11 NOVEMBER 2019

KAINOS GROUP PLC

("Kainos" or the "Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

Kainos Group plc (LSE: KNOS), a leading UK-based provider of IT, consulting and software solutions announces its results for the six months ended 30 September 2019.

FINANCIAL HIGHLIGHTS

	H1 20	**H1 19**	**Change**
Revenue	£86.9m	£67.2m	29%
Adjusted pre-tax profit[1]	£12.8m	£10.1m	27%
Profit before tax	£12.0m	£8.7m	38%
Cash	£41.3m	£38.8m	6%
Sales orders	£99.5m	£90.2m	10%
SaaS sales orders	£16.4m	£6.4m	156%
Backlog[2]	£131.0m	£125.6m	4%
Adjusted diluted earnings per share (note 8)	8.4p	6.6p	27%
Diluted earnings per share	7.9p	5.7p	39%
Interim dividend	3.5p	2.8p	25%

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Performance in line with market expectations, with on-going positive momentum.
  - Revenue growth of 29% to £86.9 million (H1 19: £67.2 million).
  - Adjusted pre-tax profit increased 27% to £12.8 million (H1 19: £10.1 million).
  - Sales orders up 10% to £99.5 million (H1 19: £90.2 million).
  - Contracted backlog growth of 4% to £131.0 million (H1 19: £125.6 million).
- Revenue diversification continues.
  - International revenues up 86% to £17.9 million (H1 19: £9.6 million).
  - Commercial revenues up 66% to £29.3 million (H1 19: £17.6 million).
  - SaaS and software-related revenues up 34% to £13.2 million (H1 19: £9.9 million).
- Very strong growth in Digital Services driven by new and existing customer demand.
  - Revenue growth of 29% to £73.7 million (H1 19: £57.3 million).
  - Significant on-going engagements in UK government's digital transformation programme.
  - Further strengthening of position within Europe as the leading boutique Workday partner and building presence in North America.
- Digital Platforms accelerating, with strong international expansion.
  - Revenue growth of 34% to £13.2 million (H1 19: £9.9 million).
  - Over 190 customers on Kainos Smart (H1 19: 139).
  - Research and development expenditure of £1.9 million expensed (H1 19: £2.2 million).
- Kainos now comprises 1,562 people (H1 19: 1,324) up 18%, with on-going recruitment activity.
- Customer approval of Group services rated as "good" or better by 98% of customers.[3]
- Announcement today of the acquisitions of Formulate and Implexa, specialist consulting partners to Adaptive Insights: financial and business planning software business which is part of Workday.
- Strong period-end cash of £41.3 million (H1 19: £38.8m).

[1] Adjusted measures are based on reported statutory profit numbers excluding the effect of share-based payments and related costs. Reconciliations between the reported and adjusted measures are included in the Financial Review.
[2] The value of contracted revenue that has yet to be recognised.
[3] Data collected from all completed feedback surveys conducted with Kainos customers over the course of the period.

Brendan Mooney, CEO, commented:
"We are announcing another confident set of results, and remain on track to deliver our tenth consecutive year of growth, which we measure in terms of our people, customers, revenue and adjusted pre-tax profit. This achievement is more pronounced against an unsettled macro-economic backdrop.

Our Digital Services division has maintained its strong momentum, fuelled by demand from existing and new customers, both locally and internationally.

We continue to deliver major transformation programmes across UK government and increasingly for our commercial clients. Within our Workday-related business we continue to perform strongly in our established UK and European markets and within our new geographies of France and Canada.

This client-led demand has resulted in expansion across our established offices, in our new offices Paris and Toronto and to enhance our support for our international clients we now have colleagues based in Sweden, Austria, Finland and Romania.

In our Digital Platforms division, Smart, our market-leading Software as a Service (SaaS) platform for automated testing of the Workday suite, has accelerated, continuing to add global brands as customers and now with over 190 international organisations on the platform.

Today we have also announced the acquisition of two specialist consulting companies and we are delighted to welcome twenty one colleagues as part of these transactions. The companies, Formulate in the UK and Implexa in Germany, are experts in the Adaptive Insights financial and business planning software that was acquired by Workday, Inc. in 2018 for $1.6 billion.

Our success continues to be delivered by an exceptional group of colleagues and supported by excellent relationships with our ambitious customers. We remain focused on the needs of both as we continue our growth journey.

The Group's pipeline of prospects continues to strengthen and the Board believes that the Group is well-positioned for growth both in the short term and in the coming years.

Finally, it is appropriate to acknowledge the recent retirement of our long-standing Chairman, Dr John Lillywhite. John was instrumental in the creation of Kainos in 1986 and served as Chairman since 1998, leading the company to IPO in July 2015. John leaves with our very best wishes for his retirement and with our deepest thanks for all the support and guidance he has provided over the past 33 years to the Company, to me personally and the people within the Company.

Mr Tom Burnet, an independent non-executive Director of the Company since 2015 has been appointed Chairman and we look forward to working with Tom in his new role."

Ends

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About Kainos

Kainos Group plc is a UK-headquartered provider of Digital Services and Digital Platforms.

The Group's Digital Services include full lifecycle development and support of customised Digital Services for government and commercial customers. Kainos is also the leading boutique partner for Workday, Inc. ("Workday") in Europe, responsible for implementing Workday's innovative Software-as-a-Service (SaaS) platform for enterprise customers.

