kainos®

2024 ANNUAL REPORT

# TRUE PARTNERS CHANGE THE WORLD TOGETHER

**Kainos Group plc is a UK-headquartered provider of sophisticated IT services to major public sector, commercial and healthcare customers. Our expertise spans three divisions: Digital Services, Workday Services and Workday Products.**

**Digital Services**
We develop and support custom digital service platforms that transform service delivery in public, commercial and healthcare sectors. Our solutions ensure security, accessibility, cost-effectiveness and improved user outcomes.

**Workday Services**
Specialising in deploying Workday, Inc.'s Finance, HR and Planning products, we are a respected partner in Europe and North America. Experienced in complex deployments, we are trusted to launch, test, expand and support Workday systems.

**Workday Products**
Our established product suite, incorporating Smart Test, Smart Audit and Smart Shield, complements Workday by enhancing system security and compliance. Our Employee Document Management product, launched in October 2023, improves document generation and storage within Workday while supporting an organisation's global compliance requirements. Over 450 global customers use one or more of our products.

Our people are central to our success. We have more than 2,900 people in 23 countries across Europe, Asia and the Americas.

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

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# THE FUNDAMENTAL COMPONENT OF OUR STRATEGY IS OUR PEOPLE. OUR BUSINESS IS SUCCESSFUL BECAUSE OF THE TALENT, SKILL AND MOTIVATION OF OUR COLLEAGUES AS THEY DELIVER ON COMMITMENTS TO INTERNAL AND EXTERNAL CUSTOMERS.

## FINANCIAL HIGHLIGHTS

| | 2024 | 2023 | Change |
|---|---|---|---|
| Revenue | **£382.4m** | £374.8m | **+2%** |
| Statutory profit before tax | **£64.8m** | £54.3m | **+19%** |
| Adjusted pre-tax profit | **£77.2m** | £67.6m | **+14%** |
| Cash[1] | **£126.0m** | £108.3m | **+16%** |
| Bookings | **£424.5m** | £427.8m | **-1%** |
| Product Annual Recurring Revenue (ARR) | **£60.5m** | £47.9m | **+26%** |
| Contracted backlog | **£357.1m** | £322.9m | **+11%** |
| Diluted earnings per share | **38.6p** | 33.1p | **+17%** |
| Adjusted diluted earnings per share | **46.5p** | 42.5p | **+9%** |
| Total dividend per share | **27.3p** | 23.9p | **+14%** |

(1) Includes £4.4 million of treasury deposits which do not meet the definition of cash and cash equivalents.

# OPERATIONAL HIGHLIGHTS

## 14th consecutive year of growth!

We have recorded our 14th consecutive year of growth across a wide range of key metrics, with our business performance demonstrating disciplined execution against a backdrop of macro-economic uncertainty.

Revenue increased by 2% (6% organic, 3% ccy) to £382.4 million (2023: £374.8 million).

Strong adjusted pre-tax profit growth of 14% (17% ccy) to £77.2 million (2023: £67.6 million), representing an adjusted profit margin of 20% (2023: 18%).

Overall bookings were £424.5 million (2023: £427.8 million).

Strong contracted backlog growth of 11% to £357.1 million (2023: £322.9 million).

Strong year-end cash[(1)] of £126.0 million (2023: £108.3 million); with cash conversion at 98% (2023: 104%).

(1) Includes £4.4 million of treasury deposits which do not meet the definition of cash and cash equivalents.

## +28%
increase in revenue

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

Revenue growth was 28% (23% organic, 33% ccy), with revenues now £57.3 million (2023: £44.7 million), with the ARR increasing by 26% to £60.5 million (2023: £47.9 million).

Available since October 2023, our new Employee Document Management product is our most successful product launch, with 26 clients already contracted.

We continued to invest in our products, increasing research & development expenditure by 48%, to £13.5 million (2023: £9.1 million), which was expensed in the year, and sales & marketing spend increased 16% to £12.5 million (2023: £10.8 million).

## £138.2 million
solid performance within public sector

In Digital Services, we continue to deliver major digital transformation projects, with a solid performance in public sector offset by reductions in healthcare and commercial sectors.

Overall, Digital Services revenue decreased by 5% to £213.1 million (2023: £224.4 million).

A solid performance within public sector generated revenue growth of 1% to £138.2 million (2023: £137.0 million).

Year-on-year healthcare sector revenues decreased by 11% to £44.2 million (2023: £49.7 million), although the previous year included significant pandemic-related revenue. Excluding these revenues, our core healthcare business levels increased by 23%.

Commercial sector revenues were impacted by reduced customer expenditure and decreased 19% to £30.8 million (2023: £37.8 million). The majority of the impact resulted from project deferrals and scope reductions together with some project cancellations.

## OPERATIONAL HIGHLIGHTS
CONTINUED

### +13%
increase in customer numbers

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

Existing customer revenue increased by 2% to £345.8 million (2023: £337.6 million) which represents a Net Revenue Retention of 102%.

Our customers assessed our services as 'excellent' with a Net Promoter Score of 58[(2)].

Customer numbers increased to 930 (2023: 821), an increase of 13%.

### 39%
revenues now generated internationally

We continue to extend our footprint as a global business, with 39% of our revenues now generated internationally.

Strong international growth, with revenues up 13% to £149.8 million (2023: £132.0 million).

### 78%
engagement levels remained high

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

We have 2,995 people (2023: 2,990) based across 23 countries. We have continued to reduce the number of contract staff (2024: 42 contractors; 2023: 209) in favour of long-term investment in permanent employees, an increase of 172 people over the year.

Our employee retention improved to 93% (2023: 88%) and engagement levels remained high, measuring 78% on our internal surveys, and we were again awarded '50 Best Places To Work in the UK' by Glassdoor.

(2) We use the established industry measure, Net Promoter Score, to measure customer satisfaction. Bain & Co, the creators of the metric, held that a score above 0 is good; 20+ is favourable; 50+ is excellent and 80+ is world class.

# 6%
# We recorded good revenue growth

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

We recorded good revenue growth of 6% (9% ccy) to £112.0 million (2023: £105.7 million), of which the majority (76%) is generated from international customers[(3)].

(3) As noted in the Interim Report, we decided to stop providing the standalone procurement services associated with our 2022 acquisition of Blackline Group. Further detail, including associated expenses recognised in the period, is contained within the Workday Services review.

## OPERATIONAL HIGHLIGHTS
CONTINUED

# On track to be carbon net zero by 2025

We retained our carbon neutral status and remain on track to be carbon net zero by 2025.

Based upon our draft carbon footprint figures (provided May 2024) we have achieved our SBTi near-term carbon reduction targets two years ahead of schedule – reducing since 2020 Scope 1 and Scope 2 emissions by 70%, and Scope 3 by 45% per unit of value added.

## 80%
### of revenue will continue to deliver growth

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

Notwithstanding the global economic uncertainty, we believe that our largest business areas, Workday Products, Workday Services, and the public sector segment of Digital Services (together, 80% of revenue) will continue to deliver growth, in both the near term and medium term.

In the year ahead we expect a return to growth for our healthcare business. This will be offset in the near term by further modest reductions in revenues from our commercial sector customers within Digital Services, but we expect a return to growth for our commercial sector customers in the medium term.

As demonstrated in these results, we remain well-positioned to deliver strong margin and cash generation growth through the year as we continue to benefit from our disciplined operational execution.

We have a growing sense of excitement about some of our smaller, high-growth activities, of which Workday Extend, Automation and Low Code, international growth in Digital Services and, obviously, Data & AI are showing significant promise.

## +500
### colleagues trained in Generative AI

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

We continue to see an increase in demand for broad AI expertise and have delivered projects for Companies House, Defra, Royal London Asset Management and Worldline.

