

13 November 2023

Kainos Group plc

("Kainos" or the "Group")

Interim results for the six months ended 30 September 2023

Kainos Group plc (KNOS), a UK-headquartered IT provider with expertise across three divisions - Digital Services, Workday Services, and Workday Products, is pleased to announce its results for the six months ended 30 September 2023 (H1 24).

Financial highlights

| | H1 24 | H1 23 | Change |
|---|---------|---------|--------|
| Revenue | £193.2m | £179.8m | +7% |
| Profit before tax | £30.9m | £27.5m | +12% |
| Adjusted pre-tax profit | £37.9m | £34.0m | +11% |
| Cash | £113.0m | £97.1m | +16% |
| Bookings | £201.9m | £221.5m | -9% |
| Product Annual Recurring Revenue (ARR) | £55.4m | £44.2m | +25% |
| Contracted Backlog | £326.9m | £307.9m | +6% |
| Diluted earnings per share | 17.5p | 17.4p | +1% |
| Adjusted diluted earnings per share | 22.1p | 22.0p | <1% |
| Interim dividend per share | 8.2p | 7.8p | +5% |

Operational highlights

Our key business areas continue to deliver strong growth and provide an excellent foundation for future expansion.

- Within Digital Services, strong public sector revenue growth of 17% was offset by the anticipated decrease in healthcare and project scope reductions in some commercial sector engagements, with overall revenues at £109.2 million (H1 23: £110.5 million).
- Our Workday Services division recorded strong revenue growth of 18% (21% ccy), increasing to £57.3 million (H1 23: £48.4 million).
- Workday Products revenues grew 28% (24% organic, 31% ccy) to £26.7 million (H1 23: £20.9 million).

Our underlying business performance demonstrates disciplined execution against the backdrop of macro-economic uncertainty.

- Revenue up 7% (7% organic, 8% ccy) to £193.2 million (H1 23: £179.8 million).
- Adjusted pre-tax profit grew 11% (19% ccy) to £37.9 million (H1 23: £34.0 million), representing an adjusted profit percentage of 20% (H1 23: 19%).
- Overall bookings reduced by 9% to £201.9 million (H1 23: £221.5 million); we note that the comparative period included a 125% increase in Workday Services bookings.

- Contracted backlog growth of 6% to £326.9 million (H1 23: £307.9 million).
- Period-end cash amounted to £113.0 million (H1 23: £97.1 million); with cash conversion at 82% (H1 23: 70%).

After a four-year succession plan, we completed a smooth transition at Board level as Russell Sloan, a Kainos 24-year veteran, takes over as CEO.

- Prior to his appointment to CEO, Russell was the Head of the Digital Services division.
- Rosaleen Blair, who joined the Board in January 2021, has assumed the role of Deputy Chairperson and we are delighted to welcome James Kidd, former Aveva CFO and CEO, to the Board.
- The appointment of Rosaleen and James are part of a planned succession process, with Tom Burnet and Andy Malpass due to complete their term as Non-Executive Directors in September 2024.

In Digital Services, we continue to deliver significant digital transformation programmes across public sector, while there are further reductions in healthcare.

- Strong growth in public sector was offset by anticipated lower revenues in healthcare (H1 24: £20.4 million; H1 23: £29.5 million) and reductions in scope for some commercial sector projects (H1 24: £15.8 million; H1 23: £18.7 million). This resulted in an overall reduction of 1% (1% ccy) in revenues to £109.2 million (H1 23: £110.5 million).

We continue to be the leading pan-European Workday consulting specialist and are a Phase 1 partner in both the US and Canadian markets.

- As noted, we recorded strong revenue growth of 18% (21% ccy) to £57.3 million (H1 23: £48.4 million), of which the majority (77%) are international revenues.
- The acquisition of the Blackline Group in early 2022 included a standalone procurement consulting capability and we have decided to stop providing these services during this financial year; the Workday Strategic Sourcing activity remains unchanged⁽¹⁾.

Our Workday-related products delivered very strong growth and we remain on track to achieve our target of £100 million ARR by 2026.

- Revenue growth was very strong at 28% (24% organic, 31% ccy), with revenues now £26.7 million (H1 23: £20.9 million) and the associated ARR increased by 25% to £55.4 million (H1 23: £44.2 million).
- In October 2023 we launched our latest product, Employee Document Management (EDM), with nine clients already contracted.
- We continued to invest in our products, increasing research & development expenditure by 48%, to £5.9 million (H1 23: £4.0 million) and sales & marketing spend increased 23% to £5.9 million (H1 23: £4.8 million).

⁽¹⁾ Further detail, including associated expenses recognised in the period, is contained within the Workday Services review on Page 13.

We continue to extend our footprint as a global business; almost 40% of our revenues are now generated internationally.

- Very strong international growth, with revenues up 22% to £74.7 million (H1 23: £61.0 million), and now representing 39% of total revenue.

Commercial sector customers now generate over half our revenues.

- Commercial revenues are up 16% to £99.8 million (H1 23: £86.3 million), representing 51% of total revenue.
- Public sector revenues have increased 15% to £73.0 million (H1 23: £63.3 million) or 38% of total revenue.
- Healthcare revenues, as previously forecast, have reduced by 32% to £20.5 million (H1 23: £30.2 million), which is 11% of total revenue.

The commitment and engagement of our colleagues underpins our business performance as we continue to grow a global, talented team.

- We have 3,139 people (H1 23: 2,920) based across 23 countries, representing an increase of 8%, or 16% when considering the reduction in contractors to 111 (H1 23: 303).
- Our employee retention improved to 92% (H1 23: 86%), and engagement levels remain high, measuring 79% on our internal surveys, and we were again awarded '50 Best Places To Work in the UK' by Glassdoor.

Excellent customer service drives customer satisfaction and retention, supporting our revenue growth.

- Our customer approval rating remains high and we recorded a Net Promoter Score of 62 (a score over 50 is viewed as 'excellent'⁽²⁾).
- Existing customer revenue increased by 7% to £182.3 million (H1 23: £169.8 million) which represents a Net Revenue Retention of 107%.
- Customer numbers increased to 892 (H1 23: 779), an increase of 15%.

We are making rapid progress on our announced £10 million investment in Generative AI to further enhance our leadership in Artificial Intelligence.

- Over the past ten years we have established a practice of 190+ Data and AI specialists, delivering projects for clients that include Hello Fresh, the Ministry of Defence and the United Nations.
- We are investing a further £10 million to accelerate the skills of over 1,000 colleagues to ensure that they can responsibly harness Generative AI for the benefit of our customers.
- During 2023 we have been supporting more than 25 clients assess and explore the potential and implications of Generative AI, with two of these projects moving from the exploration phase to deployment in production environments.

⁽²⁾ During this reporting period we moved from a proprietary, five-point rating system ('Poor', 'Satisfactory', 'Good', 'Very Good' or 'Excellent') to the established industry measure, Net Promoter Score. Bain & Co, the creators of the metric, held that a score above 0 is good; 20+ is favourable; 50+ is excellent and 80+ is world class.

We have retained our carbon neutral status for 2023 and we remain on track to achieve carbon net zero by 2025.

- Having made substantive progress on our Scope 1, Scope 2 and business travel-related emissions, our focus has moved to addressing the emissions within our supply chain. Our supplier engagement plan will commence during November.

We are maintaining a positive outlook as our key business segments are positioned for further growth in the near-term

- Notwithstanding the global economic uncertainty, we believe that our key business areas, Workday Products, Workday Services and public sector Digital Services will continue to deliver growth, in both the near term and medium term.
- We do not expect any further significant revenue reductions in the healthcare and commercial sub-sectors of our Digital Services division and that they are likely to return to growth in the near-to-medium term.
- We are well-positioned to deliver strong margin growth through the year as we continue to benefit from our disciplined operational execution.
- We have a growing sense of excitement about some of our smaller, high-growth activities, of which Workday Extend, Automation and Low Code, international growth in Digital Services and, obviously, Data & AI are showing significant promise.

Commenting on the results, CEO Russell Sloan said:

"Our latest results, the first after the recent CEO transition, are the outcome of continued excellent performance where we have again delivered strong growth.

We are grateful for the ongoing support and trust that our customers place in Kainos to deliver their critical projects. Our customer satisfaction levels are high, as is the level of continued business from our customers.

In the last six months, our Digital Services division has been fuelled by public sector clients continuing to invest strongly in digital transformation projects. Meanwhile, there has been strong growth in our Workday Services division where we continue to be the leading Workday partner in Europe and are enjoying a growing status in the US and Canada.

Progress within our Workday Products division continues to gain momentum. In addition to our three established Smart Suite products, we are delighted to have launched our latest product, Employee Document Management, which already has nine international clients signed up. We are confident that we will have further opportunities to develop new, innovative products as we continue to help ambitious clients deploy Workday.

We have a well-diversified business with an increasing focus on our international expansion, where growth continues to be very strong. In addition to the global growth in our Workday divisions, we are now creating opportunities for our Digital

Services division to expand internationally, especially into our impressive Workday customer base.

During this period we have maintained our focus on operational excellence while at the same time building for the future, as we have grown our employee base strongly while reducing our usage of third-party contractors.

This is a natural evolution as we rely on the ability, energy, and expertise of our people to drive our success. Our high level of employee engagement, now measured monthly, has resulted in improved retention which is amongst the highest levels we have experienced in the last ten years.