The Group's Digital Platforms comprise specialised digital products in the mobile healthcare and automated testing arenas. Smart is an automated testing platform for Workday customers; Evolve Electronic Medical Records ("EMR") is the market leading product for the digitisation of patient notes in the Acute sector of the NHS.

Kainos has over 1,550 people across 12 offices in Europe and North America.

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

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

BOARD CHANGES

During this reporting period, Dr John Lillywhite retired as Chairman and Director of Kainos Group plc. John was instrumental in the creation of Kainos in 1986, then a joint venture between ICL (now Fujitsu) and Queen's University Belfast. He was appointed Chairman in 1998, leading the company to IPO in July 2015 and has continued to serve as Chairman of Kainos as a public company since that time.

Mr Tom Burnet, an independent non-executive Director of the Company since 2015 has been appointed Chairman of Kainos Group plc.

DIVISIONAL REVIEW

Digital Services

The Digital Services division comprises two areas of activity:

- Digital Transformation: the delivery of customised digital solutions, principally for central government and regional government departments and agencies ("UK government") and for commercial and healthcare organisations. The solutions provided are highly cost-effective and make digital services more accessible and easier to use for staff, citizens, customers and patients.
- Workday Services: the provision of consulting, project management, integration and post deployment services for Workday's Enterprise Resource Planning (ERP) software suite, which includes cloud-based software for Human Capital Management (HCM) and Financial Management that enables enterprises to organise their staff efficiently and to support financial reporting requirements.

In total, Digital Services revenue for the six months ended 30 September 2019 grew by 29% to £73.7 million (H1 19: £57.3 million), with revenue from customers in commercial sectors increasing 70% to £21.9 million (H1 19: £12.9 million). Sales orders in Digital Services reduced by 7% to £76.3 million (H1 19: £82.4 million) and backlog for the division reduced by 12% to £79.4 million (H1 19: £90.3 million).

Digital Transformation revenue for the period grew by 21% to £56.8 million (H1 19: £47.0 million), with revenue from commercial customers growing 50% to £8.1 million (H1 19: £5.4 million), while revenue from government customers grew 23% to £43.7m (H1 19: £35.6 million), and represented a total of 77% of Digital Transformation revenues (H1 19: 76%).

In contrast, Workday Services revenues are largely derived from commercial clients, representing 81% of revenue (H1 19: 73%). Overall revenues grew 64% to £16.9m (H1 19: £10.3 million), with commercial revenues growing 84% to £13.7 million (H1 19: £7.5 million) and public sector revenues remaining constant at £2.8 million (H1 19: £2.8 million).

Digital Services - Digital Transformation

While Digital Transformation spans commercial and healthcare organisations, the largest area of activity is within UK government. In our Annual Report in May 2019, the conclusion of this section noted:

> *In the near term, there is an increased possibility that Brexit, a general election and a spending review all occur within a similar timeframe. Whilst this is unlikely to disrupt in-flight programmes, it may cause the deferral of significant new programmes by a number of months.*

This guidance remains valid, with government departments continuing with existing programmes, serving as a reminder that even in uncertain times, the business of government does not stop. Some departments are opting to defer some new programmes until they obtain greater clarity around spending plans, including those relating to the preparation for EU Exit.

Alongside this short term moderation of activity, the Group believes that there will be significant IT change as a result of EU Exit. With over 300 IT systems impacted this will present growth opportunities - the challenge, as with Brexit in general, is predicting when this will occur.

Within central government, Kainos continues to consolidate a leading position across key accounts, extending services to deliver a number of the most high profile digital programmes across the Department for Environment, Food and Rural Affairs, the Ministry of Justice, HM Land Registry, Driver and Vehicle Standards Agency, Department for Transport and the Home Office.

Progress continues in the commercial sector, both within the UK and in Germany where projects are underway with New Day, BP, Telensa (UK), Concardis and Skeyos (Germany). The partnership with NHS Digital continues to be significant, with the NHS App now available across 95% of England, following its successful private beta. Looking forward, the Group is optimistic about the increasing adoption of digitisation by commercial customers and the increased opportunity that it represents.

Simultaneously, the Group remains confident about the future of digitisation in the UK public sector and that it is well positioned to maintain a central role in public sector transformation. As noted above, while existing programmes will continue as planned, Brexit is likely to both result in the deferral of some new digitisation programmes and generate significant EU Exit related programmes.

Digital Services – Workday Services

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

Within Europe, Kainos continues to consolidate its position as the leading Workday partner, driven by the acquisition of new clients, further geographic expansion and high satisfaction levels within the Kainos customer base[4].

In terms of geographic expansion, Kainos opened offices in Paris and Toronto in January 2019 to support growth within the French and North American markets, respectively. This is in addition to offices opened in Copenhagen (2017, to develop the Nordic markets of Denmark, Sweden, Norway and Finland), Amsterdam (2015, covering Belgium, Netherlands and Luxembourg) and Frankfurt (2017, covering Germany, Austria and Switzerland). In addition to these offices, Kainos also has staff based in Sweden, Finland, Austria, Switzerland and Romania. Kainos now has 56 clients for Workday Services in mainland Europe (H1 19: 34).

In North America, Kainos was appointed as an accredited partner for Canada (October 2018), has already secured its first customers and opened the Toronto office in 2019. Within the US, Kainos is delivering Workday Financials projects for clients that have substantial international operations alongside smaller engagements within established Workday clients.