Generative AI remains largely experimental for our clients, often delayed by the challenges of low data quality for their more complex, organisation-specific use cases.

Over 500 colleagues are now trained in the use of Generative AI and over 30% of our projects are using co-pilots to assist in accelerating our development pace.

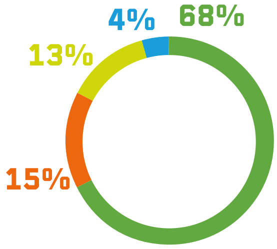
# KAINOS AT A GLANCE

## Our People

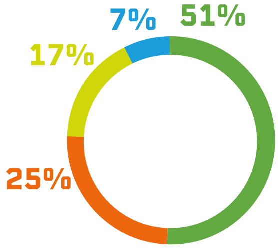
**2,995**
**Number of staff and contractors**
(2023: 2,990)

**2,953**
**Number of employed staff**
(2023: 2,781)

**93%**
**Employee retention**
(2023: 88%)




**People by region**
- UK & Ireland
- Central Europe
- Americas
- Rest of World




**People by division**
- Digital Services
- Workday Services
- Workday Products
- Central Services

We are a UK-headquartered provider of sophisticated IT services to major public sector, commercial and healthcare customers. Our expertise is organised across three divisions: Digital Services, Workday Services, and Workday Products.

### Purpose

Our purpose is to help our customers with their most challenging projects and, together with our partners, help them build the capability to succeed in the digital age.

## Our operating divisions

### Digital Services

Our Digital Services division helps our customers to solve their business problems by using technology, enabling them and their users to work smarter, faster and better.

Working collaboratively with customers, our innovative and transformative solutions are secure, accessible, cost-effective, and take a user-first approach. We leverage the benefits of public cloud and enable customers to utilise their data to drive better decision-making.

In the public sector, we have delivered projects helping more than 60 million users, while saving our customers hundreds of millions of pounds.

In the commercial sector, customers trust us to provide digital transformation programmes that evolve their services, deliver efficiencies, increase their capabilities and future-proof their businesses.

In healthcare, we help providers deliver a service that is faster, more cost-effective and patient centric.

We deliver services to over 150 clients, including existing clients such Irish Life Assurance plc, the Government of Ontario and HM Passport Office, and new clients including the Crown Prosecution Service, Royal London Asset Management and Arqiva.

### Workday Services

In our Workday Services division we provide a comprehensive range of services to support customers in their adoption and utilisation of Workday's software suite. Our expertise spans consulting, project management, integration and post-deployment services.

Kainos first engaged with Workday in 2009 and, appointed as a partner in 2011, we are one of the most experienced participants in Workday's partner ecosystem. We remain the only specialist Workday partner headquartered in the UK, but our reach has grown to be global, with over 75% of our projects being undertaken for clients in Central Europe and North America.

With over 300 international clients, we are proud to work with customers such as Kion Group (Germany), Wealthsimple (Canada), Novozymes (Denmark), Kone (Finland), ASOS plc (UK), Takeaway.com (Netherlands) and Match.com (USA).

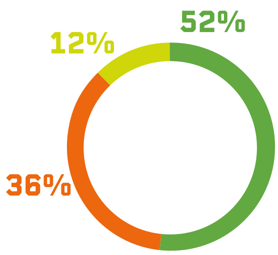
## Our Customers

**930**
**Active customers**
(2023: 821)

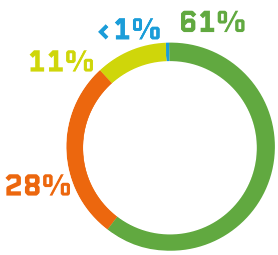
**58**
**Net Promoter Score**
(2023: alternative measure used)

**90%**
**Revenue from existing customers**
(2023: 90%)

**14 OFFICES**
Antwerp, Atlanta, Belfast, Birmingham, Buenos Aires, Copenhagen, Derry, Dublin, Gdańsk, Helsinki, Indianapolis, London, Paris, and Toronto.




**Customer by sector (revenue)**
- Commercial sector (2023: 50%)
- Public sector (2023: 37%)
- Healthcare (2023: 13%)




**Customer by region**
- UK & Ireland (2023: 65%)
- North America (2023: 25%)
- Central Europe (2023: 9%)
- Rest of World (2023: 1%)

### Workday Products

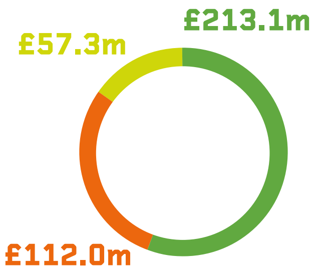
We have developed four proprietary software tools, Smart Test, Smart Audit and Smart Shield (collectively, our Smart Suite) and Employee Document Management (EDM).

Smart Test allows Workday customers to automatically test and verify their unique Workday configuration. Smart Audit is our compliance-monitoring tool that allows customers to maintain operational controls over their Workday environments. Smart Shield is a data-masking tool that can easily and seamlessly mask sensitive data without impacting the Workday user experience. EDM improves the experience of generating and storing employee-related documents in Workday while supporting an organisation's global compliance requirements.

These tools are implemented as cloud-based Software as a Service (SaaS) solutions and customers utilise them on a subscription basis.

Reflecting our longevity in the Workday ecosystem, we released Smart Test in 2014, but have been increasing the pace of our product launches, with Smart Audit in 2021, Smart Shield in 2022 and EDM in 2023.

Over 450 customers use at least one of our products, including AT&T (USA), State of Oregon (USA), Booking.com (Netherlands), Whole Foods (USA) and Netflix (USA).




### Revenue by operating division FY24

- **Digital Services**
  56% of Group total
  5-year growth: 15% CAGR
- **Workday Services**
  29% of Group total
  5-year growth: 32% CAGR
- **Workday Products**
  15% of Group total
  5-year growth: 32% CAGR

# CHIEF EXECUTIVE OFFICER'S STATEMENT

We have recorded our 14th consecutive year of growth across a wide range of key metrics, with our business performance demonstrating disciplined execution against a backdrop of macro-economic uncertainty.

### Being agile in supporting our customers

We work closely with over 900 customers, most of them global organisations. For many of our customers, it has been another challenging year, often operating in uncertain and changeable markets conditions.

As their partners, it is our role to support them as they deal with these changing circumstances. For many customers it has been about maintaining investment in critical transformation programmes; for some it has resulted in reductions in their technology expenditure as they deal with more volatile business conditions.

Changes for our customers can sometimes require us to be agile in how we manage our own business. In reviewing the year, we believe that we have maintained the appropriate balance between growth, profitability, international expansion and investing for the future.

To achieve that balance has required us to be disciplined in our execution throughout the year and we believe that we have delivered a robust financial performance while maintaining high customer satisfaction and employee engagement levels.

### A disciplined business performance

Overall, our revenues have grown to £382.4 million, a 2% increase, and our adjusted pre-tax profit grew 14% to £77.2 million. This strong profit increase in a more subdued growth environment is a demonstration of our business discipline.

This robust performance has been achieved while also investing in the future – our international business grew 13% to £149.8 million and we increased our investments in AI and in our product development, in total increasing 48% to £13.5 million.

Our biggest investment remains in our people, in developing the careers of our existing team members as well as attracting new recruits. While our staff complement, of 2,995 people, remained constant over the year, we reduced the number of contractors in favour of long-term investment in permanent employees, an increase of 172 people over the year.

### Digital Services

Our Digital Services division recorded a reduction in revenue of 5% to £213.1 million. This was a combination of a solid performance in public sector, offset by post-pandemic related reductions in healthcare and significantly lower business levels in commercial sector where our banking, insurance and payments customers reduced expenditure.

