23 November 2015

Kainos Group plc

("Kainos" or "the Company")

Interim results for the six months ended 30 September 2015

Kainos Group plc (KNOS), a leading UK-based provider of IT, consulting and software solutions, is pleased to announce its results for the six months to 30 September 2015, the first results as a listed company following IPO on 10 July 2015.

FINANCIAL HIGHLIGHTS

- Revenue growth of 29% to £37.2m (H1 2015: £28.8m)
- Gross profit growth of 17% to £18.3m (H1 2015: £15.6m)
- Adjusted pre-tax profit increased by 20% to £6.8m (H1 2015: £5.7m) [1]
- Sales bookings (excluding third party sales) increased by 55% to £34.8m (H1 2015: £22.5m)[2]
- Adjusted diluted earnings per share up to 4.8p (H1 2015: 4.1p) [1]
- Interim dividend of 1.8p per share declared (2015: nil)
- Statutory profit before tax of £5.2m (H1 2015: £5.7m)
- Diluted earnings per share 3.4p (H1 2015: 4.1p)

[1] *Adjusted to remove the effect of IPO related costs (exceptional expenses) and share based payments*

[2] *Sales Bookings refers to the value of contracts signed with customers (excluding VAT or other taxes)*

OPERATIONAL HIGHLIGHTS

- Completed successful IPO on the London Stock Exchange on 10 July 2015
- Won 30 new customers, including the UK's Office for National Statistics, the Department for Communities & Local Government and Queen Victoria Hospital NHS Foundation Trust
- Acquired marquee clients for the innovative Kainos Smart™ automated testing tool for Workday customers, including the University of Texas and the New York Public Library
- Added a net 60 new staff taking total headcount (including contractors) to 788 at 30 September 2015
- Established local sales operations in Boston (USA) and Amsterdam (Netherlands) for Workday Implementation Services division
- Selected by Apple as one of a handful of healthcare partners on its Mobility Partner Programme (MPP)

Brendan Mooney, CEO, commented:

"We have seen solid performance across the Group during this reporting period, with increasing levels of demand across each of our operating divisions. In the six months from 1 April to 30 September 2015, we have grown revenues by 29% and adjusted pre-tax profit by 20%. Sales bookings in this period include a number of multi-year resourcing frameworks in government and a flagship Kainos Evolve® deal, and the sales pipeline for the remaining half of the year continues to strengthen. This period also included a highly significant event in the history of Kainos: the successful completion of an initial public offering (IPO) of the company's shares on the main market of the London Stock Exchange.

We are pleased with the Group's financial performance for the six months to September 2015. We are confident that trading is in line with market expectations and we are well positioned to deliver future growth."

Ends

For further information please contact

Kainos	**via FTI Consulting LLP**
Brendan Mooney, Chief Executive Officer	
Richard McCann, Chief Financial Officer	
Investec Bank plc	**+44 (0) 207 597 4000**
Dominic Emery / Andrew Pinder / Sebastian Lawrence	
Patrick Robb / Matt Lewis	
FTI Consulting LLP	**+44 (0) 203 727 1000**
Matt Dixon / Chris Lane	

ABOUT KAINOS

Kainos Group plc is a high-growth UK-based provider of IT services, consulting and software solutions, specialising across multiple sectors in the development of digital technology solutions. These include software design and agile software development, third-party software integration and implementation services, technology support services and related ancillary services such as project management.

Kainos operates through three divisions: Digital Services, which delivers full system developments of customised online digital solutions; Evolve, the UK market leader in the digitisation of patient notes in the Acute sector of the NHS; and Workday Implementation Services, the only boutique partner for Workday, Inc. headquartered in the UK, responsible for implementing Workday's innovative Software-as-a-Service platform for enterprise customers.

Headquartered in Belfast, Northern Ireland, Kainos employs approximately 800 staff across eight offices (Belfast, Derry, Dublin, London, Bristol, Amsterdam, Gdansk and Boston). Kainos is listed on the Main Market of the London Stock Exchange (KNOS). For further information please visit the company website: https://www.kainos.com/

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

OVERVIEW

Revenues for the six months ending 30 September 2015 grew by 29% to £37.2m, up from £28.8m in H1 2015. Adjusted pre-tax profit increased by 20% to £6.8m (H1 2015: £5.7m). Sales bookings (excluding third party sales) for this period increased to £34.8 million (H1 2015: £22.5m), a total that included £1.4m (H1 2015: £1.1m) for sales of our Smart SaaS product.