As the result of many years of research, and then deployment of Artificial Intelligence (AI) system, we have built a strong reputation as an AI leader in the UK. The recent surge of interest in, and capabilities of, technologies such as Generative AI, provide ongoing opportunity for us. These range from helping our customers assess and safely explore the benefits and limitations of these new models, to the internal deployment of assistive tools to increase our own productivity.

Despite the ongoing global economic uncertainty, we believe that in the near-term and long-term, our business will sustainably deliver growth. The efficiency and benefits that are derived from our products and services are significant and attract investment within our customers. We are excited that our talented colleagues will continue to drive change at pace and make a positive impact on people's lives."

For further information, please contact:**Kainos**

Russell Sloan, Chief Executive Officer
Richard McCann, Chief Financial Officer

via FTI Consulting LLP**Investec Bank plc**

Patrick Robb / Ben Griffiths

+44 20 7597 5970

FTI Consulting LLP

Matt Dixon / Dwight Burden / Kwaku Aning

+44 20 3727 1000

About Kainos Group plc

Kainos Group plc is a UK-headquartered IT provider with expertise across three divisions: Digital Services, Workday Services, and Workday Products.

- Digital Services develops and supports custom digital service platforms for public sector, commercial, and healthcare customers. Our solutions transform the delivery of these services, ensuring they are secure, accessible, and cost-effective, and provide better outcomes for users.
- Workday Services specialises in the deployment of Workday, Inc.'s Finance, HR and Planning products to leading organisations across Europe and North America. We are one of Workday's most respected partners, experienced in complex deployment and trusted by our customers to launch, test, expand, and support their Workday systems.
- Workday Products develops products that complement Workday. Our Smart product suite, including Smart Test (for automated testing), Smart Audit (for compliance monitoring), and Smart Shield (for data masking), are used by more than 400 customers globally to safeguard their Workday systems.

Our people are central to our success. We employ more than 3,100 people in 23 countries across Europe, Asia, and the Americas.

We are listed on the London Stock Exchange (LSE: KNOS) and you can discover more about us at www.kainos.com.

Definition of terms

We use the following definitions for our key metrics:

Active customer: a customer who has paid us to deliver a product or service within the current financial year.

Adjusted EBITDA: calculated as being adjusted pre-tax profit excluding interest, tax, depreciation of property, plant and equipment and right-of-use assets, and amortisation of intangible assets.

Adjusted pre-tax profit: profit before tax excluding the effect of share-based payment expense, acquisition-related expenses including amortisation of acquired intangible assets and post-combination remuneration expense (relating to contingent deferred consideration subject to future service conditions). Our adjusted results in the period also exclude one-off gains recognised on sale of property and changes in fair value of our investment property.

Annual Recurring Revenue (ARR): the value at the end of the accounting period of the software and subscription recurring revenue annualised.

Bookings: the total value of sales contracted during the period.

Carbon net zero: any CO₂ released into the atmosphere from a company's entire value chain is reduced as much as possible and the rest is removed.

Carbon neutral: any CO₂ released into the atmosphere from a company's entire value chain activities is balanced by an equivalent amount being removed.

Cash conversion: cash generated from operating activities as a percentage of adjusted EBITDA.

Constant currency (ccy): Excludes the effect of foreign currency exchange rate fluctuations on year-on-year performance by translating the relevant prior year figure at current year average exchange rates.

Contracted backlog: the value of contracted revenue that has yet to be recognised.

Compound annual growth rate (CAGR): annual growth rate over a specified period of time.

Existing customer revenue: total revenue recognised from customers in the current period who were also customers in the preceding year.

Net Promoter Score (NPS): a metric that organisations use to measure customer loyalty toward their brand, product or service, and can range from -100 to +100.

Bain & Co, the creators of the metric, held that a score above 0 is good; 20+ is favourable; 50+ is excellent and 80+ is world class.

Net revenue retention (NRR): is the percentage of recurring revenue from existing customers we retained over the year. This considers increases or reductions in customer spending and those customers where the engagement has ended; it does not include revenue from new customers. NRR therefore shows how our business could continue to grow solely from our current customer base alone, without acquiring any new customers.

Organic revenue: our revenues excluding revenue from acquisitions completed in the current and comparative reporting periods.

Software as a service (SaaS): is a software distribution model that delivers application programs over the internet, with users typically accessing the program through a web browser. Users pay an on-going subscription to use the software rather than purchasing it once and installing it.

Science based targets initiative (SBTi): a target for reducing greenhouse gases and CO₂ emissions which is aligned with the global effort to limit global warming to 1.5°C.

Cautionary statement

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

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

Group business review

Our overall performance

Our key business areas, Workday Services, Workday Products and public sector within Digital Services, together 81% of revenue, continue to perform strongly, even when measured against a strong comparative period (H1 23 total revenue growth of 26%). Offsetting this growth, our healthcare revenues continued their post-pandemic decline and we observed some reductions in project scope for some commercial sector customers within Digital Services.

In total, revenue for the six months grew by 7% (7% organic, 8% ccy) to £193.2 million (H1 23: £179.8 million) with adjusted pre-tax profit⁽³⁾ increasing by 11% (19% ccy) to £37.9 million (H1 23: £34.0 million).

Our sales are a combination of extensions to existing contracts, new projects placed by existing customers and winning new customers. Bookings in the first six months were 9% lower at £201.9 million (H1 23: £221.5 million), noting that in the comparative period, Workday Services recorded a 125% increase in bookings. Our contracted backlog increased 6% to £326.9 million (H1 23: £307.9 million).

In line with our previous guidance, we have increased investment in our software products, now representing a total of £11.8 million. Research & development investment increased to £5.9 million (H1 23: £4.0 million) and our product-related sales & marketing investment increased to £5.9 million (H1 23: £4.8 million).

As at 30 September 2023, we had a strong cash balance of £113.0 million (H1 23: £97.1 million), representing 82% cash conversion (H1 23: 70%).

Our people

We are clear that our success is driven by the ability, energy and expertise of the people in Kainos.

In the past twelve months, our headcount has grown by 219 to 3,139 people (H1 23: 2,920). Of our colleagues, 4% are contractors (H1 23: 10%). By region, UK & Ireland increased to 2,153 people (+49), Central Europe increased to 477 people (+39) and the Americas increased to 413 people (+50). In Asia, the number of people increased to 96 (+81) as we welcomed our new colleagues from the RapidIT-Cloudbera acquisition.

Our employee engagement levels remain high. We now utilise Workday Peakon to continuously assess employee engagement and have achieved a rating of 79%. For the second consecutive year, we were awarded '50 Best Places To Work For in the UK' by Glassdoor, the online career community.

⁽³⁾ The Financial review section includes reconciliations between adjusted pre-tax profit and profit before tax numbers.

In the past twelve months, 92% of our colleagues made the choice to stay and develop their career within Kainos (H1 23: 86%). This improved retention is partially as a result of our ongoing engagement efforts, but we also recognise that there is increased job-changing caution within the sector.

Our customers

We believe that by delivering consistently to our customers we build long-term relationships. The strength of our customer relationships is reflected in our consistently high satisfaction scores. We have now migrated from our proprietary customer satisfaction index to Net Promoter Score (NPS), and in the last six months we achieved a NPS score of 62 (a score above 50 is viewed as 'excellent').

Existing customers continue to trust us to deliver their most challenging projects, and this is reflected in our revenues, with 94% of revenues coming from our existing clients (H1 23: 94%). We have also gained new customers during the first six months, and we now work with 892 customers (H1 23: 779).

From a sector perspective we have a well-diversified business, with 51% of our revenues from commercial clients (H1 23: 48%), 38% from public sector organisations (H1 23: 35%), and 11% from healthcare customers (H1 23: 17%).

Our international client base has also expanded and as a result our international revenues have grown by 22% to £74.7 million (H1 23: £61.0 million). Regionally, UK & Ireland accounts for 61% of our business (H1 23: 66%), North America for 28% (H1 23: 25%), Central Europe for 11% (H1 23: 9%), with the rest of the world representing <1% (H1 23: <1%).

Digital Services review

Our Digital Services division builds solutions that are highly cost-effective and make public-facing services more accessible and easier to use for the citizen, patient and customer.

In the last six months performance has varied across sectors. Public sector clients continued to invest strongly in digital transformation projects. In contrast, and as anticipated, healthcare revenues declined, driven by post-pandemic budget constraints and ongoing internal NHS reorganisation. Within commercial sector we also recorded decreased revenue as some clients reduced project expenditure.

As a result, Digital Services revenues reduced by 1% to £109.2 million (H1 23: £110.5 million). Bookings, at £118.8 million (H1 23: £117.0 million), represented an increase of 2%, and contracted backlog increased by 7% to £149.0 million (H1 23: £139.2 million).

Overall, public sector now represents 67% of divisional revenues (H1 23: 56%), healthcare 19% (H1 23: 27%) and commercial sector 14% (H1 23: 17%).

Public sector

Our public sector customers remain committed to their digital transformation programmes, the importance of which are underlined in the 2025 Roadmap published by the Central Data & Digital Office⁽⁴⁾ which aims to create a more efficient digital government that provides better outcomes for everyone. This continued digital adoption by government, and our success in the market, has resulted in an increase in our revenues by 17% to £73.0 million (H1 23: £62.3 million).

