of whom are

UK government public sector bodies. The Operating Group uses publicly available financial information and its own trading records to rate its major customers. The Operating Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Chief Financial Officer and Chief Operating Officer in line with Operating Group policies.

Apart from Customer A, the largest customer of the Operating Group (see below and note 13) the Operating Group does not have any significant credit risk exposure to any single counterparty. Concentration of credit risk relating to Operating Company A did not exceed 20 per cent. of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5 per cent. of gross monetary assets at any time during the year.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the historical financial information, which is net of impairment losses, represents the Operating Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of Directors, which has established an appropriate liquidity risk management framework for the management of the Operating Group's short, medium and long-term funding and liquidity management requirements. The Operating Group manages liquidity risk by maintaining adequate cash reserves and banking facilities, by regularly monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

The Operating Group's bank deposits all mature within three months of placement. The interest rates obtained on these deposits during the Historical Period were variable and attracted interest at below 1 per cent. per annum. All other cash balances are instantly accessible.

The Operating Group expects to meet its obligations from existing cash balances and future operating cash flows.

Fair value measurements

The information set out below provides information about how the Operating Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value. The Operating Group's forward foreign exchange contracts are measured using "Level 2" (per IAS 36 definition) indicators i.e. from unquoted pricing provided by the Operating Group's bankers.

Fair value of the Operating Group's forward foreign exchange contracts

The Operating Group's forward foreign exchange contracts are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

	31 March 2013 £'000	31 March 2014 £'000	31 March 2015 £'000
Fair value of foreign currency forward contracts (liability)/asset	<u>(72)</u>	<u>63</u>	<u>(98)</u>

The fair value for all foreign currency forward contracts is measured using "Level 2" (per IAS 36 definition) indicators i.e. from unquoted pricing provided by the Operating Group's bankers.

24. Events after the balance sheet date

Dividends

On 24 April 2015, the Operating Company's Board of Directors declared a dividend of £0.465 per Ordinary Share for the financial year ended 31 March 2015. The dividend, totalling £2.5 million was paid to Operating Company shareholders in April 2015.

On 19 June 2015, the Operating Company's Board of Directors declared a dividend of £1.50 per Ordinary Share for the financial year ended 31 March 2015. The dividend, totalling £8.6 million was paid to Operating Company shareholders on 19 June 2015.

Repayment of Director and employee loans

On 19 June 2015, three Operating Company Directors repaid outstanding loans totalling £1.4 million and an employee repaid £0.4 million.

B1 shares

On 18 June 2015, the Operating Company's Board of Directors approved the buy-back of 95,000 unvested B1 shares which had provisionally been awarded in November 2014 for total consideration of £7.

On 16 June 2015, the Operating Company's Board of Directors approved the issue of 75,543 B1 shares to 12 employees at a price of £0.07 per share. All subscription amounts were received and the shares issued on 16 June 2015.

EMI and unapproved option exercise

Following a period of consultation, on 18 June 2015, the Operating Company received confirmation that all EMI and unapproved share options were exercised, resulting in the following Ordinary share issues:

2 June 2015	18,827 EMI options exercised at £0.45 per option (raising £8,472)
17 June 2015	193,509 EMI options exercised at £0.45 per option (raising £87,079)
17 June 2015	59,856 unapproved options exercised at £0.45 per option (raising £26,935)

Share Reorganisation

Please refer to paragraphs 3 and 4 of Part XIV (*Additional Information*) for a description of the Reorganisation.

25. 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 related parties who are not members of the group:

	<i>Sale of goods and services</i>			<i>Purchase of goods and services</i>		
	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Speechstorm Limited	19	–	25	(32)	(131)	(25)
Queen's University Belfast	–	–	–	(175)	(175)	(182)
Event Elephant Limited	14	–	–	–	–	–
Salford Software Limited	4	–	–	–	–	–
Total	<u>37</u>	<u>–</u>	<u>25</u>	<u>(207)</u>	<u>(306)</u>	<u>(207)</u>

The following amounts were outstanding at the balance sheet date:

	<i>Amounts owed by related parties</i>			<i>Amounts owed to related parties</i>		
	<i>2013 £'000</i>	<i>2014 £'000</i>	<i>2015 £'000</i>	<i>2013 £'000</i>	<i>2014 £'000</i>	<i>2015 £'000</i>
Speechstorm Limited	<u>7</u>	<u>–</u>	<u>4</u>	<u>–</u>	<u>–</u>	<u>–</u>

Speechstorm Limited is a related party due to the Operating Group's shareholding of 19.99 per cent. in this company.

Event Elephant Limited was a related party due to the Operating Group's shareholding in this company, which is now in administration. The Operating Group originally held 13.6 per cent., which was subsequently diluted to 4.1 per cent.

Salford Software Limited was a related party of the Operating Group due to common Directorship.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Operating Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	<i>2013 £'000</i>	<i>2014 £'000</i>	<i>2015 £'000</i>
Short-term employee benefits	1,058	1,290	1,531
Post-employment benefits	54	55	33
Share-based payments	<u>–</u>	<u>–</u>	<u>–</u>
	<u>1,112</u>	<u>1,345</u>	<u>1,564</u>

One director is a member of the Operating Company's defined contribution pension scheme.

Directors' transactions

During the financial year ended 31 March 2014, the Operating Group made interest bearing (base rate plus 1.15 per cent. per annum) loans to Directors totalling £0.9 million, which was outstanding at 31 March 2014 and 31 March 2015. During FY 2015, an additional interest bearing (base rate plus 1.15 per cent. per annum) loan of £0.3 million was issued which is outstanding at 31 March 2015 also.

Dividends totalling £0.5 million were paid in the financial year ended 31 March 2015 (the financial year ended 31 March 2014: £0.2 million) in respect of ordinary shares held by the Operating Company's Directors.

Subsequent to 31 March 2015, dividends totalling £3.4 million were paid to the Operating Company's Directors. As disclosed in Note 24, Director loans totalling £1.4 million were repaid on 19 June 2015.

26. Contingent liabilities and commitments

During the Historical Period, the Operating Group had no contingent liabilities or commitments which require reporting under IAS 37.

PART XII

DETAILS OF THE OFFER

1. Background

- 1.1 Pursuant to the Offer, the Selling Shareholders intend to sell, in aggregate, 37,691,763 Offer Shares, at the Offer Price of 139 pence per Offer Share. Through the sale of Offer Shares by the Selling Shareholders, the Company expects the Selling Shareholders to receive net proceeds from the Offer of approximately £50.6 million (after deducting commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders). The Company will not receive any proceeds from the sale of Ordinary Shares being sold by the Selling Shareholders (all of which will be paid to the Selling Shareholders).
- 1.2 The Offer Shares will represent approximately 32.0 per cent. of the issued ordinary share capital of the Company immediately following Admission (assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission)).
- 1.3 Under the Offer, Offer Shares will only be offered to certain institutional and professional investors in the United Kingdom and elsewhere in “offshore transactions” outside the US in reliance on Regulation S. Certain restrictions that apply to the distribution of this Prospectus and the Offer Shares being sold under the Offer in jurisdictions outside the United Kingdom are described below.
- 1.4 The currency of the Offer is pounds sterling.
- 1.5 When admitted to trading, the Ordinary Shares will be registered with ISIN number GB00BZ0D6727 and SEDOL number BZ0D672 and trade under ticker symbol KNOS.
- 1.6 Immediately following Admission, it is expected that:
 - 1.6.1 in excess of 30 per cent. of the Company’s issued ordinary share capital will be held in public hands (within the meaning of paragraph 6.1.19 of the Listing Rules);
 - 1.6.2 no expenses will be charged by the Company or the Selling Shareholders to any investor who purchases Ordinary Shares pursuant to the Offer; and
 - 1.6.3 participants in the Offer will be advised verbally or by electronic mail of their allocation as soon as practicable following allocation. Investors will be contractually committed to acquire the number of Offer Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment.
- 1.7 Please refer to paragraph 13 of this Part XII (*Details of the Offer*) for details for the Employee Offer. The Employee Offer is not part of the Offer and is not being underwritten by Investec and consequently the terms of the Employee Offer will be communicated to Eligible Employees in a separate communication and are therefore not contained in this Prospectus.

2. Reasons for the Offer and Admission

The Offer will provide the Selling Shareholders with a partial realisation of their investment in the Company. The Directors believe that the Offer and Admission will:

- 2.1 enable the Selling Shareholders to potentially monetise their holdings, also allowing for an ongoing liquid market for their Ordinary Shares;
- 2.2 diversify the Company’s shareholder base;
- 2.3 enhance the Group’s public profile and status with customers, investors and business partners;

- 2.4 assist in the recruitment, incentivisation and retention of key management and employees; and
- 2.5 provide the Company with access to the capital markets if necessary in the future.

3. Terms and conditions of the Offer

3.1 Introduction

These terms and conditions apply to persons agreeing to purchase Offer Shares.

Each person to whom these terms and conditions apply, as described above, who confirms its agreement to Investec to purchase Offer Shares (which may include Investec or its nominee(s)) (an “**Offeree**”) hereby agrees with Investec, the Company, the Selling Shareholders and the Registrar to be bound by these terms and conditions as being the terms and conditions upon which Offer Shares will be sold under the Offer. An Offeree shall, without limitation, become so bound if Investec confirms to the Offeree (i) the Offer Price and (ii) its allocation of Offer Shares and Investec so notify the Registrar on behalf of the Company and the Selling Shareholders.

The Company and/or Investec and/or the Selling Shareholders may require any Offeree to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such Offeree to execute a separate offer letter (an “**Offer Letter**”).

3.2 Agreement to purchase Offer Shares

Conditional on: (i) Admission occurring and becoming effective by no later than 8.00 a.m. on 10 July 2015 (or such other time as Investec may notify to the Company and QUBIS but, in any event, no later than 8.30 a.m. on 14 August 2015); (ii) the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated in accordance with its terms; and (iii) Investec confirming to the Offerees their allocation of Offer Shares, each Offeree agrees to become a member of the Company and agrees to purchase at the Offer Price those Offer Shares from the Selling Shareholders allocated to it by Investec. Each Offeree acknowledges that its agreement so to subscribe for the number of Offer Shares allocated to it is not by way of acceptance of a public offer made or to be made by the Company, Investec and/or the Selling Shareholders but is by way of a collateral contract and, accordingly, that section 87Q of FSMA does not entitle it to withdraw its acceptance in the event that the Company publishes a supplementary prospectus in connection with Admission. To the fullest extent permitted by law, each Offeree acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Offeree may have.

3.3 Payment for Offer Shares

Each Offeree undertakes to pay the Offer Price for the Offer Shares sold to such Offeree by the Selling Shareholders in the manner and by the time directed by Investec.

Each Offeree is deemed to agree that, if it fails to pay the Offer Price for the Offer Shares sold to such Offeree, Investec may sell any or all of the Offer Shares allocated to that Offeree and which have not been paid for on such Offeree's behalf and retain from the proceeds, for Investec's account and benefit (as agent for the Selling Shareholders), an amount equal to the aggregate amount owed by the Offeree plus any interest due. Any excess proceeds will be paid to the relevant Offeree at its risk. The relevant Offeree will, however, remain liable and shall indemnify Investec and the Selling Shareholders on demand for any shortfall below the aggregate amount owed by it and may be required to bear any stamp duty or SDRT or securities transfer tax (together with any interest or penalties) which may arise upon the sale of such Offer Shares on such Offeree's behalf. By agreeing to acquire Offer Shares, each Offeree confers on Investec all such authorities and powers necessary to carry out any such sale and agrees to ratify and confirm all actions which Investec lawfully takes in pursuance of such sale.

3.4 Representations and warranties

By agreeing to purchase Offer Shares under the Offer, each Offeree which enters into a commitment to purchase Offer Shares will (for itself and any person(s) procured by it to purchase Offer Shares and

any nominee(s) for any such person(s)) be deemed to agree, represent and warrant to each of the Company, the Selling Shareholders, the Registrar and Investec that:

- 3.4.1 in agreeing to purchase Offer Shares under the Offer, it has read the Prospectus and it is relying solely on this Prospectus (and any supplementary prospectus published by the Company subsequent to the date of this Prospectus) and not on any other information given, or representation or statement made at any time, by any person concerning the Group or the Offer. It agrees that none of the Company, the Selling Shareholders, Investec or the Registrar, nor any of their respective officers, agents or employees, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation. This paragraph 3.4.1 shall not exclude any liability for fraudulent misrepresentation;
- 3.4.2 it has the funds available to pay the Offer Price in respect of the Offer Shares for which it has given a commitment under the Offer;
- 3.4.3 the contents of this Prospectus and any supplementary prospectus published by the Company subsequent to the date of this Prospectus are exclusively the responsibility of the Company and its Directors and apart from the responsibilities and liabilities, if any, which may be imposed on the Selling Shareholders or Investec by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of Investec, the Selling Shareholders nor any person acting on their behalf nor any of their affiliates accept any responsibility whatsoever for and makes no representation or warranty, express or implied, as to the contents of this Prospectus or any supplementary prospectus published by the Company subsequent to the date of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Group, the Offer Shares or the Offer and nothing in this Prospectus and any supplementary prospectus published by the Company subsequent to the date of this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. Investec and the Selling Shareholders accordingly disclaim all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which they might otherwise have in respect of this Prospectus or any supplementary prospectus published by the Company subsequent to the date of this Prospectus or any such statement;
- 3.4.4 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to purchase Offer Shares under the Offer, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its offer commitment in any territory and that it has not taken any action or omitted to take any action which will result in the Company, the Selling Shareholders, Investec, the Registrar or any of their respective officers, agents, affiliates or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Offer;
- 3.4.5 it does not have a registered address in and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Offer Shares and it is not acting on a nondiscretionary basis for any such person;
- 3.4.6 it agrees that, having had the opportunity to read this Prospectus, it shall be deemed to have had notice of all information and representations contained in this Prospectus, that it is acquiring Offer Shares solely on the basis of this Prospectus and any supplementary prospectus published by the Company subsequent to the date of this Prospectus and no other information and that in accepting a participation in the Offer it has had access to all information it believes necessary or appropriate in connection with its decision to purchase Offer Shares;
- 3.4.7 it acknowledges that no person is authorised in connection with the Offer to give any information or make any representation other than as contained in this Prospectus and any supplementary prospectus published by the Company subsequent to the date of this

Prospectus and, if given or made, any information or representation must not be relied upon as having been authorised by Investec or the Company or the Selling Shareholders;

- 3.4.8 it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986 and no instrument under which it subscribes for Offer Shares (whether as principal, agent or nominee) would be subject to stamp duty or SDRT at the increased rates referred to in those sections and that it, or the person specified by it for registration as a holder of Offer Shares, are not participating in the Offer as nominee or agent for any person or persons to whom the allocation, transfer or delivery of Offer Shares would give rise to such a liability;
- 3.4.9 it, or the person specified by it for registration as a holder of the Offer Shares, will be liable for any stamp duty or SDRT liability under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services), registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto), if any, payable on acquisition of any of the Offer Shares and acknowledge and agree that, save for the Selling Shareholders who have agreed to pay any stamp duty or SDRT under section 87 of the Finance Act 1986, none of Investec, the Selling Shareholders nor the Company nor any of their respective affiliates nor any person acting on behalf of them will be responsible for any other liability to stamp duty or SDRT resulting from a failure to observe this requirement;
- 3.4.10 it accepts that none of the Offer Shares have been or will be registered under the laws of any Restricted Jurisdiction. Accordingly, the Offer Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Restricted Jurisdiction unless an exemption from any registration requirement is available;
- 3.4.11 if it is receiving the Offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Offer Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- 3.4.12 if it is a resident in the EEA (other than the United Kingdom), it is a "qualified investor" within the meaning of the law in the Relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive;
- 3.4.13 if it is outside the United Kingdom, neither this Prospectus nor any other offering, marketing or other material in connection with the Offer constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to purchase Offer Shares pursuant to the Offer unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Offer Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- 3.4.14 it acknowledges that none of Investec or any of its respective affiliates nor any person acting on its behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Offer or providing any advice in relation to the Offer and participation in the Offer is on the basis that it is not and will not be a client of Investec or any of its affiliates, that Investec is acting for the Company and no-one else and that none of Investec or any of its affiliates have any duties or responsibilities to it for providing protections afforded to its or their respective clients or for providing advice in relation to the Offer nor in respect of any representations, warranties, undertaking or indemnities contained in these terms and conditions or in any Offer Letter, where relevant;
- 3.4.15 it acknowledges that it is not located within the United States, it is purchasing Offer Shares in an "offshore transaction" as defined in Regulation S and where it is subscribing for Offer Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to purchase the Offer Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this

Prospectus or in any Offer Letter (as defined above), where relevant; and (iii) to receive on behalf of each such account any documentation relating to the Offer in the form provided by the Company and/or Investec. It agrees that the provision of this paragraph shall survive any resale of the Offer Shares by or on behalf of any such account;

- 3.4.16 it is acting as principal only in respect of the Offer, or, if it is acting for any other person (i) it is and will remain liable to the Company and/or Investec and/or the Selling Shareholders for the performance of all its obligations as an Offeree in respect of the Offer (regardless of the fact that it is acting for another person) (ii) it is both an “authorised person” for the purposes of FSMA and a “qualified investor” as defined at Article 2.1(e)(i) of the Prospectus Directive acting as agent for such person and (iii) such person is either (1) a FSMA “qualified investor” or (2) its “client” (as defined in section 86(2) of FSMA) that has engaged it to act as his agent on terms which enable it to make decisions concerning the Offer or any other offers of transferable securities on his behalf without reference to him;
- 3.4.17 it confirms that any of its clients, whether or not identified to Investec or any of its affiliates or agents, will remain its sole responsibility and will not become clients of Investec or any of their affiliates or agents for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 3.4.18 where it or any person acting on its behalf is dealing with Investec, any money held in an account with Investec on its behalf and/or any person acting on its behalf will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Investec to segregate such money as that money will be held by Investec under a banking relationship and not as trustee;
- 3.4.19 it has not and will not offer or sell any Offer Shares to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in the United Kingdom within the meaning of section 102B of FSMA;
- 3.4.20 it is an “eligible counterparty” or a “professional investor” within the meaning of Chapter 3 of the FCA’s Conduct of Business Sourcebook and it is subscribing for or purchasing the Offer Shares for investment only and not for resale or distribution;
- 3.4.21 it irrevocably appoints any Director and any director of Investec to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its purchase for all or any of the Offer Shares for which it has given a commitment under the Offer, in the event of its own failure to do so;
- 3.4.22 it accepts that if the Offer does not proceed or the conditions to Investec’s obligations in respect of such Offer under the Placing Agreement are not satisfied or the Placing Agreement is terminated prior to the admission of the Offer Shares for which valid applications are received and accepted to listing on the Official List and to trading on the London Stock Exchange’s main market for listed securities for any reason whatsoever or such Offer Shares are not admitted to the Official List and/or to trading on the London Stock Exchange’s main market for listed securities for any reason whatsoever, then neither Investec or the Company or the Selling Shareholders or any of their respective affiliates, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;
- 3.4.23 it has not taken any action or omitted to take any action which will or may result in Investec, the Company, the Selling Shareholders or any of their respective directors, officers, agents, affiliates, employees or advisers being in breach of the legal or regulatory requirements of any territory in connection with the Offer or its purchase of Offer Shares pursuant to the Offer;

- 3.4.24 in connection with its participation in the Offer it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and countering terrorist financing including under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Terrorism Act 2006 and the Money Laundering Regulations 2007 and that its offer commitment is only made on the basis that it accepts full responsibility for any requirement to identify and verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) ("**Money Laundering Directive**"); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- 3.4.25 due to anti-money laundering and the countering of terrorist financing requirements, Investec, the Company and/or the Selling Shareholders may require proof of identity of the Offeree and related parties and verification of the source of the payment before the offer commitment can be processed and that, in the event of delay or failure by the Offeree to produce any information required for verification purposes, Investec, the Company and/or the Selling Shareholders may refuse to accept the offer commitment and the subscription moneys relating thereto. It holds harmless and will indemnify Investec, the Company and/or the Selling Shareholders against any liability, loss or cost ensuing due to the failure to process the offer commitment, if such information as has been required has not been provided by it or has not been provided timeously;
- 3.4.26 it is aware of the obligations regarding insider dealing in the Criminal Justice Act 1993, section 118 of FSMA and the Proceeds of Crime Act 2002 and confirms that it has complied and will continue to comply with those obligations;
- 3.4.27 it and each person or body (including, without limitation, any local authority or the managers of any pension fund) on whose behalf it accepts Offer Shares pursuant to the Offer or to whom it allocates such Offer Shares have the capacity and authority to enter into and to perform their obligations as an Offeree of the Offer Shares and will honour those obligations;
- 3.4.28 as far as it is aware it is not acting in concert (within the meaning given in the Takeover Code) with any other person in relation to the Company and it is not a related party of the Company for the purposes of the Listing Rules;
- 3.4.29 Investec, the Major Selling Shareholders (who shall include for the purposes of this paragraph any Directors selling Offer Shares pursuant to the Offer) and the Company (and any agent on their behalf) are entitled to exercise any of their rights under the Placing Agreement or any other right in their absolute discretion, including the right to terminate the Placing Agreement, without any liability whatsoever to them (or any agent acting on their behalf) and Investec, the Major Selling Shareholders and the Company shall not have any obligation to consult or notify Offerees in relation to any right or discretion given to them or which they are entitled to exercise;
- 3.4.30 the Major Selling Shareholders (who shall include for the purposes of this paragraph any Directors selling Offer Shares pursuant to the Offer) expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Offer. If such right is exercised, the Offer (and the arrangements associated with it) will lapse and any monies received in respect of the Offer will be returned to Offerees without interest;
- 3.4.31 the representations, undertakings and warranties given by an Offeree as contained in this Prospectus or in any Offer Letter, where relevant, are irrevocable. It acknowledges that Investec, the Selling Shareholders and the Company and their respective affiliates will rely upon the truth and accuracy of such representations, undertakings and warranties and it agrees that if any of the representations, undertakings or warranties made or deemed to have

been made by its application for Offer Shares are no longer accurate, it shall promptly notify Investec and the Company;

3.4.32 it confirms that it is not and at Admission will not be, an affiliate of the Company or a person acting on behalf of such affiliate and it is not acquiring Offer Shares for the account or benefit of an affiliate of the Company or of a person acting on behalf of such an affiliate;

3.4.33 nothing has been done or will be done by it in relation to the Offer that has resulted or could result in any person being required to publish a prospectus in relation to the Company or to any Ordinary Shares in accordance with FSMA or the Prospectus Rules or in accordance with any other laws applicable in any part of the European Union or the European Economic Area;

3.4.34 it will (or will procure that its nominee will) if applicable, make notification to the Company of the interest in its Ordinary Shares in accordance with Rule 5 of the Disclosure Rules and Transparency Rules issued by the FCA and made under Part VI of the FSMA as they apply to the Company;

3.4.35 it accepts that the allocation of Offer Shares shall be determined by Investec following consultation with the Company and QUBIS and that Investec may scale down any offer commitments on such basis as it may determine; and

3.4.36 time shall be of the essence as regards its obligations to settle payment for the Offer Shares and to comply with its other obligations under the Offer.