The key event of this period was the successful debut for Kainos on the main market of the London Stock Exchange, which attracted a high degree of interest from top-tier investors. The IPO provided an opportunity to widen share ownership amongst employees: a total of 276 staff bought shares in the company (37% of staff are now shareholders in the company), and all staff were invited to participate in a share gift scheme. The IPO also marked a further evolution in our governance, with the addition of three new commercially experienced non-executive directors (NEDs) to the board.

We continue to seek expansion opportunities in our core markets and beyond. Our first steps into the US market are bearing fruit, where sales of our Smart SaaS tool have been encouraging, and recruitment of our first Dutch employee opens the way for Workday Implementation Services in continental Europe. As a product, Evolve continues to extend its lead in the NHS, and its selection as a partner by Apple is spurring development of new mobile-enabled offerings in healthcare. In Digital, we have consolidated our reputation for excellence through successful delivery of complex high profile projects, and continue to be viewed as a disruptive force, winning business against larger international organisations. At the same time, we are underpinning the quality and value of our staff by extending our MAP (Master, Accomplish, Progress) training programme.

We are grateful to all who helped Kainos make a successful transition from a private to a public company.

STRATEGY

The strategy of the Group is to achieve sustained revenue, profit and cash flow growth in its chosen markets through:

- Growing and maintaining the Group’s reputation;
- Capitalising on established market position and significant growth opportunities;
- Nurturing and expanding its experienced and highly-skilled employee pool;

- Building strong, long-term relationships with its customer base;
- Exploiting favourable market dynamics and drivers;
- Recruiting high calibre experienced and entry-level staff.

DIVISIONAL REVIEW

Digital Services

Digital Services delivers full system developments of customised online digital solutions principally for Government, their departments and agencies and a number of private sector organisations.

Digital Services revenues for the six months ending 30 September 2015 grew by 18% to £24.4m (H1 2015: £20.7m). Gross profit for the Division showed a slight decrease to £11.1m (H1 2015: £11.4m), largely reflecting a dip in utilisation resulting from a re-profiling of teams on one of our large government programmes, increased use of contractors with specialist skills on a major project and investment in staff time to develop relationships at a number of new customers. Revenues from regional and local government clients increased by 57% in this period to £3.0m (H1 2015: £2.0m), in line with our expectations of a broader adoption of digital technologies in the public sector.

The UK Government is continuing with its programme of digitisation of public sector services. Involved from the early stages of public sector digitisation, Kainos has now completed over 40 projects to date for a variety of departments and agencies. In the period ended 30 September 2015, we brought a number of high-profile projects to a successful conclusion, including the modernisation of the national MoT system for the Department for Transport. Early successes, such as the Register to Vote application which allows citizens to register to vote online, continue to receive high levels of user satisfaction, and are not only changing the ways citizens interact with government but also delivering cost savings.

The UK general election in May this year, produced the expected hiatus in the pace of decision making in most government departments. This coincided with scheduled scaling back of teams at one of our larger programmes as it reached the end of its development phase and resulted in a decrease in overall utilisation as we re-profiled demand. This has affected H1 gross margin for the division, which decreased 9% to 46%. The positive impact was that it allowed us to rebalance our teams across a wider number of clients. Project engagements are now more evenly spread across central government departments, and our priority is to consolidate and extend our positions in core client departments in advance of publication of the Government's Spending Review in November.

The return of a majority government and the subsequent appointment of Matt Hancock as minister responsible for digital transformation of government has delivered a strong re-affirmation of the digitisation programme and removed the uncertainty around government intentions. Recent changes in the Government Digital Services (GDS) unit in the Cabinet Office, including the departure of Executive Director of Digital, Mike Bracken, have had little impact in the larger government departments where technology investment has resumed following the election, as demonstrated by two multi-year resource framework contracts awarded to Kainos in this period by the Home Office and DVLA respectively.

We have also made good progress in both regional and local government sectors. At Surrey County Council we completed an innovative Big Data project, and extended our engagement at Northern Ireland Civil Service (NICS), which is at an early stage of digitisation. Engagements in Scotland and Wales mean that we are now delivering services to all countries in the United Kingdom. We continue to be optimistic around expanding opportunities outside government, and increasingly outside the UK, based on our engagements this period with a variety of companies including AIB and Cirdan. A growing relationship with pharmaceutical services company ICON plc, where we provide digital services and Workday implementation services, opens the possibility of future cross-divisional selling.

Evolve

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

Evolve revenues (excluding third party revenues) for the six months ending 30 September 2015 grew by 115% to £5.8m (H1 2015: £2.7m). Gross profit for the Division increased 176% to £5.1m (H1 2015: £1.8m). The high levels of revenue and profitability are partly explained by a number of large contract wins in the first half of the year in contrast to last year when contract wins were predominantly made towards the end of the year.