We continue to support our long-standing customers, including the Ministry of Justice, the Department of Food and Rural Affairs and HM Passport Office and are assisting new customers such as the General Records Office, the Pensions Regulator and National Highways as they progress their ambitious digital programmes. We have been awarded places on new digital services frameworks with Ministry of Defence, HM Revenue and Customs and the Financial Conduct Authority.

Commercial sector

In the UK, the commercial sector expenditure on IT is over three times that of the public sector. While this represents significant long-term opportunity, to increase our likelihood of success, we have initially chosen to focus our activity on financial services customers.

While our customers recognise the need to increase their levels of investment in digital transformation, the uncertain economic backdrop has resulted in a cautious approach to embarking upon major transformation programmes and limiting the scope of some in-flight projects.

We continue to deliver digital services for our established customers, including Irish Life, Bank of Ireland and Nexi Group and we are helping new customers including Royal London, Unum and Asda. In addition, we are providing Data and AI services to existing Workday customers including GEA, Spencer Stuart and Checkout.com.

Reflecting reduced activity levels, our revenues were 16% lower at £15.8 million (H1 23: £18.7 million).

Healthcare sector

We flagged in our May update that our NHS customers are experiencing post-pandemic budget constraints, combined with the disruption of the ongoing merger of the NHS England and NHS Digital organisations to form NHS England's new Transformation Directorate.

As a result, our healthcare revenues have reduced to £20.4 million (H1 23: £29.5 million), a decrease of 31%; further significant reductions are not anticipated.

⁽⁴⁾ The report can be accessed via GOV.UK, or by using this [link](#).

This year, our customers have included the Department for Health and Care Wales, where we delivered their Patient App, Genomics England and Our Future Health where we are helping to build the world's largest health research study.

International expansion outside of UK and Ireland

With the UK as an early adopter of digital transformation, the opportunity exists to replicate our home market success in international jurisdictions. In Europe, our initial focus is primarily on commercial customers in Germany and Switzerland, with organisations such as Hello Fresh, Nexi Group and GEA. In North America, we are making progress across public sector, commercial sector and the healthcare sector with organisations that include the Province of Nova Scotia, WPP and SunLife Insurance.

Our international revenues are reported in the figures in the sectors listed above, but for clarity, international revenues for the division have increased by 40% to £5.9 million (H1 23: £4.2 million), representing 5% of total Digital Services revenue (H1 23: 4%).

Workday Services review

Revenue for the six months recorded strong growth of 18% to £57.3 million (H1 23: £48.4 million), driven by the exceptional sales closure a year ago, which reported an increase in bookings of 125%, to £80.5 million.

This same sales performance creates a challenging comparator and as a result bookings at £53.1 million (H1 23: £80.5 million) represent a reduction of 34%. Similarly, the contracted backlog of £64.1 million (H1 23: £83.2 million) decreased by 23%.

The number of accredited Workday consultants at Kainos increased by 11% to 814 (H1 23: 732).

Having first engaged with Workday Inc. in 2011, we are now one of their most experienced partners. We are the only specialist Workday partner headquartered in the UK and one of only 54 partners globally accredited to implement Workday's innovative SaaS platform. From our initial strong base in UK & Ireland, we expanded internationally – into Northern and Central Europe from 2015 and into the North American market from 2018.

Within Europe, we are the leading Workday partner – this leadership position is the result of high satisfaction levels within our customer base, coupled with our geographic expansion in the region. Our European customers, including those in the UK & Ireland, generated 49% of total revenue (H1 23: 46%).

A similar focus on customer success in our North American market has resulted in our appointment, in mid-2022, as a Phase 1 Prime partner for the US market – which remains the largest market globally for Workday Inc. Our North American customers generated 51% of total revenue (H1 23: 54%).

In addition to the delivery of Workday for new customers, we are increasingly involved in supporting customers already live on the Workday platform. We describe this annuity-style revenue stream as Post Deployment Services.

Workday Extend

Alongside the typical consulting activities involved in deploying Workday's SaaS platform, there is a growing opportunity linked to Workday Extend, Workday's Platform-as-a-Service offering which became generally available in May 2020. Kainos has been part of the Workday Extend early adopter programme since 2017.

Workday Extend allows organisations to build additional, specialised functionality on the Workday platform to further enhance customers' Workday deployment. As experts and global leaders in Workday Extend, we have helped more than 60 organisations including Home Depot, AES Corporation and Ferguson Enterprises to build Workday Extend applications specific to their requirements.

In addition to the paid-for consulting services activity, engaging with clients on Workday Extend projects provides us with insight into common challenges that clients experience, and the potential to build products that are embedded inside Workday.

Blackline Group

In January 2022 we announced the acquisition of Blackline Group, a 50-person specialist business that focused on both advisory services linked to Workday Strategic Sourcing and standalone procurement consulting services.

On review of the standalone procurement consulting activity, and in discussion with our colleagues and customers, we have decided to stop the provision of these services during this financial year. This decision directly impacts 23 of our colleagues based in the US and four customer contracts; the services that are being discontinued amounted to £3.6 million of revenue during the first six months of FY24.

In light of this decision, we have recognised an amortisation charge of £2.6 million relating to the customer relationship intangible asset, a restructuring cost of £0.4 million and all post combination remuneration.

Workday Products review

Our Workday Products revenue increased 28% (24% organic, 31% ccy) to £26.7 million (H1 23: £20.9 million); the Annual Recurring Revenue was £55.4 million (H1 23: £44.2 million), an increase of 25% and backlog increased 33% to £113.8 million (H1 23: £85.5 million).

Workday is a comprehensive SaaS platform, but we have identified opportunities to develop our own software products that are complementary to the platform

and that enable customers to further increase the benefit that they can realise from their investment in Workday.

We have three products within the Smart Suite:

- Smart Test (launched in 2014), is used by organisations to automatically verify their Workday configurations. Smart Test is used by over 350 global enterprise customers, including Salesforce, Capital One and Whole Foods.
- Smart Audit (2021) has been deployed to over 70 customers including Chanel, Arcbest and QBE Insurance. Smart Audit is a compliance monitoring tool that allows Workday customers to maintain operational security controls across their Workday environments. Our pre-built controls focus on safeguarding against Segregation of Duties conflicts, providing robust Privileged Access Controls and protecting Personal and Sensitive employee data.
- Smart Shield (2022) is a data-masking tool that easily and seamlessly masks sensitive data without impacting the Workday user experience. It ensures that data remains controlled when Workday environments are made available to wider teams, for instance, during support and maintenance activities, or for ongoing internal Workday training and onboarding programmes. Smart Shield is now used by over 40 customers, including Match.com and LKAB.

In total, over 400 customers use one or more of our Smart Suite products.

In October 2023, our latest product, Employee Document Management (EDM), became generally available. EDM utilises Workday Extend technology and helps customers manage and simplify the full lifecycle of employee documents inside Workday. In advance of the launch, we worked with a number of design partners to ensure a fit-for-purpose solution for organisations using Workday HCM; we have nine customers already contracted.

Launched during Workday's global customer event, Workday Rising in San Francisco, we also received high levels of engagement from attendees and generated a strong pipeline of prospects.

RapidIT-Cloudbera Acquisition

In June 2023 we completed the acquisition of RapidIT-Cloudbera, the creators of Genie, a Workday-focused automated testing product, headquartered in Atlanta, US, and employing 101 staff in the US and India.

Since the completion of the acquisition we have successfully combined our testing and development teams, and have added the unique Genie functionality to our Smart Test platform.

By the end of November, all customers that used Genie on a weekly basis will have been successfully moved to the updated platform. The migration of the remaining customers, those that use Genie for bi-annual Workday release testing, is on track to complete in January 2024.

Our people

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

Our culture

Our ambition is to be a great employer. A key part of achieving that ambition is for our people to tell us when we get it right and to tell us about the areas where we can improve.

We use Workday Peakon, an intelligent listening platform that allows for timely and immediate feedback, provides a holistic view of employee sentiment and allows comparison against c. 350 leading global technology employers.

Peakon allows organisations to request feedback at any interval; we ask our colleagues for feedback on a monthly basis. Based on feedback from our people, our level of employee engagement remains high (79%), as are our ratings for diversity and inclusion (83%) and wellbeing (77%).

We also continue to measure engagement through Glassdoor, the online career community with over 59 million users that enables current and former employees to provide feedback on companies. In September 2023, Kainos had an overall approval rating of 84% and 86% of respondents would recommend working at Kainos to a friend. In early 2023, we were once again designated to be in the '50 Best Places to Work in the UK' annual Employee Choice awards from Glassdoor, ranked #No. 39.

Recruitment

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

Overall headcount increased by 8% to 3,139 people (H1 23: 2,920). In total, 4% of our colleagues are contractors (H1 23: 10%). By region, UK & Ireland increased to 2,153 people (+2%), Central Europe grew to 477 people (+9%) and the Americas increased to 413 people (+14%). With the completion of the RapidIT-Cloudbera acquisition, the number of colleagues in the Asia region increased from 15 to 96 people.

Included in these numbers are 182 colleagues joining us from school, university or via one of our academies, supporting those wishing to switch careers.

Development

To support our colleagues in their skills development we invest heavily in training and certifications for our people, with over 6,200 trainings days completed in the past six months. We have a diverse curriculum of internal courses (which we call 'Kainos MAP') and comprehensive self-study materials to support external technical and professional qualifications and certifications.