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[4] Recent transactions include the Appirio acquisition by Wipro (2016), DayNine by Accenture (2016) and Ataraxis by HR Path (2018). In 2016, Wipro acquired Appirio, a boutique Workday and Salesforce consultancy, in 2019 Alight acquired the Workday elements of the Appirio business from Wipro, for a reported $110 million, with 350 consultants joining Alight.

In addition to the delivery of Workday for new customers, Kainos is increasingly involved in supporting the operation of customers that are already live on the Workday platform. This annuity-style revenue stream, described as Post Deployment Services, accounts for £6.1 million (H1 19: £4.0 million) and has 88 customers (H1 19: 68 customers).

The number of accredited Workday consultants in the Group's Digital Services division has increased by 55% to 305 people (H1 19: 197 people), with further recruitment underway.

Looking forward, growth prospects remain very strong, driven by geographic expansion, increased penetration within core markets and the further development of our Post Deployment Services offering. These prospects are, in turn, underpinned by very strong annual revenue growth by Workday Inc.

Digital Platforms

The Digital Platforms division comprises two discrete platforms:

- *Smart Automated Testing (Smart)*: Smart is a proprietary software tool that allows Workday customers to automatically verify their Workday configuration both during implementation and in live operation. Smart is the only automated testing platform specifically designed for the Workday product suite. Smart is a cloud-based SaaS solution licensed on a subscription basis to customers.

- *Evolve Electronic Medical Record (Evolve EMR):* Evolve EMR is a proprietary software product that removes paper from the care process by digitising NHS patient records, thereby enabling efficient healthcare. Evolve EMR can be purchased either on-premise or in a hosted cloud environment, with both perpetual and subscription licensing options.

In aggregate, Digital Platforms revenue for the six months ended 30 September 2019 increased by 34% to £13.2 million (H1 19: £9.9 million). Sales orders for Digital Platforms increased 198% to £23.2 million (H1 19: £7.8 million) of which sales orders for the Group's SaaS platforms increased by 156% to £16.4 million (H1 19: £6.4 million). Backlog increased by 46% to £51.6 million (H1 19: £35.4 million).

Within Smart, revenue for the period increased by 63% to £8.5 million (H1 19: £5.2 million), of which £6.8 million relates to SaaS subscriptions (H1 19: £4.3 million). New sales bookings for the period amounted to £14.5 million (H1 19: £7.3 million), an increase of 100%. The Annual Recurring Revenue (ARR) for Smart at period end increased by 75% to £16.2 million (H1 19: £9.2 million).

The on-going funding constraints within the NHS continue to create a headwind for Evolve within the UK, although significant new projects are underway in Dublin and Gibraltar. For the reporting period, revenue remained constant at £4.7 million (H1 19: £4.7 million), an increase of 1%. Sales orders amounted to £8.7 million (H1 19: £0.5 million), creating an expectation of modest growth in future reporting periods.

Digital Platforms – Smart

Smart is used by over 190 customers globally to automatically verify their Workday configurations (H1 19: 139). Kainos currently has four Smart modules: HCM, Security, Financials and Payroll with an Auditing module soon to be added.

Workday, Inc. has a Platform-as-a-Service offering known as Workday Cloud Platform (WCP), which is expected to have general availability in H1 20. Kainos has been part of the early adopter programme since 2017, and while WCP is at an early stage it may offer new future growth opportunities – such as additional IP development for Kainos or specialised development services to other Workday customers and partners.

Looking forward, continued strong growth for Smart will be powered by increased penetration of Smart in the Workday customer base, by expansion of the Workday customer base itself and by the development and adoption of new Smart modules.

Digital Platforms – Evolve

Evolve EMR continues to be a leading supplier to the NHS and is now deployed at enterprise scale across 30 Health Trusts and hospital groups, managing over 2.0 billion images with 39 million patients registered on the system.

The dominant feature of the UK NHS market is that of restricted funding, which has significantly reduced procurement activity across the sector. As noted above, significant projects are underway in Dublin and Gibraltar and within the existing client base, there is growing interest in migrating to Cloud EMR as well as investigating Cloud-based solutions in general.

Near-term, expectations are for a subdued market for Evolve.

OUR PEOPLE

Kainos believes that the future success of the organisation is dependent upon the capability of the people working in the Group. Kainos' People Development Plan focuses on the key objectives of development, retention and recruitment.

The Group has 1,562 people working in Kainos (H1 19: 1,324) an increase of 18%, of whom 9% are contractors (H1 19: 11%). Staff retention across the Group rose to 87% during the period (H1 19: 86%).

Kainos continues to attract strong interest in key recruitment markets, with 8,879 applicants in the period ended 30 September 2019 (H1 19: 9,282). In total, 232 people joined Kainos (H1 19: 244), representing 3% of the original applicants (H1 19: 3%).

The Kainos Digital Academy and associated programmes are central to the development of staff. During the six month reporting period 4,740 training days were completed, an average of three per employee. The Digital Academy has been central to the development of new capabilities in Cyber Security, Data, Machine Learning and Artificial Intelligence.

Employee wellbeing is a key priority and Kainos strives to be an excellent employer, the success of which is reflected in holding Sunday Times Top 100 Employer status continuously from 2012 to 2018, an accreditation that is entirely based upon employee feedback. On Glassdoor, the website allowing current and former employees to anonymously review companies, 79% of reviewers would recommend working at Kainos.

Kainos continues to provide a comprehensive range of benefits to support financial security, such as Private Health Insurance, Life Insurance and Income Protection, and a comprehensive health plan, Healthshield. This includes subsidised gym membership, personal coaching, 24/7 counselling, health assessments and alternative therapies to assist staff and their families' health and wellbeing.