In this period Evolve has consolidated its position as the leading Electronic Medical Records (EMR) supplier in the NHS, with wins at three new Acute trusts (Western Sussex, Eastern Sussex and Queen Victoria Hospital). This multi-million pound deal was negotiated with the Trusts operating as a single consortium, and means that Evolve has now been selected by 32 major healthcare organisations across England, Wales and Northern Ireland. Our Evolve for iPad™ offering – which allows clinicians to access an electronic patient record on the move – has proven popular, and our deployment at our first Ambulance Trust (South East Coast) is well advanced.

Partly because of the success of Evolve for iPad, Kainos was named as an Apple mobility partner, one of a handful in the healthcare sector. This initiative involves close cooperation with Apple to develop apps, partnerships and customer opportunities and has already resulted in a number of interesting collaborations. In tandem, our work to develop a new SaaS platform for Evolve is at an advanced stage (project Velocity). This offers the opportunity to extend beyond the NHS into international markets.

Workday Implementation Services

Workday Implementation Services is the only boutique Workday Inc. partner headquartered in the UK. It is responsible for implementing Workday's innovative SaaS platform for enterprise customers and provides consulting, project management, integration, support and testing services for the Workday software suite.

Workday Implementation Services revenues for the six months ended 30 September 2015 were £4.1m, (H1 2015: £4.1m). Gross profit for the division showed a £0.3m decrease to £2.1m (H1 2015: £2.4m), largely reflecting an increased investment in staff accreditation (necessary before they can generate revenues) and delays in Workday contract closure.

Delays in starting targeted prime engagements in the consulting practice in the first half of the year has been offset by strong demand from ecosystem partners. Part-time engagements and lengthy on-boarding for new hires (including accreditation and training) has resulted in higher than expected upskilling and bench time for consultants, although recruitment remains a priority in the face of strong demand. Overall, the pace of growth of our partner, Workday Inc., continues to exceed 50% year on year.

In the US, the division's Smart automated testing tool added eight new names to an already impressive client list. This takes the total number of Smart customers to 42, and contributes to a growing recurring revenue stream. The addition of new Security and Financials modules in this period provides a basis for further market penetration as well as for upsell into our existing client base. The level of activity in the United States driven by interest in Smart has justified our investment in Boston, where we opened our first US office in June. With this move, which will be supplemented by further recruitment, we are well positioned to sell to the larger part of Workday's existing customer base.

In Europe, we have made a number of strategic hires in the period, including a new Head of Sales and Head of Professional Services. We have also recruited a country manager to spearhead sales in Benelux, aligning our growth strategy with Workday's ambitions in continental Europe. At the same time, our position as a leading Workday boutique partner in Europe has strengthened as a result of the acquisition by IBM of our competitor Meteorix, evidence of further consolidation in the partner ecosystem.

PEOPLE AND CAREER DEVELOPMENT

Recruitment and on-boarding activities continue to take priority and this year our ambitious career development programme MAP (Master, Accomplish, Progress) has taken shape. We continue to search for talent outside mainstream recruitment channels through our popular Kainos Earn as You Learn® and apprenticeship schemes, promoted through the Kainos Digital Academy®, a set of initiatives designed to encourage digital talent into the UK workforce. Under this umbrella, Kainos has run 'hackathons', coding camps, and innovative work placements for young people to interest them in digital technology.

SUMMARY AND OUTLOOK

We are pleased with the Group's financial performance for the six months to 30 September 2015. We are confident that trading is in line with market expectations: we are experiencing steady and increasing demand across all of our divisions, and remain well positioned for growth in each of our markets. Since becoming a public company in July, our corporate profile has increased considerably, and we have seen a growing and positive recognition of our Kainos, Evolve and Smart brands that has translated into a strengthening pipeline. This bodes well for the Group as we extend our reach into new markets in the coming months.

FINANCIAL REVIEW

Exceptional Items

There were £1.4m in exceptional costs in the six months to 30 September 2015 (30 September 2014: £Nil) relating to professional adviser and other fees on the IPO of the Company.

Dividend

An interim dividend of 1.8 pence per ordinary share (2014: nil pence) has been declared and will be paid on 8 January 2016 to shareholders on the register on 4 December 2015, with an ex-dividend date of 3 December 2015.

Cash and Cash Flow

Cash at the period end was £9.7m (H1 2015: £11.9m). Net cash flow dropped by £7.1m in the period primarily as a result of pre-IPO dividend payments of £11.2m and IPO related payments of £1.4m.