While much of our efforts are aimed internally, supporting the career development of our colleagues, we also remain committed to helping young and under-represented people who are making their first career decisions.

Since April, our Tech Outreach programmes have allowed over 900 young people to participate in our virtual Work Experience programmes (our target is 1,800 for the year). Supporting these programmes, over 130 of our colleagues acted as mentors for the participants.

In 2021 we launched our university-focused Digital Bursaries programme, with our aim to widen participation for people from backgrounds that historically have been under-represented at university. To date, 68 people have benefitted from our programme.

Staff share incentive plan

The Group operates a Share Incentive Plan for all staff. Including the annual awards made in November 2022 (447,620 shares granted) a total of 3,620,940 free shares have now been distributed to staff. In addition, the Group operates Save as you earn (SAYE) schemes through which 3,536,677 options have also been granted to staff.

Summary and outlook

Group outlook

Notwithstanding the global economic uncertainty that exists, we believe that in the near-term, our key business areas, Workday Products, Workday Services and public sector-focused digital services will continue to deliver growth. The efficiency and cost reduction that the shift to digitisation can generate is significant and continues to attract funding within organisations.

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

Digital Services outlook

We remain extremely positive about the future of digitisation in the UK public sector both immediately and over the long-term. We are confident that based upon our strong reputation and successful track record, we are well positioned to maintain a central role in this transformation drive.

A near-term general election features in our planning. This will be the fifth election since the start of the digital reform of UK public services, which commenced in 2009. After each election, successive governments have demonstrated their commitment to the creation of better government services for reduced costs. We expect this commitment to be reaffirmed following the next election.

The digitisation pressures and opportunities within the commercial sector are similar, and therefore the growth prospects for us are substantial in the medium-term. In the short-term, that is, for the duration of the current uncertain economic climate, we expect to see caution from organisations when considering expenditure on large-scale projects, despite their often-rapid return on investment.

After two consecutive periods of revenue decline, our healthcare sector business has returned to growth. The case for greater use of technology in healthcare provision has been well articulated, and we are positive about the medium-term prospects, albeit that sentiment is tempered by the significant funding challenges facing the NHS.

We are optimistic about the international opportunity, utilising the skills and expertise gained as a leading digital transformation specialist in the UK and focusing on international regions where we already have established delivery teams, sales expertise and a strong Workday client base.

Workday Services outlook

Our strong performance provides further evidence of the strength of the Workday market. With Workday's main competitors, Oracle and SAP, soon to mark 50 years in the ERP market, we believe that Workday's more innovative product suite can continue to gain significant market share for many years to come. This is reflected

in Workday Inc's bold target of achieving \$10 billion revenue by 2026⁽⁵⁾, up from c.\$6.5 billion today.

In addition, we believe that we can outpace Workday's rapid growth by continuing our international expansion, especially within the US market, and by replacing other Workday partners in engagements where they are underserving their customers.

Workday Products outlook

For our existing Workday products, our growth will be powered by the increase in Workday clients and by higher penetration of our products into the Workday client base.

We believe that we are well positioned to identify and develop additional products for the Workday ecosystem, as demonstrated by the successful launch of our latest product, Employee Document Management. In such circumstances, our growth will initially be determined by the product-market fit of our new products, followed by their penetration into the Workday client base.

⁽⁵⁾ Workday, Inc.

Financial review

H1 24 was another period of strong financial performance.

In summary, we grew revenue by 7% (8% ccy) to £193.2 million (H1 23: £179.8 million). Digital Services revenue reduced by 1% to £109.2 million (H1 23: £110.5 million), reflecting increased demand in the public sector, offset by reductions in healthcare and commercial sectors. Workday Services revenue grew 18% (21% ccy) to £57.3 million (H1 23: £48.4 million) driven by growth in both Europe and North America. Workday Products revenue increased to £26.7 million (H1 23: £20.9 million), representing growth of 28% (31% ccy) (H1 23: 30% ccy). The Group business review provides more information on our revenue performance.

Our overall gross margin increased to 48.0% (H1 23: 46.6%). Digital Services' gross margin decreased slightly to 37.7% (H1 23: 38.3%). Workday Services margin increased to 54.8% (H1 23: 52.6%), driven by an increase in utilisation. Workday Products margin decreased slightly to 75.7% (H1 23: 76.5%).

Operating expenses

Operating expenses increased by 13% to £63.9 million (H1 23: £56.8 million). The growth in operating expenses is higher than revenue growth due to the increased investment in Workday Products in both sales and product development.

Our investment in product development increased to £5.9 million (H1 23: £4.0 million), all of which was expensed during the period. We recognised £1.8 million of Research & Development Expenditure Credit (RDEC) income during the period (H1 23: £0.8 million).

Blackline acquisition

As noted in the Workday Services review, we have decided to stop the provision of standalone procurement consulting services during this financial period. Upon review of the remaining useful life of the customer relationship intangible asset, recognised on acquisition of Blackline Group in January 2022, we accelerated the amortisation of this asset, recognising a total amortisation charge of £2.6 million in the period. All post combination remuneration has been fully recognised as at 30 September 2023. Restructuring costs of £0.4 million have also been incurred.

Alternative performance measures

We use underlying results to manage the business and measure performance day-to-day. We believe that 'adjusted profit before tax', 'adjusted EBITDA' and 'adjusted diluted and basic earnings per share' better represent the Group's underlying performance and make it easier to compare the Group's performance between periods.

Our adjusted results exclude the effect of share-based payment expense, acquisition-related expenses, including amortisation of acquired intangible assets, and compensation for post-combination services. Our adjusted results in the period also exclude one-off gains recognised on sale of property and fair value remeasurement gain of our investment property.

The adjusted profit measures we use are not defined in UK-adopted International Accounting Standards and our definitions may not be comparable with similarly titled performance measures and disclosures in other entities. The adjusted profit measures reconcile to the reported numbers as follows:

Adjusted profit measures

| | 6 months to 30 Sep 2023 (£000s) | 6 months to 30 Sep 2022 (£000s) | 12 months to 31 Mar 2023 (£000s) |
|--|--|---------------------------------------|--|
| Profit before tax | 30,861 | 27,523 | 54,338 |
| Share-based payment expense and related costs | 2,896 | 2,697 | 6,346 |
| Amortisation of acquired intangible assets | 3,222 | 1,472 | 2,642 |
| Increase in fair value of investment property and gain on sale of property | (2,154) | - | - |
| Compensation for post-combination services | 2,664 | 2,271 | 4,176 |
| Acquisition-related expenses | 363 | 58 | 57 |
| Adjusted profit before tax | 37,852 | 34,021 | 67,559 |

| | 6 months to 30 Sep 2023 (£000s) | 6 months to 30 Sep 2022 (£000s) | 12 months to 31 Mar 2023 (£000s) |
|--|--|---------------------------------------|--|
| Profit after tax | 22,126 | 21,863 | 41,645 |
| Share-based payment expense and related costs (net of associated taxes) | 2,085 | 2,023 | 4,886 |
| Amortisation of acquired intangible assets | 2,372 | 1,472 | 2,642 |
| Increase in fair value of investment property and gain on sale of property | (1,616) | - | - |
| Compensation for post-combination services | 2,528 | 2,271 | 4,176 |
| Acquisition-related expenses | 363 | 58 | 57 |
| Adjusted profit after tax | 27,858 | 27,687 | 53,406 |

Adjusted EBITDA

| | 6 months to 30 Sep 2023 (£000s) | 6 months to 30 Sep 2022 (£000s) | 12 months to 31 Mar 2023 (£000s) |
|---|--|---------------------------------------|--|
| Adjusted profit before tax | 37,852 | 34,021 | 67,559 |
| Depreciation of property, plant and equipment | 1,276 | 1,105 | 2,249 |
| Depreciation of right-of-use assets | 433 | 638 | 1,163 |
| Finance expense | 76 | 28 | 71 |
| Finance income | (1,764) | (356) | (1,463) |
| Adjusted EBITDA | 37,873 | 35,436 | 69,579 |

Adjusted profit before tax increased by 11% to £37.9 million (H1 23: £34.0 million). Profit before tax increased by 12% to £30.9 million (H1 23: £27.5 million).

Corporation tax charge

The total tax charge for the six months ended 30 September 2023 is £8.7 million (H1 23: £5.7 million). This tax charge equates to an effective tax rate of 28% (H1 23: 21%).

The effective tax rate for the period is higher than the prior period due a number of factors, including the increase of the UK corporation tax rate from 19% to 25% effective 1 April 2023, an increase in profits subject to tax at higher overseas rates and acquisition related expenses incurred in the period which are not deductible for tax.

The expected annual tax rate for the year to 31 March 2024 is 27% (31 March 2023: 21%).

Financial position

We continue to have a strong financial position with £113.0 million of cash (H1 23: £97.1 million), no debt and net assets of £137.4 million (H1 23: £117.3 million). The combined underlying net trade receivables and accrued income balance decreased by 8% to £70.6 million (H1 23: £76.9 million).

During the period we completed the sale of property located in Belfast, recognising a gain on disposal of £1.1 million. At 31 March 2023, the carrying value of this property was £0.3 million and was recognised as assets held for sale within current assets.

Within non-current assets, property, plant and equipment has increased to £11.5 million (H1 23: £9.6 million) due mainly to property refurbishment costs incurred. We have also entered into two property lease agreements in the period, adding a total of £2.5 million to our right-of-use assets and corresponding lease liabilities.