The Group operates a Share Incentive Plan for all staff and a total of 2,155,859 free shares have been distributed to staff. In addition, the Group operates SAYE share schemes through which 2,340,985 options have been granted to staff. In aggregate, these schemes represent a total value of £22.5 million[5].

The Group views it as part of its mission to promote awareness of possible careers in digital technologies amongst young people. Over the past five years, these outreach programmes have directly benefited the lives of over 5,000 young people in the UK and Ireland, catering for students from a range of socio-economic backgrounds and with a high percentage of female students taking part.

ACQUISITIONS

The company completed the acquisition of two specialist consulting companies in November 2019. The companies, Formulate in the UK and Implexa in Germany, are experts in the Adaptive Insights financial and business planning software.

Adaptive Insights was acquired by Workday, Inc. in June 2018 to help businesses better plan, execute and analyse data across the enterprise in one system, by combining Adaptive Insights' Business Planning Cloud with Workday's applications for finance and HR.

Established in 2016 and headquartered in Worcestershire in the UK, Formulate has served as one of only eleven certified partners to Adaptive Insights and is one of its largest partners worldwide. Formulate has a workforce of sixteen people, combining both software and consulting capabilities, and provides its services to more than 100 customers across UK and Europe.

Established in Hamburg in 2014, Implexa is one of the leading German Adaptive Insights partners, working in the German ERP and Planning market and has a workforce of five people. It is one of four accredited Adaptive Insights partners in Germany, and adds Hamburg-based software and consulting capabilities to Kainos' existing Frankfurt presence and capabilities.

Both acquisitions help Kainos to build and expand on its Workday offering, and to grow its presence in key markets. By acquiring both businesses Kainos strengthens its capabilities to both sell and execute Adaptive Insights contracts across UK and wider Europe.

SUMMARY AND OUTLOOK

The Directors believe that the Group's continued delivery performance and sales execution, and consequent increase in contracted backlog underpin near-term performance.

Over the longer term, Kainos remains well placed to deliver further growth. The Group's Digital Services division continues to benefit from the UK government's digitisation programmes, and from the strong and sustained growth of Workday, Inc. In the Group's Digital Platforms division, Smart remains in a commanding position as the only automated testing product for Workday.

In summary, the Group sees continued stability and growth opportunities for its Digital Services division and is encouraged by the strong position of its Digital Platform SaaS offerings globally. Going forward, the Group will remain focused on providing exceptional careers for staff and exceptional digital products and services for its customers.

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[5] Calculated using a closing price of 501p per share, 22 October 2019.

FINANCIAL REVIEW

Kainos achieved revenue of £86.9 million (H1 19: £67.2 million), representing an increase of 29%. Digital Services revenue underpinned this growth showing a 29% increase to £73.7 million (H1 19: £57.3 million) which reflected strong growth in Digital Transformation and very strong growth in Workday Services. Digital Platform revenue increased by 34% to £13.2 million (H1 19: £9.9 million) reflecting very strong Smart revenue growth, which now represents 10% of Group-wide revenue.

Gross margin increased slightly to 46.5% (H1 19: 45.9%) with both Digital Services (44.2% vs 43.6%) and Digital Platforms (59.3% vs 59.1%) showing margin enhancement, primarily reflecting a reduction in the proportion of contractors used to 9% of the total workforce (H1 19: 11%).

Operating expenses (excl. share-based payments) increased by 33% to reach £27.7 million (H1 19: £20.8 million) reflecting revenue growth and continued geographic and market expansion, notably into Continental Europe and the UK Digital Services Commercial sector. Investment in product development was £1.9 million (H1 19: £2.2 million), with 82% of the H1 20 spend focused on Smart (H1 19: 58%). As previously, all product development is expensed in the period incurred.

Adjusted pre-tax profit increased by 27% to £12.8 million (H1 19: £10.1 million) and net profit before tax by 38% to £12.0 million (H1 19: £8.7 million). The adjusted profit measures can be reconciled to the reported statutory numbers as follows:

	6 months to 30 Sep 2019 unaudited £'000	**6 months to 30 Sep 2018 unaudited £'000**	**12 months to 31 Mar 2019 audited £'000**
Profit before tax	12,009	8,722	21,125
Share-based payments and related costs	790	1,330	2,196
Adjusted profit before tax	**12,799**	**10,052**	**23,321**
Profit after tax	9,633	6,960	16,939
Share-based payments and related costs (net of associated taxes)	656	1,104	1,823
Adjusted profit after tax	**10,289**	**8,064**	**18,762**

The effective tax rate for H1 20 (20%) remained in-line with H1 19 and FY 2019 (both 20%), reflecting the overseas jurisdictional tax rates uplifting the UK corporation tax rate.

The Group continues to have a robust statement of financial position at 30 September 2019 with £41.3 million of cash (H1 19: £38.8 million) after completion of the Bankmore Square site purchase (£7.4 million), no debt and net assets of £59.2 million (H1 19: £45.8 million). Bankmore Square planning permission has been applied for, and various funding and design options are under consideration.

Cash conversion, calculated by taking cash generated by operations over EBITDA, was negatively impacted at 30 September 2019 (H1 20: 60%, H1 19: 93%) due to FY 2019 bonus payment timing (H1 20 cash impact of £(2.2) million) and a movement of staff costs from invoicing contractors to permanent employees (cash impact of £(0.9) million). In addition, revenue growth resulted in combined trade debtors and accrued income increasing from £28.8 million to £40.6 million (+41%) between 30 September 2018 and 2019.