The demand for digital transformation in the UK remains high, despite some short-term, sector-specific challenges. This demand is driven by the need to replace ageing, inefficient legacy systems or by organisations striving for greater agility, to allow them to react more quickly to business changes, whether addressing challenges or securing new opportunities.

In the last year we have continued to make excellent progress in expanding our digital services activity internationally. Our engagements in Central Europe and North America are now delivering revenues of £12.3 million, an increase of 28%. Whilst still a modest amount of our overall Digital Services revenues, it is exciting to see the speed of progress.

### Workday Services

As a Phase 1 Prime partner to Workday in Europe and North America, our Workday Services team continues to build a truly international business. Our Workday Services revenues have increased by 6% to £112.0 million and over three-quarters of these revenues are derived from customers based outside the UK, including forward-thinking organisations such as Kone (Finland), Kion Group (Germany), Match.com (USA) and Takeaway.com (Netherlands).

We have launched Spark & Grow which utilises Generative AI technologies to simplify, automate and streamline the implementation process of a Workday deployment. Through Spark & Grow, we are able to achieve an 80% reduction in deployment effort and timelines, allowing smaller organisations access to Workday's HR and Finance systems.

### Workday Products

Over the course of the year our Workday Product revenues grew 28% to £57.3 million, with the Annual Recurring Revenue (ARR) similarly increasing to £60.5 million. This strong performance underscores our confidence in achieving our target of £100 million ARR by 2026.

While the growth this year was, again, powered by our Smart product portfolio, we are excited about our customers' positive response to the launch of latest product, Employee Document Management (EDM). Available since October 2023, EDM utilises Workday's Extend technology and improves the experience of generating and storing documents inside Workday, while supporting an organisation's global compliance requirements.

With this success, it is no surprise that we are continuing with our investment in all our Workday Products. Over the past year we increased our investment in product development by 48%, to £13.5 million, and in our sales & marketing, which increased by 16% to £12.5 million.

### Being a responsible business

Our climate journey, despite being essential, has not been easy. Our ambitious goal to be carbon net zero by 2025 has placed us in the vanguard of changeable policy, regulation, measurement and best practice.

It is therefore with a sense of achievement that our draft carbon footprint figures indicate that we achieved our SBTi near-term reduction targets during the year, significantly ahead of our 2025 timetable(4). We are grateful to those in Kainos who led on this initiative, and for the widespread support provided by many of our colleagues.

While we have a wide range of diversity initiatives across Kainos we are focused on improving the gender imbalance that exists across the industry, where just 22% of roles are undertaken by women. During the year, the proportion of women in Kainos increased from 34% to 35%, and we recognise that a sustained effort is required to make further progress.

Changing the diversity of our industry is about inspiring the next generation of digital talent from a broad range of backgrounds. In the last year over 2,200 young people participated in our outreach programmes, where we had targeted programmes aimed at improving gender diversity and social mobility for young people, for students with special educational needs and financial support for young people from backgrounds that are traditionally under-represented at university.

### Board changes

In September 2023 at our AGM, we completed the planned, four-year succession process, with Brendan Mooney stepping down as CEO, at which point I assumed the CEO role.

At our AGM in September 2024, and after serving as Non-Executive Directors for nine years, our Chairperson Tom Burnet and our Senior Independent Director Andy Malpass will complete their term on the Kainos Board of Directors.

I would like to extend the thanks of the entire Kainos community to Tom, Andy and Brendan for their commitment and contribution throughout their time as Directors.

Our existing Non-Executive Directors Rosaleen Blair and James Kidd will, respectively, assume the roles of Chairperson and Senior Independent Director at our September AGM.

### Maintaining a confident outlook

In an uncertain economic climate, it is understandable that the growth opportunities in our markets may have reduced prominence. However, this lower profile does not diminish the scale of the opportunities that exist – digital transformation is a key foundation for organisations as they seek to reduce their costs and increase their agility.

This has been, and will continue to be, a long-term trend as organisations redirect their spending from inefficient legacy systems to agile, modern systems. This momentum will be accelerated by the deployment of AI-enabled systems where high data quality is a pre-requisite.

The execution of our strategy has placed us in leading positions within our core markets, which allows us to look confidently to the future.

That confidence is underpinned by the strength of our relationships with our customers and the talents of our colleagues.

Our customers continue to value the work that we do for them and how we work together. In the past year, and despite the economic climate, our existing customers did more business with us than in the year before, and at the same time our customers record their satisfaction levels as 'excellent'.

We have always been proud of the expertise, energy and enthusiasm of our colleagues and the exceptional work that they deliver to our customers. In the past year their ability to be disciplined in how we operate our own business has been equally impressive.

We recognise that while large and growing, our markets are never static.

In anticipation, we have been investing, appropriately, in the future – from our fast-growing Workday Products, to enhancing our Workday consulting services through the use of our own AI co-pilots, to establishing strong services revenue streams in Workday Extend, AI, low-code, automation and data. These initiatives have already made an impact and will continue to be important in our future.

While it is sensible to be confident about our markets, our customers and our abilities, it is equally sensible to recognise that the economic environment for our customers remains uncertain, with no promise of immediate improvement. Alongside our confidence, we need to maintain our already-proven disciplined approach to operating our own business.

### Thank you

I would like to extend my thanks to our customers and colleagues.

We are grateful for the trust and confidence that our customers continue to place in Kainos, and thankful for the support and commitment that our colleagues have demonstrated throughout the year.

**Russell Sloan**
Chief Executive Officer

(4) Our carbon emissions have already been verified by an external third party and we are in communication with SBTi regarding confirmation of these emissions figures.

# OUR MARKETS

There are several compelling long-term trends driving demand for our services. We have designed our strategy to take advantage of these trends, giving us confidence in our growth prospects. We have detailed these further in the section, Our Strategy.

Alongside the long-term trends detailed in the following sections, the post-pandemic shift to remote and hybrid working patterns has exposed the functional and security limitations of legacy systems in this distributed environment and this is driving a continued shift to cloud-based solutions.

## TREND 1 Demand for digital transformation, building bespoke systems

In the UK public sector, there is a long-term drive to make public services 'digital by default' and intuitive to use. Users typically prefer digital services, which are faster, more accurate and available at a time that suits them.

This also aligns with the imperative to make services cheaper and more effective. The substantial pressures on public finances since the financial crisis have now been exacerbated by the cost of responding to the coronavirus pandemic.

Creating effective digital services significantly reduces cost. For many government services over the past decade, the average cost of a telephone transaction is 20 times higher than a digital transaction; this rises to 30 times for a postal transaction and 50 times for a face-to-face interaction[(5)]. Digitisation is also likely to reduce the risk of failed transactions, and therefore the business cost of having to repeat the same process multiple times.

The government's thinking on IT outsourcing has changed significantly – while outsourcing a service can still be the correct approach, the government now prefers to procure individual components of the service and integrate those components itself, which gives it direct control over the scope, quality and cost of the service. Government departments rely on specialist agile partners like Kainos to help in the building and ongoing operation of the unique technical elements of the service. This trend has resulted in public sector spending on digital transformation projects rising from £456 million (2015) to £2.8 billion[(6)] (2024).

In the commercial sector, businesses have similar pressures and preferences, and are seeking to re-establish control over the scope, agility and cost of their customer-centric systems. In a repetition of the pattern in the public sector, commercial organisations draw on the specialist skills of agile partners like Kainos. In the UK, the commercial sector outspends the public sector by more than three to one and therefore presents a substantial opportunity for us.

The NHS is our principal healthcare client. The scale and complexity of its operating environment has often resulted in under-investment in technology to support the efficient provision of healthcare services. At a local level, NHS Trusts often prefer to purchase existing software systems that support their day-to-day operations. At a national level, there is a growing preference to adopt a similar approach to that in use across government, building digital services in partnership and at speed with companies like Kainos.