As noted within our Workday Products review, we completed the acquisition of RapidIT-Cloudbera Inc. on 30th June 2023. The fair value of assets acquired and liabilities assumed at acquisition date have been determined on a provisional basis and are detailed further in note 15.

The final dividend for FY23 of £20.1 million has been included as a current liability in these financial statements. This dividend was approved by shareholders at the Annual General Meeting on 21 September 2023 and paid to shareholders on 20 October 2023.

Cash flow and cash conversion

Cash conversion, which is cash generated by operating activities as a percentage of adjusted EBITDA, remained strong at 82% (H1 23: 70%).

Interim dividend

The Board has declared an interim dividend of 8.2 pence per share for H1 24 (H1 23: 7.8 pence). This will be paid on 15 December 2023 to shareholders on the register at the close of business on 24 November 2023, with an ex-dividend date of 23 November 2023.

Related party transactions

There have been no material changes in related party transactions from those described in the last annual report.

Risks & Uncertainties

There are several potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from forecast and historic results. These principal risks and uncertainties remain consistent with the detailed description provided in pages 54 - 58 of the Annual Report associated with the Group's Annual Results published on 21 July 2023 (available on the Group's website www.kainos.com).

Going concern

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

Condensed consolidated income statement for the six months ended 30 September 2023

| Continuing operations | Note | 6 months to 30 Sep 2023 (unaudited) (£000s) | 6 months to 30 Sep 2022 (unaudited) (£000s) | 12 months to 31 Mar 2023 (audited) (£000s) |
|--|------|--|--|---|
| Revenue | 5 | 193,249 | 179,775 | 374,807 |
| Cost of sales | 5 | (100,457) | (95,991) | (197,652) |
| Gross profit | | 92,792 | 83,784 | 177,155 |
| Operating expenses | | (63,941) | (56,843) | (124,597) |
| Impairment (loss)/gain (including amounts recovered) on trade receivables and accrued income | | (718) | 254 | 388 |
| Increase in fair value of investment property | | 1,040 | - | - |
| Operating profit | | 29,173 | 27,195 | 52,946 |
| Finance income | | 1,764 | 356 | 1,463 |
| Finance expense | | (76) | (28) | (71) |
| Profit before tax | | 30,861 | 27,523 | 54,338 |
| Income tax expense | 6 | (8,735) | (5,660) | (12,693) |
| Profit for the period | | 22,126 | 21,863 | 41,645 |

Consolidated statement of comprehensive income for the six months ended 30 September 2023

| | 6 months to 30 Sep 2023 (unaudited) (£000s) | 6 months to 30 Sep 2022 (unaudited) (£000s) | 12 months to 31 Mar 2023 (audited) (£000s) |
|---|--|--|---|
| Profit for the period | 22,126 | 21,863 | 41,645 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign operations - foreign currency translation differences | (540) | 1,754 | 779 |
| Total comprehensive income for the period | 21,586 | 23,617 | 42,424 |

Earnings per share

| | | | | |
|---------|---|--------------|-------|-------|
| Basic | 8 | 17.8p | 17.7p | 33.6p |
| Diluted | 8 | 17.5p | 17.4p | 33.1p |

Condensed consolidated statement of financial position as at 30 September 2023

| | Note | 30 Sep 2023 (unaudited) (£000s) | 30 Sep 2022 (unaudited) (£000s) | 31 Mar 2023 (audited) (£000s) |
|-----------------------------------|------|---------------------------------------|---------------------------------------|-------------------------------------|
| Non-current assets | | | | |
| Goodwill | 11 | 38,197 | 20,294 | 19,007 |
| Other intangible assets | 12 | 6,500 | 5,495 | 3,816 |
| Property, plant and equipment | | 11,520 | 9,612 | 9,509 |
| Investment property | | 6,200 | 5,160 | 5,160 |
| Right-of-use assets | | 3,923 | 2,445 | 1,261 |
| Investments in equity instruments | | 1,299 | 1,343 | 1,299 |
| Deferred tax asset | | 4,444 | 5,444 | 3,103 |
| | | 72,083 | 49,793 | 43,155 |
| Current assets | | | | |
| Trade and other receivables | 9 | 40,623 | 38,137 | 38,970 |
| Prepayments | | 4,190 | 4,381 | 3,656 |
| Accrued income | | 38,358 | 41,990 | 38,808 |
| Tax receivable | | - | - | 400 |
| Cash and cash equivalents | 16 | 113,045 | 97,064 | 108,302 |
| Assets held for sale | | - | - | 310 |
| | | 196,216 | 181,572 | 190,446 |
| Total assets | | 268,299 | 231,365 | 233,601 |
| Current liabilities | | | | |
| Trade payables and accruals | | (44,529) | (43,884) | (52,348) |
| Dividend payable | 7 | (20,135) | (18,740) | - |
| Deferred income | | (40,860) | (33,541) | (37,087) |
| Current tax liabilities | | (5,145) | (3,844) | - |
| Lease liabilities | | (1,042) | (893) | (794) |
| Provisions | | (101) | (421) | (341) |
| Other tax and social security | | (14,746) | (10,036) | (12,068) |
| | | (126,558) | (111,359) | (102,638) |
| Non-current liabilities | | | | |
| Provisions | | (1,359) | (1,026) | (1,031) |
| Lease liabilities | | (3,015) | (1,715) | (585) |
| | | (4,374) | (2,741) | (1,616) |
| Total liabilities | | (130,932) | (114,100) | (104,254) |
| Net assets | | 137,367 | 117,265 | 129,347 |
| Equity | | | | |
| Share capital | 14 | 625 | 619 | 623 |
| Share premium account | | 8,658 | 6,524 | 6,567 |
| Capital reserve | | 3,548 | 3,548 | 3,548 |
| Share-based payment reserve | | 27,980 | 19,152 | 23,394 |
| Translation reserve | | 490 | 2,005 | 1,030 |
| Retained earnings | | 96,066 | 85,417 | 94,185 |
| Total equity | | 137,367 | 117,265 | 129,347 |

Condensed consolidated statement of changes in equity for the six months ended 30 September 2023

| | Share capital | Share premium | Capital reserve | Share-based payment reserve | Translation reserve | Retained earnings | Total equity |
|--|---------------|---------------|-----------------|-----------------------------|---------------------|-------------------|----------------|
| | (£000s) | (£000s) | (£000s) | (£000s) | (£000s) | (£000s) | (£000s) |
| Balance at 31 March 2022 (audited) | 619 | 6,433 | 3,548 | 15,171 | 251 | 81,668 | 107,690 |
| Profit for the period | - | - | - | - | - | 21,863 | 21,863 |
| Other comprehensive income | - | - | - | - | 1,754 | - | 1,754 |
| Total comprehensive income for the period | - | - | - | - | 1,754 | 21,863 | 23,617 |
| Equity settled share-based payment | - | - | - | 3,981 | - | - | 3,981 |
| Current tax for equity-settled share-based payments | - | - | - | - | - | 40 | 40 |
| Deferred tax for equity-settled share-based payments | - | - | - | - | - | 586 | 586 |
| Issue of share capital – share options exercised | - | 91 | - | - | - | - | 91 |
| Dividends | - | - | - | - | - | (18,740) | (18,740) |
| Balance at 30 September 2022 (unaudited) | 619 | 6,524 | 3,548 | 19,152 | 2,005 | 85,417 | 117,265 |
| Profit for the period | - | - | - | - | - | 19,782 | 19,782 |
| Other comprehensive income | - | - | - | - | (975) | - | (975) |
| Total comprehensive income for the period | - | - | - | - | (975) | 19,782 | 18,807 |
| Equity settled share-based payment | - | - | - | 4,242 | - | - | 4,242 |
| Current tax for equity-settled share-based payments | - | - | - | - | - | 197 | 197 |
| Deferred tax for equity-settled share-based payments | - | - | - | - | - | (1,517) | (1,517) |
| Issue of share capital – share options exercised | 4 | 43 | - | - | - | - | 47 |
| Dividends | - | - | - | - | - | (9,694) | (9,694) |
| Balance at 31 March 2023 (audited) | 623 | 6,567 | 3,548 | 23,394 | 1,030 | 94,185 | 129,347 |
| Profit for the period | - | - | - | - | - | 22,126 | 22,126 |
| Other comprehensive income | - | - | - | - | (540) | - | (540) |
| Total comprehensive income for the period | - | - | - | - | (540) | 22,126 | 21,586 |
| Equity settled share-based payment | - | - | - | 4,586 | - | - | 4,586 |
| Current tax for equity-settled share-based payments | - | - | - | - | - | 326 | 326 |
| Deferred tax for equity-settled share-based payments | - | - | - | - | - | (436) | (436) |
| Issue of share capital – share options exercised | 2 | 2,091 | - | - | - | - | 2,093 |
| Dividends | - | - | - | - | - | (20,135) | (20,135) |
| Balance at 30 September 2023 (unaudited) | 625 | 8,658 | 3,548 | 27,980 | 490 | 96,066 | 137,367 |