The impact of the adoption of IFRS16 is included in note 3. Details of related party transactions are included in note 10.

Dividend

An interim dividend of 3.5 pence per share has been declared for H1 20 (H1 19: 2.8 pence). This will be paid on 20 December 2019 to shareholders on the register at the close of business on 29 November 2019, with an ex-dividend date of 28 November 2019.

RISKS & UNCERTAINTIES

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 Group’s Annual Results on 28 May 2019. These are described in more detail on pages 12 - 16 of the Annual Report (available on the Group’s website www.kainos.com).

Condensed consolidated statement of comprehensive income for the six months ended 30 September 2019

	Note	6 months to 30 Sep 2019 (unaudited) £'000	6 months to 30 Sep 2018 (unaudited) £'000	12 months to 31 Mar 2019 (audited) £'000
Continuing operations				
Revenue	5	86,889	67,179	151,294
Cost of sales	5	(46,509)	(36,357)	(82,189)
Gross profit		**40,380**	**30,822**	**69,105**
Operating expenses excluding share-based payments		(27,744)	(20,793)	(45,895)
Share-based payments and related costs		(790)	(1,330)	(2,196)
Operating expenses		(28,534)	(22,123)	(48,091)
Operating profit		**11,846**	**8,699**	**21,014**
Finance income		205	23	111
Finance expense		(42)	-	-
Profit before tax		**12,009**	**8,722**	**21,125**
Taxation	6	(2,376)	(1,762)	(4,186)
Profit for the period		**9,633**	**6,960**	**16,939**

Consolidated statement of comprehensive income	6 months to 30 Sep 2019 (unaudited) £'000	6 months to 30 Sep 2018 (unaudited) £'000	12 months to 31 Mar 2019 (audited) £'000
Profit for the period	**9,633**	**6,960**	**16,939**
Other comprehensive income:			
Currency translation difference	435	385	240
Total comprehensive income for the period	**10,068**	**7,345**	**17,179**

	Note			
Earnings per share				
Basic	8	8.0p	5.9p	14.3p
Diluted	8	7.9p	5.7p	13.9p

Condensed consolidated statement of financial position at 30 September 2019

	Note	30 Sep 2019 (unaudited) £'000	30 Sep 2018 (unaudited) £'000	31 Mar 2019 (audited) £'000
Non-current assets				
Right-of-use assets		4,860	-	-
Property, plant and equipment	11	10,126	2,592	2,978
Investments		1,025	1,025	1,025
Other non-current assets		1,076	1,058	1,310
		17,087	4,675	5,313
Current assets				
Trade and other receivables	9	25,987	21,927	29,302
Prepayments		2,206	1,637	2,652
Accrued income		16,178	9,131	11,305
Cash and bank balances		41,311	38,842	42,488
		85,682	71,537	85,747
Total assets		**102,769**	**76,212**	**91,060**
Current liabilities				
Trade creditors and accruals		(17,150)	(12,429)	(21,412)
Lease liabilities		(1,508)	-	-
Deferred income		(11,996)	(8,789)	(10,820)
Corporation tax		(1,628)	(1,914)	(2,755)
Other tax and social security		(6,135)	(6,810)	(6,514)
		(38,417)	(29,942)	(41,501)
Non-current liabilities				
Other provisions		(2,276)	(444)	(1,392)
Lease liabilities		(2,906)	-	-
		(5,182)	(444)	(1,392)
Total liabilities		**(43,599)**	**(30,386)**	**(42,893)**
Net assets		**59,170**	**45,826**	**48,167**
Equity				
Share capital		607	602	605
Share premium account		3,780	3,225	3,596
Capital reserve		665	666	665
Share-based payments reserve		4,638	3,258	3,895
Translation reserve		225	(65)	(210)
Retained earnings		49,255	38,140	39,616
Total equity		**59,170**	**45,826**	**48,167**

Condensed consolidated statement of changes in shareholders' equity for the six months ended 30 September 2019

	Share capital	Share premium	Capital redemption reserve	Share-based payments	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018 (audited)	**593**	**1,702**	**666**	**2,549**	**(450)**	**30,670**	**35,730**
Profit for the period	-	-	-	-	-	6,960	6,960
Other comprehensive income	-	-	-	-	385	-	385
Total comprehensive income for the period	-	-	-	-	385	6,960	7,345
Share-based payment expense	-	-	-	709	-	-	709
Current tax for equity-settled share-based payments	-	-	-	-	-	716	716
Deferred tax for equity-settled share-based payments	-	-	-	-	-	(206)	(206)
Issue of share capital	9	1,523	-	-	-	-	1,532
Balance at 30 September 2018 (unaudited)	**602**	**3,225**	**666**	**3,258**	**(65)**	**38,140**	**45,826**
Profit for the period	-	-	-	-		9,979	9,979
Other comprehensive income	-	-	-	-	(145)	-	(145)
Total comprehensive income for the period	-	-	-	-	(145)	9,979	9,834
Share-based payment expense	-	-	-	637	-	-	637
Adjustments in relation to prior periods	-	-	-	-	-	33	33
Current tax for equity-settled share-based payments	-	-	-	-	-	183	183
Deferred tax for equity-settled share-based payments	-	-	-	-	-	198	198
Issue of share capital	3	371	(1)	-	-	-	373
Dividends	-	-	-	-	-	(8,917)	(8,917)
Balance at 31 March 2019 (audited)	**605**	**3,596**	**665**	**3,895**	**(210)**	**39,616**	**48,167**
Profit for the period	-	-	-	-		9,633	9,633
Other comprehensive income	-	-	-	-	435	-	435
Total comprehensive income for the year	-	-	-	-	435	9,633	10,068
Share-based payment expense	-	-	-	743	-	-	743
Current tax for equity-settled share-based payments	-	-	-	-	-	255	255
Deferred tax for equity-settled share-based payments	-	-	-	-	-	(249)	(249)
Issue of share capital	2	184	-	-	-	-	186
Balance at 30 September 2019 (unaudited)	**607**	**3,780**	**665**	**4,638**	**225**	**49,255**	**59,170**