Risks

There are a number of 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. The directors do not consider that the principal risks and uncertainties have changed since the publication of the company’s Prospectus on 7 July 2015. These are described in more detail on pages 20 to 35 of the Prospectus (available on the company’s website www.kainos.com).

Going Concern

As stated in note 2 to the condensed financial statements, the directors are satisfied that the Group has sufficient reserves 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 financial statements.

Condensed consolidated interim statement of comprehensive income
for the six months ended 30 September 2015

	Note	6 months to 30 Sep 2015 unaudited £'000	6 months to 30 Sep 2014 unaudited £'000	12 months to 31 Mar 2015 audited £'000
Revenue	5	**37,234**	**28,831**	**60,778**
Cost of sales	5	(18,898)	(13,223)	(28,329)
Gross profit		**18,336**	**15,608**	**32,449**
Operating expenses		(11,556)	(9,932)	(20,646)
Share based payments		(194)	-	-
Operating profit before exceptional items		**6,586**	**5,676**	**11,803**
Exceptional expenses	6	(1,424)	-	-
Operating profit		**5,162**	**5,676**	**11,803**
Finance income		27	-	46
Finance expense		(2)	(1)	(12)
Profit before tax		**5,187**	**5,675**	**11,837**
Taxation	7	(1,211)	(993)	(2,072)
Profit and total comprehensive income for the year		**3,976**	**4,682**	**9,765**
Earnings per share	9			
Basic		3.5p	4.3p	8.9p
Diluted		3.4p	4.1p	8.5p
Adjusted basic		4.9p	4.3p	8.9p
Adjusted diluted		4.8p	4.1p	8.5p

Condensed consolidated interim balance sheet
at 30 September 2015

	Note	30 Sep 2015 unaudited £'000	30 Sep 2014 unaudited £'000	31 Mar 2015 audited £'000
Non-current assets				
Property, plant and equipment		2,027	1,544	1,751
Other non-current assets	11	1,067	3,748	3,466
		3,094	**5,292**	**5,217**
Current assets				
Trade and other receivables	10	13,177	9,007	12,062
Prepayments		1,184	1,266	1,519
Accrued income		5,066	4,259	4,051
Derivative financial instruments		-	63	-
Corporation tax		356	-	-
Cash and bank balances		9,714	11,908	16,793
		29,497	26,503	34,425
Total assets		**32,591**	**31,795**	**39,642**
Current liabilities				
Trade creditors and accruals		(7,278)	(5,207)	(7,761)
Deferred income		(3,422)	(2,486)	(4,347)
Corporation tax		-	(959)	(226)
Other tax and social security		(2,630)	(2,677)	(2,975)
Dividends payable		-	(1,325)	-
Other provisions		-	-	(158)
Derivative financial instruments		(43)	-	(98)
		(13,373)	**(12,654)**	**(15,565)**
Non-current liabilities				
Deferred tax		(185)	-	-
Other provisions		(357)	(505)	(347)
		(542)	(505)	(347)
Total liabilities		**(13,915)**	**(13,159)**	**(15,912)**
Net assets		**18,676**	**18,636**	**23,730**
Equity				
Share capital		590	547	549
Share premium account		1,607	-	521
Capital redemption reserve		668	566	54
Share based payments reserve		194	-	-
Retained earnings		15,617	17,523	22,606
Total equity		**18,676**	**18,636**	**23,730**

Condensed consolidated interim statement of changes in shareholders' equity for the six months ended 30 September 2015

	Share Capital	Share Premium	Capital Redemption Reserve	Share Based Payments	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2014 (audited)	**525**	**396**	**54**	**-**	**14,155**	**15,130**
Balance at 31 March 2014 (restated)[1]	**525**	**-**	**450**	**-**	**14,155**	**15,130**
Profit and total comprehensive income	-	-	-	-	4,682	4,682
Current tax for equity - settled share based payments	-	-	-	-	182	182
Deferred tax on share options	-	-	-	-	(171)	(171)
Issue of share capital	22	-	116	-	-	138
Dividends	-	-	-	-	(1,325)	(1,325)
Balance at 30 September 2014 (unaudited)	**547**	**-**	**566**	**-**	**17,523**	**18,636**
Profit and total comprehensive income	-	-	-	-	5,083	5,083
Current tax for equity - settled share based payments	-	-	-	-	3	3
Deferred tax on share options	-	-	-	-	(3)	(3)
Issue of share capital	2	-	9	-	-	11
Dividends	-	-	-	-	-	-
Balance at 31 March 2015 (audited)	***549***	***521***	***54***	***-***	***22,606***	***23,730***
Balance at 31 March 2015 (restated)[1]	**549**	**-**	**575**	**-**	**22,606**	**23,730**
Profit and total comprehensive income	-	-	-	-	3,976	3,976
Premium on shares issued prior to reorganisation	-	-	100	-	-	100
Share-based payment expense	-	-	-	194	-	194
Current tax for equity - settled share based payments	-	-	-	-	375	375
Deferred tax on share options (share based payments)	-	-	-	-	(164)	(164)
Issue of share capital	41	1,607	(7)	-	-	1,641
Dividends	-	-	-	-	(11,176)	(11,176)
Balance at 30 September 2015 (unaudited)	**590**	**1,607**	**668**	**194**	**15,617**	**18,676**