### How we are responding

We remain focused on supporting our existing clients as they deliver their ambitious multi-year digital transformation programmes. In terms of acquiring new clients, while we wish to see all sectors grow, we are prioritising engagements in the commercial sector, reflecting the scale of the opportunity and the benefits of having a balanced spread of business. Internationally, we are also looking to expand by acquiring new commercial sector customers.

## TREND 2 Demand for digital transformation, implementing Workday

Workday's success in attracting new customers is a key driver for our Workday Services division. Workday is growing rapidly, with its most recent results to 31 January 2024 showing revenue growth of 17% to $7.3 billion[(7)]. This compares with growth in the overall Enterprise Resource Planning (ERP) market which is estimated at 6.2% per annum[(8)].

The rapid uptake of Workday's product reflects its competitive advantages. Workday's primary competition, Oracle and SAP, have software that has its heritage firmly rooted in the 1970s. Workday, launched in 2005, is built to operate as a Software as a Service suite of applications that are cloud-based, mobile-first and reflect the way modern organisations want to manage their employees and their finances. In addition, weekly updates mean Workday customers are always using the latest version of the software, preventing systems from becoming outdated.

Workday has also taken a different approach when building its implementation partner ecosystem. While SAP and Oracle both have several thousand implementation partners, Workday, in order to ensure high-quality project delivery, has appointed just 62 partners to deploy its software across its customer base. Workday now has over 10,000 customers, including more than 5,000 core HR and finance customers.

(5) Government Digital Strategy: December 2013.
(6) TechMarketView Digital Evolution Mode, updated to include spending to March 2024.
(7) Workday Annual Results: 2024 Results.
(8) Fortune Business Insights.

We have an outstanding relationship with Workday, which provides the foundation for our business growth. The important drivers of growth for us in our Workday Services division include:

- the implementation of Workday for customers who are new to Workday;
- existing Workday customers wanting to implement additional Workday modules;
- geographic expansion beyond our strong presence in Europe;
- displacing other Workday partners from existing customer engagements; and
- Workday adding new modules and capabilities to its system.

In our related Workday Products division, growth drivers include:

- building our own software components to provide niche solutions which interact with Workday's platform, currently our Smart Suite (Test, Audit and Shield) and Employee Document Management; and
- utilising Workday Extend, to enable us to develop applications and solutions that allow clients to broaden the capabilities of their Workday systems.

### How we are responding

Our strategy for growth includes international expansion, to access the large and growing base of Workday customers across Europe and particularly in the US, where over two-thirds of current Workday customers are located. We also continue to increase market share with existing Workday customers, while growing our portfolio of Workday products.

TREND 3

### Emerging technologies creating new opportunities

Technological advances continue to open new possibilities in our markets. For example, artificial intelligence (including Generative AI), machine learning, intelligent automation and the rapid growth in data all have the potential to change the way that organisations operate and deliver their products and services.

### How we are responding

We believe new technologies could lead to significant new revenue streams for our business in the coming years. We have a structured innovation process for supporting the development of new business concepts and revenue streams. Our Data and Artificial Intelligence practice was the first graduate of this process in 2019, followed in 2020 by the Intelligent Automation practice. The pace of their growth emphasises the scale of the opportunity in these areas.

We also invest in understanding early-stage technology developments through our research team. Current areas of foresight and investigation include ambient computing and intelligence, smart environments and places, quantum computing and the ethical use of data and AI. Ideas from this research will likely form the next cohort of candidates for our innovation process.

### Our competitive environment

The competitive environment in our markets is largely stable, with few companies either entering or exiting. A strong track record of delivery is vital for success in all our divisions – Digital Services, Workday Services and Workday Products – providing very important credibility with potential customers and creating a meaningful barrier to entry.

### Digital Services

**£3,096m**

**Addressable market[9]**
(2023: £2,706 million)

**Example competitors:**
Deloitte, Capgemini, BJSS, Atos, Equal Experts, NTT Data.

### Workday Services

**£1,100m**

**Addressable market[10]**
(2023: £1,100 million)

**Example competitors:**
Alight, Cognizant, CrossVue.

### Workday Products

**£650m**

**Smart suite addressable market[11]**
(2023: £625 million)

**£415m**

**EDM addressable market[12]**
(2023: no research)

**Example competitors:**
Worksoft, Turnkey, Opkey.

(9) The size of the digital solutions market in Central (£1,794 million), Health (£351 million), Defence (£807 million) and Police (£144 million) sectors for FY24 according to TechMarketView's Digital Evolution Model.
(10) This is an estimate of the services market where Kainos is a Phase 1 partner.
(11) Estimated global Workday automated testing market.
(12) Estimated global Workday document management market, this is the first iteration of research.

# OUR BUSINESS MODEL

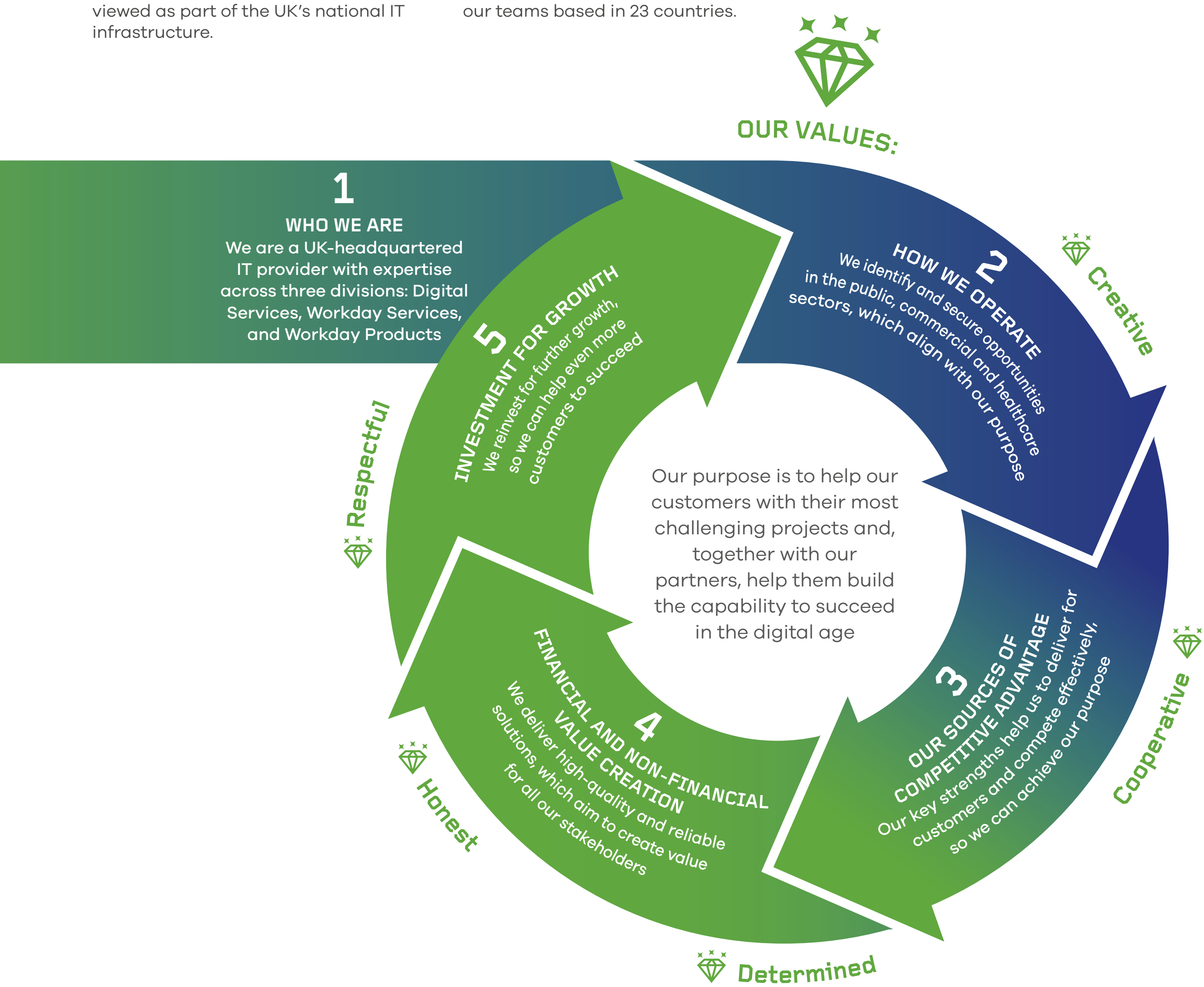
## What we do

We provide sophisticated IT services to major public sector, commercial and healthcare customers.