Condensed consolidated cash flow statement for the six months ended 30 September 2019

	Note	6 months to 30 Sep 2019 (unaudited) £'000	6 months to 30 Sep 2018 (unaudited) £'000	12 months to 31 Mar 2019 (audited) £'000
Net cash from operating activities		**7,207**	**9,342**	**22,520**
Investing activities				
Purchases of property, plant and equipment	11	(7,797)	(1,010)	(2,016)
Net cash used in investing activities		**(7,797)**	**(1,010)**	**(2,016)**
Financing activities				
Dividends paid		-	-	(8,917)
Payment of lease liabilities		(792)	-	-
Proceeds on issue of shares		184	1,532	1,905
Net cash (used)/generated in financing activities		**(608)**	**1,532**	**(7,012)**
Net (decrease)/increase in cash and cash equivalents		(1,198)	9,864	13,492
Cash and cash equivalents at beginning of period		42,488	28,961	28,961
Effects of foreign exchange rate changes		21	17	35
Cash and cash equivalents at end of period		**41,311**	**38,842**	**42,488**

Net cash from operating activities	6 months to 30 Sep 2019 (unaudited) £'000	6 months to 30 Sep 2018 (unaudited) £'000	12 months to 31 Mar 2019 (audited) £'000
Profit for the period	**9,633**	**6,960**	**16,939**
Adjustments for:			
Income tax expense	2,376	1,762	4,186
Share-based payment expense	790	1,330	2,196
Depreciation and amortisation	1,494	527	1,147
Loss on disposal of property, plant and equipment	-	-	(22)
Increase in provisions	-	97	1,045
Operating cash flows before movements in working capital	**14,293**	**10,676**	**25,491**
Increase in receivables	(908)	(602)	(11,215)
(Decrease)/increase in payables	(4,927)	(252)	10,146
Cash generated by operations	**8,458**	**9,822**	**24,422**
Income taxes paid	(1,251)	(480)	(1,902)
Net cash from operating activities	**7,207**	**9,342**	**22,520**

Notes to the condensed consolidated 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 21 Farringdon Road, 2nd Floor, London, EC1M 3HA. These condensed consolidated financial statements for the six months ended 30 September 2019 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 Divisional Review and in note 5. The Group is headquartered in Belfast.

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

These condensed financial statements were approved for issue on 8 November 2019.

2. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 September 2019 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS34 "Interim Financial Reporting" as adopted by the European Union.

These condensed consolidated financial statements do not constitute statutory accounts of the Group within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2019 have been filed with the registrar of companies. The auditor's report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

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

Going concern
The directors have, at the time of approving the condensed financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

3. Significant accounting policies

The accounting policies, presentation and methods of computation applied by the Group in these condensed consolidated financial statements are the same as those applied in the Group's latest audited annual consolidated financial statements for the year ended 31 March 2019, except for; IFRS16 "Leases", effective 1 April 2019. No other newly introduced standard or amendments to standards had a material impact on the condensed financial statements.

3. Significant accounting policies (continued)

Leases

IFRS16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group is not party to any material leases where it acts as a lessor, but the Group does have property and motor vehicle leases.

Details of the Group's accounting policies under IFRS16 are set out below, followed by a description of the impact of adopting IFRS16. Significant judgements applied in the adoption of IFRS16 include determining the lease term for those leases with termination or extension options and determining an incremental borrowing rate where the rate implicit in a lease could not be readily determined.

Accounting policies under IFRS16 Leases
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group continues to recognise the lease payments mainly as an operating expense on a straight-line basis over the term of the lease.

Lease liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. Having adopted the modified retrospective approach, the Group has used its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The lease liability is presented as a separate line in the consolidated statement of financial position.

Right-of-use asset
The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS37. These costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

3. Significant accounting policies (continued)

The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase options or transfer ownership of the underlying asset.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Approach to transition
The Group has applied IFRS16 using the modified retrospective approach, without restatement of the comparative information. In respect of those leases the Group previously treated as operating leases, the Group has elected to measure its right-of-use assets arising from leases using the approach set out in IFRS16.C8(b)(ii). Under this approach the right-of-use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including un-amortised lease incentives to cover amounts expected to be paid.

The Group's weighted average incremental borrowing rate applied to lease liabilities as at 1 April 2019 is 1.6%, reflecting the lease term and the type of leased assets.

Practical expedients adopted on transition
The Group has made use of the practical expedient available on transition to IFRS16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS17 and IFRIC4 will continue to be applied to those leases entered into or modified before 1 April 2019.