[1] In connection with the admission, the Group undertook a reorganisation of its corporate structure which resulted in Kainos Group plc becoming the ultimate holding company of the Group. The transaction is accounted for as a capital reorganisation with the consolidated financial statements (including comparative information) of the Group reflecting the predecessor carrying amounts of Kainos Software Limited.

Condensed consolidated interim cash flow statement
for the six months ended 30 September 2015

	6 months to 30 Sep 2015 £'000	6 months to 30 Sep 2014 £'000	12 months to 31 Mar 2015 £'000
Net cash from operating activities	**2,966**	**7,749**	**13,114**
Investing activities			
Purchases of property, plant and equipment	(610)	(426)	(917)
Net cash used in investing activities	**(610)**	**(426)**	**(917)**
Financing activities			
Dividends paid	(11,176)	(1,325)	(1,325)
Proceeds on issue of shares	1,741	138	149
Net cash used in financing activities	**(9,435)**	**(1,187)**	**(1,176)**
Net (decrease)/increase in cash and cash equivalents	(7,079)	6,136	11,021
Cash and cash equivalents at beginning of period	16,793	5,772	5,772
Cash and cash equivalents at end of period	**9,714**	**11,908**	**16,793**

Net cash from operating activities	**30 Sep 2015 £'000**	**30 Sep 2014 £'000**	**31 Mar 2015 £'000**
Profit for the period	**3,976**	**4,682**	**9,765**
Adjustments for:			
Income tax expense	1,211	993	2,072
Share based payment expense	194	-	-
Government grants released	(6)	(5)	(11)
Depreciation	334	237	521
Loss on disposal of tangible assets	-	9	9
(Decrease)/increase in provisions	(149)	505	505
Derivative financial instruments	(56)	-	161
Operating cash flows before movements in working capital	**5,504**	**6,421**	**13,022**
Decrease/(Increase) in receivables	472	610	(2,449)
(Decrease)/increase in payables	(1,747)	1,565	4,959
Cash generated by operations	**4,229**	**8,596**	**15,532**
Income taxes paid	(1,263)	(847)	(2,418)
Net cash from operating activities*	**2,966**	**7,749**	**13,114**

*Net cash from operating activities before exceptional expenses as described in note 6 was £4,390k.

Notes to the condensed consolidated interim financial statements

1. Corporate information

Kainos Group plc ("Company") is a company incorporated and domiciled in the UK (Company registration number 09579188), having its registered office at 4th Floor, 111 Charterhouse Street, London, EC1M 6AW. These condensed consolidated interim financial statements for the six months ended 30 September 2015 comprise the Company and its subsidiaries (together the "Group"). The nature of the Group's operations and its principal activities are set out in Note 5. The Group is headquartered in Belfast.

These statements have not been audited but have been reviewed by the Group's auditor pursuant to the Auditing Practices Board guidance on the Review of Interim Financial Information.

These condensed interim financial statements were approved for issue on 20 November 2015.

2. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2015 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The shares in the Company were admitted to the Official List of the London Stock Exchange on 10 July 2015. The interim condensed consolidated financial statements for the six months ended 30 September 2015 do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Initial Public Offering Prospectus dated 7 July 2015 (the "Prospectus").

These interim 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 2015 have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

The annual statements of Kainos Group plc are prepared in accordance with IFRSs as adopted by the European Union.

These consolidated financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

Going concern

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

3. Significant Accounting Policies

The accounting policies, presentation and methods of computation applied by the Group in these interim 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 2015. There are no accounting standards or interpretations that have become effective in the current reporting period which have had a material effect on the net assets, results and disclosures of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In connection with the admission, the Group undertook a reorganisation of its corporate structure which resulted in the Company becoming the ultimate holding company of the Group. Prior to the reorganisation the ultimate holding company was Kainos Software Limited.