3.5 **Indemnity**

Each Offeree irrevocably agrees, on its own behalf and on behalf of any person on whose behalf it is acting, to indemnify and hold the Company, Investec and the Selling Shareholders and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of any breach by it any person on whose behalf it is acting of the representations, warranties, undertakings, agreements and acknowledgements in these terms and conditions.

4. **Supply and disclosure of information**

If Investec, the Selling Shareholders, the Registrar or the Company or any of their agents request any information in connection with an Offeree's agreement to purchase Offer Shares under the Offer or to comply with any relevant legislation, such Offeree must promptly disclose it to them.

5. **Miscellaneous**

5.1 The rights and remedies of the Company, the Selling Shareholders, Investec and the Registrar under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

5.2 On the acceptance of their offer commitment, if an Offeree is a discretionary fund manager, that Offeree may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Offer will be sent at the Offeree's risk. They may be returned by post to such Offeree at the address notified by such Offeree.

5.3 Each Offeree agrees to be bound by the Articles (as amended from time to time) once the Offer Shares, which the Offeree has agreed to purchase pursuant to the Offer, have been acquired by the Offeree. The contract to purchase Offer Shares under the Offer and the appointments and authorities mentioned in this Prospectus will be governed by and construed in accordance with, the laws of England. For the exclusive benefit of the Company, the Selling Shareholders, Investec and the Registrar, each Offeree irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against an Offeree in any other jurisdiction.

- 5.4 In the case of a joint agreement to purchase Offer Shares under the Offer, references to a “Offeree” in these terms and conditions are to each of the Offerees who are a party to that joint agreement and their liability is joint and several.
- 5.5 Investec, the Selling Shareholders and the Company expressly reserve the right to modify the Offer (including, without limitation, its timetable and settlement) at any time before allocations are determined including the right of Investec to notify to the Company and QUBIS the extension for the dates and times for satisfaction of any or all of the conditions in the Placing Agreement (provided that such conditions are not extended beyond 8.30 a.m. on 14 August 2015).
- 5.6 The Offer is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated. For further details of the terms of the Placing Agreement please refer to paragraph 13.1 of Part XIV (*Additional Information*).
- 5.7 Investec may, and its affiliates acting as an investor for its or their own account(s) may, purchase Offer Shares and, in that capacity may retain, purchase, offer to sell or otherwise deal for its or their own account(s) in the Offer Shares, any other securities of the Company or other related investments in connection with the Offer or otherwise. Accordingly, references in these terms and conditions to the Offer Shares being offered, subscribed, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by, Investec and/or any of their respective affiliates acting as an investor for its or their own account(s). Neither Investec nor the Company intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.
- 5.8 The Selling Shareholders have agreed to pay any stamp duty chargeable on a transfer on sale of Offer Shares and/or SDRT chargeable on an agreement to transfer Offer Shares arising in the United Kingdom (currently at a rate of 0.5 per cent.) on the initial sale of Offer Shares under the Offer. Each Offeree which acquires Offer Shares will be deemed to undertake: (i) that it shall not submit any reclaim to HMRC in respect of any stamp duty or SDRT so paid or accounted for by the Selling Shareholders in respect of the Offer or the Offer Shares and (ii) that it agrees that it is liable for any capital duty, stamp duty, stamp duty reserve tax and all other stamp, issue, securities, transfer registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by such investor or any other person on the acquisition by such Offeree of any Offer Shares or the agreement by such Offeree to acquire any Offer Shares.

6. Sales outside the United States

Each purchaser of the Offer Shares offered in reliance on Regulation S will be deemed to represent and agree as follows:

- 6.1 it and any person, if any, for whose account it is acquiring the Offer Shares, is purchasing the Offer Shares outside the United States in an offshore transaction meeting the requirements of Regulation S (including, for the avoidance of doubt, a bona fide sale on a market of the London Stock Exchange for listed securities) and the transaction was not pre-arranged with a buyer in the United States;
- 6.2 it is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Offer Shares;
- 6.3 it is aware that the Offer Shares have not been and will not be registered under the Securities Act and are being offered and sold only in “offshore transactions” outside the United States in reliance on Regulation S;
- 6.4 it is not acquiring the Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Offer Shares into the United States or any jurisdiction referred to above;
- 6.5 if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the Ordinary Shares, it will do so only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;

- 6.6 it has received, carefully read and understands this Prospectus and has not distributed, forwarded, transferred or otherwise transmitted this Prospectus or any other presentation or offering materials concerning the Offer Shares to any persons within the United States, nor will it do any of the foregoing; and
- 6.7 that the Company, Investec and the Selling Shareholders, their affiliates and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations or agreements made by it, if it becomes aware that the foregoing acknowledgements, representations or agreements are no longer accurate or have not been complied with, it will immediately notify the Company and Investec and, if it is acquiring any Offer Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, representations and agreements on behalf of each such account.

7. Selling restrictions

- 7.1 The distribution of this Prospectus and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.
- 7.2 No action has been or will be taken in any jurisdiction by the Company, the Selling Shareholders or Investec that would permit a public offering of the Ordinary Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required, other than the United Kingdom. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly and neither this Prospectus nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer of the Ordinary Shares contained in this Prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or purchase any of the Ordinary Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

7.3 *European Economic Area*

In relation to each Member State, an offer to the public of any Ordinary Shares may not be made in that Member State, except that an offer to the public in that Member State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Member State:

- 7.3.1 to any legal entity which is a “qualified investor” as defined under the Prospectus Directive;
- 7.3.2 to fewer than 100, or, if the Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Member State, subject to obtaining the prior consent of Investec; or
- 7.3.3 in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the Company or Investec to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with Investec and the Company that it is a qualified investor within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any Ordinary Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Ordinary Shares so as to enable an investor to decide

to purchase any Ordinary Shares, as the same may be varied for that Member State by any measure implementing the Prospectus Directive in that Member State.

In the case of any Ordinary Shares being offered to a “financial intermediary” as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Company and Investec has been obtained to each such proposed offer or resale.

The Company, the Selling Shareholders, Investec and their respective affiliates, representatives and others will rely upon the truth and accuracy of the foregoing representation, warranty, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified Investec of such fact in writing may, with the consent of Investec, be permitted to purchase Ordinary Shares in the Offer.

7.4 *United States of America*

The Ordinary Shares have not been and will not be registered under the Securities Act or under the securities laws or regulations of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no offer of the Ordinary Shares in the United States. The Ordinary Shares are being offered and sold only outside the United States in “offshore transactions” in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offer, an offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

7.5 *Australia*

This Prospectus has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange and is not a disclosure document for purposes of Australian law. This Prospectus (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase of any Ordinary Shares in Australia (including an offer or invitation received by a person in Australia) and no shares may be sold in Australia, unless the offer or invitation does not need disclosure to investors under Part 6D.2 of the Corporations Act 2001.

Each purchaser of Ordinary Shares will be deemed to have acknowledged the above and, by applying for Ordinary Shares under this document, gives an undertaking to the Company not to offer, sell, transfer, assign or otherwise alienate those securities to persons in Australia (except in the circumstances referred to above) for 12 months after their issue.

7.6 *Canada*

The relevant clearances have not been and will not be, obtained from the Securities Commission of any province or territory of Canada. Accordingly, subject to certain exceptions the Ordinary Shares may not, directly or indirectly, be offered or sold within Canada, or offered or sold to a resident of Canada.

7.7 *Republic of South Africa*

The relevant clearances have not been and will not be, obtained from the South African Reserve Bank nor any other applicable body in the Republic of South Africa. Accordingly, the Offer Shares will not, directly or indirectly, be offered or sold within the Republic of South Africa.

7.8 **New Zealand**

The Ordinary Shares have not been and will not be registered under the applicable securities laws of New Zealand. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in New Zealand or to for the account or benefit of any resident in New Zealand.

7.9 **Japan**

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan and may not be offered or sold directly or indirectly in Japan except under circumstances that result in compliance of all applicable laws, regulations and guidelines promulgated by the relevant governmental and regulatory authorised in effect at the relevant time.

8. Allocation

- 8.1 Investec has solicited indications of interest from prospective investors to purchase Ordinary Shares in the Offer. On this basis, prospective investors have been asked to specify the number of Ordinary Shares that they are prepared to purchase at different prices. Multiple applications under the Offer are permitted.
- 8.2 A number of factors have been considered in deciding the Offer Price and the bases of allocation, including prevailing market conditions, the level and the nature of the demand for Ordinary Shares, the objective of encouraging long-term ownership of the Ordinary Shares. The Offer Price has been established at a level determined in accordance with these arrangements, taking into account indications of interest received from persons (including market-makers and fund managers) connected with Investec. Accordingly, the Offer Price may be lower than the highest price at which all of the Ordinary Shares, in respect of which indications of interest have been received or which are available for sale by the Selling Shareholders in the Offer, could have been accepted.
- 8.3 Participants in the Offer will be advised verbally or by electronic mail of their allocation as soon as practicable following allocation.
- 8.4 Investors will be contractually committed to acquire the number of Offer Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment. Dealing with the Offer Shares may not begin before notification is made.
- 8.5 All Ordinary Shares sold pursuant to the Offer will be sold, payable in full, at the Offer Price.
- 8.6 The rights attaching to the Ordinary Shares are uniform in all respects and they form a single class for all purposes.
- 8.7 Each Ordinary Share ranks equally in all respects with each other Ordinary Share and has the same rights (including voting and dividend rights and rights to a return of capital) and restrictions as each other Ordinary Share, as set out in the Articles.
- 8.8 Subject to the provisions of the Companies Act, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The Companies Act and the Listing Rules allow for the disapplication of pre-emption rights which may be waived by special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years.
- 8.9 Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profit of the Company.
- 8.10 The Ordinary Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary Shares, subject to the Companies Act and the requirements of the Listing Rules.
- 8.11 Further details of the rights attached to the Ordinary Shares are set out in paragraphs 5.4 and 5.6 of Part XIV (*Additional Information*).

9. Dealing arrangements

- 9.1 The Offer is subject to the satisfaction of certain conditions contained in the Placing Agreement, which are typical for an agreement of this nature, including Admission occurring and becoming effective by 8.00 a.m. on 10 July 2015 or such later date as may be determined in accordance with such agreement and the Placing Agreement not having been terminated in accordance with its terms. Certain conditions are related to events which are outside the control of the Company, the Directors, the Major Selling Shareholders and Investec. Further details of the Placing Agreement are described in paragraph 13.1 of Part XIV (*Additional Information*).
- 9.2 Application will be made to the FCA for all of the Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Listing of the Ordinary Shares is not being sought on any stock exchange other than the London Stock Exchange.
- 9.3 It is expected that Admission will take place and unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 10 July 2015. Settlement of dealings from that date will be on a two day rolling basis.
- 9.4 Each investor will be required to undertake to pay the Offer Price for the Ordinary Shares sold to such investor in such manner as shall be directed by Investec.
- 9.5 The Ordinary Shares are in registered form and can be held in certificated or uncertificated form. Title to certificated Ordinary Shares (if any) will be evidenced in the register of members of the Company and title to uncertificated Ordinary Shares will be evidenced by entry into the operator register maintained by the Registrar (which will form part of the register of members of the Company).
- 9.6 It is intended that allocations of Offer Shares to investors who wish to hold Offer Shares in uncertificated form will take place through CREST on Admission. It is intended that, where applicable, definitive share certificates in respect of the Offer Shares will be posted by first class post as soon as is practicable following 10 July 2015. Dealings in advance of the crediting of the relevant CREST stock account shall be at the risk of the person concerned. Prior to the despatch of definitive share certificates in respect of any Offer Shares which are not settled in CREST, transfers of those Offer Shares will be certified against the register of members of the Company. No temporary documents of title will be issued.

10. CREST

With effect from Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

11. Underwriting arrangements

- 11.1 The Company, the Directors, the Major Selling Shareholders and Investec have entered into the Placing Agreement, pursuant to which Investec has agreed, subject to certain conditions, to use its reasonable endeavours to procure purchasers for the Ordinary Shares made available by the Major Selling Shareholders and the Directors pursuant to the Offer.
- 11.2 The Placing Agreement contains provisions entitling Investec to terminate the Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Offer and these arrangements will lapse and any monies received in respect of the Offer will be returned to applicants without interest. The Placing Agreement provides for Investec to be paid a commission in respect of the Offer Shares sold. Any commission received by Investec may be retained and any Offer Shares acquired by them may be retained or dealt in, by it, for its own benefit.

- 11.3 Further details of the terms of the Placing Agreement are set out in paragraph 13.1 of Part XIV (*Additional Information*). Certain selling and transfer restrictions are set out in paragraph 12 below.
- 11.4 In addition, Investec has entered into an agreement with each of the Minor Selling Shareholders, pursuant to which Investec has agreed, subject to the Placing Agreement becoming unconditional in all respects, to use its reasonable endeavours to procure purchasers for the Ordinary Shares made available by the Minor Selling Shareholders pursuant to the Offer. Investec is entitled to be paid a commission in respect of the Offer Shares sold by the Minor Selling Shareholders. Any commission received by Investec may be retained and any Offer Shares acquired by them may be retained or dealt in, by it, for its own benefit.

12. Lock-up arrangements

- 12.1 Pursuant to the terms of the Placing Agreement, each of the Company, the Major Selling Shareholders and the Directors has agreed to certain lock-up arrangements with Investec.
- 12.2 For a 120-day lock-up period from the date of Admission, the Company will not, directly or indirectly, offer, issue, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, any Ordinary Shares (or any interest therein or in respect thereof), or enter into any transaction with the same economic effect as any of the foregoing, subject to certain customary exceptions, without the prior written consent of Investec.
- 12.3 For a 12-month lock-up period from the date of Admission, each of the Directors and each of the Major Selling Shareholders has agreed that, subject to certain customary exceptions, he or it will not offer, sell or contract to sell, or otherwise dispose of, any Ordinary Shares (or any interest therein or in respect thereof) that he or it may hold, or enter into any transaction with the same economic effect as any of the foregoing. For the 12-month period thereafter, they have each agreed not to dispose of any Ordinary Shares (or any interest therein or in respect thereof) that he or it may hold other than through Investec (for so long as Investec is engaged as the Company's broker) with a view to maintaining an orderly market in the Company's securities.
- 12.4 In addition to the lock-up arrangements entered into by the Directors and the Major Selling Shareholders in the Placing Agreement, certain of the Minor Selling Shareholders (being those Minor Selling Shareholders who will, at Admission, hold Ordinary Shares representing 0.5 per cent. or more of the Ordinary Shares issued by the Company) have entered into lock-up arrangements pursuant to their respective Minor Selling Shareholder Agreements that are similar in all material respects to those entered into by the Directors and the Major Selling Shareholders pursuant to the Placing Agreement.
- 12.5 Further details of the Placing Agreement are set out in paragraph 13.1 of Part XIV (*Additional Information*).

13. Employee offer

Following the publication of this Prospectus, the Company is proposing to offer Eligible Employees the opportunity (subject to any applicable legal restrictions in the jurisdictions where such employees are based) to subscribe for Ordinary Shares in the Company at the Offer Price (the "**Employee Offer**"), provided that the maximum aggregate number of Ordinary Shares made available pursuant to the Employee Offer shall not exceed 1.0 per cent. of the entire issued ordinary share capital of the Company as at the date of this Prospectus. Shares issued pursuant to the Employee Offer will be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities at Admission.

The Employee Offer is not part of the Offer and is not being underwritten by Investec and consequently the terms of the Employee Offer will be communicated to Eligible Employees in a separate communication and are therefore not contained in this Prospectus.

The Company is expecting to receive proceeds of up to £1.6 million pursuant to the Employee Offer (assuming the Employee Offer is fully subscribed). The Company intends to use such proceeds and its then existing cash in hand for general working capital and corporate purposes.

PART XIII

TAXATION

The Company is registered under the laws of the United Kingdom and treated as a UK company for corporate law and UK tax purposes. **Shareholders or prospective Shareholders should read the “UK Taxation” paragraphs below, as well as consulting their own professional advisers, regarding the tax consequences of acquiring, holding and disposing of the Ordinary Shares.**

1. UK Taxation

The following is a summary of certain United Kingdom (“UK”) tax considerations relating to an investment in the Shares.

The statements set out below reflect current UK law and published guidance (which may not be binding) of HM Revenue and Customs (“HMRC”), as at the date of this Prospectus and which may be subject to change, possibly with retroactive effect. They are intended as a general guide and apply only to Shareholders of the Company resident and, in the case of an individual, domiciled exclusively in the UK for UK tax purposes (except insofar as express reference is made to the treatment of non-UK residents), who hold Shares as an investment (other than under an individual savings account (“ISA”)) and who are the absolute beneficial owners of the Shares and any dividends paid thereon. (In particular, Shareholders holding their Shares through a depositary receipt system or clearance service should note that they may not always be regarded as the absolute beneficial owners of such Shares.) This guidance does not address all possible tax consequences relating to an investment in the Shares. Specifically, this guidance does not address: (i) special classes of Shareholders such as, for example, dealers in securities, broker-dealers, intermediaries, insurance companies or collective investment schemes; (ii) Shareholders who hold Shares as part of hedging transactions; (iii) Shareholders who have (or are deemed to have) acquired their Shares by virtue of an office or employment; iv) those that own (or are deemed to own) 10 per cent. or more of the Shares and/or voting power of the Company, (v) those subject to specific tax regimes or benefitting from certain reliefs or exemptions, (vi) those connected with the Company or Group; and (vii) unless otherwise indicated, those that hold the Company’s shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate shareholder, a permanent establishment or otherwise). Such Shareholders may be subject to special rules and this summary does not apply to such Shareholders.

Shareholders or prospective Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction other than the UK, should consult their own professional advisers immediately.

2. Taxation of dividends

The Company will not be required to withhold amounts on account of UK tax at source when paying a dividend.

A UK resident individual Shareholder who receives a dividend from the Company will generally be entitled to a tax credit which may be set off against the Shareholder’s total income tax liability in respect of the dividend. The amount of the tax credit will be equal to 10 per cent. of the aggregate of the dividend and the tax credit (the “**Gross Dividend**”) (i.e. one-ninth of the amount of the cash dividend received). A UK resident individual Shareholder who is liable to income tax at the basic rate only will be subject to tax on the Gross Dividend at the rate of 10 per cent. However, such Shareholder will be able to set-off the tax credit against this liability, such that no additional tax should be payable by the Shareholder on their receipt of the dividend. A UK resident individual Shareholder who is liable to income tax at a rate not exceeding the higher rate will be subject to income tax on the Gross Dividend at the rate of 32.5 per cent. to the extent that the Gross Dividend, when treated as the top “slice” of the Shareholder’s income, exceeds the lower threshold for higher rate income tax. However, the effect of the tax credit is that the effective rate of tax payable on the Gross Dividend will be 22.5 per cent. (or 25 per cent. of the cash dividend received). A UK resident individual Shareholder who is subject to income tax at the additional rate will be subject to income tax on the Gross Dividend at the rate of 37.5 per cent. to the extent that the Gross Dividend, when treated as the top “slice” of the Shareholder’s income exceeds the lower threshold for additional rate income tax.

However, the effect of the tax credit is that the effective rate of tax payable on the Gross Dividend will be 27.5 per cent. of the Gross Dividend (or approximately 30.6 per cent. of the cash dividend received).

A UK resident individual Shareholder who is not liable to income tax in respect of the Gross Dividend and other UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company.

Shareholders who are within the charge to UK corporation tax will be subject to UK corporation tax on dividends paid by the Company, unless (subject to special rules for such Shareholders that are small companies) the dividends fall within one of the exempt classes and certain other conditions are met. Each Shareholder's position will depend on its own individual circumstances and while it would normally be expected that the dividends paid by the Company would fall within an exempt class, it should be noted that the exemptions are not comprehensive and are subject to anti-avoidance rules. Shareholders within the charge to UK corporation tax should therefore consult their own professional advisers. Such Shareholders receiving dividends which fall into an exempt class will not be able to claim repayment of the tax credit attaching to dividends paid by the Company.

Non-UK resident corporate Shareholders will not be liable to income or corporation tax in the UK on dividends paid on the Shares unless the Shareholder carries on a trade in the UK and the dividends are either a receipt of that trade or the shares are held by or for a UK permanent establishment through which the trade is carried on. In the latter case the dividends may still fall into one of the exempt classes and not be subject to the UK corporation tax. Non-UK resident corporate Shareholders will not generally be able to claim repayment of any part of the tax credit attaching to dividends paid by the Company.

Non-UK resident individual Shareholders may choose to treat the dividends, other than the dividends representing the receipts of a trade, profession or vocation carried on in the UK, as 'disregarded income' (as defined by statute) thereby limiting their UK income tax liability to the tax credit or the tax treated as paid in respect of the dividend. Such Shareholders should have no further UK income tax to pay upon their receipt of a dividend from the Company. If chosen, disregarded income treatment will apply to all UK source savings and investment income of the Shareholder in a tax year (but does not apply to UK rental income) and the personal allowance available to certain categories of non-resident individuals will not be available in that tax year. Non-UK resident individual Shareholders will not generally be able to recover the tax credit attaching to dividends paid by the Company.