Our Digital Services engagements are often large and complex and represent critical projects for our customers. Projects in the Driver and Vehicle Standards Agency, HM Passport Office and HM Courts & Tribunals Service are excellent examples of projects that are viewed as part of the UK's national IT infrastructure.

In our Workday Services projects, we help forward-thinking organisations deploy Workday's software to organise their staff efficiently and support their financial reporting requirements. These customers are often large and operate internationally, which is why we have our teams based in 23 countries.

The products created by our Workday Products team complement Workday's innovative Finance, HR and Planning suite. We deploy our products to help customers safeguard and improve their Workday systems.



## How we operate

### Digital Services
We win new public sector and healthcare projects primarily because of our successful track record and it is facilitated by our position on major frameworks. During the year we were present on 27 different frameworks including large multi-year frameworks such as the £1.2 billion Ministry of Defence Digital and IT Professional Services (DIPS) and the £4.2 billion HMRC Digital and Legacy Application Services (DALAS).

In the commercial sector, we benefit from our practitioner-led sales teams, who have a deep understanding of what we can deliver for customers. As a result of our expertise, we are relied on by partners such as Amazon Web Services (AWS) and Microsoft to help solve complex client challenges.

Having secured a project, we focus on service design and then build, test and implement the solution. This is often done at pace, where timescales can be short, often ranging from six to nine months. Major transformational projects have multiple stages, with core functionality rolled out first, then further stages to build on that functionality or to add follow-on services. Projects can therefore generate revenue quickly and over many years.

Once we secure an initial piece of work for a customer, we tend to generate high levels of repeat business across multiple parts of their organisation as we earn their trust by demonstrating our ability to solve their problems.

### Workday Services
Workday always contracts directly with its end customer following a sales campaign. During that sales campaign, Workday will typically recommend a shortlist of possible consulting partners to the client who will then undertake the project directly with the customer. Globally, there are 62 Workday implementation partners.

We are usually recommended because of our international presence, or because of our deep knowledge in Workday modules such as HCM, Financials, Planning or Extend.

In addition to acquiring new Workday customers, we may also secure work from existing Workday customers, who want to switch from their current partner when implementing the next phase of their system.

Workday is comprised of an extensive range of modules, providing different functionality. Most customers begin with the Financial, the Planning or the HCM (HR) modules, then add further modules over time. Winning a customer therefore often generates a multi-year revenue stream.

### Workday Products
We gain our product customers through a combination of outbound marketing activities, in-person events and referrals from existing Workday Services and Workday Products customers. Typically, a customer will take multiple products over time and because our customer satisfaction remains very high, our Net Revenue Retention (NRR) is also very high.

Our Workday Products contracts are always direct with the end customer, which allows us to control commercial arrangements, understand the quality of our customer service and also helps inform our future product roadmap.

### Our commercial model
In both Digital Services and Workday Services, we primarily charge clients on a time and materials basis for consultancy services. Fees are typically charged monthly for work completed.

Within our Workday Products division our revenue is derived from charging for our own proprietary software. These revenue streams relate primarily to our existing cloud-based SaaS solutions, our Smart Suite (Test, Audit and Shield) and Employee Document Management, and we anticipate there will be additional products of this type in the future. All products have contracts that are typically three years in duration, with a subscription fee charged annually in advance.

## Our sources of competitive advantage

### Our people
Our people are the key to our success. We hire the very best experienced talent and bring in young people with potential from school or university. By investing in their learning and development and providing interesting and challenging work on projects that are often of national importance, we help them to excel. We have a very low attrition rate, which means many people choose to stay and develop their careers at Kainos.

### Our reputation
We have a strong reputation in our markets, based on a long track record of successful delivery for our customers. This reputation is critical for winning new work and for attracting the talent we need to grow. This is demonstrated in Digital Services, as noted earlier, by our presence on a large number of important government frameworks. In our Workday Services division, we are the leading partner in Europe, consistently receiving emphatic feedback on our high levels of customer service.

### Our customer relationships
We look for customers who want a partner who can add value to their business, and who are more interested in the long-term cost of ownership rather than the lowest possible up-front price.

In the public and healthcare sectors, we tend to work with the departments and agencies which have a large portfolio of transformation projects. These projects are, in turn, supported by significant budgets, since a multi-year transformation project is typically up to £30 million in value, while more complex projects can exceed £100 million. Our Workday customers range from SMEs to some of the world's largest and most recognisable brands.

We survey our customers for feedback on our performance every six months. This feedback tells us that we achieve best-in-class customer service, with our Net Promoter Score of 58 being defined as 'excellent'. This underpins our repeat revenue, with over 90% of our revenue each year coming from existing customers.

### Our partner relationships
We have an excellent relationship with Workday, having been a partner since 2011 and we have supported Workday's global expansion, implementing their software platform for clients

## OUR BUSINESS MODEL
CONTINUED

across the world. At the same time, in Workday Services and in Workday Products we have built high-growth international businesses with combined revenues of more than £165 million.

We feel the same sense of excitement with our partnerships with Microsoft and AWS. With over 90% of the world's IT expenditure still entrenched in on-premise technology, there is significant work to transform organisations to being cloud-enabled. We have been working closely with these market-leading vendors for several years and in addition to our delivery excellence we are positioned as thought leaders.

**Our intellectual property**
We have a range of proprietary products, such as our Smart Suite and Employee Document Management for Workday, and we continue to invest in extending the capabilities of these products.

Our innovation and research activities also focus on the application of new technology such as artificial intelligence, machine learning and automation and we are already delivering engagements in these areas.

### The value we create

We create a broad range of financial and non-financial value for our stakeholders.

**For our people**
We provide rewarding, well-paid employment in a dynamic environment, where people can work with colleagues who are often world-class in their fields. As we grow, we create new opportunities for our people to grow with us.

**For our customers**
We help our customers to improve their services, save money and manage their organisation more effectively.

**For our partners**
We support Workday's business growth by successfully implementing its system for its customers. Similarly, we also generate growing volumes of business for our partners Microsoft and AWS.

**For our shareholders**
Rapidly growing revenue and profits, strong cash flow and a capital-light business model support our ability to generate high returns, invest for further growth and pay an attractive dividend to shareholders.

**For society**
As a rapidly expanding creator of skilled, highly paid work, we generate tax revenues that support public services. At the same time, we help NHS and public sector customers to make the best use of taxpayers' money by helping them replace ageing, inefficient, manually intensive systems with cost-effective modern digital services that are rapidly becoming the preferred way of interaction for citizens and patients.

From an environmental perspective, we are delighted to be carbon neutral since 2021 and we are on schedule to achieve our ambition of being carbon net zero by 2025. We neutralise our emissions through a mixture of offsetting and removal projects.