The transaction was accounted for as a capital reorganisation rather than a reverse acquisition since it did not meet the definition of a business combination under IFRS 3, because the Company did not meet the definition of a business (as defined in the application guidance to IFRS 3) at the date of acquisition. In a capital reorganisation, the consolidated financial statements of the Group reflect the

Predecessor carrying amounts of Kainos Software Limited with comparative information of Kainos Software Limited presented for all periods since no substantive economic changes have occurred.

4. Estimates

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 interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the historical financial information in the statutory accounts for the year ended 31 March 2015 and the Prospectus. The only exceptions are:

- The share option expenses which are based on the estimated number of options that are expected to vest, associated taxes thereon and the judgemental inputs to each of the models used to estimate the fair value at the grant date. These are detailed in Note 12 to the condensed interim financial statements; and
- The estimate of the provision of income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5. Segmental Reporting

Kainos is structured into three divisions: Digital Services, Evolve and Workday Implementation Services.

Digital Services delivers full system developments of customised online digital solutions, principally for Central, Regional and Local Government ("UK Government") departments and agencies, along with private sector organisations. Digital Services is helping to change the way UK citizens engage with UK Government departments and agencies, by migrating paper-based systems and transactions to online platforms that are capable of handling high volumes of data and transactions and are also more accessible, easier to use and save time and money through increased efficiency.

Evolve is Kainos' proprietary software product, developed in conjunction with medical practitioners and hospital managers. Evolve is the UK market leader in the digitisation of patient notes in the Acute Sector of the NHS, automating the digitisation of medical case notes and operational documents, enabling them to be captured, intelligently tagged and used in digital environments. Evolve has been licensed to a total of 32 Acute English NHS Trusts covering over 90 NHS hospitals, assisting 44 of those hospitals to meet the Government's stated desire to achieve a 'paperless' NHS by 2018.

Workday Inc. provides Cloud-based human capital management software, which enables enterprises to organise their staff efficiently and analyse their workforce data. Workday's software suite covers the full 'hire-to-retire' life cycle of human capital management as well as financial management. Kainos is the only boutique Workday partner headquartered in the UK, responsible for implementing Workday's innovative SaaS platform for enterprise customers.

Workday Implementation Services provides consulting, project management, integration, support and testing services for the Workday software suite. Kainos has also developed Smart, a proprietary tool that automates the testing of initial Workday deployments and all subsequent software updates.

Segmental revenues and results

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

2015 ***6 months to 30 September (unaudited)***	**Digital Services** **£'000**	**Evolve** **£'000**	**Workday** **£'000**	**Consolidated** **£'000**
Revenue	24,377	8,805	4,052	37,234
Cost of sales	(13,282)	(3,697)	(1,919)	(18,898)
Gross profit	**11,095**	**5,108**	**2,133**	**18,336**
Operating expenses				(11,556)
Share based payments				(194)
Operating Profit before Exceptional Items				**6,586**
Exceptional expenses				(1,424)
Operating profit				**5,162**

2014 ***6 months to 30 September (unaudited)***	**Digital Services** **£'000**	**Evolve** **£'000**	**Workday** **£'000**	**Consolidated** **£'000**
Revenue	20,700	4,063	4,068	28,831
Cost of sales	(9,324)	(2,215)	(1,684)	(13,223)
Gross profit	**11,376**	**1,848**	**2,384**	**15,608**
Operating expenses				(9,932)
Operating profit				**5,676**

2015 *12 months to 31 March (audited)*	Digital Services £'000	Evolve £'000	Workday £'000	Consolidated £'000
Revenue	43,580	9,018	8,180	60,778
Cost of sales	(20,510)	(4,314)	(3,505)	(28,329)
Gross profit	**23,070**	**4,704**	**4,675**	**32,449**
Operating expenses				(20,646)
Operating profit				**11,803**

6. Exceptional Items

Exceptional items totalling £1,424k were incurred in the six months ended 30 September 2015 (30 September 2014: £Nil). These were costs relating to the Initial Public Offering and listing on the London Stock Exchange on 10 July 2015.

7. Taxation

The total tax charge for the six months ended 30 September 2015 is £1,211k. This tax charge equates to an effective tax rate of 23.4% (30 September 2014: 17.5%). The increase in the effective tax rate is largely due to exceptional costs of £1,424k in the period relating to the Initial Public Offering which were assumed to be disallowable for tax purposes. The expected annual tax rate for the year to 31 March 2016 is 20.5% (31 March 2015: 17.5%). Excluding the exceptional costs noted above the expected annual tax rate for 31 March 2016 is 18.3%.