Shareholders may also be subject to foreign taxation on dividend income under applicable local law. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning tax liabilities on dividends received from the Company in the country of their tax residence.

3. Taxation of chargeable gains

A disposal or deemed disposal of Shares by a Shareholder who is resident in the UK for tax purposes in the tax year (or part thereof) in question may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. This will depend upon the Shareholder's circumstances and is subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation for corporate shareholders). Indexation allowance may reduce the amount of chargeable gains subject to corporation tax, but may not create or increase any allowable loss. Shareholders who are not resident in the UK will not generally be subject to UK taxation of chargeable gains on the disposal or deemed disposal of Shares unless they are carrying on a trade, profession or vocation in the UK whether through a branch or agency or, in the case of a corporate shareholder, a permanent establishment) in connection with which the Shares are used, held and/or acquired.

An individual Shareholder who acquires Shares while UK resident, needs to cease to be resident for tax purposes in the UK for a period of more than five complete tax years otherwise the temporary non-residence rules apply. If those rules apply and the Shareholder disposes of all or part of his Shares during the period in which he is non-UK resident then he may be liable to capital gains tax on his return to the UK, where that Shareholder was UK resident for at least four of the seven tax years immediately preceding the year of departure from the UK (subject to any available exemptions or reliefs). For individuals, a tax year is the period from 6 April in a calendar year to 5 April in the following calendar year.

An individual Shareholder who is subject to UK income tax at the higher or additional rate will be liable to UK capital gains tax on the amount of any chargeable gain realised by a disposal of Shares at the rate of 28 per cent. Individual Shareholders who are subject to income tax at the basic rate only should only be liable to capital gains tax on the chargeable gain up to the unused amount of the Shareholder's basic rate band at a rate of 18 per cent. and at a rate of 28 per cent. on the gains above the basic rate band. In the event that a disposal of the Shares results in the realisation of a loss by the Shareholder for capital gains tax purposes, such a loss may be set-off by the Shareholder against other chargeable gains in the same or future years of assessment.

UK resident corporate Shareholders will generally be subject to UK corporation tax (rather than capital gains tax) on any chargeable gain realised on a disposal of Shares. Any chargeable loss realised by such a Shareholder may be set-off by the Shareholder against chargeable gains in the same or future accounting periods. A corporate Shareholder with a significant holding of Shares may be exempt from corporation tax on any gain arising on disposal of Shares, provided it can satisfy the conditions of the exemption applicable to disposal of substantial shareholdings.

4. UK inheritance tax

Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by an individual Shareholder during their lifetime, or on their death, may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the Shareholder making the gift is neither resident nor domiciled in the UK, nor deemed to be domiciled there under certain rules relating to the number of years of UK residence or previous domicile. Generally, UK inheritance tax is not chargeable on gifts to individuals if the donor survives for at least seven complete years after the date of the gift. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts in respect of which the donor reserves or retains some benefit. Special rules also apply to gifts made to close companies and where assets are transferred to and/or held by most types of trustee. The inheritance tax rules are complex and holders of Shares should consult an appropriate professional adviser in any case where the rules may be relevant, particularly (but not limited to) cases where Shareholders intend to make a gift of any kind or to hold any Shares through a trust arrangement. They should also seek professional advice in a situation where there is potential for a charge to both UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

5. Stamp duty and stamp duty reserve tax ("SDRT")

General

Instruments transferring Shares will generally be subject to stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration given for the transfer (rounded up to the nearest £5.00 where applicable). The transferee normally pays the stamp duty. An exemption from stamp duty is available on an instrument transferring the Shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

An unconditional agreement to transfer Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer, but such liability will be cancelled, or a right to repayment (normally with interest) will arise in respect of the SDRT liability, if the agreement is completed by a duly stamped instrument or an exempt transfer within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional). The purchaser is liable for any SDRT arising.

The statements above are intended as a general guide to the current position. Certain categories of person, including market makers, brokers, dealers and persons connected with depositary arrangements and clearance services are not liable to stamp duty or SDRT and/or may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

6. CREST

Deposits of Shares into CREST will not generally be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration in money or money's worth. Paperless transfers of Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system.

Depository Receipt Systems and Clearance Services

Where Shares are transferred (in the case of stamp duty) or issued or transferred (in the case of SDRT) (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depository receipts, stamp duty or SDRT (as applicable) will generally be payable at the higher rate of 1.5 per cent. on the amount or value of the consideration given or, in certain circumstances, the value of the Shares. However, following litigation, HMRC have confirmed that they will no longer seek to apply to 1.5 per cent. SDRT charge on an issue of shares or securities to a clearance service or depository receipt system on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent. SDRT or stamp duty charge will continue to apply to a transfer of shares or securities to a clearance service or depository receipt system where the transfer is not an integral part of an issue of share capital.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depository receipt system, or in respect of a transfer within such a service, which does arise, will strictly be accountable for by the clearance service or depository receipt system operator or their nominee as the case may be, but will, in practice, be payable by the participants in the clearance service or depository receipt system.

There is an exception from the 1.5 per cent. charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer will arise on any transfer of Shares into such an account and on subsequent agreements to transfer such Shares.

Any person who is in any doubt as to his or her taxation position or who is liable to taxation in any jurisdiction other than the UK should consult his or her professional advisers.

PART XIV

ADDITIONAL INFORMATION

1. Responsibility

The directors of the Company, whose names appear on page 43 of this Prospectus and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept individual and collective responsibility for compliance with the Prospectus Rules.

2. Incorporation

- 2.1 The Company was incorporated and registered in England and Wales on 7 May 2015 as a private company limited by shares under the Companies Act. The registered number of the Company is 9579188. On 7 July 2015, the Company was re-registered as a public limited company. The Company operates in conformity with its constitutional documents.
- 2.2 The Company's name on incorporation was Kainos Group Limited which was changed to Kainos Group plc on 7 July 2015 upon its re-registration as a public limited company.
- 2.3 The principal legislation under which the Company operates and under which the Ordinary Shares were created is the Companies Act and the regulations made thereunder.
- 2.4 The Ordinary Shares are duly authorised according to the requirements of the Company's articles of association and any consents needed to proceed with Admission have been obtained.
- 2.5 The Company's registered office is at 4th Floor, 111 Charterhouse St, London, EC1M 6AW and its principal place of business is at Kainos House, 4-6 Upper Crescent, Belfast, BT7 1NT. The Company's telephone number is +44 (0)28 9057 1100.
- 2.6 The principal activities of the Group are the provision of digital technology solutions and agile software development; third-party software integration and implementation services; technology support services; and related ancillary services such as project management.

3. The Reorganisation

- 3.1 In connection with Admission, the Group has undertaken a reorganisation of its corporate structure that has resulted in the Company becoming the ultimate holding company of the Group and Kainos Software Limited becoming the Company's direct wholly-owned subsidiary.
- 3.2 Pursuant to the reorganisation:

The Company acquired the entirety of the shares held by the KSL Shareholders in Kainos Software Limited by way of a share for share exchange

- 3.2.1 the KSL Shareholders entered into a share exchange agreement on 3 July 2015 pursuant to which the Company acquired the entire issued share capital of Kainos Software Limited from the KSL Shareholders in consideration for the issue of exactly the same number and class of shares in the Company to the KSL Shareholders.

The Company undertook a bonus issue of B1 ordinary shares to certain of the B1 Shareholders

- 3.2.2 On 6 July 2015, the Company issued 67 new B1 ordinary shares of £0.01 each to certain B1 Shareholders created by the capitalisation of the distributable reserves of the Company ("**B1 Bonus Issue**")

The Company undertook a bonus issue of ordinary shares to the B1 Shareholders

3.2.3 On 6 July 2015, the Company issued 37,659 ordinary shares of £0.10 each to the B1 Shareholders created by the capitalisation of the distributable reserves of the Company ("**Bonus Issue**").

The Company undertook a consolidation and redesignation of the B1 shares

3.2.4 On 6 July 2015, immediately following the Bonus Issue, the Company consolidated and redesignated the 123,110 B1 shares of £0.01 each in the capital of the Company as 12,311 ordinary shares of £0.10 each ("**Redesignation**").

The Company undertook a sub-division of the ordinary shares

3.2.5 On 6 July 2015, immediately following the Bonus Issue and Redesignation, the Company sub-divided each ordinary share of £0.10 each in the capital of the Company into 1 ordinary share of £0.005 each, creating 20 ordinary shares of £0.005 each ("**Sub-division**").

3.2.6 Immediately following the Sub-division, the Company adopted new articles of association to reflect the new nominal value of shares and which are applicable to a public limited company.

3.2.7 Following the B1 Bonus Issue, Bonus Issue, Redesignation and Sub-division, the Company was left with a total share capital of 116,039,360 Ordinary Shares of £0.005 each.

The Company re-registered as a public limited company

3.2.8 On 7 July 2015, the Company re-registered as a public limited company.

4. Share capital

4.1 Immediately prior to the publication of this Prospectus, the nominal value of the issued share capital of the Company was £580,196.80, comprising 116,039,360 Ordinary Shares (all of which were fully paid or credited as fully paid). Immediately following completion of the Offer and on Admission (assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission)), the nominal value of the issued share capital of the Company is expected to be up to £589,786.54 comprising 117,957,307 Ordinary Shares (all of which will be fully paid or credited as fully paid).

4.2 The share capital history of the Company is as follows:

<i>Effective date</i>	<i>Share capital position</i>
On incorporation, 7 May 2015	1 ordinary share of £0.10 held by Richard McCann
3 July 2015	5,751,998 ordinary shares of £0.10 each held by the KSL Shareholders and 123,043 B1 shares of £0.01 each held by the KSL Shareholders (following the share for share exchange detailed at paragraph 3.2.1 of this Part XIV (<i>Additional Information</i>))
6 July 2015	5,751,998 ordinary shares of £0.10 each held by the KSL Shareholders and 123,110 B1 shares of £0.01 each held by the KSL Shareholders (following the B1 Bonus Issue and the Bonus Issue detailed at paragraph 3.2.2 of this Part XIV (<i>Additional Information</i>))
6 July 2015	5,801,968 ordinary shares of £0.10 each held by the KSL Shareholders (following the consolidation and Redesignation detailed at paragraph 3.2.3 of this Part XIV (<i>Additional Information</i>))
6 July 2015	116,039,360 Ordinary Shares of £0.005 each held by the KSL Shareholders (following the Sub-division detailed at paragraph 3.2.4 of this Part XIV (<i>Additional Information</i>))

- 4.3 By written resolution of the Company passed on 6 July 2015, the following resolutions were passed by the Company's shareholders, to take effect immediately:
- 4.3.1 to undertake a bonus issue of 67 B1 ordinary shares of £0.01 each to certain B1 Shareholders and 37,659 ordinary shares of £0.10 each to the B1 Shareholders created by the capitalisation of the distributable reserves of the Company;
 - 4.3.2 to consolidate and redesignate the 123,110 B1 shares of £0.01 each as 12,311 ordinary shares of £0.10 each;
 - 4.3.3 to subdivide each ordinary share of £0.10 each into 1 ordinary share of £0.005 each; and
 - 4.3.4 the Directors were authorised for the purposes of section 551 of the Companies Act, in addition to all existing authorities, to allot Ordinary Shares up to an aggregate nominal value amount of £5,801.96 for the purposes of the Employee Offer for a period expiring on 6 July 2020.
- 4.4 By written resolution of the Company passed on 6 July 2015, the following resolutions were passed by the Company's shareholders, such resolutions to take effect immediately prior to but conditional upon Admission:
- 4.4.1 that pursuant to section 551 of the Companies Act, the directors be generally and unconditionally authorised in addition to all existing authorities:
 - 4.4.1.1 to allot Ordinary Shares and to grant rights to subscribe for or to convert any security into Ordinary Shares, up to an aggregate nominal amount of £195,332.92, being approximately one-third of the aggregate value of the issued ordinary share capital of the Company immediately following Admission; and
 - 4.4.1.2 to allot Ordinary Shares and to grant rights to subscribe for or to convert any security into Ordinary Shares comprising equity securities (as defined in the Companies Act) up to a further aggregate nominal amount of £195,322.92, being approximately one third of the aggregate value of the issued ordinary share capital of the Company immediately following Admission, in connection with an offer by way of a rights issue to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities in the capital of the Company as required by the rights of those securities or, if the Directors otherwise consider it necessary, but in each case subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;

provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next annual general meeting of the Company or at the close of business on the date that is 15 months after the date the resolution was passed (whichever is the earlier), save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted, or rights to subscribe for or convert any security into shares to be granted, after this authority expires and the Directors may allot shares and grant rights in pursuance of such offer or agreement as if this authority had not expired;
 - 4.4.2 the Directors were authorised, for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on the date which is 15 months after the date of the general meeting at which the resolution was passed), to allot equity securities for cash pursuant to the resolution described in paragraph 4.4.1 above, as if section 561(1) of the Companies Act did not apply to such allotment, such power being limited to:
 - 4.4.2.1 the allotment of equity securities in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise, but, in the case of an allotment pursuant to the authority granted by resolution 4.4.1.2, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue) to the Shareholders in proportion (or as nearly may be) to their existing holding and to holders of other equity securities, if this is required by the rights of those securities, or, if the Directors consider it necessary but in each case subject to such exclusions or other arrangements as the Directors deem necessary or expedient

in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

- 4.4.2.2 the allotment of equity securities for cash (other than as described in 4.4.2.1 above) with an aggregate nominal value of up to £29,299.94 (being approximately five per cent. of the issued ordinary share capital of the Company immediately following Admission),

save that the Company may, before expiry of this power, make an offer or agreement which would, or might, require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuant of such offer or agreement notwithstanding that the power conferred hereby has expired;

- 4.4.3 the Company was generally and unconditionally authorised pursuant to section 701 of the Companies Act to make market purchases (within the meaning of section 693(4) of the Companies Act) of Ordinary Shares, subject to the following conditions:

- 4.4.3.1 the maximum aggregate number of Ordinary Shares authorised to be purchased is £58,599.88 representing 10 per cent. of the Company's issued ordinary share capital immediately following Admission;

- 4.4.3.2 the minimum price (excluding expenses) which may be paid for each Ordinary Share is £0.005 (being the nominal value of an Ordinary Share);

- 4.4.3.3 the maximum price (excluding expenses) which may be paid for each Ordinary Share is the higher of:

- (a) 105 per cent. of the average of the middle market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and
- (b) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share as derived from the London Stock Exchange Trading System; and

- 4.4.3.4 the authority shall expire at the close of the annual general meeting of the Company or, if earlier, 15 months from the date on which the resolution was passed so that the Company may, before the expiry of the authority, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority; and

- 4.4.4 the Company was authorised in accordance with the Articles, until the Company's next annual general meeting, to call general meetings on 14 clear days' notice.

- 4.5 With effect from Admission, awards will be outstanding over a maximum 1,183,452 Ordinary Shares pursuant to awards granted under the PSP to the Directors and Senior Managers as set out in paragraph 7.2.2 of this Part XIV (*Additional Information*). It is also intended in connection with Admission to grant awards over Ordinary Shares having a maximum value of £1,170,000 pursuant to the CSOP Sub-Plan and PSP (including to Senior Managers) as described in paragraph 9.1 of this Part XIV (*Additional Information*) and over a maximum of 2,119,857 Ordinary Shares pursuant to the SAYE Plan and the SIP and to Irish resident employees pursuant to the PSP as described in paragraph 9.1 of this Part XIV (*Additional Information*) (of which up to 757,554 will be issued in connection with Admission). Further awards (within the 10 per cent. dilution limit referred to in paragraph 9.1 of this Part XIV) are expected to be made following Admission pursuant to the Poland Share Scheme and the Ireland Share Scheme as described in paragraphs 9.6 and 9.7 of this Part XIV.

- 4.6 Save as disclosed above and in paragraphs 7.2 and 9 of this Part XIV (*Additional Information*):

- 4.6.1 the Company does not hold any treasury shares and no Ordinary Shares are held by, or on behalf of, any member of the Group;

- 4.6.2 no Ordinary Shares have been issued otherwise than as fully paid;

- 4.6.3 no share or loan capital of the Company has, within three years of the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to

- the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;
- 4.6.4 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and
- 4.6.5 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- 4.7 The Company will be subject to the continuing obligations of the UK Listing Authority with regard to the issue of shares for cash. The provisions of section 561(1) of the Companies Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Companies Act) apply to the issue of shares in the capital of the Company except to the extent such provisions have been disapplied as referred to in paragraph 3 above.
- 4.8 There have been no public takeover bids by third parties in respect of the Company's share capital within the last financial year or in the current financial year as at 6 July 2015 (being the latest practicable date before the publication of this Prospectus).
- 4.9 The Ordinary Shares are denominated in Sterling.

5. Memorandum and Articles of Association

The Articles contain provisions (among others) to the following effect:

5.1 *Unrestricted objects*

Section 31 of the Companies Act provides that the objects of a company are unrestricted unless any restrictions are set out in the Articles. There are no such restrictions in the Articles and the objects of the Company are therefore unrestricted.

5.2 *Limited liability*

The liability of the Company's members is limited to any unpaid amount on the shares in the Company held by them.

5.3 *Change of the Company's name*

The Articles allow the Company to change its name by resolution of the Board. This is in addition to the Company's ability to change its name by special resolution under the Companies Act.

5.4 *Voting rights*

5.4.1 Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every Shareholder present in person or by proxy at a general meeting of the Company and every duly authorised corporate representative shall have one vote. If a proxy has been duly appointed by more than one Shareholder entitled to vote on the resolution, the proxy shall have one vote for and one vote against the resolution if either: the proxy has been instructed by one or more of those shareholders to vote for the resolution and by one or more others to vote against; or the proxy has been given firm voting instructions by one or more of those shareholders and granted discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way).

5.4.2 On a poll, every shareholder who is entitled to vote and who is present in person or by a duly appointed proxy shall have one vote for every share he holds. A shareholder entitled to more than one vote does not have to, if he votes on the poll (whether in person or by proxy), use all his votes or cast all the votes he uses in the same way.

5.4.3 In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

Such seniority shall be determined by the order in which the names of the joint holders stand in the register.

- 5.4.4 Unless the Board otherwise determines, a Shareholder shall not be entitled to be present or to vote unless all calls or other sums due from him in respect of shares in the Company have been paid.

5.5 ***Dividends and return of capital***

- 5.5.1 Subject to the provisions of the Companies Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of Shareholders, but no dividend shall exceed the amount recommended by the Board.

- 5.5.2 Except as otherwise provided by the rights attached to any shares, all dividends shall be declared and paid according to the amounts paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares during any portion or portions of the period in respect of which the dividend is paid.

- 5.5.3 Unless otherwise provided by the Articles or the rights attached to any shares, a dividend may be declared or paid in whatever currency the Board may decide.

- 5.5.4 Unless otherwise provided by the rights attached to the shares, dividends shall not carry a right to receive interest.

- 5.5.5 All dividends unclaimed for a period of twelve years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company.

- 5.5.6 The Board may, with the authority of an ordinary resolution of the Company:

- 5.5.6.1 offer holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of any dividend specified by the ordinary resolution;
- 5.5.6.2 direct that payment of all or part of any dividend declared may be satisfied by the distribution of specific assets.

- 5.5.7 There are no fixed or specified dates on which entitlements to dividends payable by the Company arise.

5.6 ***Pre-emption rights***

In certain circumstances, members may have statutory pre-emption rights under the Companies Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing members on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to members.

5.7 ***Distribution of assets on a winding-up***

On a winding up, a liquidator may, with the authority of a special resolution of the Company and any other sanction required by law, divide among the shareholders in kind the whole or any part of the assets of the Company, whether or not the assets consist of property of one kind or different kinds and may for such purposes set such value as he considers fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the same authority, transfer any part of the assets to trustees on such trusts for the benefit of shareholders as the liquidator, with the same authority, thinks fit and the liquidation may then be closed and the Company dissolved, but so that no Shareholder shall be compelled to accept any shares or other property in respect of which there is a liability.

5.8 *Transfer of shares*

- 5.8.1 Every transfer of shares which are in certificated form must be in writing in any usual form or in any form approved by the Board and shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.
- 5.8.2 Every transfer of shares which are in uncertificated form must be made by means of a relevant system (such as CREST).
- 5.8.3 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares if: (i) it is in respect of a share which is not fully paid up (provided that the refusal does not prevent dealings in the Company's shares from taking place on an open and proper basis); (ii) it is in respect of more than one class of share; (iii) it is not duly stamped (if so required); or (iv) it is not delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued) by the relevant share certificate and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.
- 5.8.4 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares which is in favour of: (i) a child, bankrupt or person of unsound mind; or (ii) more than four joint transferees.

5.9 *Restrictions on voting rights*

If a member or any person appearing to be interested in shares held by such a member has been duly served with a notice under section 793 of the Companies Act and has failed in relation to any shares ("default shares") to give the Company the information thereby required within 14 days from the date of the notice, then, unless the Board otherwise determines, the member shall not be entitled to vote or exercise any right conferred by membership in relation to meetings of the Company in respect of such default shares. Where the holding represents more than 0.25 per cent. of the issued shares of that class (excluding any shares of that class held as treasury shares) then: (i) the payment of dividends may be withheld and such member shall not be entitled to elect to receive shares instead of that dividend; and (ii) save for an excepted transfer (as defined in the Articles) and subject to the requirements of the relevant system in relation to shares in uncertificated form, no transfer of a default share shall be registered unless the member himself is not in default and the member proves to the satisfaction of the Board that no person in default is interested in the shares which are the subject of the transfer.

5.10 *Untraced members*

The Company is entitled to sell any share of a member who is untraceable, provided that:

- 5.10.1 for a period of not less than 12 years (during which at least three cash dividends have been payable on the share), no cheque, warrant or money order sent to the member has been cashed or all funds sent electronically have been returned;
- 5.10.2 at the end of such 12 year period, the Company has advertised in a national and local (i.e. the area in which the member's registered address is situated) newspaper its intention to sell such share; and
- 5.10.3 the Company has not, during such 12 year period or in the three month period following the last of such advertisements, received any communication in respect of such share from the member.