Consolidated statement of cash flows for the six months ended 30 September 2023

| | 6 months to 30 Sep 2023 (unaudited) (£000s) | 6 months to 30 Sep 2022 (unaudited) (£000s) | 12 months to 31 Mar 2023 (audited) (£000s) |
|---|--|--|---|
| Cash flows from operating activities | | | |
| Profit for the period | 22,126 | 21,863 | 41,645 |
| <i>Adjustments for:</i> | | | |
| Finance income | (1,764) | (356) | (1,463) |
| Finance expense | 76 | 28 | 71 |
| Tax expense | 8,735 | 5,660 | 12,693 |
| Share-based payment expense | 2,896 | 2,697 | 6,346 |
| Depreciation of property, plant and equipment | 1,276 | 1,105 | 2,249 |
| Depreciation of right-of-use assets | 433 | 638 | 1,163 |
| Amortisation of intangible assets | 3,222 | 1,472 | 2,642 |
| Gain on disposal of property, plant and equipment | (1,114) | - | - |
| Increase in fair value of investment property | (1,040) | - | - |
| Post-acquisition remuneration settled by shares | 1,365 | 1,716 | 3,200 |
| Increase/(decrease) in provisions | 88 | (683) | (758) |
| Operating cash flows before movements in working capital | 36,299 | 34,140 | 67,788 |
| Increase in trade and other receivables | (2,127) | (3,072) | (3,380) |
| (Decrease)/increase in trade and other payables | (3,156) | (6,095) | 8,076 |
| Cash generated from operating activities | 31,016 | 24,973 | 72,484 |
| Income taxes paid | (4,480) | (4,171) | (10,585) |
| Net cash from operating activities | 26,536 | 20,802 | 61,899 |
| Cash flows from investing activities | | | |
| Interest received | 1,764 | 356 | 1,463 |
| Purchases of property, plant and equipment | (3,287) | (1,010) | (2,499) |
| Proceeds from sale of property | 1,424 | - | - |
| Acquisition of subsidiaries net of cash acquired | (23,338) | - | - |
| Net cash used in investing activities | (23,437) | (654) | (1,036) |
| Cash flows from financing activities | | | |
| Dividends paid | - | - | (28,434) |
| Interest paid | (76) | (28) | (71) |
| Repayment of lease liabilities | (424) | (623) | (1,075) |
| Proceeds on issue of shares | 2,093 | 91 | 138 |
| Net cash from/(used) in financing activities | 1,593 | (560) | (29,442) |
| Net increase in cash and cash equivalents | 4,692 | 19,588 | 31,421 |
| Cash and cash equivalents at start of period | 108,302 | 76,609 | 76,609 |
| Effect of exchange rate fluctuations on cash held | 51 | 867 | 272 |
| Cash and cash equivalents at end of period | 113,045 | 97,064 | 108,302 |

Notes to the condensed consolidated financial statements

1. Corporate information

Kainos Group plc ("Company") is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales (Company registration number 09579188), having its registered office at 21 Farringdon Road, 2nd Floor, London, EC1M 3HA. The Company is listed on the London Stock Exchange.

These condensed consolidated financial statements for the six months ended 30 September 2023 comprise the Company and its subsidiaries (together the "Group"). The nature of the Group's operations and its principal activities are set out in the Group business review.

These statements have not been audited but have been reviewed by the Group's auditor pursuant to International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council.

These condensed consolidated financial statements were approved for issue on 10 November 2023.

2. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 September 2023 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 "Interim Financial Reporting" under UK-adopted International Accounting Standards and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 March 2023 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with UK-adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

These condensed consolidated financial statements do not constitute statutory accounts of the Group within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2023 have been filed with the registrar of companies and can be found on the Group's website. The auditor's report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498(2) or (3) of the Companies Act 2006.

The annual statements of Kainos Group plc are prepared in accordance with UK-adopted International Accounting Standards.

Going concern

Having reviewed the future plans and projections for our business and our current financial position, the Directors believe that we are well placed to manage our business risks successfully. We have adequate financial resources, no borrowings, a good level of recurring revenue, and a broad spread of customers.

At 31 March 2023, the Directors assessed the Group's viability over a longer period to March 2026. The review included sensitivity analysis on the future performance and solvency over three years and for the principal and emerging risks facing the business in severe but reasonable scenarios.

In performing this assessment, our long-term strategy and focus, the growing demand for our products and services, the increasing level of recurring revenue and low customer attrition, the track record of strong cash generation and a healthy cash balance with no debt from financial institutions were all taken into consideration. Consideration was also given to the risks of regional and political changes in our main markets.

Based on the results of this assessment, the Directors had a reasonable expectation that should these risks, either all or in part manifest themselves, the resulting adverse outcomes can be managed and mitigated such that, the Group and Company will be able to continue in operation and meet their liabilities as they fall due over the period of their assessment. In doing so, we note that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

As a consequence of these factors and having reviewed the forecasts for the coming year, the Directors have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this Interim Report. For this reason, we continue to adopt the going concern basis of accounting in preparing our financial statements.

3. Significant accounting policies

Except for as detailed below, the accounting policies, presentation and methods of computation applied by the Group in these condensed consolidated financial statements are the same as those applied in the Group's latest audited annual consolidated financial statements for the year ended 31 March 2023. No newly introduced standard or amendments to standards had a material impact on the condensed financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Income tax

The policy for recognising and reassessing income taxes in the interim period is consistent with that applied in the previous period as described in note 6.

4. Critical accounting judgements and key sources of estimation uncertainty

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

In preparing these condensed consolidated financial statements, apart from as detailed below, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the statutory accounts for the year ended 31 March 2023.

RapidIT-Cloudbera Acquisition

The acquisition of RapidIT-Cloudbera ("RIC") resulted in the purchase of a US based entity ("RIC USA") and the transfer of over 70 staff from a company registered in India ("RIC India") that was under the control of the majority shareholders of RIC USA, to a newly formed company set up by Kainos ("Kainos India"). The individuals transferring from RIC India worked solely under the direction of RIC USA and the transfer of employment was completed within 5 business days of the incorporation of Kainos India. An amount was held in escrow on acquisition date in accordance with the purchase agreement to facilitate the transfer of employment to Kainos India. The amount payable to the vendors would have been reduced had the number of employees joining Kainos India fallen below a threshold. The amount was payable in full had Kainos India not been incorporated within the 120-day period. There were no other conditions required to be met to facilitate the release of this amount.

It is our view that the transfer of employees was solely to facilitate the successful acquisition of the entire RIC business, was administrative in nature and there was no substantive requirement for post-acquisition services. As such, our accounting judgement is that the \$6.0 million amount initially held in escrow and paid in full by the date of these financial statements, should be reflected as purchase consideration rather than post-acquisition services.

5. Segment reporting

All our revenue for the six-month period to 30 September 2023 was derived from continuing operations.

The Group's Executive Directors are considered to be the Chief Operating Decision Maker ('CODM') of the Group. They use internal management reports to assess both performance and strategy of the Group and the three specialist business areas: Digital Services, Workday Services and Workday Products.

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

| 2023 | | | | | |
|--|--|---------------|---------------|---------------|---------------|
| 6 months to 30 September | | Digital | Workday | Workday | |
| (unaudited) | | Services | Services | Products | |
| | | (£000s) | (£000s) | (£000s) | |
| | | | | Total | |
| | | | | (£000s) | |
| Revenue | | 109,209 | 57,294 | 26,746 | 193,249 |
| Cost of sales | | (68,068) | (25,886) | (6,503) | (100,457) |
| Gross profit | | 41,141 | 31,408 | 20,243 | 92,792 |
| Direct expenses ⁽⁶⁾ | | (12,359) | (18,061) | (13,657) | (44,077) |
| Contribution | | 28,782 | 13,347 | 6,586 | 48,715 |
| Central overheads ⁽⁶⁾ | | | | | (12,551) |
| Net finance expense | | | | | 1,688 |
| Adjusted profit before tax | | | | | 37,852 |
| Share-based payment expense and related costs | | | | | (2,896) |
| Amortisation of acquired intangible assets | | | | | (3,222) |
| Compensation for post-combination services | | | | | (2,664) |
| Acquisition-related expenses | | | | | (363) |
| Increase in fair value of investment property and gain on sale of property | | | | | 2,154 |
| Profit before tax | | | | | 30,861 |

⁽⁶⁾ Direct expenses plus central overheads plus balances below adjusted profit equals the sum of operating expenses plus impairment losses and reversals on trade receivables and accrued income and fair value movements on investment property. Direct expenses are expenses that are directly attributable to each division.