Beyond our climate-related commitments, we are proud of our track record in being a responsible organisation. This includes the above activities as well as our work in supporting our communities, with strong graduate and school-leaver recruitment, and our outreach programmes which since 2015 have benefited over 9,500 young people, including 2,200 young people in the past 12 months.

More details are contained within the Environmental, Social and Governance (ESG) section of this report.

# OUR STRATEGY

Our ambition is to be a global, independent company operating towards the disruptive end of technology, that will thrive not just today, but for generations. In building for the long term, we aspire to provide our people with rewarding and fulfilling long-term careers.

We are a growth-orientated business and while we are always confident of growing our market share in subdued markets, we naturally orientate towards higher growth, dynamic markets. It is in these markets where the talents of our people shine the brightest and opportunities for growth are the strongest.

Our ambition is to be a global, independent company operating towards the disruptive end of technology, that will thrive not just today, but for generations. In building for the long term, we aspire to provide our people with rewarding and fulfilling long-term careers.

As part of this ambition, we believe that we can achieve sustained growth in terms of revenue, adjusted pre-tax profit and cash flow.

We have, deliberately, developed from a national to an international organisation, both internally and in the customers and markets that we serve. We expect our international presence to continue to expand in terms of locations, people and customers.

It is our preference to grow organically; we will undertake acquisitions only in exceptional circumstances, for instance, where we need to obtain unique skills.

We also look to ensure that we have a well-balanced business, which is not overly reliant on any one customer, market or sector. This occasionally requires us to prioritise smaller, early-stage opportunities ahead of established market growth. We are comfortable with taking this long-term view.

**The three key pillars of our strategy**

**People** 1 **Markets** 2 **Customers** 3

| People | Progress in FY24 | Priorities for FY25 |
| --- | --- | --- |
| **The fundamental component of our strategy is our people. Our business is successful because of the talent, skill and motivation of our colleagues as they deliver on commitments to internal and external customers.**<br><br>**We will add to our existing talented workforce by recruiting high calibre people from school, college and industry; we will continue to invest in developing their skills and careers; and we will continue to strive to be a great employer.** | Our staff complement is now 2,995 colleagues (2023: 2,990). This includes 194 early careers colleagues.<br><br>Invested over 12,000 days of technical and skills development in our people. | Maintain high standards when recruiting new applicants.<br><br>Ongoing investment in skills and career development of all colleagues in Kainos. |
| | Employee retention increased to 93%.<br><br>We were ranked in the '50 Best Places to Work in the UK' by Glassdoor.<br><br>As measured through Workday Peakon, we have maintained high levels of employee engagement (78%), and high ratings for diversity and inclusion (D&I) (83%) and wellbeing (77%). | Maintain our high levels of employee retention (achieve over 85%).<br><br>Maintain or improve our scores for employee engagement, D&I and wellbeing. |
| | Involved over 2,200 young people and those from under-represented groups in our outreach programmes. | Continue to inspire and educate young people and those from under-represented groups for potential careers in IT. |

£ Financial KPI
Non-financial KPI

## OUR STRATEGY
CONTINUED

| Markets | Progress in FY24 | Priorities for FY25 |
|---|---|---|
| **Digital Services**<br>Our focus is to:<br>• **continue to grow within the public and healthcare sectors, being engaged in ambitious transformation projects across UK Government and the NHS;**<br>• **repeat our digital transformation success within the UK commercial sector, with a focus on financial services; and**<br>• **expand internationally, focused initially within Germany and Canada where we already have established delivery teams, have built business development expertise and have an existing Workday Services and Products client base.** | Public sector revenues increased by 1% to £138.2 million (2023: £137.0 million).<br>Following the easing of pandemic-related spending, healthcare revenues decreased by 11% to £44.2 million (2023: £49.7 million). | Grow our business in both sectors, supporting existing clients and projects, and adding new long-term clients in line with our delivery capacity. |
| | Reflecting the wider macro-economic environment, our commercial sector revenues reduced by 19% to £30.8 million (2023: £37.8 million). | Continue to build reputation and references in the sector to maintain our accelerated growth as the UK economy recovers. |
| | International revenues from Central Europe and North America increased by 28% to £12.3 million (2023: £9.6 million). | Continue to build reputation and references within both regions.<br>Refine sales and marketing approach as market penetration increases.<br>Build in-region delivery capability in line with success. |
| **Workday Services**<br>Our focus is to:<br>• **continue to grow in our existing, established markets as Workday continues to expand within these markets;**<br>• **gain market share, replacing incumbent providers to existing Workday customers through a reputation for higher service levels; and**<br>• **expand internationally, establishing operations in countries with large and growing numbers of Workday customers.** | Workday Services revenues increased by 6% to £112.0 million (2023: £105.7 million). | Maintain growth trajectory in all regions, supporting existing clients and projects, and adding new long-term clients in line with capacity. |
| | We were appointed by 30+ customers where earlier phases of the project were undertaken by a different partner. | Continue to excel in customer service. |
| | International revenues increased by 6% to £85.6 million (2023: £81.1 million). | Maintain growth trajectory in all regions, particularly the Phase 1 opportunity in the US market. |
| **Workday Products**<br>Our focus is to:<br>• **increase the number of Workday's customers who use our software;**<br>• **ensure high levels of customer satisfaction driving strong Net Revenue Retention (NRR); and**<br>• **invest in our existing products, and develop additional products within the Workday ecosystem, where our blend of software skills and Workday experience makes us uniquely positioned.** | Our customer numbers increased, with 450+ customers now using one or more of our products.<br>Revenues increased by 28% to £57.3 million (2023: £44.7 million). | Increase the total number of customers using our software.<br>Increase the adoption of multiple products by each customer. |
| | Maintained a high level of NRR, driven by segment NPS of 68. | Maintain our high levels of customer satisfaction. |
| | We launched Employee Document Management (October 2023).<br>Overall investment, spanning product development and sales & marketing, increased by 31% to £26.0 million (2023: £19.9 million). | Ensure that customer adoption and revenues reflect the very strong increase in investment.<br>Develop and launch one new product. |

Financial KPI
Non-financial KPI

| Customers | Progress in FY24 | Priorities for FY25 |
|---|---|---|
| **Our business model is based on the conviction that by delivering consistently to our customers we will build long-lasting, mutually beneficial relationships that will see us thrive as a business.**<br><br>**These relationships are built on our reputation for delivery and exemplary customer service. By being responsive to and supportive of our customers' complex and changing business needs, we reinforce the strength of our relationships.**<br><br>**Therefore, our purpose is to help our customers with their most challenging projects and, together with our partners, help them build the capability to succeed in the digital age.** | Customer satisfaction level as measured by Net Promoter Score was 58 (H1 2024: 62), which is regarded as 'excellent'. (Non-financial KPI)<br><br>Net revenue retention recorded as 102% (2023: 126%). (Financial KPI) | Maintain high levels of customer satisfaction, resulting in high levels of net revenue retention. (Financial KPI) |

| New opportunities | Progress in FY24 | Priorities for FY25 |
|---|---|---|
| **As noted in the previous section, we invest strongly in our Workday Products, both in extending our existing products and developing new products. In addition to these activities, we also look to develop new opportunities for the others areas of Kainos.**<br><br>**Within Digital Services we have launched a series of practices – Cloud (launched 2017), Data and Artificial Intelligence (2019) and Intelligent Automation (2020) practices. These are now significant high growth activities that are fully embedded within Digital Services.**<br><br>**In Workday Services, we have developed our Workday Extend professional services and our Application Catalogue (these are described in more detail in the Operational Review, Workday Extend) and we have launched our Spark & Grow service which accelerates the deployment of Workday for smaller, scaling companies (more details in the Operational Review, Innovation Case Study).**<br><br>**We have a structured innovation process which helps us identify and promote new ideas that have the potential to become sizeable revenue streams in the future.** | In total, 46 ideas were evaluated, with eight moving to the next stage of development. (Financial KPI) | Maintain idea generation and evaluation activity levels. (Financial KPI)<br><br>Develop current next-stage ideas, seeking to create at least one viable business opportunity. (Financial KPI) |

# OPERATIONAL REVIEW

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

### Our overall performance

Our largest business areas, Workday Services, Workday Products and public sector within Digital Services, together 80% of revenue, delivered excellent growth, even when measured against a strong comparative period (combined segment growth, 2024: 7%; 2023: 36%). Offsetting this growth, within Digital Services, we experienced revenue reductions in our commercial sector, as a result of the macro-economic environment, and in our healthcare sector as there were no pandemic-related projects in the year.