The Company shall be indebted to the former member for an amount equal to the net proceeds of any such sale.

5.11 *Variation of class rights*

- 5.11.1 Subject to the Companies Act, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights, or, in the absence of any such provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of

that class or with the sanction of a special resolution passed at a separate meeting of such holders of shares of that class, but not otherwise. The quorum at any such meeting (other than an adjourned meeting) is two persons present in person by proxy, holding or representing by proxy at least one third in nominal value of the shares of that class (excluding any shares of that class held as treasury shares).

- 5.11.2 The rights attached to any class of shares shall not, unless otherwise expressly provided in the rights attaching to such shares, be deemed to be varied or abrogated by the creation or issue of shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of any of its own shares.

5.12 *Share capital, changes in capital and purchase of own shares*

- 5.12.1 Subject to the Companies Act and to the Articles, the Board shall have unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any shares or rights to subscribe for or convert any security into shares to such persons (including Directors) at such times and generally on such terms and conditions as the Board may determine.
- 5.12.2 Subject to the Articles and to any rights attached to any existing shares any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution.
- 5.12.3 The Company may issue redeemable shares and the Board may determine the terms, conditions and manner of redemption of such shares, provided it does so before the shares are allotted.

5.13 *General meetings*

- 5.13.1 The Board may convene a general meeting whenever it thinks fit. Members have a statutory right to requisition a general meeting in certain circumstances.
- 5.13.2 Pursuant to the Companies Act, an annual general meeting shall be called on not less than 21 clear days' notice. All other general meetings shall be called by not less than 14 clear days' notice.
- 5.13.3 The quorum for a general meeting is two members present in person or by proxy and entitled to vote.

5.14 *Notices to shareholders*

Any notice or document (including a share certificate) may be served on or delivered to any Shareholder by the Company either personally or by sending it through the post addressed to the Shareholder at his registered address or by leaving it at that address addressed to the Shareholder or by means of a relevant system or, where appropriate, by sending it in electronic form to an address for the time being notified by the Shareholder concerned to the Company for that purpose, or by publication on a website in accordance with the Companies Act or by any other means authorised in writing by the Shareholder concerned. In the case of joint holders of a share, service or delivery of any notice or document on or to one of the joint holders shall for all purposes be deemed a sufficient service on or delivery to all the joint holders.

5.15 *Appointment of directors*

- 5.15.1 Unless otherwise determined by ordinary resolution, there shall be no maximum number of directors, but the number of directors shall not be less than two.
- 5.15.2 Subject to the Companies Act and the Articles, the Company may by ordinary resolution appoint any person who is willing to act as a director either as an additional director or to fill a vacancy. The Board may also appoint any person who is willing to act as a director, subject to the Companies Act and the Articles. Any person appointed by the Board as a director will hold office only until conclusion of the next annual general meeting of the Company, unless he is elected during such meeting.

- 5.15.3 The Board may appoint any director to hold any employment or executive office in the Company and may also revoke or terminate any such appointment (without prejudice to any claim for damages for breach of any service contract between the director and the Company).

5.16 *Remuneration of directors*

- 5.16.1 The total of the fees paid to any Non-Executive Director for his or her services must not exceed £100,000 a year, unless otherwise determined by ordinary resolution. This amount shall be automatically increased each year by the same amount as the increase in the General Index of Retail Prices. The Board may decide to pay additional remuneration to a Non-Executive Director for services which the Board determines are outside the scope of the ordinary duties of a director, whether by way of additional fees, salary, percentage of profit or otherwise.
- 5.16.2 The salary or remuneration of any director appointed to hold any employment or executive office shall be determined by the Board and may be either a fixed sum of money or may altogether or in part be governed by business done or profit made or otherwise determined by the Board.
- 5.16.3 Each director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as director.

5.17 *Retirement and removal of directors*

- 5.17.1 At each annual general meeting of the Company, one third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire from office unless there are fewer than three directors who are subject to retirement by resignation, in which case only one shall retire from office. In addition, subject to the Articles, any director who has been a director at each of the preceding two annual general meetings shall also retire.
- 5.17.2 Each such director may, if willing to act, be reappointed. If he is not reappointed or is not deemed to have been reappointed, he shall retain office until the meeting appoints someone in his place or if it does not do so, until the end of the meeting. If the Company, at the meeting at which a director retires, does not fill the vacancy the retiring director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the director is put to the vote of the meeting and lost.
- 5.17.3 Without prejudice to the provisions of the Companies Act, the Company may by ordinary resolution remove any director before the expiration of his period of office and may by ordinary resolution appoint another director in his place.

5.18 *Vacation of office*

The office of a director shall be vacated if:

- 5.18.1 he resigns by notice sent to or received at the office or at an address specified by the Company for the purposes of communication by electronic means or tendered at a board meeting;
- 5.18.2 he ceases to be a director by virtue of any provision of the Companies Acts, is removed from office pursuant to the Articles or becomes prohibited by law from being a director;
- 5.18.3 he becomes bankrupt or he makes any arrangement or composition with his creditors generally;
- 5.18.4 a registered medical practitioner finds he has become physically or mentally incapable of acting as a director and may remain so for more than three months and the board resolves that his office be vacated;
- 5.18.5 both he and his alternate director (if any) appointed pursuant to the provisions of the Articles have been absent, without the permission of the Board, from board meetings for six consecutive months and the Board resolves that his office be vacated;

- 5.18.6 his contract for his services as a director expires or is terminated for any reason and is neither renewed nor a new contract granted within 14 days; or
- 5.18.7 (without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company and to any claim which may arise by operation of law) he is removed from office by a notice addressed to him at his last known address and signed by all his co-directors.

If the office of a director is vacated for any reason, he shall cease to be a member of any committee.

5.19 ***Directors' interests***

- 5.19.1 Subject to the Companies Act and provided that he has disclosed to the directors the nature and extent of any interest, a director is able to enter into any transaction or other arrangement with the Company, hold any other office (except auditor) with the Company or be a director, employee or otherwise interested in any company in which the Company is interested. Such a director shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement or proposal.
- 5.19.2 Save as otherwise provided by the Articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board confirming any contract, arrangement, transaction or any other proposal to which the Company is or is to be a party and in which he (together with any person connected with him) is interested, directly or indirectly. Interests of which the director is not aware, interests which cannot reasonably be regarded as likely to give rise to a conflict of interest and interests arising purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. However, a director can vote and be counted in the quorum where the resolution relates to any of the following:
- 5.19.2.1 the giving of any guarantee, security or indemnity in respect of: (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- 5.19.2.2 the participation of the director, in an offer of securities of the Company or any of its subsidiary undertakings, including participation in the underwriting or sub-underwriting of the offer;
- 5.19.2.3 a proposal involving another company in which he and any persons connected with him has a direct or indirect interest of any kind, unless he and any persons connected with him hold an interest in shares representing one per cent. or more of either any class of equity share capital, or the voting rights, in such company;
- 5.19.2.4 any arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- 5.19.2.5 any proposal confirming the purchase or maintenance of any insurance policy under which he may benefit; and
- 5.19.2.6 any proposal concerning indemnities in favour of directors or the funding of expenditure by one or more directors on defending proceedings against such directors(s).
- 5.19.3 A director shall not vote or be counted in the quorum on any resolution of the Board confirming his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.
- 5.19.4 If any question arises at any meeting as to whether any interest of a director prevents him from voting or being counted in a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the chairman of the meeting. The chairman of the meeting's ruling in relation to the

director concerned (other than himself) shall be final and conclusive (except where it subsequently becomes apparent that the nature or extent of the interests of the director concerned have not been fairly disclosed).

5.19.5 The Board may authorise any matter that would otherwise involve a director breaching his duty under the Companies Act to avoid conflicts of interest, provided that the interested director(s) do not vote or count in the quorum in relation to any resolution authorising the matter. The Board may authorise the relevant matter on such terms as it may determine including:

5.19.5.1 whether the interested director(s) may vote or be counted in the quorum in relation to any resolution relating to the relevant matter;

5.19.5.2 the exclusion of the interested director(s) from all information and discussion by the Company of the relevant matter; and

5.19.5.3 the imposition of confidentiality obligations on the interested director(s).

5.19.6 An interested director must act in accordance with any terms determined by the Board. An authorisation of a relevant matter may also provide that where the interested director obtains information that is confidential to a third-party (other than through his position as director) he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs, if to do so would amount to a breach of that confidence.

5.20 ***Powers of the directors***

5.20.1 Subject to the Articles and to any directions given by special resolution of the Company, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business or not.

5.20.2 Subject to the provisions of the Companies Act, the Board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third-party.

5.20.3 The Board shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to procure (but as regards such subsidiary undertakings, only in so far as it can procure by such exercise) that the aggregate principal amount outstanding in respect of all borrowings by the Group (exclusive of any borrowings which are owed by one Group Company to another) shall not, at any time, without an ordinary resolution of the Company, exceed a sum equal to two times the adjusted total of capital and reserves.

5.20.4 The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurances or otherwise, for any person who is, or has at any time been, a director of or employed by or in the service of the Company or of any company which is a subsidiary company of the Company, or is allied to or associated with the Company or any such subsidiary, or any predecessor in business of the Company or any such subsidiary and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

5.21 ***Directors' indemnity and insurance***

5.21.1 Subject to the Companies Act, each director of the Company and of any associated company may be indemnified by the Company against any liability.

5.21.2 Subject to the Companies Act, the Board may purchase and maintain insurance against any liability for any director of the Company or of any associated company.

6. Employees

- 6.1 The table below sets out the average number of persons, including the executive directors, employed or contracted by the Operating Group for the financial years ended 31 March 2013, 31 March 2014 and 31 March 2015.

Category	2013	2014	2015
Management	92	106	128
Delivery	287	405	549
Administration and Sales	27	36	51
TOTAL	406	547	728
Average	369	503	612

- 6.2 The employees/contractors are based in the following locations:

Location	2013	2014	2015
Great Britain	30	71	155
Northern Ireland	272	336	389
Poland	65	102	148
Republic of Ireland	39	38	34
USA	0	0	2
TOTAL	406	547	728
Average	369	503	612

- 6.3 In addition to its core workforce, the Group also uses the services of a number of independent contractors and consultants. During the financial year ended 31 March 2015, the Operating Group engaged the services of approximately 73 individuals on this basis, most of whom are based in England.
- 6.4 For a breakdown of the numbers of employees and contractors in each of the financial years ended 2013, 2014 and 2015, please refer to the table set out at paragraph 1.3 of Part IX (*Operating and Financial Review*).

7. Directors and Senior Managers

Details of the Directors and the Senior Managers and functions in the Company are set out in paragraphs 1.1 and 1.2 of Part VIII (*Directors, Senior Management and Corporate Governance*). Their business address is Kainos House, 4-6 Upper Crescent, Belfast, BT7 1NT.

7.1 *Current and previous directorships*

The Directors (in addition to being directors of the Company) and Senior Managers hold or have held the directorships of the companies and/or are or were partners of the partnerships specified opposite their respective names below within the past five years prior to the date of this Prospectus.

<i>Directors</i>	<i>Current appointments</i>	<i>Former appointments held in the previous five years</i>
John Lillywhite	ICL Pension Trust Limited Kainos Software Limited Kainos Trustees Limited Kainos Managers Limited	Accesso Technology Group plc Audio Processing Technology Holdings Limited APT Licensing Limited Barnwell Limited Beechgold Consultants Limited C-Phone Limited Finlaw 226 Limited Lagan Technologies Limited Lo-Q (Trustees) Limited Lo-Q Limited

<i>Senior Managers</i>	<i>Current appointments</i>	<i>Former appointments held in the previous five years</i>
John Lillywhite (continued)		PineWalk Residents Association (East Horsley) Limited Salford Software Limited Speechstorm Limited
Brendan Mooney	Kainos Software Limited Kainos Managers Limited Kainos Trustees Limited Kainos Evolve Limited Kainos Worksmart Limited Kainos Software Ireland Limited Kainos Software Poland Spolka z.o.o.	Atatouch Holdings Limited EventElephant Limited Farnborough Developments Limited Hewson Consulting Limited Kainos (PN) Limited Probation Board for Northern Ireland Salford Software Limited Speechstorm Limited
Richard McCann	Kainos Software Limited Kainos Managers Limited Kainos Evolve Limited Kainos Worksmart Limited Kainos Software Ireland Limited Kainos Software Poland Spolka z.o.o.	None
Paul Gannon	Kainos Software Limited Kainos Managers Limited	Kainos Software Ireland Limited
Andy Malpass	Fidessa Software Limited Fidessa Group plc Fidessa plc Fidessa Investments Limited Fidessa Buy-side Limited Fidessa corporation Fidessa Buy-side Inc. Fidessa US corporation Fidessa Limited Fidessa kk Fidessa SAS Fidessa Canada corporation Fidessa Pte Limited Fidessa Pty Limited Fidessa Trading Systems Private Limited Fidessa Solucoes Em Software Limitada	Fidessa WLL Royalblue Financial Limited Royalblue Group Limited
Chris Cowan	Castello Ventures Limited Digital Transformation Consulting Partners Ltd	Digiplug SAS Spectrum Strategy Consultants Limited The Business Software Centre Limited Value Partners Management Consulting Limited
Tom Burnet	Accesso, LLC Accesso Technology Group plc Lo-Q Inc Lo-Q Service Canada, Inc. Siriusware, Inc VisionOne, Inc VisionOne do Brasil Ltda VisionOne S.A. de C.V.	None

<i>Senior Managers</i>	<i>Current appointments</i>	<i>Former appointments held in the previous five years</i>
Brian Gannon	Aran Consulting Limited Kainos Managers Limited Kainos Worksmart Inc.	None
Russell Sloan	Atlantis Services (Portrush) Ltd Kainos Managers Limited	None
Nigel Hutchinson	Kainos Evolve Limited	None
Sam Bolton	None	None
Malachy Smith	Kainos Worksmart Limited	None
Tom Gray	None	None
Paul Hamill	None	None
Stephan Sakowicz	Kainos Software Poland Spolka z.o.o.	None
Grainne Burns	None	None
Colette Kidd	None	None

7.2 **Directors' and Senior Managers' shareholdings and share options**

7.2.1 The interests in the share capital of the Company of the Directors and Senior Managers (all of whom, unless otherwise stated, are beneficial or are interests of a person connected with the Director or Senior Manager) as at 6 July 2015 (the latest practicable date prior to publication of this Prospectus) were as follows:

	Following Reorganisation and immediately prior to Admission	Existing Ordinary Shares to be sold pursuant to the Offer	Immediately following Admission		
	Percentage of issued ordinary share capital	Number of existing Ordinary Shares	Percentage of issued ordinary share capital ⁽¹⁾		
Number of Ordinary Shares	Number of Ordinary Shares ⁽¹⁾				
Directors⁽²⁾					
John Lillywhite	1,812,000	1.6%	1,378,000	434,000	0.4%
Brendan Mooney	16,967,020	14.6%	2,860,000	14,107,020	12.0%
Richard McCann ⁽²⁾	6,139,997	5.3%	–	6,139,997	5.2%
Paul Gannon	11,131,240	9.6%	2,000,000	9,131,240	7.7%
Andy Malpass	–	–	–	–	–
Chris Cowan ⁽³⁾	–	–	–	21,582	0.0%
Tom Burnet ⁽⁴⁾	–	–	–	14,388	0.0%
Senior Managers⁽²⁾					
Brian Gannon	7,217,410	6.2%	1,000,000	6,217,440	5.3%
Russell Sloan ⁽⁵⁾	685,519	0.6%	–	685,519	0.6%
Nigel Hutchinson ⁽⁶⁾	681,179	0.6%	–	681,179	0.6%
Sam Bolton ⁽⁷⁾	1,240,590	1.1%	–	1,240,590	1.1%
Malachy Smith ⁽⁸⁾	1,407,470	1.2%	–	1,407,470	1.2%
Tom Gray	617,140	0.5%	–	617,190	0.5%
Paul Hamill	1,700,00	1.5%	200,000	1,500,000	1.3%
Stephan Sakowicz ⁽⁹⁾	180,590	0.2%	–	180,590	0.2%
Grainne Burns	950,780	0.8%	–	950,780	0.8%
Colette Kidd ⁽¹⁰⁾	69,475	0.1%	–	69,475	0.1%

Notes:

- (1) Assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission).
- (2) Each of the Directors and Senior Managers will receive Ordinary Shares pursuant to SIP in connection with Admission having a maximum value of £3,600 and these additional Ordinary Shares are not included in the holdings shown above.

7.2.2 As at 6 July 2015 (the latest practicable date prior to publication of this Prospectus), the following options over Ordinary Shares had been granted to the Directors and Senior Managers pursuant to the PSP conditionally upon Admission and were outstanding.

	<i>Date of grant</i>	<i>No. of Ordinary Shares under option</i>	<i>Exercise price per Ordinary Share</i>	<i>First exercise date</i>	<i>Last Exercise date</i>
Directors					
Brendan Mooney	Admission	197,842	Nominal	10.7.18	9.7.25
Richard McCann	Admission	136,691	Nominal	10.7.18	9.7.25
Paul Gannon	Admission	136,691	Nominal	10.7.18	9.7.25
Senior Managers					
Brian Gannon	Admission	125,899	Nominal	10.7.18	9.7.25
Russell Sloan	Admission	97,122	Nominal	10.7.18	9.7.25
Nigel Hutchinson	Admission	97,122	Nominal	10.7.18	9.7.25
Sam Bolton	Admission	43,165	Nominal	10.7.18	9.7.25
Malachy Smith	Admission	97,122	Nominal	10.7.18	9.7.25
Tom Gray	Admission	25,180	Nominal	10.7.18	9.7.25
Paul Hamill	Admission	25,180	Nominal	10.7.18	9.7.25
Stephan Sakowicz	Admission	61,151	Nominal	10.7.18	9.7.25
Grainne Burns	Admission	25,180	Nominal	10.7.18	9.7.25
Colette Kidd	Admission	43,165	Nominal	10.7.18	9.7.25
Richard Mutter	Admission	71,942	Nominal	10.7.18	9.7.25

In addition, it is intended in connection with Admission to grant options to each of the Senior Managers over Ordinary Shares having a market value at grant of £30,000. These options will have an exercise price per Ordinary Share equal to the market value of an Ordinary Share at the date of grant of the option and will generally be exercisable three to ten years from the date of grant (subject to continued employment). Where appropriate, these options will be granted under the CSOP Sub-Plan and otherwise under the PSP.

In addition, the Directors and the UK-based Senior Managers will participate in the offers to be made under the SAYE Plan and the SIP in connection with Admission. The Poland and Ireland based Senior Managers will also participate in the Poland and Ireland Share Schemes shortly after Admission. The maximum value (at the date of grant of the award) of Ordinary Shares which any Director or Senior Manager may acquire under the SIP in respect of such offer will not exceed £3,600 and the maximum value (at the date of grant of the award) of Ordinary Shares which any Director or Senior Manager may acquire under the SAYE Plan in respect of such offer will not exceed £3,600. Awards under the Poland Share Scheme and the Ireland Share Scheme in the form of options will not exceed the limit mentioned above which applies to options granted under the SAYE Plan, and awards in the form of conditional shares or restricted shares will not exceed the limit mentioned above which applies under the SIP.

7.2.3 Save as disclosed in this paragraph 7.2, no Director or Senior Manager has any interests (beneficial or non-beneficial) in the share capital of the Company.

7.3 **Transactions with directors and senior managers**

7.3.1 No Director or Senior Manager has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were affected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

7.3.2 Please refer to paragraph 10.2.5 of this Part XIV (*Additional Information*) in respect of any outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors or Senior Managers.

7.4 **Directors' and senior managers' service agreements and letters of appointment**

7.4.1 *Executive Directors' Service Agreements*

7.4.1.1 General terms

- (a) **Brendan Mooney:** has been employed by the Group since 19 June 1989. Under the terms of Dr Mooney's service agreement with the Company, which will take effect on Admission, Dr Mooney's salary will be £220,000 per annum, which is subject to annual review by the Remuneration Committee. Dr Mooney will be entitled to participate in a discretionary bonus scheme, under which Dr Mooney can earn a bonus of up to 123 per cent. of salary. He will also be entitled to various benefits under the agreement including a car allowance, an allowance of 8.8 per cent. of salary *in lieu* of pension contributions, private medical insurance, life insurance and permanent health insurance. There are provisions in the service agreement requiring Dr Mooney to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-solicitation of customers, non-poaching of key employees and non-interference with suppliers for a period of 12 months following termination provisions. There are no change of control provisions in the service agreement.
- (b) **Richard McCann:** has been employed by the Group since 7 March 2011. Under the terms of Mr McCann's service agreement with the Company, which will take effect on Admission, Mr McCann's salary will be £190,000 per annum, which is subject to annual review by the Remuneration Committee. Mr McCann will be entitled to participate in a discretionary bonus scheme, under which Mr McCann can earn a bonus of up to 118 per cent. of salary. He will also be entitled to various benefits under the agreement including a car allowance, an allowance of 5 per cent. of salary *in lieu* of pension contributions, private medical insurance, life insurance and permanent health insurance. There are provisions in the service agreement requiring Mr McCann to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-solicitation of customers, non-poaching of key employees and non-interference with suppliers for a period of 12 months following termination provisions. There are no change of control provision in the service agreement.
- (c) **Paul Gannon:** has been employed by the Group since 1 January 1998. Under the terms of Mr Gannon's service agreement with the Company, which will take effect on Admission, Mr Gannon's salary will be £190,000 per annum, which is subject to annual review by the Remuneration Committee. Mr Gannon will be entitled to participate in a discretionary bonus scheme, under which Mr Gannon can earn a bonus of up to 205 per cent. of salary. He will also be entitled to various benefits under the agreement including a car allowance, a pension contribution of 15 per cent. of salary, private medical insurance, life insurance and permanent health insurance. There are provisions in the service agreement requiring Mr Gannon to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-solicitation of customers, non-poaching of key employees and non-interference with suppliers for a period of 12 months following termination provisions. There are no change of control provisions in the service agreement.