| 2022 | | | | |
|---|-----------------|-----------------|-----------------|----------------|
| 6 months to 30 September | | | | |
| (unaudited) | Digital | Workday | Workday | Total |
| | Services | Services | Products | |
| | (£000s) | (£000s) | (£000s) | (£000s) |
| Revenue | 110,472 | 48,363 | 20,940 | 179,775 |
| Cost of sales | (68,155) | (22,913) | (4,923) | (95,991) |
| Gross profit | 42,317 | 25,450 | 16,017 | 83,784 |
| Direct expenses ⁽⁶⁾ | (12,516) | (17,496) | (9,950) | (39,962) |
| Contribution | 29,801 | 7,954 | 6,067 | 43,822 |
| Central overheads ⁽⁶⁾ | | | | (10,129) |
| Net finance expense | | | | 328 |
| Adjusted profit before tax | | | | 34,021 |
| Share-based payment expense and related costs | | | | (2,697) |
| Amortisation of acquired intangible assets | | | | (1,472) |
| Compensation for post-combination services | | | | (2,271) |
| Acquisition-related expenses | | | | (58) |
| Profit before tax | | | | 27,523 |

| 2023 | | | | |
|--|-----------------|-----------------|-----------------|----------------|
| 12 months to 31 March | | | | |
| (audited) | Digital | Workday | Workday | Total |
| | Services | Services | Products | |
| | (£000s) | (£000s) | (£000s) | (£000s) |
| Revenue | 224,384 | 105,741 | 44,682 | 374,807 |
| Cost of sales | (138,798) | (48,406) | (10,448) | (197,652) |
| Gross profit | 85,586 | 57,335 | 34,234 | 177,155 |
| Direct expenses ⁽⁶⁾ | (24,326) | (36,439) | (21,687) | (82,452) |
| Contribution | 61,260 | 20,896 | 12,547 | 94,703 |
| Central overheads ⁽⁶⁾ | | | | (28,536) |
| Net finance income | | | | 1,392 |
| Adjusted profit before tax | | | | 67,559 |
| Share-based payments expense and related costs | | | | (6,346) |
| Amortisation of acquired intangible assets | | | | (2,642) |
| Compensation for post-combination services | | | | (4,176) |
| Acquisition-related expenses | | | | (57) |
| Profit before tax | | | | 54,338 |

The Group's revenue from external customers by geographic location is detailed below:

| | 6 months to 30 Sep 2023 (unaudited) (£000s) | 6 months to 30 Sep 2022 (unaudited) (£000s) | 12 months to 31 Mar 2023 (audited) (£000s) |
|--------------------------|--|--|---|
| United Kingdom & Ireland | 118,528 | 118,721 | 242,787 |
| North America | 53,076 | 44,390 | 95,505 |
| Central Europe | 20,969 | 16,087 | 35,262 |
| Rest of world | 676 | 577 | 1,253 |
| | 193,249 | 179,775 | 374,807 |

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

| 6 months to 30 September 2023 (unaudited) | Digital Services (£000s) | Workday Services (£000s) | Workday Products (£000s) | Total (£000s) |
|--|---|---|---|--------------------------|
| Type of revenue | | | | |
| Services | 105,727 | 54,320 | 1,196 | 161,243 |
| Subscriptions | - | - | 25,550 | 25,550 |
| Third party & other | 3,482 | 2,974 | - | 6,456 |
| | 109,209 | 57,294 | 26,746 | 193,249 |

| 6 months to 30 September 2022 (unaudited) | Digital Services (£000s) | Workday Services (£000s) | Workday Products (£000s) | Total (£000s) |
|--|---|---|---|--------------------------|
| Type of revenue | | | | |
| Services | 107,026 | 45,262 | 861 | 153,149 |
| Subscriptions | - | - | 20,079 | 20,079 |
| Third party & other | 3,446 | 3,101 | - | 6,547 |
| | 110,472 | 48,363 | 20,940 | 179,775 |

| 12 months to 31 March 2023 (audited) | Digital Services (£000s) | Workday Services (£000s) | Workday Products (£000s) | Total (£000s) |
|---|---|---|---|--------------------------|
| Type of revenue | | | | |
| Services | 217,490 | 98,961 | 1,625 | 318,076 |
| Subscriptions | - | - | 43,057 | 43,057 |
| Third party & other | 6,894 | 6,780 | - | 13,674 |
| | 224,384 | 105,741 | 44,682 | 374,807 |

| | 6 months to 30 Sep 2023 (unaudited) (£000s) | 6 months to 30 Sep 2022 (unaudited) (£000s) | 12 months to 31 Mar 2023 (audited) (£000s) |
|-------------------------|--|--|---|
| Digital Services | | | |
| Public | 72,979 | 62,276 | 136,951 |
| Commercial | 15,801 | 18,682 | 37,782 |
| Healthcare | 20,429 | 29,514 | 49,651 |
| | 109,209 | 110,472 | 224,384 |
| Workday Services | | | |
| Public | 15 | 83 | 167 |
| Commercial | 57,273 | 48,149 | 105,423 |
| | 57,294 | 48,363 | 105,741 |
| Workday Products | | | |
| Public | - | 892 | 891 |
| Commercial | 26,705 | 19,471 | 43,171 |
| Healthcare | 41 | 577 | 620 |
| | 26,746 | 20,940 | 44,682 |
| Group | | | |
| Public | 72,994 | 63,251 | 138,009 |
| Commercial | 99,779 | 86,302 | 186,376 |
| Healthcare | 20,476 | 30,222 | 50,422 |
| Total | 193,249 | 179,775 | 374,807 |

6. Income tax expense

The estimate of the provision of income taxes which is determined in the interim financial statements uses the estimated average annual effective income tax rate applied to the profit before tax of the interim period, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The total tax charge for the six months ended 30 September 2023 is £8.7 million (H1 23: £5.7 million). This tax charge equates to an effective tax rate of 28% (H1 23: 21%).

The effective tax rate of 28% is higher than prior year (21%) due to the following factors;

- The UK corporation tax rate increased to 25% (H1 23: 19%), effective 1 April 2023.
- Increased profits subject to tax at higher overseas rates.

- Acquisition related costs which are non-deductible for tax purposes incurred during the period to 30 September 2023.

The expected annual tax rate for the year to 31 March 2024 is 27% (31 March 2023: 21%).

7. Dividends

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

| | 6 months to 30 Sep 2023 (unaudited) (£000s) | 6 months to 30 Sep 2022 (unaudited) (£000s) | 12 months to 31 Mar 2023 (audited) (£000s) |
|---|--|--|---|
| Amounts recognised as distributions to equity holders in the period: | | | |
| Final dividend for 2023 of 16.1p per share | 20,135 | - | - |
| Interim dividend for 2023 of 7.8p per share | - | - | 9,702 |
| Final dividend for 2022 of 15.1p per share | - | 18,740 | 18,732 |
| | 20,135 | 18,740 | 28,434 |

A final dividend of 16.1 pence per share for the year ended 31 March 2023 was paid on 20 October 2023 to shareholders on the register at the close of business on 29 September 2023, with an ex-dividend date of 28 September 2023. This dividend was declared following approval by the shareholders of the Company by ordinary resolution at the Company's Annual General Meeting on 21 September 2023 and a liability for payment of the dividend of £20.1 million has therefore been recognised in these condensed consolidated financial statements.

An interim dividend of 8.2 pence per share has been declared for the six months to 30 September 2023 which amounts to £10.3 million. This will be paid on 15 December 2023 to shareholders on the register at the close of business on 24 November 2023, with an ex-dividend date of 23 November 2023. These condensed consolidated financial statements do not reflect the interim dividend payable.

8. Earnings per share

Basic

The calculation of basic earnings per share (EPS) has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

| | 6 months to 30 Sep 2023 (unaudited) (£000s) | 6 months to 30 Sep 2022 (unaudited) (£000s) | 12 months to 31 Mar 2023 (audited) (£000s) |
|---|--|--|---|
| | Thousands | Thousands | Thousands |
| Profit for the period | 22,126 | 21,863 | 41,645 |
| Issued ordinary shares at 1 April | 124,628 | 124,078 | 124,078 |
| Effect of shares held in trust | (757) | (760) | (786) |
| Effect of share options vested and exercised | 497 | 360 | 392 |
| Effect of shares issued related to a business combination | 86 | - | 18 |
| Effect of shares issued related to free share awards | - | - | 99 |
| Weighted average number of ordinary shares | 124,454 | 123,678 | 123,801 |
| Basic earnings per share | 17.8p | 17.7p | 33.6p |

Diluted

The calculation of diluted EPS has been based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares.

| | 6 months to 30 Sep 2023 (unaudited) (£000s) | 6 months to 30 Sep 2022 (unaudited) (£000s) | 12 months to 31 Mar 2023 (audited) (£000s) |
|---|--|--|---|
| | Thousands | Thousands | Thousands |
| Profit for the period | 22,126 | 21,863 | 41,645 |
| Weighted average number of ordinary shares (basic) | 124,454 | 123,678 | 123,801 |
| Effect of share options in issue | 667 | 728 | 758 |
| Effect of shares held in trust | 757 | 760 | 786 |
| Effect of potential shares to be issued related to a business combination | 223 | 490 | 299 |
| Weighted average number of ordinary shares (diluted) | 126,101 | 125,656 | 125,644 |
| Diluted earnings per share | 17.5p | 17.4p | 33.1p |

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

At 30 September 2023, 86,590 options (H1 23: 393,624) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

Adjusted

Adjusted basic and adjusted diluted earnings per share is calculated using the adjusted profit for the period measure. The calculation of adjusted profit for the period is detailed in the Financial review section of this report.

| | 6 months to 30 Sep 2023 (unaudited) (£000s) | 6 months to 30 Sep 2022 (unaudited) (£000s) | 12 months to 31 Mar 2023 (unaudited) (£000s) |
|---|--|--|---|
| | Thousands | Thousands | Thousands |
| Adjusted profit for the period | 27,858 | 27,687 | 53,406 |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 124,454 | 123,678 | 123,801 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 126,101 | 125,656 | 125,644 |
| Adjusted basic earnings per share | 22.4p | 22.4p | 43.1p |
| Adjusted diluted earnings per share | 22.1p | 22.0p | 42.5p |