8. Dividends

The dividends paid in the periods covered in these condensed consolidated interim financial statements are detailed below.

	6 months to 30 Sep 2015 £'000	6 months to 30 Sep 2014 £'000	12 months to 31 Mar 2015 £'000
Amounts recognised as distributions to equity holders in the period:			
Dividend for 2015 of 2.3p per share	2,548	-	-
Dividend for 2015 of 7.5p per share	8,628	-	-
Dividend for 2014 of 1.2p per share	-	1,325	1,325
Total	**11,176**	**1,325**	**1,325**

An interim dividend of 1.8 pence per share will be made for the six months to 30 September 2015. This will be paid to shareholders on 8 January 2016 to shareholders on the register at the close of business on 4 December 2015, with an ex-dividend date of 3 December 2015. These condensed consolidated interim financial statements do not reflect this dividend payable.

9. Earnings per share

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

	6 months to 30 Sep 2015 £'000	**6 months to 30 Sep 2014 £'000**	**12 months to 31 Mar 2015 £'000**
Profit for the period	**3,976**	**4,682**	**9,765**
	Thousands	Thousands	Thousands
Weighted average number of ordinary shares for the purposes of basic earnings per share	114,351	108,650	109,565
Effect of dilutive potential ordinary shares from share options	2,397	6,215	5,861
Weighted average number of ordinary shares for the purposes of diluted earnings per share	116,748	114,865	115,426
Basic earnings per share	**3.5p**	**4.3p**	**8.9p**
Diluted earnings per share	**3.4p**	**4.1p**	**8.5p**

Adjusted basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent company, excluding exceptional items and share option plan expense (including associated taxes) by the weighted average number of ordinary shares in issue during the period.

	6 months to 30 Sep 2015 £'000	6 months to 30 Sep 2014 £'000	12 months to 31 Mar 2015 £'000
Profit for the period	**3,976**	**4,682**	**9,765**
Exceptional items (net of tax)	1,424	-	-
Share option plan expense (including associated taxes)	194	-	-
Adjusted profit for the period	**5,594**	**4,682**	**9,765**
Weighted average number of ordinary shares for the purposes of basic earnings per share	114,351	108,650	109,565
Effect of dilutive potential ordinary shares from share options	2,397	6,215	5,861
Weighted average number of ordinary shares for the purposes of diluted earnings per share	116,748	114,865	115,426
Basic earnings per share	**4.9p**	**4.3p**	**8.9p**
Diluted earnings per share	**4.8p**	**4.1p**	**8.5p**

10. Trade and other receivables

	30 Sep 2015 £'000	30 Sep 2014 £'000	31 Mar 2015 £'000
Trade receivables	12,692	8,668	11,584
Allowance for doubtful debts	-	(182)	-
	12,692	8,486	11,584
Other debtors	485	521	478
Total	**13,177**	**9,007**	**12,062**

11. Other non-current assets

	30 Sep 2015 £'000	30 Sep 2014 £'000	31 Mar 2015 £'000
Deferred tax	-	375	132
Employee loans	214	1,403	962
Director loans	-	950	1,404
Prepayments	853	1,020	968
Total	**1,067**	**3,748**	**3,466**

12. Share based payments

Kainos Group Performance Share Plan (PSP)

Share options are granted to employees as determined by the Remuneration Committee and will only vest in accordance with the performance conditions established by the Committee. The options cannot be exercised within 3 years and have a maximum life of 10 years. The options will be settled by the issue of new shares and there are no cash settlement alternatives.

Company Share Option Plan (CSOP) sub-plan

Share options are granted to employees as determined by the Remuneration Committee. The CSOP is a Sub-Plan of the PSP and permits the Company to grant CSOP Options which have tax advantages pursuant to the provisions of schedule 4 to the Income Tax (Earnings & Pensions) Act 2003 ("Schedule 4"). The options cannot be ordinarily exercised within 3 years and have a maximum life of 10 years. Exercise of the options will be settled by the issue of shares and there are no cash alternatives.

SAYE Scheme

The Group has an all-employee share plan open to UK employees. Under the scheme, employees who choose to participate enter into a savings contract under which they agree to save between £5 and £100 per month (or such limit as may be permitted by the tax legislation governing SAYE schemes from time to time) for three years. Options cannot be ordinarily exercised within three years and must be exercised within six months of the end of the three year period.