7.4.1.2 Termination provisions

All of the Executive Directors' service agreements will be terminable on 12 months' written notice served by either party. The Company will have a contractual right to pay

the Executive Directors in lieu of part or all of their notice period and also to place them on garden leave during all or part of their notice period. In the event of gross misconduct their employment will be terminable with immediate effect without the requirement for notice or payment *in lieu* thereof.

7.4.2 Non-Executive Directors' Letters of Appointment

Each of the Non-Executive Directors has been appointed by letters of appointment. Details of the terms of each Non-Executive Director's appointment with the Company are set out below.

<i>Name</i>	<i>Date of commencement of appointment⁽¹⁾</i>	<i>Committee Chairmanships/ Other Board Positions</i>	<i>Non-executive fee per annum (£)</i>
John Lillywhite	1 June 2015	Chairman of the Nomination Committee	£80,000 ⁽²⁾
Andy Malpass	1 June 2015	Chairman of the Audit Committee	£56,000 ⁽³⁾
Chris Cowan	1 June 2015	None	£40,000 ⁽⁴⁾
Tom Burnet	1 June 2015	Chairman of the Remuneration Committee	£44,000 ⁽⁵⁾

Notes:

- (1) The letters of appointment for the Non-Executive Directors are each dated 1 June 2015.
- (2) Plus £1,750 for each day worked in excess of the time commitment set out below.
- (3) Includes £10,000 per annum for serving as Senior Independent Director and £6,000 per annum for serving as Chairman of the Audit Committee. Mr Malpass is also entitled to £1,500 for each day worked in excess of the time commitment set out below.
- (4) Plus £1,500 for each day worked in excess of the time commitment set out below.
- (5) Includes £4,000 per annum for serving as Chairman of the Remuneration Committee. Mr Burnet is also entitled to £1,500 for each day worked in excess of the time commitment set out below.

7.4.2.1 General Terms

- (a) **John Lillywhite:** has been a non-executive director of Kainos Software Limited since 1 April 2013. He entered into his current letter of appointment with the Company on 1 June 2015 and was appointed Non-Executive Chairman to the Company. The appointment is for an initial period of three years (subject to election at the next annual general meeting). Pursuant to this letter of appointment, Dr Lillywhite is required to devote an appropriate amount of time to his role, which is currently agreed to be equivalent to 35–40 days per annum. This time commitment will include attendance at: (i) monthly Board meetings and any committee meetings of the Audit Committee, Remuneration Committee and the Nomination Committee; (ii) the Company's annual general meeting in each year; (iii) one or more annual Board away days per year; and (iv) at least one site visit per year. In addition to his fees, details of which are set out above, Dr Lillywhite is entitled to be reimbursed his reasonable and properly documented out-of pocket expenses.
- (b) **Andy Malpass:** was appointed a Non-Executive Director to the Company pursuant to the terms of a letter of appointment dated 1 June 2015. The appointment is for an initial period of 12 months (subject to election at the next annual general meeting). Pursuant to this letter of appointment, Mr Malpass is required to devote an appropriate amount of time to his role, which is currently agreed to be equivalent to 20–25 days per annum. This time commitment will include attendance at: (i) monthly Board meetings and any committee meetings of the committees on which Mr Malpass serves; (ii) the Company's annual general meeting in each year; (iii) one or more annual Board away days per year; and (iv) at least one site visit per year. In addition to his fees, details of which are set out above, Mr Malpass is entitled to be reimbursed his reasonable and properly documented out-of pocket expenses.

- (c) **Chris Cowan:** was appointed a Non-Executive Director to the Company pursuant to the terms of a letter of appointment dated 1 June 2015. The appointment is for an initial period of three years (subject to election at the next annual general meeting). Pursuant to this letter of appointment, Mr Cowan is required to devote an appropriate amount of time to his role, which is currently agreed to be equivalent to 20–25 days per annum. This time commitment will include attendance at: (i) monthly Board meetings and any committee meetings of the committees on which Mr Cowan serves; (ii) the Company's annual general meeting in each year; (iii) one or more Board away days per year; and (iv) at least one site visit per year. In addition to his fees, details of which are set out above, Mr Cowan is entitled to be reimbursed his reasonable and properly documented out-of-pocket expenses.
- (d) **Tom Burnet:** was appointed a Non-Executive Director to the Company pursuant to the terms of a letter of appointment dated 1 June 2015. The appointment is for an initial period of three years (subject to election at the next annual general meeting). Pursuant to this letter of appointment, Mr Burnet is required to devote an appropriate amount of time to his role, which is currently agreed to be equivalent to 20–25 days per annum. This time commitment will include attendance at: (i) monthly Board meetings and any committee meetings of the committees on which Mr Burnet serves; (ii) the Company's annual general meeting in each year; (iii) one or more Board away days per year; and (iv) at least one site visit per year. In addition to his fees, details of which are set out above, Mr Burnet is entitled to be reimbursed his reasonable and properly documented out-of-pocket expenses.

7.4.2.2 Termination provisions

Each of the Non-Executive Directors' services are terminable in certain circumstances, including on the giving of three months' written notice by either party and failure to be re-elected by shareholders.

7.4.3 Directors' indemnity insurance

The Company has customary directors' indemnity insurance in place in respect of each of the Directors.

7.4.4 Senior Manager

7.4.4.1 General Terms

(a) **Brian Gannon:**

Brian Gannon has been employed since 1 January 2007. He entered into his current contract of employment with Kainos Software Limited on 28 July 2014. He currently holds the role of Senior Vice President, Corporate Development. From Admission, Mr Gannon's current salary will be £190,000 per annum. Mr Gannon is entitled to participate in a discretionary bonus scheme under which his on target bonus would be £100,000. He is entitled to various benefits under his contract of employment including pension, private medical insurance, permanent health insurance and death in service cover. There are provisions in the contract of employment requiring Mr Gannon to keep information about his employer confidential and to protect his employer's intellectual property rights. There are also a number of restrictive covenants which seek to restrict Mr Gannon's activities for 12 months following termination of his employment.

7.5 **Directors' and senior managers' remuneration**

For the financial year ended 31 March 2015, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to each of the Directors and the Senior Managers by members of the Group was approximately £1,784,075⁽¹⁾.

7.5.1 Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the financial year ended 31 March 2015, the Directors and Senior Managers were remunerated as set out below:

<i>Name</i>	<i>Base salary</i>	<i>Fees</i>	<i>Benefits⁽³⁾</i>	<i>Bonus</i>	<i>Total (exc. pension)</i>	<i>Pension</i>	<i>Total (inc. pension)</i>	<i>Date of joining the Group</i>
Directors⁽²⁾								
John Lillywhite	–	£45,000	–	–	£45,000	–	£45,000	01/04/13
Brendan Mooney	£200,000	–	£6,600	£227,679	£434,279	£17,575	£451,854	19/06/89
Richard McCann	£155,000	–	£6,000	£170,760	£331,760	£6,810	£338,570	07/03/11
Paul Gannon ⁽⁴⁾	£136,788	–	€18,500	£256,709	£393,497	£20,518	£414,015	01/01/98
	£55,000			€104,353	€159,353		€159,353	
Senior Managers								
Brian Gannon	£185,553	–	N/A	£94,866	£280,419	£12,000	£292,419	01/01/07
Other Senior Managers	£775,450	–	£49,638	£374,548	£1,199,636	£55,690	£1,255,326	

Notes:

- (1) For the purposes of this disclosure, the part of Paul Gannon's remuneration which is in Euros has been converted to Pounds Sterling at an exchange rate of 0.72 Pounds Sterling to 1.0 Euro.
- (2) Andy Malpass, Chris Cowan and Tom Burnet were each appointed as non-executive directors in the period subsequent to 31 March 2015 and therefore information relating to their fees is not included in the table above. Information relating to the fees agreed to be paid to these non-executive directors can be found at paragraph 7.4.2 of this Part XIV (*Additional Information*).
- (3) Benefits represent the provision of a car allowance as an alternative to a company car.
- (4) Paul Gannon is remunerated in Euros for Republic of Ireland company services and Sterling for UK company services.

7.5.3 There is no arrangement under which any Director or Senior Manager has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

7.5.4 No amounts have been set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors or Senior Managers.

7.6 **Conflicts of interest**

7.6.1 Certain of the Directors are directors of one or more of the subsidiary companies. These directorships and shareholdings potentially give rise to a conflict of interest between the relevant Directors' duties to the Company and their duties to, or interests in, the relevant subsidiary company. For example, if the Group has offered to provide capital to one of its subsidiary companies on which one of its Directors sits on the board, that Director owes certain duties to the subsidiary company in his capacity as a director when that company considers such offer, such as the duty to avoid conflicts of interest, to exercise independent judgement and to promote the success of the company for the benefit of its members as a whole. It may be that in seeking to exercise such duties, this conflicts with the same duties that Director owes to the Company. In such circumstances, the Director will ensure that he declares all such conflicts in accordance with the Companies Act and may be required to abstain from taking part in the discussions and/or voting on any decisions to be taken in respect thereof. In the same way, if a Director is a shareholder in a subsidiary company to which the Group is considering providing capital, it may be that his personal interests are potentially in conflict with the duties that Director owes to the Company in considering the merits of the provision of such capital. Again, such Director will fully declare all such conflicts of interest in accordance with the Companies Act and may be required to abstain from taking part in the discussions and/or voting on any decisions to be taken in respect thereof.

7.6.2 Save as referred to in paragraph 7.6.1 above, there are no actual or potential conflicts of interest between the Directors' duties to the Company and their private interests and other duties.

7.7 **Directors' and senior managers' confirmations**

7.7.1 Save as set out in paragraphs 7.7.2 to 7.7.4 below, during the last five years, no Director or Senior Manager has:

- 7.7.1.1 been convicted in relation to a fraudulent offence;
- 7.7.1.2 been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or senior management of any company;
- 7.7.1.3 been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies);
- 7.7.1.4 been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer;
- 7.7.1.5 been a partner in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership or voluntary arrangement, or had a receiver appointed over any partnership asset;
- 7.7.1.6 had a receiver appointed with respect to any assets belonging to him; or
- 7.7.1.7 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time during which he was a director of that company or within 12 months after his ceasing to be a director.

7.7.2 John Lillywhite was a director of Barnwell Limited from 9 December 1996 to July 2013, a company which went into voluntary solvent liquidation and was dissolved on 12 June 2014.

7.7.3 Brendan Mooney was a director of Hewson Consulting Limited from 20 May 2002 until it was dissolved.

7.7.4 Andy Malpass was also a director of Fidessa WLL, Royalblue Financial Limited and Royalblue Group Limited, which have all been dissolved.

8. **Significant Shareholders and the Selling Shareholders**

8.1 As at 6 July 2015 (being the latest practicable date prior to the publication of this Prospectus), the Directors were aware of the following persons who, in addition to the Directors and Senior Managers set out in paragraph 7.2.1 of this Part XIV (*Additional Information*), directly or indirectly, were interested in three per cent. or more of the Company's capital or voting rights:

	<i>Following Reorganisation and immediately prior to Admission</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital¹</i>
<i>Shareholders</i>				
QUBIS	39,000,000	33.61%	18,947,257	16.06%
Frank Graham	6,751,640	5.82%	–	–

Notes:

- (1) Assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission).

8.2 **Selling shareholders:**

8.2.1 Pursuant to the Offer, 37,691,763 Ordinary Shares will be sold by or behalf of the Selling Shareholders. The interests in Ordinary Shares of the Selling Shareholders immediately prior to Admission, together with their interests in Ordinary Shares immediately following Admission (assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission)) is set out below:

<i>Shareholder</i>	<i>Number of issued Ordinary Shares immediately prior to Admission</i>	<i>Percentage of issued ordinary share capital immediately prior to Admission</i>	<i>Number of issued Ordinary Shares immediately following Admission</i>	<i>Percentage of issued ordinary share capital immediately following Admission¹</i>
John Lillywhite	1,812,000	1.56	434,000	0.37
Brendan Mooney ²	16,967,020	14.62	14,107,020	11.96
Richard McCann ²	6,139,997	5.29	6,139,997	5.21
Paul Gannon ²	11,131,240	9.59	9,131,240	7.74
Brian Gannon	7,217,440	6.22	6,217,440	5.27
Frank Graham	6,751,640	5.82	–	–
QUBIS Limited	39,00,000	33.61	18,947,257	16.06
Joseph Hyland	218,260	0.2	173,480	0.1
Joanne Daly	390,720	0.3	210,720	0.2
Jacqueline Devine	218,280	0.2	173,480	0.1
Ivan Taylor	7,800	0.0	–	–
Clifford Rosney	369,000	0.3	439,000	0.3
Brian Reid	2,624,720	2.3	2,000,000	1.7
Susan McKeever	3,068,980	0.3	318,980	0.3
Stephanie Maury	500,000	0.4	–	–
Paula Barber	291,460	0.3	268,460	0.2
Paul Hamill	550,000	0.5	350,000	0.3
Kieran Barber	25,420	0.0	15,420	0.0
Joseph McKavanagh	17,340	0.0	9,680	0.0
Daniel Magill	3,351,020	2.9	941,000	0.8
Andrew Miller	7,630	0.0	–	–
Alan Dodridge	4,800	0.0	–	–
Sara Lillywhite	518,000	0.4	–	–
Sandra Duff	14,600	0.1	8,000	0.1
Maureen Paul	89,500	0.0	80,000	0.1
Jeffrey Rea	15,900	0.0	7,960	0.0

Notes:

1. Assuming the Employee Offer is fully subscribed and the issue of 757,554 Ordinary Shares pursuant to the SIP in connection with Admission (being the maximum number of Ordinary Shares that can be issued pursuant to the SIP in connection with Admission).
2. Each of the Directors and Senior Managers will receive Ordinary Shares pursuant to the SIP in connection with Admission, having a maximum value of £3,600 and these additional Ordinary Shares are not included in the shareholdings shown above.

8.3 **Immediately after admission:**

- 8.3.1 save as disclosed in paragraph 8.1 above, the Company is not aware of any persons who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company;
- 8.3.2 the Company is not aware of any arrangements, the operation of which may, at a subsequent date, result in a change of control of the Company; and
- 8.3.3 none of the Shareholders set out above has or will have different voting rights.

9. Share incentive plans

9.1 *New share incentive plans*

On 6 July 2015, the Company adopted the following employee share plans ("**Share Plans**"). Under each of these plans, awards may be granted to employees and directors of the Group which entitle them to acquire Ordinary Shares subject to certain conditions:

- 9.1.1 the Kainos Group Performance Share Plan ("**PSP**"), which includes a tax-advantaged CSOP sub-plan ("**CSOP Sub-Plan**");
- 9.1.2 the Kainos Group SAYE Plan ("**SAYE Plan**");
- 9.1.3 the Kainos Group Share Incentive Plan ("**SIP**");
- 9.1.4 the Kainos Group Ireland Share Scheme ("**Ireland Share Scheme**");
- 9.1.5 the Kainos Group Poland Share Scheme ("**Poland Share Scheme**"); and
- 9.1.6 the Employee Offer.

Under the PSP, awards have been made, conditionally upon Admission, over a total of 1,183,452 Ordinary Shares ("**PSP Admission Awards**") to the Directors and Senior Managers as set out in paragraph 7.2.2 of this Part XIV (*Additional Information*). Details of the performance conditions which apply to these awards are set out in paragraph 9.2.5 of this Part XIV (*Additional Information*).

It is also intended in connection with Admission to grant options ("**Market Value Admission Awards**") to each of a number of Senior Managers and other employees over Ordinary Shares having a market value at grant of £30,000. The maximum aggregate value of Ordinary Shares (measured at the date of grant of the options) which will be subject to these awards will be £1,170,000. These options will have an exercise price per Ordinary Share equal to the market value of an Ordinary Share at the date of grant of the option and will generally be exercisable three to ten years from the date of grant (subject to continued employment) but will not be subject to performance conditions. Where appropriate, these options will be granted under the CSOP Sub-Plan and otherwise under the PSP.

It is also proposed in connection with Admission to grant options over a maximum of 59,569 Ordinary Shares pursuant to the PSP to Irish resident employees with an exercise price at a discount of 20 per cent. to the Offer Price. These options are in place of introducing a savings-related share option scheme in Ireland. The options will vest three years from the date of grant, subject to the participant's continued employment within the Group (save in the circumstances specified in paragraph 9.2.6 below).

It is also proposed, in connection with Admission, to grant awards to all UK-based qualifying employees pursuant to the SAYE Plan and the SIP as follows:

- options over a maximum of 1,302,734 Ordinary Shares in aggregate will be granted at or shortly following Admission to qualifying employees (including executive directors) who accept an invitation to participate in the SAYE Plan; and
- a maximum of 757,554 Free Shares (as defined in paragraph 9.5.4 of this Part XIV (*Additional Information*)) will be allocated in connection with Admission to all UK-based qualifying employees (including executive directors) pursuant to the SIP. The number of Free Shares allocated will vary according to the length of service of qualifying employees but the maximum individual allocation will be of Ordinary Shares having a market value at the date of acquisition of £3,600.

It is also proposed, as soon as reasonably practicable following Admission, to make awards to Irish resident qualifying employees pursuant to the Ireland Share Scheme and to Polish resident qualifying employees pursuant to the Poland Share Scheme. Further details of the Poland Share Scheme and the Ireland Share Scheme and of the proposed awards are given in paragraphs 9.6 and 9.7 respectively of this Part XIV (*Additional Information*).

Summaries of the key features of the Share Plans are set out in paragraphs 9.2 to 9.8 below. The following features are common to all of the Share Plans:

Dilution limits

The maximum number of new Ordinary Shares over which awards may be granted under the Share Plans in any 10 year period may not exceed 10 per cent. of the number of Ordinary Shares in issue from time to time.

For so long as institutional guidelines recommend, Ordinary Shares transferred from treasury to satisfy awards will count as newly issued shares for these purposes.

Awards which have lapsed or been surrendered will not count towards this dilution limit, nor will the PSP Admission Awards, the Market Value Admission Awards, the awards proposed to be made at or shortly following Admission pursuant to the SAYE Plan and SIP as detailed above nor any Ordinary Shares issued prior to Admission pursuant to share incentive arrangements operated by the Group prior to Admission. Ordinary Shares acquired by employees pursuant to the Employee Offer will also not count towards this limit.

Pension Benefits

None of the benefits which may be received under any of the Share Plans will be pensionable, save insofar as required by applicable laws.

Rights attaching to Ordinary Shares

Any Ordinary Shares issued or transferred on vesting or exercise of an award under any of the Share Plans will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their issue or transfer).

9.2 **Performance share plan**

9.2.1 *Overview*

On 6 July 2015, the Company adopted the PSP. Under the PSP, awards in the form of options (“**Options**”) over Ordinary Shares or conditional rights to acquire Ordinary Shares (“**Conditional Share Awards**”) may be granted to employees and directors of the Group. The Company has adopted the CSOP Sub-Plan as a sub-plan to the PSP which permits the grant of options with a market value exercise price (“**CSOP Options**”) (and, together with Options and Conditional Share Awards “**Awards**”) over Ordinary Shares and which meets the requirements of a company share option plan (“**CSOP**”) for the purposes of schedule 4 to the Income Tax (Earnings & Pensions) Act 2003.

The Remuneration Committee will generally supervise the operation of the PSP and will grant Awards under it (and will always do so in relation to participation by Executive Directors).

Awards may be granted either with a nil/nominal exercise or purchase price (“**Nil Cost Awards**”), or an exercise price equal to, or at a discount to, the market value of an Ordinary Share on the grant date. Nil Cost Awards will be subject to appropriately challenging performance criteria reflecting the nil/nominal exercise or purchase price.

The principal features of the PSP are set out in paragraphs 9.2.2 to 9.2.13 below.

9.2.2 *Participation*

Participation in the PSP is open to directors and employees of the Group.

Nil Cost Awards have been made under the PSP conditionally on Admission (“**PSP Admission Awards**”) in respect of a total of 1,183,452 Ordinary Shares to the Directors and Senior Managers as set out in paragraph 7.2.2 of this Part XIV (*Additional Information*). Details of the performance conditions which apply to these Nil Cost Awards are set out in paragraph 9.2.5 of this Part XIV (*Additional Information*).

It is also intended in connection with Admission to grant the Market Value Admission Awards as described in paragraph 9.1 of this Part XIV to a number of Senior Managers and other employees. These options will be granted under the CSOP Sub-Plan or PSP as appropriate, will have an exercise price equal to market value at grant, will be subject to time-based vesting only and will generally vest three years after the date of grant, subject to the continued employment of the option holders (save in the circumstances specified in paragraph 9.2.6 below). Of these options, options over Ordinary Shares having a maximum value of £330,000 will be granted to the Senior Managers as set out in paragraph 7.2.2 of this Part XIV (*Additional Information*).

It is also proposed in connection with Admission to grant options over a maximum of 59,569 Ordinary Shares pursuant to the PSP to Irish resident employees with an exercise price at a discount of 20 per cent. to the Offer Price. These options are in place of introducing a savings-related share option scheme in Ireland and similar options may be granted to Irish resident employees in the future when options are granted under the SAYE Plan to UK resident employees. The options to be granted shortly following Admission will vest three years from the date of grant, subject to the participant's continued employment within the Group (save in the circumstances specified in paragraph 9.2.6 below).

9.2.3 *Timing of grant of awards*

Generally, Awards can only be made prior to but conditionally upon approval to Admission, in the six week period following Admission and thereafter, only in the six week period following the announcement by the Company of its results for any period. However, in circumstances which the Remuneration Committee considers exceptional, Awards may be made outside these six week periods.

9.2.4 *Individual participation limit*

The maximum value of Ordinary Shares over which Awards under the PSP may be granted to a participant in any financial year of the Company may not generally exceed 200 per cent. of his basic salary for that financial year (or for the preceding financial year, if greater). Exceptionally, this limit does not apply to the PSP Admission Awards and Market Value Admission Awards nor if circumstances arise which the Remuneration Committee believes justify granting Options outside this limit but in the latter case, the limit shall not exceed 300 per cent. of basic salary.