9. Trade and other receivables

| | 30 Sep 2023 (unaudited) (£000s) | 30 Sep 2022 (unaudited) (£000s) | 31 Mar 2023 (audited) (£000s) |
|-------------------|--|---------------------------------------|-------------------------------------|
| Trade receivables | 32,277 | 34,868 | 35,693 |
| Other receivables | 8,346 | 3,269 | 3,277 |
| | 40,623 | 38,137 | 38,970 |

10. Financial Instruments

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

11. Goodwill

| | 30 Sep 2023 (unaudited) (£000s) | 30 Sep 2022 (unaudited) (£000s) | 31 Mar 2023 (audited) (£000s) |
|--|--|---------------------------------------|-------------------------------------|
| Cost | | | |
| 1 April | 19,007 | 18,765 | 18,765 |
| Acquisitions through business combinations | 18,629 | - | - |
| Effect of movement in exchange rates | 561 | 1,529 | 242 |
| At end of period | 38,197 | 20,294 | 19,007 |
| Accumulated impairment losses | | | |
| At beginning and end of period | - | - | - |
| Carrying amount | | | |
| At end of period | 38,197 | 20,294 | 19,007 |
| At beginning of period | 19,007 | 18,765 | 18,765 |

12. Intangible assets

| | 30 Sep 2023 (unaudited) (£000s) | 30 Sep 2022 (unaudited) (£000s) | 31 Mar 2023 (audited) (£000s) |
|---|--|---------------------------------------|-------------------------------------|
| Cost | | | |
| 1 April | 8,784 | 8,340 | 8,340 |
| Acquisitions through business combinations | 5,777 | - | - |
| Effect of movement in exchange rates | 218 | 1,288 | 444 |
| At end of period | 14,779 | 9,628 | 8,784 |
| Accumulated amortisation and impairment losses | | | |
| 1 April | 4,968 | 2,347 | 2,347 |
| Amortisation for the period | 3,222 | 1,472 | 2,642 |
| Effect of movement in exchange rates | 89 | 314 | (21) |
| At end of period | 8,279 | 4,133 | 4,968 |
| Carrying amount | | | |
| At end of period | 6,500 | 5,495 | 3,816 |
| At beginning of period | 3,816 | 5,993 | 5,993 |

The useful economic life of the customer relationship intangible asset, recognised on the acquisition of Blackline Group, was reviewed during the period. Previously assessed as seven years, the useful economic life was reassessed as two years. The effect of the decrease in the useful economic life resulted in an increase in the

amortisation expense, included in 'operating expenses', during the period. A total amortisation charge of £2.6 million has been recognised in the period, which includes £2.3 million accelerated amortisation as a result of this change.

13. Related party transactions

There have been no related party transactions during the six months to 30 September 2023 that have materially affected the financial position or performance of the Group.

580 share options were exercised by Directors during the period (H1 23: nil). The total gain arising on the exercise of options was £3,923.

All related party transactions are materially consistent with those disclosed by the Group in its financial statements for the year ended 31 March 2023.

14. Issue of ordinary shares

During the six months ended 30 September 2023, the Group issued 386,596 ordinary shares (H1 23: 33,129 shares) due to the exercise of vested options. The exercise price of options exercised in the period ranged from £0.005 per share to £7.35 per share (H1 23: £0.005 to £7.35).

The Group issued 103,795 ordinary shares in respect of post-acquisition remuneration (H1 23: nil).

All ordinary shares were issued with a nominal value of £0.005 each.

15. Acquisitions

On 30 June 2023, the Group acquired 100% of the share capital of US based RapidIT-Cloudbera, Inc. ("RapidIT-Cloudbera").

Established in 2017, RapidIT-Cloudbera is the creator of Genie, a Workday-focused automated testing product which has the ability to rapidly auto-generate test cases, allowing customers to quickly launch their automated testing efforts. Genie is used by over 100 organisations to streamline their testing activity.

The skills and knowledge of the RapidIT-Cloudbera team will allow us to accelerate our product development, increasing the functionality of our market-leading automated testing product, Smart Test and enable us to quickly bring new products to the market.

From 30 June 2023, RapidIT-Cloudbera has contributed revenue of £0.8 million and £0.1 million loss for the period. If the acquisition had occurred on 1 April 2023,

management estimates that consolidated revenue for the six months ended 30 September 2023 would have been £193.9 million and consolidated profit for the period would have been £22.0 million.

The following table summarises the recognised amounts of assets and liabilities assumed at the acquisition date. Due to the close proximity of the acquisition date and the reporting date, the finalisation of the fair value of the assets acquired and liabilities assumed at the acquisition date, including fair value of intangible assets and any associated deferred tax, has not been finalised at the reporting date. Accordingly, the amounts in the table below have been determined on a provisional basis and amounts including goodwill are subject to change following completion of the fair value assessment.

| | Provisional Fair value (unaudited) (£000s) |
|--|---|
| Cash and cash equivalents | 340 |
| Trade and other receivables | 281 |
| Intangible assets | 5,777 |
| Trade and other payables | (1,349) |
| Fair value of net identifiable assets | 5,049 |
| Goodwill | 18,629 |
| Total consideration | 23,678 |
| | (unaudited) (£000s) |
| Satisfied by: | |
| Cash | 23,678 |
| Total consideration | 23,678 |

| | (unaudited) (£000s) |
|------------------------------------|--------------------------------|
| Cash consideration | 23,678 |
| Less cash and equivalents acquired | (340) |
| Net cash outflow | 23,338 |

Goodwill

Goodwill has arisen on the acquisition and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets and is pending finalisation of the fair value of the

assets acquired and liabilities assumed at the acquisition date. The goodwill reflects the skilled and assembled workforce of the acquired entity and the anticipated profitability and synergistic benefits arising from the combination. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition related costs

The Group incurred acquisition related costs of £0.4 million on legal and due diligence costs. These costs have been included in operating expenses.

Compensation for post-combination services

In respect of all acquisitions of the Group, additional compensation for post-combination services of up to £7.4 million (H1 23: £9.2 million) will be payable in future periods to March 2026, subject to future service conditions being met. Amounts relating to compensation for post-combination services are recognised as an expense over the service period. During the period, a charge of £2.7 million (H1 23: £2.3 million) has been recognised for compensation for post-combination services in operating expenses. Of this amount £1.4 million (H1 23: £1.8 million) relates to share-based payment arrangements and has been credited to equity.

16. Cash and cash equivalents

In connection with the Group's insurance arrangements, the Group has an insurance cell within a protected cell company. To satisfy regulatory requirements, £2.5 million (H1 23: nil), included within cash and cash equivalents, must be kept by the Group in a bank account. The Group has full access to this bank account and funds can be withdrawn without penalty.

17. Subsequent events

Subsequent to 30 September 2023, the Company paid the final dividend of £20.1 million in respect of the year ended 31 March 2023, declared at the Annual General Meeting on 21 September 2023, to shareholders on 20 October 2023, as detailed in note 7.

Statement of Directors responsibilities

The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

In preparing the condensed set of consolidated financial statements included within the half-yearly financial report, the Directors are required to:

- prepare and present the condensed set of consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* as adopted in the UK and the DTR of the UK FCA;
- ensure the condensed set of consolidated financial statements has adequate disclosures;
- select and apply appropriate accounting policies;
- make accounting estimates that are reasonable in the circumstances; and
- assess the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for designing, implementing and maintaining such internal controls as they determine is necessary to enable the preparation of the condensed set of consolidated financial statements that is free from material misstatement whether due to fraud or error.

We confirm that to the best of our knowledge:

- (1) the condensed set of consolidated financial statements included within the half-yearly financial report of Kainos Group plc for the six months ended 30 September 2023 ("the interim financial information") which comprises the condensed consolidated income statement, the consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes, have been presented and prepared in accordance with IAS 34, *Interim Financial Reporting*, as adopted for use in the UK, and the DTR of the UK FCA.
- (2) The interim financial information presented, as required by the DTR of the UK FCA, includes:
 - a. an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of consolidated financial statements;
 - b. a description of the principal risks and uncertainties for the remaining six months of the financial year;
 - c. related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and
 - d. any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Entity's website. Legislation in the UK governing the

preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Richard McCann

Chief Financial Officer/Chief Operating Officer

10 November 2023



Independent Review Report to Kainos Group plc (“the Entity”).

Conclusion

We have been engaged by the Entity to review the Entity's condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2023 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the consolidated statement of cash flows a summary of significant accounting policies and other explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) as contained in the UK adopted International Accounting Standards and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* (“ISRE (UK) 2410”) issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the half-yearly financial report to identify material inconsistencies with the information in the condensed set of consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.



Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Entity to cease to continue as a going concern, and the above conclusions are not a guarantee that the Entity will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The directors are responsible for preparing the condensed set of consolidated financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

As disclosed in note 2, the annual financial statements of the Entity for the period ended 31 March 2023 are prepared in accordance with UK-adopted International Accounting Standards.

In preparing the condensed set of consolidated financial statements, the directors are responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Our responsibility

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

Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.



The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Entity in accordance with the terms of our engagement to assist the Entity in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Entity those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Entity for our review work, for this report, or for the conclusions we have reached.

KPMG
Chartered Accountants
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

10 November 2023

kainos®

kainos.com

Follow our story:



[@KainosSoftware](https://twitter.com/KainosSoftware)



Search 'Kainos'



Search 'Kainos'