Republic of Ireland Share Option Scheme

The Group has a share option scheme for employees of Kainos Software Ireland Limited. This scheme utilised the PSP Scheme to grant options to all eligible employees. Options cannot be ordinarily exercised within three years and must be exercised within six months of the end of the three year period. The options will be settled by shares and there are no cash alternatives.

UK Share Incentive Plan (SIP)

The Group established a Share Incentive Plan for UK employees. Under this scheme all eligible employees were awarded a number of shares determined by length of service of each employee employed as at 30th June 2015. The shares are held in trust for each employee by Yorkshire Building Society, which also administers the scheme. The vesting period for these shares is three years.

Republic of Ireland Restricted Share Scheme

The Group introduced a Restricted Share Scheme for all eligible employees of Kainos Software Ireland Limited. Under this scheme all eligible employees were awarded a number of shares determined by length of service of each employee employed as at 30th June 2015. The vesting period for these shares is five years and one week and the shares are not accessible by the employee until expiry of that period. The shares are held in trust for the employees until they vest.

Restricted Shares	**UK SIP**	**ROI**	**Total**
	Thousands	**Thousands**	**Thousands**
Granted during period	756	39	795
Forfeited during the period	(23)	(1)	(24)
Outstanding at 30 September 2015	**733**	**38**	**771**

Share Options	**PSP**	**CSOP**	**UK SAYE**	**ROI Share Option**	**Total**
	Thousands	**Thousands**	**Thousands**	**Thousands**	**Thousands**
Granted during period	1,184	877	1,118	71	3,250
Forfeited during the period	-	(42)	(17)	(6)	(65)
Outstanding at 30 September 2015	**1,184**	**835**	**1,101**	**65**	**3,185**

	PSP	**PSP**	**CSOP**	**CSOP**	**UK SAYE**	**ROI Share Options**
Grant Date	10th Jul 2015	10th Jul 2015	9th Jul 2015	24th Sep 2015	9th Jul 2015	10th Aug 2015
Share price at grant date	£1.39	£1.39	£1.39	£2.10	£1.39	£2.0888
Exercise price	NIL	NIL	£1.39	£2.10	£1.112	£1.112
Number of employees	14	14	39	1	399	21
Shares under option	591,726	591,727	821,102	14,285	1,100,994	64,740
Expected volatility	30%	30%	30%	30%	30%	30%
Expected life (years)	3.5	3.5	3.5	3.5	3.25	3.25
Dividend yield	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%
Risk free rate	1.04%	1.04%	1.04%	1.04%	1.04%	1.04%
Fair value per option	£1.22	£0.91	£0.22	£0.34	£0.33	£0.83

The fair value of the share options is measured at the grant date taking into account the terms and conditions upon which the instruments were granted. The cost of the options is recognised over the vesting period. Until the liability is settled it is re-measured at each reporting date with changes in fair value recognised in the profit and loss.

There are no options exercisable at the period end.

13. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. During the period £1.4m of director loans were repaid to the Group. There are no loans outstanding with directors at the end of the period.

Trading transactions

During the period, group companies entered into the following transactions with related parties who are not members of the group:

	Sale of goods and services			Purchase of goods and services		
	Period ended Sept 2015 £'000	**Period ended Sept 2014 £'000**	**Year ended March 2015 £'000**	**Period ended Sept 2015 £'000**	**Period ended Sept 2014 £'000**	**Year ended March 2015 £'000**
SpeechStorm Limited	3	-	25	-	(25)	(25)
Queen's University Belfast	-	-	-	(166)	(104)	(182)
Total	**3**	**-**	**25**	**(166)**	**(129)**	**(207)**

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties			Amounts owed to related parties		
	Period ended Sept 2015 £'000	**Period ended Sept 2014 £'000**	**Year ended March 2015 £'000**	**Period ended Sept 2015 £'000**	**Period ended Sept 2014 £'000**	**Year ended March 2015 £'000**
SpeechStorm Limited	-	-	4	-	-	-
Queen's University Belfast	-	-	-	(24)	(7)	-
Total	**-**	**-**	**4**	**(24)**	**(7)**	**-**

SpeechStorm Limited is a related party due to the Group's shareholding of 19.99% in this company. Queen's University Belfast is a related party due to common directorships with the Company and one being of the Company's shareholders.

Responsibility statement of the directors in respect of the interim financial report

The Directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency Rules of the Financial Conduct Authority, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

Richard McCann

Director

20 November 2015

INDEPENDENT REVIEW REPORT TO KAINOS GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2015 which comprises the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in shareholders' equity, the condensed consolidated interim cash flow statement and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor

Belfast, United Kingdom

22 November 2015