9.2.5 *Performance targets and vesting*

Awards will normally only vest after a minimum period of three years. Vesting of all Nil Cost Awards will normally be subject to the achievement of appropriate performance conditions and vesting of all Awards will normally be subject to the participant continuing to be an employee or director of the Group at the time of vesting.

In respect of the PSP Admission Awards, vesting is dependent upon achievement of performance conditions based on adjusted earnings per share ("**EPS**") and total shareholder return ("**TSR**"). The vesting of 50 per cent. of each PSP Admission Award will be subject to a condition that measures the growth in adjusted EPS of the Company over a three year performance period (using the financial year ending 31 March 2015 as the base year) as follows:

<i>EPS growth over three year period</i>	<i>Percentage of Shares subject to the condition that will vest</i>
Less than 9 per cent. per year	Nil
9 per cent. per year	30 per cent.
16 per cent. per year	100 per cent.
Between 9 and 16 per cent. per year	Between 30 per cent. and 100 per cent. on a straight line basis

The vesting of the remaining 50 per cent. of each PSP Admission Award will be subject to a condition that measures the Company's TSR over the three year period from Admission as follows:

<i>TSR over three year period</i>	<i>Percentage of Shares subject to the condition that will vest</i>
Less than 9 per cent. per year	Nil
9 per cent. per year	30 per cent.
16 per cent. per year	100 per cent.
Between 9 and 16 per cent. per year	Between 30 per cent. and 100 per cent. on a straight line basis

Where performance conditions have been set, if events subsequently happen which cause the Remuneration Committee to consider that any performance condition no longer represents a fair measure of performance, the Remuneration Committee may amend the performance condition so as to be more appropriate.

To the extent that any Award does not vest, it will forthwith lapse.

Awards which vest will normally be capable of exercise until the date which is ten years less one day from the date of grant, unless the Remuneration Committee specifies a shorter period for exercise at the date of grant of the Award.

9.2.6 *Ceasing to be an employee*

Participants who cease to be employees or directors within the Group will normally forfeit any unvested Awards.

However, if a participant leaves as a result of death, ill health, injury, disability, redundancy, retirement, the sale of the participant's employing company or business out of the Group or for any other reason determined by the Remuneration Committee ("**good leaver**"), that participant (or his personal representatives if the participant has died) will be allowed to retain his unvested Awards (other than CSOP Options which will vest on cessation of employment as described in the following paragraph) which will vest, subject to the achievement of any applicable performance conditions, on the normal date as if that participant had continued in employment within the Group. However, the number of Ordinary Shares in respect of which the Award vests will then be reduced on a *pro rata* basis to take account of the period of time since the date of grant during which the participant was not an employee or director of the Group (unless the Remuneration Committee determines not to apply such pro rating and to allow vesting to a greater extent).

Notwithstanding this, the Remuneration Committee may instead determine that an Award granted to a good leaver may vest early when he leaves, to the extent to which, at the date of cessation of employment, the performance conditions applicable to that Award have been satisfied (as determined by the Remuneration Committee acting reasonably) and on a *pro rata* basis taking into account the period of time which has elapsed since the Award was granted (unless the Remuneration Committee determines not to apply such pro rating and to allow vesting to a greater extent).

To the extent that Options or CSOP Options held by a good leaver have vested or vest, they may be exercised for a period of six months following the date of cessation of employment, or following vesting if later, (or such longer period as the Remuneration Committee determines) and will otherwise lapse at the end of that period. If a participant has died, any Options or CSOP Options held by him which have vested or vest following his death may be exercised for a period of 12 months following his death, or following the date of vesting, if later and will otherwise lapse at the end of that period.

A participant who leaves and is not a good leaver will forfeit any unvested Awards. A participant who is dismissed for cause will also forfeit any vested Awards.

9.2.7 *Change of control and other corporate events*

If there is a change of control of the Company, or a court sanctioned compromise or arrangement, or a voluntary winding up, Awards will vest early. The number of Ordinary Shares in respect of which Awards will vest will generally be calculated on the basis of the extent to which the performance conditions applicable to those Awards have been satisfied as at the date of the change of control (or other event), although the Remuneration Committee may, if it considers the circumstances justify it, resolve that such vesting be to a greater extent. The resulting number of Ordinary Shares will then be reduced on a *pro rata* basis to reflect the reduced period between the date the Award was granted and the date of the change of control (or other event), unless the Remuneration Committee decides to allow vesting to a greater extent.

To the extent that Options or CSOP Options vest on an event described above, they may be exercised within a period of up to six months after the date of the relevant event.

Where appropriate, for example in the case of an amalgamation or reconstruction of the Company, with the consent of the acquiring company, participants may be permitted to exchange Awards so as to operate over shares in the acquiring company.

Other than in the case of CSOP Options, on the occurrence of any demerger, distribution or other transaction of the Company which in the reasonable opinion of the Remuneration Committee may materially affect the value of any Awards, the Remuneration Committee may vary or alter in any manner whatsoever the terms of any Option so as to preserve the overall value of the Option. Such alteration may include amending any performance condition and/or the terms on which an Option vests and may provide for immediate vesting on such event.

9.2.8 *Dividend equivalent*

An Award may include the right, on vesting of Conditional Share Awards or the exercise of Options (other than CSOP Options), to additional Ordinary Shares or cash equal in value/amount to dividends paid during the vesting period in respect of a number of Ordinary Shares equal to the number in respect of which the relevant Award has vested.

9.2.9 *Malus and clawback*

The Remuneration Committee may determine on the grant of an Award that a term of the Award shall be that the Remuneration Committee may decide, at any time prior to the vesting of an Award, that the number of Ordinary Shares subject to the Award shall be reduced on such basis as it determines to be fair and reasonable, if the Remuneration Committee determines that there has been a material misstatement in the audited accounts of any Group Company, that the assessment of any performance condition applicable to that Award was based on a material error, or materially inaccurate or misleading information, or in the case of action or conduct of the participant which amounts to fraud or gross misconduct or has a material detrimental effect on the reputation of the Group.

In addition, awards may be granted on terms that the Remuneration Committee may apply clawback to all or a part of the Award in the circumstances set out above during the period of three years (or such other period not exceeding three years as the Remuneration Committee may determine) following vesting of the Award. Clawback may be effected by the requiring the transfer of Ordinary Shares or payment of proceeds of sale of Shares acquired on vesting/exercise.

9.2.10 *Taxation*

Under the terms of the PSP, the participant agrees to pay to the relevant Group Company the amount of any income tax and employee social security contributions which the Group Company is required to withhold and/or account for to any fiscal authority in respect of his Awards. To the extent permitted by law, such tax and social security liabilities may be deducted from other payments due to the participant and the relevant Group Company may withhold and sell Ordinary Shares to which the participant would otherwise be entitled under the Plan to raise funds in order to meet such liabilities. To the extent permitted by law, such social security contributions may also include employer contributions.

9.2.11 *Variation of share capital*

In the event of any increase or variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital or otherwise, the number and/or description of Ordinary Shares over which an Award has been made and any purchase price in respect of such Awards and other terms of the Awards may be adjusted by the Remuneration Committee as it determines to be appropriate (provided that no adjustment shall result in Ordinary Shares being issued at less than nominal value unless the Company is authorised to capitalise an amount from reserves to meet the shortfall and to apply such amount in paying up the Ordinary Shares).

9.2.12 *Amendment of the PSP*

The terms of the PSP may be amended by the Remuneration Committee.

However, certain amendments which would benefit participants may not be made without prior shareholder approval unless the amendments are minor amendments which are to benefit the administration of the PSP or are to take account of applicable legislation or any change therein or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company (or any Group company) or for participants. An amendment may not normally adversely affect the rights of a participant except with such participant's consent.

The provisions which may not generally be amended without shareholder approval are to amend: (i) the basis for determining an eligible individual's entitlement (or otherwise) to be granted an Award and/or to acquire Ordinary Shares on the exercise of an Option and/or to become absolutely entitled to Ordinary Shares subject to a Conditional Share Award (as the case may be) under the PSP, (ii) the persons to whom an Award may be granted, (iii) the individual and overall limits on the number of Ordinary Shares over which Awards may be granted, (iv) the price at which Ordinary Shares may be acquired under an Award and the adjustment of Awards on a variation of share capital.

9.2.13 *Term of the PSP*

The life of the PSP will be ten years and no Options may therefore be granted more than ten years after the date on which it was approved by shareholders.

9.2.14 *Employee benefit trust*

9.2.14.1 The administration and operation of the PSP will be facilitated by the trustee ("**Trustee**") of a non UK resident employee benefit trust ("**EBT**"). The Trustee will be an independent professional trustee but when exercising its discretions, the Trustee will have regard to the recommendations of the Remuneration Committee.

9.2.14.2 The EBT may subscribe for Ordinary Shares or may purchase Ordinary Shares in the market in order to satisfy awards made under the PSP. In respect of Ordinary Shares acquired by subscription, the subscription price to be paid by the EBT will be the market value of the Ordinary Shares on the day that the awards are made.

9.2.14.3 The duration of the EBT will be 125 years.

9.2.14.4 The EBT will not hold more than five per cent. of the issued ordinary share capital of the Company without shareholder approval and the Trustees will not exercise any voting rights in respect of Ordinary Shares held in the EBT from time to time except for voting rights in respect of Ordinary Shares which are beneficially owned by any beneficiary of the EBT and in relation to which the EBT has received voting instructions from that beneficiary.

9.2.14.5 The Company (or other Group Companies) will fund the EBT to enable it to acquire Ordinary Shares.

9.3 **CSOP Sub-Plan**

The CSOP Sub-Plan permits the Company to grant CSOP Options which have tax advantages pursuant to the provisions of schedule 4 to the Income Tax (Earnings & Pensions) Act 2003 ("**Schedule 4**"). Where such CSOP Options are granted, the terms of the PSP rules will apply save insofar as those terms are required to be modified in order to comply with Schedule 4. In particular:

- 9.3.1 the aggregate subscription price (at the date of grant) of all outstanding CSOP Options granted to any one participant under the CSOP Sub-Plan and under any other Schedule 4 scheme adopted or operated by the Company may not exceed £30,000;
- 9.3.2 CSOP Options may not have an exercise price less than the market value of an Ordinary Share at the date of grant of the Option;
- 9.3.3 it is intended that vesting of CSOP Options will not generally be subject to the achievement of performance conditions;
- 9.3.4 only employees and full-time directors of the Group are eligible to be granted CSOP Options;
- 9.3.5 dividend equivalents will not be paid in respect of CSOP Options;
- 9.3.6 malus and clawback provisions will not apply; and
- 9.3.7 the provisions which allow the Remuneration Committee to alter or vary an Award on the occurrence of a demerger, distribution or other transaction of the Company shall not apply to CSOP Options.

9.4 **SAYE Plan**

9.4.1 *Overview*

The Board (or a duly authorised committee thereof) will supervise the operation of the SAYE Plan.

Under the SAYE Plan, the Board may grant options ("**SAYE Options**") to acquire Ordinary Shares to UK tax-resident eligible employees and, at its discretion, to other eligible employees.

The SAYE Plan has been designed to satisfy the conditions set out in schedule 3 to the Income Tax (Earnings & Pensions) Act 2003 ("**ITEPA**") so that Ordinary Shares may be provided to such employees in a tax-efficient manner.

9.4.2 *Eligibility*

Employees and full-time directors of the Company or of any designated participating subsidiary are eligible to participate. The Board may require employees to have completed a qualifying period of employment of up to five years before being eligible for the grant of an SAYE option.

Invitations to participate, as well as the SAYE Options themselves, are personal to the participant and may not be assigned.

9.4.3 *Grant of SAYE Options and savings contract*

Invitations to eligible employees to apply for the grant of SAYE Options may generally only be issued in the six week period following the adoption of the SAYE Plan and thereafter, only in the six week period following the announcement by the Company of its results for any period save in relation to the SAYE Options proposed to be granted at or shortly following Admission. However, in circumstances which the Board considers exceptional, SAYE Options may be made outside these six week periods. Options must be granted within 30 days (or 42 if applications are scaled back) of the first day by reference to which the option exercise price is set.

Each participant who applies for a SAYE Option must enter into a savings contract ("**Contract**") approved by the Board for a period of three or five years. The participant will make monthly savings to the Contract of an amount, decided by him, up to the maximum specified by the Board (not exceeding the maximum specified by the legislation, currently £500 per month). No other payment is required for the grant of an SAYE Option. The number of Ordinary Shares in

respect of which an SAYE Option is granted will be such that total option exercise price payable on exercise of the SAYE Option corresponds to the proceeds of the Contract on maturity.

9.4.4 Exercise price of SAYE Options

The exercise price of an SAYE Option will, for each Ordinary Share subject to the Option, be not less than the higher of (i) the nominal value of an Ordinary Share and (ii) 80 per cent. of the market value of an Ordinary Share at the time at which invitations to apply for the grant of SAYE Options are issued, or, in the case of SAYE Options proposed to be granted in connection with Admission, 80 per cent. of the market value of an Ordinary Share at the time of grant.

9.4.5 Exercise of SAYE Options

SAYE Options may generally only be exercised during the six-month period following the third or fifth anniversary of the commencement of the related Contract.

9.4.6 Cessation of employment

Generally, SAYE Options will lapse if the participant ceases to be employed within the Group. However, if the reason for ceasing to be employed is injury, disability, redundancy, retirement, or the sale or transfer of his employment Company or business out of the Group, his SAYE Options may be exercised within six months from the date of such cessation to the extent of any savings in the Contract made up to the time of exercise.

In the event of the participant's death, SAYE Options may be exercised by the participant's personal representatives generally within 12 months of the participant's death to the extent of any savings in the Contract up to the point of death.

9.4.7 Change of control and other corporate events

In the event if a change of control of the Company, or certain other corporate events, SAYE Options may generally be exercised during a period of six months following such event.

Alternatively, with the agreement of the acquiring company, SAYE Options may be exchanged for equivalent options over shares in the acquiring company provided certain conditions are met.

9.4.8 Variation of share capital

In the event of any increase or variation of share capital by way of capitalisation, rights issue, sub division, consolidation or reduction of share capital, the number and/or description of Ordinary Shares over which an SAYE Option has been granted, and the exercise price, may be adjusted by the Board as it determines to be appropriate provided that the adjustment is in compliance with the requirements of schedule 3 to ITEPA (and provided that no adjustment shall result in Ordinary Shares being issued at less than nominal value unless the Company is authorised to capitalise an amount from reserves to meet the shortfall and to apply such amount in paying up the Ordinary Shares).

9.4.9 Amendment of the SAYE Plan

The terms of the SAYE Plan may be amended by the Board.

However, certain amendments which would benefit participants may not be made without prior shareholder approval unless the amendments are minor amendments which are to benefit the administration of the SAYE Plan or are necessary or desirable to comply with or take account of applicable legislation or any change therein or to obtain or maintain favourable taxation treatment for the Company (or any Group company) or for participants. An amendment may not normally adversely affect the rights of a participant except with such participant's consent.

The provisions which may not generally be amended without shareholder approval are to amend: (i) the basis for determining an eligible individual's entitlement (or otherwise) to be granted an SAYE Option, (ii) the persons to whom an SAYE Option may be granted, (iii) the individual and overall limits on the number of Ordinary Shares over which SAYE Options may be

granted, (iv) the price at which Ordinary Shares may be acquired on exercise of an SAYE Option, and (v) the adjustment of SAYE Options on a variation of share capital.

9.5 **Share Incentive Plan**

9.5.1 *Overview*

The SIP has been designed to satisfy the conditions set out in schedule 2 to ITEPA so that Ordinary Shares may be provided to employees in a tax-efficient manner.

The SIP will operate through a UK resident trust ("**SIP Trust**") of which the trustees ("**SIP Trustees**") will be professional third-party trustees. The SIP Trustees will acquire Ordinary Shares (by subscription or purchase on the market) which are then held on behalf of participants in the SIP.

The Board (or a duly authorised committee thereof) will supervise the operation of the SIP.

9.5.2 *Eligibility*

All UK resident employees who have been employed within the Group for a minimum qualifying period specified by the Board in relation to any particular proposed award (not being more than 18 months or such other period as may be specified by the legislation from time to time) are eligible to participate in the SIP on similar terms.

9.5.3 *Types of award which may be granted*

Under the SIP, the Board may make the following types of award:

9.5.3.1 free share award;

9.5.3.2 partnership share award; and/or

9.5.3.3 matching share award,

Dividend Shares (as defined in paragraph 9.5.7 below) may also be acquired.

The Board may make different types of award in different financial periods. The principal features of these different types of award are as follows:

9.5.4 *Free Shares*

Awards of free Ordinary Shares ("**Free Shares**") may be made to participants up to a maximum value of £3,600 per participant in each tax year (or such other maximum from time to time permitted by the legislation). Free Shares must be offered to all participants on similar terms but the number awarded can be determined by reference to the employee's remuneration, length of service, number of hours worked and/or the satisfaction of fair and objective performance criteria.

9.5.5 *Partnership Shares*

The Board may allow participants the opportunity to purchase Ordinary Shares ("**Partnership Shares**") out of their pre-tax salary, up to a maximum of £1,800 per tax year or 10 per cent. of pre-tax salary if lower. The purchase price will be deducted from salary subject to a minimum specified by the Board, which may not be greater than £10 on any occasion (or such other amount from time to time specified by the legislation).

The salary allocated to Partnership Shares can be accumulated for a period of up to 12 months ("**Accumulation Period**") or Partnership Shares can be purchased out of deductions from the participant's pre-tax annual basic salary when those deductions are made. A participant and the Company may agree to vary the amount of salary deductions and the intervals of those deductions. If there is an Accumulation Period, the number of Ordinary Shares purchased shall be determined by dividing the participant's aggregate pay deducted during the Accumulation Period by the market value of the Partnership Shares.

Once acquired, Partnership Shares may be withdrawn from the SIP by the participant at any time.

9.5.6 *Matching Shares*

Where participants purchase Partnership Shares, they may be given up to two free Ordinary Shares ("**Matching Shares**") for every purchased Partnership Share. If Matching Shares are allocated, all participants who have purchased Partnership Shares must be awarded Matching Shares on the same basis.

9.5.7 *Dividend Shares*

Participants may receive dividends in cash or may be required or permitted to purchase additional Ordinary Shares ("**Dividend Shares**") using dividends received by them in respect of their Ordinary Shares held under the SIP.

9.5.8 *Holding period and cessation of employment*

All Free Shares and Matching Shares must normally remain within the SIP Trust for a period of three to five years, as specified by the Board at the time the awards are made, unless the participant ceases to be employed within the Group.

If a participant ceases to be an employee within the Group by reason of death, injury or disability, redundancy, retirement, by reason of a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 or by reason of the participant's employing company ceasing to be a member of the Group ("**good leaver**") his Free Shares and/or Matching Shares will be transferred to him (or to his personal representative).

The Board may, in its discretion, provide that if a participant ceases to be an employee of the Group within a period specified by the Board at the date the award is made in circumstances when he is not a good leaver (as defined in this paragraph 9.5.8), his Free Shares and Matching Shares will be forfeited and he will have no further entitlement to them.

9.5.9 *Rights relating to the shares*

Ordinary Shares held under the SIP shall, subject to the provisions of the SIP, rank *pari passu* in all respects with other Ordinary Shares.

Where Ordinary Shares are held under the SIP by the SIP Trustee on behalf of a participant, the SIP Trustee must comply with any voting instructions given by the participant and otherwise, save as required or permitted by the SIP, deal with a participant's Shares only in accordance with his directions.

9.5.10 *Company events*

In the event of a general offer being made to Shareholders (or similar takeover event taking place) during a holding period, participants will be able to direct the SIP Trustee as to how to act in relation to their Ordinary Shares held in the SIP. In the event of a corporate re-organisation, any Ordinary Shares held by participants may be replaced by equivalent shares in a new holding company.

9.5.11 *Variation of capital*

Ordinary Shares, or rights to them, acquired by participants on a variation of share capital of the Company will usually be treated in the same way as the Ordinary Shares acquired or awarded under the UK SIP, in respect of which the rights were conferred and as if they were acquired or awarded at the same time.

9.5.12 *Alterations to the SIP*

The Board may alter the SIP but certain alterations cannot take effect without the approval of the Company's shareholders in general meeting, unless they are minor amendments to the benefit of the administration of the SIP or are to take account of the change in legislation, or

are to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the SIP or for any member of the Group. The amendments which cannot generally be made without shareholder approval are to the class of eligible employees, the limits on the number of new Ordinary Shares which may be issued under the SIP, the maximum entitlement of an individual participant and the basis for determining any participant's entitlement to Shares. No alteration to the SIP can be made which would adversely prejudice (to a material extent) the rights attaching to Shares acquired by the participants.

9.6 **Poland Share Scheme**

The Poland Share Scheme will allow the Company to grant options and conditional share awards in respect of Ordinary Shares to individuals who are employees of the Company's Polish subsidiaries and who are resident in Poland. The intention is that awards under the Poland Share Scheme will be similar to awards made to UK resident employees under the SAYE Plan and the SIP with certain modifications, for example, options will not be linked to a savings contract as is the case for SAYE Options. The Poland Share Scheme is, however, flexible to allow options and/or conditional share awards to be made on a different basis to Polish resident employees. Subject to obtaining a positive tax ruling from the Polish tax authorities, it is proposed to grant awards under the Poland Share Scheme shortly following Admission as follows:

- a grant of options to Polish employees which will normally be exercisable three years from the date of grant subject to continued employment until that date. Options will be granted to a participant at a similar level to the level of SAYE Options granted to UK participants in the SAYE Plan at or shortly following Admission; and
- a conditional share award of Ordinary Shares to Polish employees which will generally vest three years following the date of grant subject to continued employment until that date. On vesting, Ordinary Shares will be acquired by the employees either at no cost or at the nominal value of an Ordinary Share for each Ordinary Share acquired. Awards will be on a similar basis in terms of amount and length of service as for awards to participants under the SIP at or shortly following Admission.

The key features of the Poland Share Scheme are as follows:

9.6.1 *Operation of the Poland Share Scheme*

The Board (or a duly authorised committee thereof) will supervise the operation of the Poland Share Scheme.