The Group has also elected to use the following practical expedients:

- no recognition of right-of-use assets or lease liabilities for low value leases or leases where less than 12 months remains of the lease term;
- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- hindsight has been used in determining the lease term.

Financial impact
The application of IFRS16 to leases previously classified as operating leases under IAS17 resulted in the recognition of right-of-use assets and lease liabilities. Operating lease incentives previously recognised as liabilities have been derecognised and factored into the measurement of the right-of-use assets and lease liabilities.

Impact on transition

	1 April 2019 **£'000**
Right-of-use assets	5,688
Lease liabilities	(5,153)
Adjustment for prepaid and accrued lease payments	349
Property provisions	(884)

£5.6 million of the right-of-use assets relate to property leases.

3. Significant accounting policies (continued)

The table below presents a reconciliation from operating lease commitments disclosed at 31 March 2019 to lease liabilities recognised at 1 April 2019.

	£'000
Operating lease commitments disclosed under IAS17 at 31 March 2019	4,024
Short term and low value lease commitments straight-line expensed under IFRS16	(824)
Effect of discounting	(32)
Payments due in periods covered by extension options that are included in the lease term	1,985
Lease liabilities recognised at 1 April 2019	**5,153**

The recognition value for right-of-use assets is summarised below:

	£'000
Initial right-of-use assets at amounts equal to the associated liability	5,153
Adjustment for prepaid and accrued lease payments	(349)
Adjustment for additional property provisions	884
Right-of-use assets recognised at 1 April 2019	**5,688**

Income statement
During the six months ended 30 September 2019, the Group, in relation to leases under IFRS16, has recognised depreciation and interest costs of £0.9 million, instead of IAS17 operating lease expenses of £0.8 million. There was no material deferred tax impact.

Cash flow statement
Lease payments of £0.8 million have been reclassified from operating activities to financing activities.

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 financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the statutory accounts for the year ended 31 March 2019. The only exceptions relate to the estimate of the provision of income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the profit before tax of the interim period.

5. Segmental reporting

All of the Group's revenue during the period to 30 September 2019 was derived from continuing operations. Kainos is structured into two divisions: Digital Services and Digital Platforms.

Digital Services include full lifecycle development and support of customised Digital Services for government and commercial customers. Kainos is also the leading boutique partner for Workday, Inc. in Europe, responsible for implementing Workday's innovative Software-as-a-Service (SaaS) platform for enterprise customers.

Digital Platforms comprise specialised digital products in the mobile healthcare and automated testing arenas. Smart is an automated testing platform for Workday customers; Evolve Electronic Medical Records ("EMR") is the market-leading product for the digitisation of patient notes in the Acute sector of the NHS.

Segmental revenue and results

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

6 months to 30 September 2019 (unaudited)	Digital Services £'000	Digital Platforms £'000	Total £'000
Revenue	73,665	13,224	86,889
Cost of sales	(41,132)	(5,377)	(46,509)
Gross profit	**32,533**	**7,847**	**40,380**
Direct expenses[6]	(12,653)	(4,850)	(17,503)
Contribution	**19,880**	**2,997**	**22,877**
Central overheads[6]			(10,078)
Adjusted pre-tax profit			**12,799**
Share-based payments			(790)
Profit before tax			**12,009**

6 months to 30 September 2018 (unaudited)	Digital Services £'000	Digital Platforms £'000	Total £'000
Revenue	57,299	9,880	67,179
Cost of sales	(32,312)	(4,045)	(36,357)
Gross profit	**24,987**	**5,835**	**30,822**
Direct expenses[6]	(7,763)	(4,903)	(12,666)
Contribution	**17,224**	**932**	**18,156**
Central overheads[6]			(8,104)
Adjusted pre-tax profit			**10,052**
Share-based payments			(1,330)
Profit before tax			**8,722**

[6] Operating expenses excluding share-based payments includes direct expenses, central overheads and finance income/expenses

5. Segmental reporting (continued)

12 months to 31 March 2019 (audited)	**Digital Services £'000**	**Digital Platforms £'000**	**Total £'000**
Revenue	132,587	18,707	151,294
Cost of sales	(73,961)	(8,228)	(82,189)
Gross profit	**58,626**	**10,479**	**69,105**
Direct expenses[6]	(16,926)	(9,938)	(26,864)
Contribution	**41,700**	**541**	**42,241**
Central overheads[6]			(18,920)
Adjusted pre-tax profit			**23,321**
Share-based payments			(2,196)
Profit before tax			**21,125**

6. Taxation

The total tax charge for the six months ended 30 September 2019 is £2.4 million (six months ended 30 September 2018: £1.8 million). This tax charge equates to an effective tax rate of 20% (30 September 2018: 20%). The expected annual tax rate for the year to 31 March 2020 is 19% (31 March 2019: 20%).

7. Dividends

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

	6 months to 30 Sep 2019 (unaudited) £'000	**6 months to 30 Sep 2018 (unaudited) £'000**	**12 months to 31 Mar 2019 (audited) £'000**
Amounts recognised as distributions to equity holders in the period:			
Final dividend for 2018 of 4.6p per share	-	-	5,535
Interim dividend for 2019 of 2.8p per share	-	-	3,382
Total	**-**	**-**	**8,917**

A final dividend of 6.5 pence per share for the year to 31 March 2019 was paid on 25 October 2019 to shareholders on the register at the close of business on 27 September 2019. An interim dividend of 3.5 pence per share has been declared for the six months to 30 September 2019. This will be paid on 20 December 2019 to shareholders on the register at the close of business on 29 November 2019, with an ex-dividend date of 28 November 2019. These condensed consolidated financial statements do not reflect the final dividend paid or the interim dividend payable.