In total, revenue for the year grew by 2% (6% organic, 3% ccy) to £382.4 million (2023: £374.8 million) with adjusted pre-tax profit(13) increasing by 14% (17% ccy) to £77.2 million (2023: £67.6 million).

Our sales are a combination of extensions to existing contracts, new projects placed by existing customers and winning new customers. Bookings in the year were 1% lower at £424.5 million (2023: £427.8 million). Our contracted backlog increased 11% to £357.1 million (2023: £322.9 million).

In line with our previous guidance, we have increased investment in our software products, now representing a total of £26.0 million, an increase of 31%. Research & development investment increased to £13.5 million (2023: £9.1 million) and our product-related sales & marketing investment increased to £12.5 million (2023: £10.8 million).

As at 31 March 2024, we had a strong cash balance (including treasury deposits) of £126.0 million (2023: £108.3 million), representing 98% cash conversion (2023: 104%).

### Our people

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

In the past 12 months, our headcount has remained stable at 2,995 people (2023: 2,990). We have continued to reduce the number of contract staff in favour of long-term investment in permanent employees and as a result contractors represent 1% of our colleagues (2023: 7%). Correspondingly, over the past year the number of permanent employees has increased by 6%.

## Services innovation and incubation

In October 2023, after securing a contract to develop a modern digital registration system for births, marriages and deaths with the Home Office, we utilised an Open Innovation process to help uncover innovative solutions. The activity involved several hundred of our colleagues in a structured process to help brainstorm novel solutions for the challenges that the Home Office were seeking to overcome. This was highly successful, identifying new ways to use cutting-edge technologies to efficiently support individual users.

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

By region, UK & Ireland reduced to 2,043 people (-4%), Central Europe increased to 463 people (+4%) and the Americas has remained constant at 395 people. In Asia, the number of people increased to 94 (+76 people) as we welcomed our new colleagues from the RapidIT-Cloudbera acquisition, which completed in June 2023.

Our employee engagement levels remain high. We now utilise Workday Peakon to continuously assess employee engagement and have achieved an engagement rating of 78%. For the second consecutive year, we were awarded '50 Best Places To Work For in the UK' by Glassdoor, the online career community.

In the past 12 months, 93% of our colleagues chose to continue to develop their career at Kainos (2023: 88%). This improved retention is partially because of our ongoing engagement efforts, but we also recognise that there is increased job-changing caution within the sector.

### Our customers

We believe that by delivering consistently to our customers we build long-term relationships. The strength of our customer relationships is reflected in our consistently high satisfaction scores. We have now migrated from our proprietary customer satisfaction index to Net Promoter Score (NPS), and in the last 12 months we achieved a NPS score of 58 (a score above 50 is viewed as 'excellent').

Existing customers continue to trust us to deliver their most challenging projects, and this is reflected in our revenues, with 90% of revenues coming from our existing clients (2023: 90%). We have also gained new customers during the year, and we now work with 930 customers (2023: 821).

From a sector perspective we have a well-diversified business, with 52% of our revenues from commercial clients (2023: 50%), 36% from public sector organisations (2023: 37%), and 12% from healthcare customers (2023: 13%).

Our international client base has also expanded and as a result our international revenues have grown by 13% to £149.8 million (2023: £132.0 million). Regionally, UK & Ireland accounts for 61% of our business (2023: 65%), North America for 28% (2023: 25%), Central Europe for 11% (2023: 9%), with the rest of the world representing <1% (2023: 1%).

### Digital Services performance

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

In the last 12 months performance has varied across sectors. Public sector clients maintained their investment levels in digital transformation projects. In contrast, and as anticipated, healthcare revenues declined, driven by post-pandemic budget constraints and ongoing internal NHS reorganisation. Within commercial sector we also recorded decreased revenue as clients significantly reduced project expenditure.

## OPERATIONAL REVIEW
CONTINUED

As a result, Digital Services revenues declined by 5% to £213.1 million (2023: £224.4 million). Bookings, at £228.1 million (2023: £238.2 million), represented a reduction of 4%, while contracted backlog increased by 11% to £156.6 million (2023: £140.9 million).

Overall, public sector now represents 65% of divisional revenues (2023: 61%), healthcare 21% (2023: 22%) and commercial sector 14% (2023: 17%).

### Public sector

Our public sector customers remain committed to their digital transformation programmes, the importance of which are underlined in the 2025 Roadmap published by the Central Data & Digital Office[14] which aims to create a more efficient digital government that provides better outcomes for everyone. This continued digital adoption by government, and our success in the market, has resulted in an increase in our revenues by 1% to £138.2 million (2023: £137.0 million).

We continue to support our long-standing customers, including the Ministry of Justice, the Department for Environment, Food & Rural Affairs, the Driver and Vehicle Standards Agency and HM Passport Office and are assisting new customers such as the Crown Prosecution Service, the Water Services Regulation Authority (OFWAT) and the Open University as they progress their ambitious digital programmes. We have been awarded places on new digital services frameworks with the Ministry of Defence, HM Revenue and Customs and the Financial Conduct Authority.

### Commercial sector

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

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

Reflecting reduced activity levels, our commercial sector revenue was 19% lower at £30.8 million (2023: £37.8 million).

Notwithstanding these short-term headwinds, we continue to deliver digital services for our established customers, including Irish Life Assurance plc, the United Nations International Organization for Migration and Nexi Group, and we are helping new customers including Royal London Asset Management and Arqiva.

### Healthcare sector

We have described in previous updates that our NHS customers are experiencing post-pandemic budget constraints, combined with the disruption of the merger of the NHS England and NHS Digital organisations; this remains the case.

## Spark & Grow – using AI to optimise Workday deployments

Ambitious, scaling organisations are often interested in deploying Workday's innovative HR and Finance system but lack the internal capacity and time to undertake the deployment.

This innovation project focused on using cutting-edge AI and Generative AI technologies to simplify, automate and streamline the implementation process of a Workday deployment. We were able to achieve an impressive 80% reduction in effort and timelines, allowing smaller organisations to deploy Workday and quickly attain value from their investment in Workday's HR and Finance systems.

A key element of this initiative, which we called Spark & Grow, was the establishment of a standalone unit, functioning with the agility of a start-up, yet backed by the robust infrastructure of Kainos. This enabled rapid prototyping and application of AI technologies without the constraints of traditional corporate structures.

In a novel approach, the project employed AI to critique and refine its own development processes, a method we refer to as 'AI for AI'. This not only ensured that our methods and strategies were free from human biases but also significantly enhanced decision-making efficiency.

Over a six-month period, the project successfully launched several AI-driven tools, including AI-Generated Knowledge Bases, Sentiment Analysis systems, and six other use cases in Phase 1, which collectively led to setting new benchmarks for operational efficiency within the market.