9.6.2 *Eligibility*

Under the Poland Share Scheme, the Board may grant awards to acquire Ordinary Shares to directors and employees of any Polish resident or incorporated subsidiary who are resident in Poland.

Invitations to participate, as well as the awards themselves, are personal to the participant and may not be assigned.

9.6.3 *Grant of awards*

Invitations to eligible employees to apply for the grant of awards under the Poland Share Scheme may generally only be issued in the six week period following the giving to the Polish employing company of any tax ruling by the Polish tax authorities which is relevant for the purposes of an award under the Poland Share Scheme, and thereafter, only in the six week period following the announcement by the Company of its results for any period. However, in circumstances which the Board considers exceptional, awards may be made outside these six week periods.

9.6.4 *Types of award*

An award under the Poland Share Scheme may take the form of:

- an option to acquire Ordinary Shares; or

- a conditional share award under which the employee will be entitled to receive Ordinary Shares upon vesting. On vesting, employees may either receive Ordinary Shares free or at a price equal to the nominal value per Ordinary Share of each Ordinary Share received (each a “**Conditional Free Share Award**”) or may be required to pay a greater price (a “**Conditional Purchase Share Award**”).

9.6.5 *Cessation of employment*

Generally, awards will lapse if the participant ceases to be employed within the Group. However, if the reason for ceasing to be employed is as a result of or following death, injury, disability, redundancy, retirement, or the sale or transfer of his employing Company or business out of the Group, (or in certain other circumstances, at the discretion of the Board), his awards will vest (in whole or in part) and, in the case of options, may be exercised within six months from the date of such cessation (or such longer period as the Board may allow) or 12 months following cessation where the reason is the participant's death.

9.6.6 *Change of control and other corporate events*

In the event if a change of control of the Company, or certain other corporate events, outstanding awards will generally vest.

Alternatively, with the agreement of the acquiring company, participants may be permitted to exchange awards for equivalent awards over shares in the acquiring company.

9.6.7 *Variation of share capital*

In the event of any increase or variation of share capital by way of capitalisation, rights issue, sub division, consolidation or reduction of share capital or otherwise, the number and/or description of Ordinary Shares over which an award has been made under the Poland Share Scheme, and any purchase price in respect of such awards may be adjusted by the Board as it determines to be appropriate (provided that no adjustment shall result in Ordinary Shares being issued at less than nominal value unless the Company is authorised to capitalise an amount from reserves to meet the shortfall and to apply such amount in paying up the Ordinary Shares).

9.6.8 *Amendment of the Poland Share Scheme*

The Board may alter the Poland Share Scheme but certain alterations cannot take effect without the approval of the Company's shareholders in general meeting, unless they are minor amendments to the benefit of the administration of the scheme or are to take account of a change in legislation, or to obtain or maintain favourable tax, exchange control or a regulatory treatment for participants in the scheme or for any member of the Group. The amendments which cannot generally be made without shareholder approval are to the class of eligible employees, the limits on the number of new Ordinary Shares which may be issued under the scheme, the maximum entitlement of an individual participant and the basis for determining any participant's entitlement to Ordinary Shares, the price at which Ordinary Shares may be acquired pursuant to an award and the adjustment of awards on a variation of share capital.

9.7 ***Ireland Share Scheme***

The Ireland Share Scheme allows for the grant of restricted share awards to Irish resident employees of the Group and is introduced because Irish resident employees cannot participate in the SIP with the same tax advantages as UK resident employees.

The Board (or a duly authorised committee thereof) will supervise the operation of the Ireland Share Scheme.

9.7.1 *Terms of restricted shares*

Under a restricted share award, the participant receives an award of Ordinary Shares the legal title to which is held on his behalf by an employee trust until the end of the restricted period. In order to benefit from certain tax advantages for restricted shares under Irish law, the

employee benefit trust must be established by the employer company and the employee benefit trust must be resident in Ireland or in another EEA state. It is proposed to establish an employee benefit trust for this purpose which it is anticipated will be resident in the UK. Where appropriate, the Group will fund the employee benefit trust to enable it to acquire Ordinary Shares to award to participants as restricted share awards.

During the restricted period, the Ordinary Shares beneficially owned by a participant are subject to a restriction on the freedom of the participant to assign, charge, transfer or otherwise dispose of the Ordinary Shares except in the event of the participant's death or in the event of a change in control of the Company or a corporate reorganisation of the Company's share capital.

Under the Ireland Share Scheme, the Ordinary Shares held on behalf of a participant will also be subject to forfeiture if he ceases to be an employee or director within the Group during a specified forfeiture period. Exceptionally, if the reason for leaving is the participant's death, injury or disability, redundancy, retirement, or the sale of his employing company or business out of the Group (or at the Board's discretion), his Ordinary Shares will not be forfeited.

Participants may be awarded restricted shares at no cost to them, or may be required to purchase them at a price determined by the Board.

9.7.2 Proposed awards shortly following Admission

As soon as reasonably practicable following Admission and subject to applicable laws, it is proposed to grant restricted share awards to all Irish resident employees on a similar basis in terms of amount and length of service as for participants in the SIP. The restricted shares will be issued at no cost to the participants and the restricted period will be a minimum of three years from the date of the award.

9.7.3 Variation of share capital

In the event of any increase or variation of share capital by way of capitalisation, sub division, consolidation or reduction of share capital, the number and/or description of Ordinary Shares over which a restricted share award has been granted will be adjusted accordingly.

Since the participants will be beneficially entitled to the Ordinary Shares held for them, they will be entitled to receive any dividends declared on their Ordinary Shares in the same way as any other holder of Ordinary Shares.

9.7.4 Amendment of the Ireland Share Scheme

The terms of the Ireland Share Scheme may be amended by the Board.

However, certain amendments which would benefit participants may not be made without prior shareholder approval unless the amendments are minor amendments which are to benefit the administration of the Ireland Share Scheme or are necessary or desirable to comply with or take account of applicable legislation or any change therein or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company (or any Group company) or for participants. An amendment may not normally adversely affect the rights of a participant except with such participant's consent.

The provisions which may not generally be amended without shareholder approval are to: the basis for determining an eligible individual's entitlement (or otherwise) to be granted an award under the plan, the persons to whom an award may be granted under the plan, the individual and overall limits on the number of Ordinary Shares over which awards may be granted, the price at which Ordinary Shares may be acquired pursuant to an award, and the adjustment of awards on a variation of share capital.

9.8 Employee offer

The Company has established arrangements pursuant to which, following the publication of this Prospectus, it will conduct the Employee Offer. The maximum aggregate number of Ordinary Shares made available pursuant to the Employee Offer shall not exceed 1.0 per cent. of the entire issued ordinary share capital of the Company as at the date of this Prospectus. Shares issued pursuant to the Employee Offer will be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities at Admission. The Employee Offer will be extended to Eligible Employees (subject to the applicable laws).

The Employee Offer is not part of the Offer and is not being underwritten by Investec and consequently the terms of the Employee Offer will be communicated to Eligible Employees in a separate communication and are therefore not contained in this Prospectus.

10. Related party transactions

10.1 Save as described in note 25 (*Related party transactions*) of Part XI (*Historical Financial Information*), paragraph 13 of this Part XIV (*Additional Information*) and in paragraph 10.2 below, there are no related party transactions between the Company or members of the Group that were entered into during the financial years ended 31 March 2013, 31 March 2014 and 31 March 2015 and during the period between 1 April 2015 and 6 July 2015 (being the latest practicable date prior to the publication of this Prospectus).

10.2 As at the date of this Prospectus, the Company and/or a member of the Group has entered into the following related party transactions:

10.2.1 Kainos Software Limited has entered into a lease of premises at 1-3 and 4-6 Upper Crescent, Belfast BT7 1NT with Queen's University Belfast. Queen's University Belfast operates QUBIS, which is a shareholder in the Company. The lease was agreed on standard commercial terms;

10.2.2 Kainos Software Limited has entered into a reseller partner agreement dated 31 March 2010 with Speechstorm Limited (in which Kainos Software Limited has a shareholding) (further details of this investment are set out in paragraph 10.2 of this Part XIV (*Additional Information*)). Under the terms of the reseller partner agreement, Speechstorm Limited appoints Kainos Software Limited as an exclusive reseller of Speechstorm products and services to certain customers of Kainos Software Limited and as a non-exclusive reseller of the same in the EMEA;

10.2.3 Kainos Software Limited has made loans in an aggregate amount of £378,294.44 to Speechstorm Limited of which £140,990.60 is outstanding and was repayable by 28 May 2015. Kainos Software Limited has fully provided against this balance and is in discussion with Speechstorm Limited in respect of revising the term of this loan.

10.2.4 Kainos Software Limited has entered into a master services agreement with its trading subsidiaries, Kainos Software Ireland Limited, Kainos Software Poland Spolka z.o.o, Kainos Evolve Limited and Kainos Worksmart Limited dated 31 March 2014, whereby Kainos Software Limited provides support services in exchange for a support service charge. The support services include HR, legal, accounting and finance, admin, IT and system support, programme office, quality assurance and resourcing. The master services agreement also covers intra-group services, including providing the services of other Group companies' employees or resources to work on customer related or internal business projects; and

10.2.5 Kainos Software Limited has made certain loans to a number of senior managers and other employees of the Group. 12 of such loans remain outstanding. The loan amounts vary from £6,783 to £135,473.

10.2.6 On 3 July 2015, the following intra-group loans were assigned from Kainos Software Limited to the Company such that the loans are now outstanding from the Company to each of the Group companies: Kainos Worksmart Limited (£1,969,706), Kainos Evolve Limited (£2,946,600) and Kainos Software Ireland Limited (£4,251,210) and an equivalent amount due from Kainos Software Limited to the Company.

11. Significant subsidiaries and principal investments

11.1 The Company is the principal holding company of the Group. The principal subsidiaries of the Company are as follows as at 6 July 2015 (being the latest practicable date prior to the publication of this Prospectus), each of which is considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, the principal position and/or the profits and losses of the Group:

<i>Name</i>	<i>Year of incorporation</i>	<i>Place of incorporation</i>	<i>Current Ownership interest (direct and indirect)</i>	<i>Nature of business</i>
Kainos Software Limited	1986	Northern Ireland	100%	Business and domestic software development and information technology consultancy services
Kainos Evolve Limited	2014	Northern Ireland	100%	Information Technology services activities
Kainos Worksmart Limited	2014	Northern Ireland	100%	Information Technology services activities
Kainos Trustees Limited	2000	Northern Ireland	100%	Business support service activities
Kainos Managers Limited	2001	Northern Ireland	100%	Non-trading business providing professional, scientific and technical activities
Kainos Software Poland spółka z ograniczoną odpowiedzialnością	2012	Poland	100%	Technology services to support business deployments to customers
Kainos Software Ireland Limited	2012	Republic of Ireland	100%	Information Technology consultancy services
Kainos Worksmart, Inc.	2014	State of Delaware, USA	100%	Information Technology consultancy and support services and provision of SaaS subscriptions

11.2 The Group currently has the following investments (in progress or planned for the future on which the Directors have made firm commitments or otherwise) other than the subsidiaries and subsidiary undertakings listed above:

11.2.1 Kainos Software Limited holds 274,950 shares in the capital of Speechstorm Limited (a company incorporated and registered in Northern Ireland with company number NI601671). This equates to just below 20 per cent. of the issued share capital of Speechstorm Limited. The business operated by Speechstorm Limited was previously part of the Group but was sold on a going concern basis to Speechstorm Limited on 28 May 2010. Kainos Software Limited also holds 86,957 warrant shares in Speechstorm Limited, which will convert to shares upon an exit and will increase the shareholding held by Kainos Software Limited to 25 per cent. at the time of the exit;

11.2.2 Kainos Software Limited holds a minority shareholding of 100,000 ordinary shares of £1 each in the capital of Atatouch Holdings Limited (a company incorporated and registered in Northern Ireland with company number NI065194); and

11.2.3 on 22 August 2008, Kainos Software Limited invested €100,000 in EventElephant Limited (a company incorporated in the Republic of Ireland with company number 452571) in consideration for 29,565 shares. On 16 October 2009, Kainos Software Limited invested an additional €200,000 in EventElephant Limited in consideration for an additional 101,058 shares. EventElephant Limited is in administration.

12. Presentation of statistical data and other information

The auditors of the Company for the period covered by the historical financial information set out in Part XI (*Historical Financial Information*) have been Deloitte, whose registered address is at 19 Bedford Street, Belfast, BT2 7EJ. The historical financial information set out in Part XI (*Historical Financial Information*) has been audited.

13. Material contracts

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of Group within the two years immediately preceding the date of this Prospectus and/or have been entered into by members of the Group and contain provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus:

13.1 **Placing agreement**

- 13.1.1 On 7 July 2015 the Company, the Directors, the Major Selling Shareholders and Investec entered into the Placing Agreement. Pursuant to the Placing Agreement:
 - 13.1.1.1 the Major Selling Shareholders and certain of the Directors (being those directors detailed in paragraph 7.2 above as selling Ordinary Shares pursuant to the Offer (the “**Selling Directors**”)) have agreed, subject to certain conditions, to sell their Offer Shares at the Offer Price;
 - 13.1.1.2 Investec has agreed, subject to certain conditions, to use its reasonable endeavours to procure purchasers for the Offer Shares held by (i) the Major Selling Shareholders and (ii) the Selling Directors;
 - 13.1.1.3 Investec will deduct from the proceeds of the Offer payable to each Major Selling Shareholder and each Selling Director a commission of approximately £1.3 million;
 - 13.1.1.4 the obligations of Investec to use its reasonable endeavours to procure purchasers at the Offer Price for the Offer Shares held by (i) the Major Selling Shareholders and (ii) the Selling Directors are subject to certain conditions. These conditions include, among other things, the absence of any breach of warranty under the Placing Agreement and Admission occurring on or before 10 July 2015 (or such later time and/or date as Investec and the Company may agree, being not later than 8.30 a.m. on 14 August 2015). In addition, Investec has the right to terminate the Placing Agreement, exercisable in certain circumstances, prior to Admission;
 - 13.1.1.5 each of the Company, the Directors and the Major Selling Shareholders have given certain warranties and undertakings, subject to certain limits, to Investec;
 - 13.1.1.6 the Company and QUBIS have each given an indemnity to Investec; and
 - 13.1.1.7 the Company has agreed to pay or cause to be paid (together with, in each case, any related VAT) certain costs, charges, fees and expenses of, or in connection with, or incidental to, amongst other things, the Placing and/or Admission.
- 13.1.2 Under the Placing Agreement, each of the Directors and each of the Major Selling Shareholders has agreed that for a 12-month period following Admission, subject to certain customary exceptions, he or it will not offer, sell or contract to sell, or otherwise dispose of, any Ordinary Shares (or any interest therein or in respect thereof) that he or it may hold, or enter into any transaction with the same economic effect as any of the foregoing. For the 12-month period thereafter, each of the Directors and each of the Major Selling Shareholders have agreed not to dispose of any Ordinary Shares (or any interest therein or in respect thereof) that he or it may hold, other than through Investec (for so long as Investec is engaged as the Company's broker) with a view to maintaining an orderly market in the Company's securities.
- 13.1.3 The Company has undertaken to Investec, amongst other things, during the period ending 120 days after Admission, not to issue any shares (other than pursuant to the share option schemes and other employee incentive arrangements described in this document), without the prior written consent of Investec (such consent not to be unreasonably withheld, delayed or conditioned).

13.1.4 Pursuant to a separate agreement entered into between the Company and QUBIS on 3 July 2015, the Company has also agreed that for so long as QUBIS holds 10 per cent. or more of the issued ordinary share capital of the Company QUBIS shall: (i) have the right to nominate an observer to attend Board meetings on its behalf (provided that such observer shall not be permitted to vote on any matters tabled at such Board Meeting); and (ii) have the right to receive certain financial information in relation to the Group.

13.2 **Share exchange agreement**

The Company entered into a share exchange agreement with the KSL Shareholders dated 3 July 2015. Pursuant to the share exchange agreement, the 5,751,998 ordinary shares and 123,043 B1 shares in the capital of Kainos Software Limited held by the KSL Shareholders were acquired by the Company in consideration for the issue of shares in the Company to the KSL Shareholders. Please refer to paragraph 3.2 of this Part XIV (*Additional Information*) for further information.

13.3 **Workday connect partner agreement**

On 4 November 2013, Kainos Software Limited entered into an agreement with Workday, Inc. This agreement was novated to Kainos Worksmart Limited on 15 December 2014. This is an agreement for Kainos Worksmart Limited to become a partner of Workday, Inc. Pursuant to the terms of the agreement, Workday, Inc will provide services to enable Kainos Worksmart Limited to build and offer an integration for the purpose of the exchange of customer data between Workday, Inc enterprise Cloud hosted on-demand software services and customer systems as part of a network of third parties. This agreement enables Kainos Worksmart Limited to obtain the latest development releases for the Workday Subscription Service so that it can be applied by Workday customers. The annual program service fee is \$15,000. The cost of additional on-going technical support outside of the obligations in the agreement is \$25,000. The agreement is non-exclusive. Workday, Inc may terminate the agreement on 30 days' notice in the event that Kainos Worksmart Limited undergoes a change of control. The term of the agreement is three years, which will automatically renew for successive 12 month periods unless either party provides the other with written notice of its intent not to renew at least 30 days prior to expiry. Each party is the sole and exclusive owner of its proprietary materials and all intellectual property rights therein. The agreement is governed and construed according to the laws of the State of California.

13.4 **HP OEM agreement**

On 31 January 2012, Kainos Software Limited entered into an agreement with Autonomy Systems Limited (now Hewlett-Packard Ltd) ("**Autonomy**"). Kainos Software Limited develops its "Evolve" software application using the Autonomy development software which incorporates portions of the Autonomy run-time software. In order to enable Kainos Software Limited to develop and distribute the Evolve application, pursuant to the terms of the agreement, Autonomy grants a licence to Kainos Software Limited to: (i) use the Autonomy development software and to sublicense the right to use the software to a reseller; (ii) reproduce certain permitted functionalities of the Autonomy run-time software as an embedded component of the application and to distribute the Autonomy run-time software to end users as an embedded component of the application; (iii) reproduce the Autonomy technical manuals (within a limited scope); and (iv) reproduce, incorporate and distribute the Autonomy training materials.

Under the terms of the agreement Autonomy grants Kainos Software Limited a non-exclusive, non-transferable, non-assignable limited licence to use the applicable Autonomy trademarks and logos on advertisements, promotional material and packaging for the application created by Kainos Software Limited, subject to Autonomy's prior written consent. Autonomy grants Kainos Software Limited an indemnity relating to any claim that the Autonomy software or any part of it infringes a third-party's intellectual property rights. Kainos Software Limited grants an indemnity to Autonomy in respect of any part of the application other than the Autonomy software which infringes a third-party's intellectual property rights.

The agreement contains a right to terminate for a change of control to Kainos Software Limited where the change of control is to one of Autonomy's competitors as listed in the agreement. Change of control as a result of an IPO is specifically carved out of the right of termination. In accordance with the

terms of an amendment to this agreement dated 30 April 2012, Kainos Software Limited has exercised an option to extend the term of the agreement to 31 December 2019 by paying additional royalties. There is no guarantee of renewal on expiry of the current term. Kainos Software Limited may terminate the agreement on 60 days' written notice following the exhaustion of its pre-paid royalties.

13.5 *Investment agreement relating to Speechstorm Limited*

On 28 May 2010, Kainos Software Limited entered into an investment agreement relating to its investment in Speechstorm Limited ("**Investment Agreement**"). Please refer to paragraph 11.2.1 of this Part XIV (*Additional Information*) for further information in respect of this investment. Under the terms of the Investment Agreement, Kainos Software Limited gave certain warranties to Crescent Capital II LP as to its title to shares, the group structure of Speechstorm Limited, amounts owing to Kainos Software Limited and agreements in place to which Kainos Software Limited was a party. In addition, Kainos Software Limited gave various undertakings as to the management of Speechstorm Limited going forwards.

Kainos Software Limited is entitled to appoint a representative non-executive director to the board of Speechstorm Limited and to remove such director at any time. The Investment Agreement provides for a fee of £12,000 (excluding VAT) increasing annually in accordance with the Retail Price Index to be payable to such Kainos Software Limited director. Kainos Software Limited agreed to indemnify Speechstorm Limited against all and any claims by any Kainos Software Limited appointed director following his or her removal for unfair dismissal or otherwise arising in conjunction with their removal from office. The Investment Agreement contains drag along and tag along rights, together with certain anti-dilution rights. In addition, Kainos Software Limited entered into a number of non-compete restrictive covenants in favour of the other shareholders and Speechstorm Limited.

13.6 *Ratchet agreement relating to Speechstorm Limited*

On 28 May 2010, Kainos Software Limited entered into an agreement with certain of the management shareholders of Speechstorm Limited, whereby Kainos Software Limited agreed that, in the event of the sale of all of its shares in the capital of Speechstorm Limited, it would transfer to the management shareholders a proportion equal to 20 per cent. of the consideration in excess of £1,750,000. In the event of a partial sale of its shares, Kainos Software Limited agreed to transfer to the management shareholders a proportion equal to 20 per cent. of the consideration where the consideration would exceed £1,750,000 *pro rata* to all shares held by Kainos Software Limited.

14. Litigation

There are not and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the previous 12 months, which may have, or have had in the recent past, significant effects on the Company and/or the Group's financial position or profitability.

15. Intellectual property

For details in respect of the Group's intellectual property, please refer to paragraph 15 of Part VII (*Information on the Group and Business Overview*).

16. Property/facilities

The Group's head office is located at 4-6 Upper Crescent, Belfast. In addition, the Group occupies a further 14 properties worldwide, all of which are leasehold. These are in Boston, Gdansk, Belfast, Derry/Londonderry, Dublin, Bristol, London and Reading.

17. Environmental issues

As far as the Directors are aware, there are no material environmental issues that may affect the Group or the Group's utilisation of its tangible fixed assets.