8. Earnings per share

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

	6 months to 30 Sep 2019 (unaudited) £'000	6 months to 30 Sep 2018 (unaudited) £'000	12 months to 31 Mar 2019 (audited) £'000
Profit for the period	**9,633**	**6,960**	**16,939**
Weighted average number of ordinary shares for the purposes of basic earnings per share	119,905	117,948	118,318
Effect of dilutive potential ordinary shares from share options	2,627	3,377	3,250
Weighted average number of ordinary shares for the purposes of diluted earnings per share	122,532	121,325	121,568
Basic earnings per share	**8.0p**	**5.9p**	**14.3p**
Diluted earnings per share	**7.9p**	**5.7p**	**13.9p**

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-based payments and related costs (including associated taxes) by the weighted average number of ordinary shares in issue during the period.

	6 months to 30 Sep 2019 (unaudited) £'000	6 months to 30 Sep 2018 (unaudited) £'000	12 months to 31 Mar 2019 (audited) £'000
Profit for the period	**9,633**	**6,960**	**16,939**
Share-based payments and related costs (net of associated taxes)	656	1,104	1,823
Adjusted profit for the period	**10,289**	**8,064**	**18,762**
Weighted average number of ordinary shares for the purposes of basic earnings per share	119,905	117,948	118,318
Effect of dilutive potential ordinary shares from share options	2,627	3,377	3,250
Weighted average number of ordinary shares for the purposes of diluted earnings per share	122,532	121,325	121,568
Adjusted basic earnings per share	**8.6p**	**6.8p**	**15.9p**
Adjusted diluted earnings per share	**8.4p**	**6.6p**	**15.4p**

9. Trade and other receivables

	30 Sep 2019 (unaudited) £'000	30 Sep 2018 (unaudited) £'000	31 Mar 2019 (audited) £'000
Trade receivables	24,849	20,047	26,216
Allowance for doubtful debts	(431)	(366)	(53)
	24,418	19,681	26,163
Other receivables	1,569	2,246	3,139
Total	**25,987**	**21,927**	**29,302**

10. 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. There were no director loan transactions during 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		
	6 months to 30 Sep 2019 (unaudited) £'000	6 months to 30 Sep 2018 (unaudited) £'000	12 months to 31 Mar 2019 (audited) £'000	6 months to 30 Sep 2019 (unaudited) £'000	6 months to 30 Sep 2018 (unaudited) £'000	12 months to 31 Mar 2019 (audited) £'000
Cirdan Imaging Limited	370	221	750	-	-	-
Queen's University Belfast	-	-	-	117	132	259
Total	**370**	**221**	**750**	**117**	**132**	**259**

The following amounts were outstanding at the statement of financial position date:

	Amounts owed by related parties			Amounts owed to related parties		
	30 Sep 2019 (unaudited) £'000	30 Sep 2018 (unaudited) £'000	31 Mar 2019 (audited) £'000	30 Sep 2019 (unaudited) £'000	30 Sep 2018 (unaudited) £'000	31 Mar 2019 (audited) £'000
Cirdan Imaging Limited	230	502	199	-	-	-
Queen's University Belfast	-	-	-	-	20	-
Total	**230**	**502**	**199**	**-**	**20**	**-**

10. Related party transactions (continued)

Queen's University Belfast is a related party as one of the Group's material shareholders. Cirdan Imaging Limited is a related party due to the Group's shareholding of 9.9% in this company and Paul Gannon is a common director of both companies.

11. Property purchase

During the period, the Group acquired a site for the development of Kainos' future Belfast headquarters at Bankmore Square. The purchase price of £7.4 million was fully funded by cash resources.

12. Contingent liability

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

13. Subsequent events

On 8 November 2019, Kainos WorkSmart Limited acquired 100% of the share capital of Formulate (Adaptive) Limited ("Formulate"). Formulate is a leading UK and European partner to Adaptive Insights: a financial and business planning software business which is part of Workday, Inc. Formulate will be consolidated into the Group with effect from this date using IFRS3, with no significant financial impact on the Group's financial performance for the year ending 31 March 2020 ("FY20"). The impact on the statement of financial position and cashflow statement of the Group for FY20 will be disclosed within the FY20 Annual Report.

On 8 November 2019, Kainos WorkSmart GmbH (a subsidiary of Kainos WorkSmart Limited) hired the team which formerly worked for Implexa GmbH ("Implexa"). Implexa is one of four accredited Adaptive Insights partners in Germany, and adds Hamburg-based software and consulting capabilities to Kainos WorkSmart GmbH's existing Frankfurt presence and capabilities. This acquisition will have no significant impact on the financial position or performance of the Group during the financial year ending 31 March 2020.

Responsibility statement

We confirm that these condensed 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

By order of the Board

Richard McCann
Director
8 November 2019

INDEPENDENT REVIEW REPORT TO KAINOS GROUP PLC

We have been engaged by the company to review the condensed set of financial statements included in the half yearly financial report for the six months ended 30 September 2019 which comprise the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in shareholders' equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 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" ("ISRE 2410") issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this review report, or for the conclusions we have formed.

Directors responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Richard Howard

Deloitte (NI) Limited
Chartered Accountants and Statutory Auditor
Belfast, United Kingdom
8 November 2019