18. Working capital

The Company is of the opinion that the working capital available to it is sufficient for the present requirements of the Group, that is, for at least 12 months from the date of this Prospectus.

19. No significant change

Save in connection with the Reorganisation and the matters referred to in Note 24 of Part XI (*Historical Financial Information*), there has been no significant change in the financial condition or operating results or trading position of the Operating Group since 31 March 2015, the date to which the last audited consolidated financial information of the Operating Group was prepared.

20. The disclosure and transparency rules

From Admission and for so long as the Company has any of its share capital admitted to trading on the main market of the London Stock Exchange, or any successor market or any other market operated by the London Stock Exchange, every Shareholder must comply with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules (as amended and varied from time to time) of the FCA Handbook.

Under the Disclosure and Transparency Rules, a shareholder is required to notify the Company of the percentage of its voting rights if the percentage of voting rights which he holds (directly or indirectly) reaches, exceeds or falls below three per cent. and each one per cent. threshold thereafter up to 100 per cent. The notification must be made within four trading days of the shareholder learning of the acquisition or disposal leading to the increase or decrease in his shareholding.

Shareholders are urged to consider their notification and disclosure obligations carefully as a failure to make the required disclosure to the Company may result in disenfranchisement.

21. Mandatory bids, squeeze out and sell out rules relating to the ordinary shares

Other than as provided by the Takeover Code and Chapter 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Ordinary Shares.

“Interests in shares” is defined broadly in the Takeover Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

“Voting rights” for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

Persons acting in concert (and concert parties) comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the Takeover Code to be acting in concert with each other unless the contrary is established.

21.1 Mandatory bid

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Takeover Panel, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights in the Company.

21.2 **Squeeze out**

Under the Companies Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making the offer, it could then compulsorily acquire the remaining ten per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Companies Act would in general be the same as the consideration that was available under the takeover offer.

21.3 **Sell out**

The Companies Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any shareholder notice of the shareholder's right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

21.4 **Rule 9 disclosures**

21.4.1 *Overview*

For the purposes of Rule 9 of the Takeover Code (which is described in paragraph 10.1 (*Mandatory bid*) of this Part XIV (*Additional Information*)), the Company understands that the Takeover Panel will presume the Executive Directors, Senior Managers and all other employees of the Group who hold Ordinary Shares upon Admission to be acting in concert with other persons in the same category unless the contrary is established.

21.4.2 *Whitewash procedure*

When a company redeems or purchases its own voting shares, under Rule 37 of the Takeover Code any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9 of the Takeover Code. Rule 37 of the Takeover Code provides that, subject to prior consultation, the Takeover Panel will normally waive any resulting obligation to make a general offer if there is a vote of independent shareholders and a procedure along the lines of that set out in Appendix 1 to the Takeover Code is followed. Appendix 1 to the Takeover Code sets out the procedure which should be followed in obtaining that consent of independent shareholders. Under Note 1 on Rule 37 of the Takeover Code, a person who comes to exceed the limits in Rule 9.1 in consequence of a company's purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or is presumed to be, acting in concert with any of the directors. However, there is no presumption that all the directors (or any two or more directors) are acting in concert solely by reason of a proposed purchase by a company of its own shares, or the decision to seek shareholders' authority for any such purchase.

Under Note 2 on Rule 37 of the Takeover Code, the exception in Note 1 on Rule 37 described above will not apply and an obligation to make a mandatory offer may therefore be imposed, if a person (or any relevant member of a group of persons acting in concert) has acquired an interest in shares at a time when he, she or it had reason to believe that such a purchase of its own shares by the company would take place. However, Note 2 will not normally be relevant unless the relevant person has knowledge that a purchase for which requisite shareholder authority exists is being, or is likely to be, implemented (whether in whole or in part).

The Takeover Panel must be consulted in advance in any case where Rule 9 of the Takeover Code might be relevant. This will include any case where a person or group of persons acting in concert is interested in shares carrying 30 per cent. or more but does not hold shares carrying more than 50 per cent. of the voting rights of a company, or may become interested in 30 per cent. or more on full implementation of the proposed purchase by the company of its own shares. In addition, the Takeover Panel should always be consulted if the aggregate interests in shares of the directors and any other persons acting in concert, or presumed to be acting in concert, with any of the directors amount to 30 per cent. or more, or may be increased to 30 per cent. or more on full implementation of the proposed purchase by the company of its own shares.

21.4.3 Other disclosures relating to Shareholders

Other than as described in paragraph 8 (*Significant Shareholders*) of this Part XIV (*Additional Information*) the Company is not aware of any persons who, as at 6 July 2015 (being the latest practicable date prior to the publication of this Prospectus) and immediately after Admission, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.

As of Admission, the Ordinary Shares will be the only class of share capital of the Company. All Shareholders will have equal voting rights and none of the Existing Shareholders will have different voting rights.

22. General

- 22.1 The expenses relating to the Admission and Offer, including the UK Listing Authority listing fee, professional fees and expenses and the costs of publication and distribution of documents are estimated to amount to £2.6 million (excluding VAT) and are payable by the Company. The Selling Shareholders have agreed to pay their expenses in connection with the Offer, including Investec's commissions, which are approximately £1.5 million, as well as any stamp duty or SDRT chargeable on the sale of their Ordinary Shares.
- 22.2 The auditors of the Operating Group for the three years ended 31 March 2013, 31 March 2014 and 31 March 2015 are Deloitte, whose address is 19 Bedford Street, Belfast, BT2 7EJ. The auditors are a member firm of the Institute of Chartered Accountants in England and Wales.
- 22.3 Investec has given and has not withdrawn, its written consent to the issue of this Prospectus with the inclusion herein of its name and references to it in the form and context in which they appear.
- 22.4 Deloitte is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of the report in Part XI (*Historical Financial Information*), in the form and context in which it appears and has authorised the contents of those parts of this Prospectus which comprise its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.
- 22.5 The financial information contained in this Prospectus does not amount to statutory accounts within the meaning of section 424(3) of the Companies Act. There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.
- 22.6 Each Employee Offer Share is expected to be issued at a premium of 138.5 pence to its nominal value of 0.5 pence.
- 22.7 The Company confirms that where information in this Prospectus has been sourced from a third-party, the source of this information has been provided, the information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading as at the date of extraction.

23. Documents available for inspection

Copies of the following documents are available for inspection at the offices of DLA Piper UK LLP, 3 Noble Street, London, EC2V 7EE and at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission:

23.1 the Articles;

23.2 the written consents referred to in paragraphs 22.3 and 22.4 of this Part XIV (*Additional Information*);

23.3 the report from Deloitte set out in Part XI (*Historical Financial Information*); and

23.4 this Prospectus.

In addition, copies of this Prospectus are available on the Company's website www.kainos.com, or through the National Storage Mechanism (NSM) website located at www.morningstar.co.uk/uk/nsm.

Dated: 7 July 2015

PART XV

DEFINITIONS

The following definitions apply throughout this Prospectus, unless the context otherwise requires:

“2010 PD Amending Directive”	EU Directive 2010/73/EU
“Accumulation Period”	12 month period up to which the salary allocated to Partnership Shares can be accumulated
“Acute English NHS Trusts”	as a hospital trust, being a body that provides secondary care in the NHS
“Acute Sector”	the organisations and businesses that provide secondary care and ancillary services in the NHS
“Admission”	the admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
“Analytics”	a set of business and technical activities that define, create, collect, verify or transform digital data into reporting, research, analyses, recommendations, optimisations, predictions and automations
“Articles”	the articles of association of the Company adopted on 6 July 2015
“Audit Committee”	the audit committee of the Company established by the Board
“Auditors”	Deloitte, being the Company's auditors
“Big Data”	an evolving term that describes any voluminous amount of structured, semi-structured and unstructured data that has the potential to be mined for information
“Board” or “Directors”	the board of directors of the Company
“Business Days”	a day (other than a Saturday, Sunday or a public holiday) on which banks in the City of London are open for business generally
“B1 Shareholders”	the holders of all of the issued B1 ordinary shares in the capital of Kainos Software Limited immediately prior to the consolidation and redesignation described in paragraph 3.2.3 of Part XIV (<i>Additional Information</i>)
“Cabinet Office”	the UK Cabinet Office, a ministerial department of the Government, which ensures the effective running of Government
“CAGR”	compound annual growth rate
“Central Government”	comprises the ministerial departments such as Home Office, non-ministerial departments such as Land Registry and 355 agencies and other public bodies such as the DVLA that are responsible for putting government policy into practice
“Cloud-based” or “Cloud”	the delivery of on-demand computing resources such as software applications and data centres over the Internet on a pay-for-use basis
“Companies Act”	the Companies Act 2006, as amended

“Company” or “Issuer” or “Kainos”	Kainos Group plc (a public limited company registered in England and Wales with registered number 9579188)
“Conditional Share Awards”	conditional rights to acquire Ordinary Shares under the PSP described in paragraph 9.2.1 of Part XIV (<i>Additional Information</i>)
“Contract”	savings contract entered into by participants who apply for a SAYE Option described in paragraph 9.4.3 of Part XIV (<i>Additional Information</i>)
“CREST”	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear United Kingdom & Ireland Limited is the operator
“Crown Commercial Services”	an executive agency of the Cabinet Office that provides policy, advice and direct buying advice and commercial services to the public sector
“CSOP Sub-Plan”	the CSOP Sub-Plan to the PSP described in paragraph 9.3 of Part XIV (<i>Additional Information</i>)
“CSOP Options”	options granted under the CSOP Sub-Plan
“Defra”	the UK Department for Environment, Food and Rural Affairs, a ministerial department of the Government, which is responsible for policy and regulations on environmental, food and rural issues
“Deloitte”	Deloitte LLP, a limited liability partnership incorporated in the UK with registered number OC303675
“DfT”	the UK Department for Transport, a ministerial department of the Government, which works to support the transport network in the UK and plans and invests in transport infrastructure in the UK
“Digital Strategy”	the Government’s published strategy, in response to the ‘Directgov 2010 and beyond’ report, in which it set out its ambition to offer services that are ‘Digital by Default’
“Disclosure and Transparency Rules”	the disclosure rules and transparency rules of the FCA made under section 73A(3) and 73A(6) of FSMA
“Dividend Shares”	additional Ordinary Shares that participants in the SIP may be required or permitted to purchase as described in paragraph 9.5.7 of Part XIV (<i>Additional Information</i>)
“DoH”	the UK Department of Health, a ministerial department of the Government, which leads, shapes and funds health and care in England
“dstl”	the UK Defence, Science and Technology Laboratory, an executive agency, sponsored by the Ministry of Defence, which ensures that innovative science and technology contribute to the defence and security of the UK
“DVLA”	the UK Driver and Vehicle Licensing Agency, an executive agency, sponsored by the DfT, which maintains registers of drivers and vehicles in Great Britain
“DVSA”	the UK Driver and Vehicle Standards Agency, an executive agency, sponsored by the DfT, which sets standards for driving and motorcycling and makes sure drivers, vehicle operators and MOT garages follow roadworthiness standards

“DWP”	the UK Department for Work and Pensions, a ministerial department of the Government, responsible for welfare, pensions and child maintenance policy
“EBT”	the employee benefit trust established by the Company as described in paragraph 9.2.14 of Part XIV (<i>Additional Information</i>)
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EDRM”	electronic document and records management
“Eligible Employees”	those employees of the Group based in the United Kingdom, the Republic of Ireland and Poland as at the date of this Prospectus
“Employee Offer”	has the meaning set out in paragraph 13 of Part XII
“Employee Offer Shares”	the up to 1,160,393 new Ordinary Shares to be offered by the Company to Eligible Employees (subject to any applicable legal restrictions in the jurisdictions where such employees are based) pursuant to the Employee Offer
“EPR”	electronic patient record
“ERP”	Enterprise Resource Planning – business management software, typically a suite of integrated applications, that a company can use to collect, store, manage and interpret data from many business activities, including human resources, finance, customer relationship management, manufacturing or service delivery
“EU”	the European Union
“Executive Directors”	the executive Directors of the Company being Brendan Mooney, Richard McCann and Paul Gannon
“Existing Shareholders”	the holders of the Ordinary Shares in issue immediately prior to the sale of the Offer Shares
“FCA”	the UK Financial Conduct Authority
“FCO”	the UK Foreign and Commonwealth Office, a ministerial department of the Government, which promotes the UK’s interests overseas, supporting out citizens and businesses internationally
“FOSS”	free and open source software
“Free Shares”	award of free Ordinary Shares to participants described in paragraph 9.5.4 of Part XIV (<i>Additional Information</i>)
“FSMA”	the Financial Services and Markets Act 2000, as amended
“GDS”	has the meaning set out in paragraph 3.1.2 of Part VII (<i>Information on the Group and Business Overview</i>)
“Government”	Her Majesty’s Government of Great Britain and Northern Ireland
“Group”	the Company and its consolidated subsidiaries and subsidiary undertakings from time to time and “Group Company” refers to any one of these
“Historical Period”	the three year period ended 31 March 2015

“Home Office”	the UK Home Office, a ministerial department of the Government, which leads on immigration and passports, drugs policy, crime policy and counter-terrorism and works to ensure accountable policing in the UK
“HP”	Hewlett-Packard
“human capital management”	an approach to employee staffing that perceives people as assets (human capital) whose current value can be measured and whose future value can be enhanced through investment
“IASB”	the International Accounting Standards Board
“ICL”	International Computers Limited
“IFRS”	the International Financial Reporting Standards, as adopted by the European Union
“Investec”	Investec Bank plc, a public limited company incorporated in England and Wales with registered number 00489604
“Ireland Share Scheme”	the Kainos Group Ireland Share Scheme as described in paragraph 9.7 of Part XIV (<i>Additional Information</i>)
“ISIN”	International Securities Identification Number
“ITEPA”	Income Tax (Earnings & Pensions) Act 2003
“ITK”	Interoperability Toolkit
“KSL Shareholders”	the holders of the entire issued ordinary shares and B1 ordinary shares in the capital of Kainos Software Limited immediately prior to the share for share exchange described in paragraph 3.2 of Part XIV (<i>Additional Information</i>)
“Land Registry”	the UK Land Registry, a non-ministerial department of the Government, which registers the ownership of land and property in England and Wales
“Listing Rules”	the listing rules of the FCA made under section 74(4) of FSMA, as amended from time to time
“Local Government”	public bodies responsible for providing services such as housing, waste management and fire and public safety to a city or region in the UK, governed by an elected body
“London Stock Exchange”	London Stock Exchange plc (a public limited company registered in England and Wales with company number 02075721)
“Major Selling Shareholders”	means QUBIS, Frank Graham and Brian Gannon
“Market Value Admission Awards”	the awards to be made pursuant to the CSOP Sub-Plan or PSP at or shortly following Admission as described in paragraph 9.1 of Part XIV (<i>Additional Information</i>)
“Matching Shares”	an award of free Ordinary Shares that participants may be given in respect of purchased Partnership Shares
“Member States”	member states of the EU
“MHRA”	Medicines and Healthcare Products Regulatory Authority

“Minor Selling Shareholders”	the Selling Shareholders excluding (i) the Major Selling Shareholders and (ii) those Directors selling Offer Shares pursuant to the Placing Agreement
“Minor Selling Shareholder Agreements”	the agreements dated on or around 7 July 2015 between each of the Minor Selling Shareholders and Investec, pursuant to which Investec has agreed, among other things, to use reasonable endeavours to procure purchasers for the Offer Shares held by each of the Minor Selling Shareholders at the Offer Price
“Model Code”	means the Model Code contained in annex I of Listing Rule 9
“MoJ”	the UK Ministry of Justice, a ministerial department of the Government, which is responsible for areas of constitutional policy, human rights law and information rights law across the UK
“NHS”	the English National Health Service
“NHS Trusts”	include Acute English NHS Trusts and in addition, bodies which manage other care related services, such as ambulance trusts and mental health trusts
“NICA”	the National Integration Centre and Assurance
“Nil Cost Awards”	means Awards granted with a nil/nominal exercise price
“Nomination Committee”	the nomination committee of the Company established by the Board
“Non-Executive Directors”	the non-executive Directors of the Company being John Lillywhite, Andy Malpass, Chris Cowan and Tom Burnet
“Northern Irish Civil Service”	the public body that carries out the administrative work of government in Northern Ireland
“NPfIT”	the National Programme for IT
“OEM”	original equipment manufacturer – manufacturers who resell another company’s product under their own name and branding
“Offer” or “Offering”	the offer of the Offer Shares by the Selling Shareholders to certain institutional investors in the United Kingdom and elsewhere in offshore transactions outside the United States as defined in and made in reliance on, Regulation S, as described in Part XII (<i>Details of the Offer</i>)
“Offeree”	each investor who applies to acquire Offer Shares under the Offer
“Offer Price”	139 pence, being the price at which each Offer Share is to be sold under the Offer
“Offer Shares”	those Ordinary Shares being offered for sale by the Selling Shareholders pursuant to the Offer as described in Part XII (<i>Details of the Offer</i>)
“Official List”	the Official List of the FCA
“OJEU”	the Official Journal of the European Union (previously called OJEC – the Official Journal of the European Community) – is the publication in which all tenders from the public sector which are valued above a certain financial threshold according to EU legislation, must be published
“Operating Group”	Kainos Software Limited and its subsidiaries

“Ordinary Shares” or “Shares”	the ordinary shares of 0.5 pence each in the capital of the Company
“PAC”	the Public Accounts Committee of the House of Commons
“PAS”	a Patient Administration System
“Partnership shares”	Ordinary Shares that the Board allows participants the opportunity to purchase, as described in paragraph 9.5.5 of Part XIV (<i>Additional Information</i>)
“Placing Agreement”	the placing agreement dated 7 July 2015 entered into between the Company, the Directors, the Major Selling Shareholders and Investec described in paragraph 13.1 of Part XIV (<i>Additional Information</i>)
“Poland Share Scheme”	the Kainos Group Poland Share Scheme as described in paragraph 9.6 of Part XIV (<i>Additional Information</i>)
“PRA”	the Prudential Regulation Authority
“PSP”	the Kainos Group Performance Share Plan as described in paragraph 9.2 of Part XIV (<i>Additional Information</i>)
“PSP Admission Awards”	the awards made under the PSP described in paragraph 9.2.2 of Part XIV (<i>Additional Information</i>)
“Prospectus Directive”	EU Prospectus Directive (2003/71/EC), as amended
“Prospectus Rules”	the prospectus rules of the FCA made under section 73A of FSMA, as amended from time to time
“QUBIS”	QUBIS Limited
“Regional Government”	elected national assemblies in Scotland, Wales and Northern Ireland which exercise some powers previously held by the central Parliament at Westminster.
“Registrar”	Capita Registrars Limited
“Regulation S”	Regulation S under the Securities Act
“Relevant Member State”	each member state of the EEA which has implemented the Prospectus Directive
“Remuneration Committee”	the remuneration committee of the Company established by the Board
“Reorganisation”	the Group reorganisation described in paragraph 3 of Part XIV (<i>Additional Information</i>)
“Restricted Jurisdiction”	means the Australia, Canada, the Republic of South Africa, New Zealand, Japan and the United States
“SaaS”	Software as a Service – a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted, which is considered to be part of the nomenclature of Cloud-based computing
“Sales bookings”	value of contracts signed with customers (excluding VAT or other applicable taxes)
“SAYE Options”	options to acquire Ordinary Share granted under the SAYE Plan described in paragraph 9.4.1 of Part XIV (<i>Additional Information</i>)

“SAYE Plan”	the Kainos Group SAYE share plan described in paragraph 9.4 of Part XIV (<i>Additional Information</i>)
“Schedule 4”	schedule 4 to the Income Tax (Earnings & Pensions) Act 2003
“SDRT”	stamp duty reserve tax
“SEC”	the US Securities and Exchange Commission
“Secondary Care”	comprising necessary treatment for a short period of time for a brief but serious illness, injury or other health condition, such as in a hospital emergency department. It also includes skilled attendance during other medical care incidents such as childbirth and intensive care
“Securities Act”	the US Securities Act of 1933, as amended
“SEDOL”	the Stock Exchange Daily Official List
“Selling Shareholders”	the Shareholders who intend to sell some or all of their Ordinary Shares pursuant to the Offer
“Senior Independent Director”	Andy Malpass
“Senior Managers” or “Senior Management”	those persons who are set out as senior managers at paragraph 1.2 of Part VIII (<i>Directors, Senior Management and Corporate Governance</i>)
“Share Plans”	together, the PSP, the CSOP Sub-Plan, the SAYE Plan, the SIP, the Ireland Share Scheme and the Poland Share Scheme
“Shareholders”	the holders of the Ordinary Shares in the capital of the Company from time to time
“SIP”	the Kainos Group Share Incentive Plan as described in paragraph 9.5 of Part XIV (<i>Additional Information</i>)
“SIP Trust”	the trust through which the SIP will operate
“SIP Trustees”	the trustee of the SIP described in paragraph 9.5.1 of Part XIV (<i>Additional Information</i>)
“Student Awards Agency Scotland”	an agency of the Scottish government giving financial support to eligible students doing a course of higher education in the UK
“SLAs”	service level agreements
“subsidiary company”	a subsidiary of the Company as that term is defined in section 1159 of the Companies Act
“SMEs”	small and medium enterprises
“Takeover Code”	the UK City Code on Takeovers and Mergers
“Takeover Panel”	the panel charged with monitoring compliance with the Takeover Code
“UK Corporate Governance Code”	the UK Corporate Governance Code dated September 2014 issued by the Financial Reporting Council
“UK”	the United Kingdom of Great Britain and Northern Ireland

“UK Civil Service”	public body responsible for developing and implementing Government policies
“UK Government”	has the meaning set out in paragraph 1.2.1 of Part VII (<i>Information on the Group and Business Overview</i>)
“United States” or “US” or “USA”	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
“US Persons”	“US Persons” as defined in Regulation S
“utilisation”	time booked and billed to revenue earning projects divided by the number of working days for delivery staff less public holidays and vacation, as is set out in more detail in paragraph 1.2 of Part IX
“VAT”	value added tax
“Welsh Assembly Government”	elected national assembly in Wales which exercises some powers previously held by the central Parliament at Westminster