(14) The report can be accessed via GOV.UK, or by using this https://www.gov.uk/government/publications/roadmap-for-digital-and-data-2022-to-2025/transforming-for-a-digital-future-2022-to-2025-roadmap-for-digital-and-data

While this may, in simple terms, explain the 11% reduction in our healthcare revenues to £44.2 million (2023: £49.7 million), it overlooks the strong performance in our core healthcare business. In defining our core healthcare business, we remove all revenues relating to supporting the NHS pandemic response. Using this definition, core healthcare revenues in the past 12 months have increased to £44.2 million (2023: £35.8 million), representing an increase of 23%.

This year, our customers have included the Department for Health and Social Care (DHSC), where we are leading the delivery of the new digital Health Check, NHS Business Services Authority (NHSBSA) and their digital projects portfolio, and the Department for Health and Care Wales, where we delivered their Patient App.

### International expansion outside of UK and Ireland

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

Our international revenues are reported in the figures in the sectors listed above, but for clarity, international revenues for the division have increased by 28% to £12.3 million (2023: £9.6 million), representing 6% of total Digital Services revenue (2023: 4%).

### Workday Services performance

Revenue over the last 12 months recorded growth of 6% to £112.0 million (2023: £105.7 million) however, as noted below, excluding revenues associated with withdrawn services linked to the Blackline acquisition, revenue growth was 10%. Sales bookings decreased by 4% to £116.5 million (2023: £121.7 million) while our contracted backlog remained constant at £73.0 million (2023: £72.8 million).

Having first engaged with Workday Inc. in 2011, we are now one of their most experienced partners and one of only 62 partners globally accredited to implement Workday's innovative SaaS platform. From our initial strong base in UK & Ireland, we expanded internationally – into Northern and Central Europe from 2015 and into the North American market from 2018.

Within Europe, we are the leading Workday partner – this leadership position is the result of high satisfaction levels within our customer base, coupled with our geographic expansion in the region. A similar focus on customer success in our North American market resulted in our appointment, in mid-2022, as a Phase 1 Prime partner for the US market – which remains the largest market globally for Workday Inc.

Regionally, our North American customers generated 49% of total divisional revenue (2023: 53%), with our European customers responsible for 50% of revenue (2023: 47%).

The number of accredited Workday consultants at Kainos is 798 (2023: 808).

# OPERATIONAL REVIEW
CONTINUED

### Workday Extend

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

Workday Extend allows organisations to build additional, specialised functionality on the Workday platform to further enhance customers' Workday deployment. As experts and global leaders in Workday Extend, we have helped more than 80 organisations including Home Depot, AES Corporation and Ferguson Enterprises to build Workday Extend applications specific to their requirements or to deploy one of our pre-built applications from our 45-application catalogue.

In September 2023, to coincide with the release of significant AWS-native AI capabilities accessible through Extend, Workday announced the creation of their AI Marketplace. This marketplace, expected to be available mid-2024, will allow third-party developers to market Workday-approved, pre-built applications to the 10,000+ Workday customer community.

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

### Blackline Group

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

On review of the standalone procurement consulting activity, and in discussion with our colleagues and customers, we decided to stop the provision of these services during the financial year. This decision directly impacted 23 of our colleagues based in the US and four customer contracts; the services that are being withdrawn amounted to £5.5 million of revenue in the year (2023: £8.6 million, 2025 forecast: negligible).

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

### Workday Products performance

Workday is a comprehensive SaaS platform, but we have identified opportunities to develop our own software products that are complementary to the platform and that enable customers to further increase the benefit that they can realise from their investment in Workday.

Our Workday Products revenue increased 28% (23% organic, 33% ccy) to £57.3 million (2023: £44.7 million), driven by an 18% increase in bookings to £79.9 million (2023: 67.9 million). The Annual Recurring Revenue was £60.5 million (2023: £47.9 million), an increase of 26% and backlog increased 17% to £127.5 million (2023: £109.3 million).

In total, over 450 customers use one or more of our products.

### Smart Suite

We have three products within the Smart Suite:

- **Smart Test** (launched in 2014) allows Workday customers to automatically test and verify that their unique Workday configuration is operating effectively, both during implementation and in live operation. Smart Test is the leading automated testing platform specifically designed for Workday and is used by over 400 global enterprise customers, including Salesforce, Capital One and Whole Foods.
- **Smart Audit** (2021) has been deployed to over 100 customers including Chanel, Arcbest and QBE Insurance. Smart Audit is a compliance-monitoring tool that allows Workday customers to maintain operational security controls across their Workday environments. Our pre-built controls focus on safeguarding against Segregation of Duties conflicts, providing robust Privileged Access Controls and protecting Personal and Sensitive employee data.
- **Smart Shield** (2022) is a data-masking tool that can easily and seamlessly mask sensitive data without impacting the Workday user experience. It ensures that sensitive data remains controlled when Workday environments are made available to broader internal or external teams, for instance, during support and maintenance activities, or for ongoing internal Workday training and onboarding programmes. Smart Shield is now used by over 75 customers, including Match.com and LKAB.

### Employee Document Management (EDM)

In October 2023, our latest product, Employee Document Management (EDM), became generally available. EDM utilises Workday Extend technology and improves the experience of generating and storing documents inside Workday, while supporting an organisation's global compliance requirements.

This has been our most successful product launch, with 26 customers already contracted, of whom Hilti was the first customer to go live.

### RapidIT-Cloudbera acquisition

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

Since the completion of the acquisition, we have successfully combined our testing and development teams, and have added the unique Genie functionality to our Smart Test platform. All customers who were using Genie have now been successfully migrated to our combined platform.

## Innovation, research and development

Successful businesses continue to challenge themselves. We are keen to improve our existing offerings, develop new business ideas and assess business and technology concepts that are likely to impact us, or our clients, in the future.

Including our product investment, our research and development expenditure for the year amounted to £13.5 million (2023: £9.1 million), an increase of 48%, which was fully expensed in the year.

## AI-enabling Smart Test and Smart Audit

Adding AI capability to our Smart Suite has been a key focus for our innovation efforts within our development activity.

In March 2024, we reached a significant milestone when we released the latest version of Smart Audit to our 100+ customers. The AI-enabled functionality assists in security access and permission audits within Workday by identifying potential errors or inconsistencies in access rules, enabling more frequent reviews and earlier detection of issues.

In addition, we have integrated AI tooling in our other products. Notably, we invested in a new Co-pilot feature for Smart Test, which assesses customers' Workday configuration and automatically builds test scenarios targeting the highest risk areas.

These AI tools are designed to enhance our users' experience and aid organisations in addressing complex business challenges, much faster than ever before.

# OPERATIONAL REVIEW
CONTINUED

### Product innovation and incubation

The past year has seen us incubate, develop and launch two innovative products in our Workday Product division.

Launched in October 2023, Employee Document Management (EDM) traces its roots to a conversation in 2020 with our customer Hilti about an unmet need in document generation and storage. We validated this idea with several other customers and started our internal process of creating EDM. Based on a combination of AWS and Workday Extend technologies, EDM offers a frictionless way for Workday customers to create, manage, store and access employee documents, such as contracts, offer letters, policies and compensation statements, all inside Workday. Since launch, 26 organisations have become customers.

Workday's core HR and Finance systems are typically deployed by medium-sized, and larger, organisations. For ambitious smaller organisations, the elapsed time to implement Workday, coupled with the internal effort and external consulting time, often mean that they choose less comprehensive HR and finance solutions. Focusing on reducing this 'time to value', our Workday Product Division led the incubation and development of Spark & Grow, a unique proposition based around automation which allows smaller organisations to get live on Workday in four weeks. Spark & Grow extends Workday's addressable market and featured in the most recent Workday, Inc. earnings call.

### Services innovation and incubation

In our services division, innovation has been pivotal in fostering growth and enhancing our engagements with both new and long-standing clients.

In October 2023, after securing a contract to develop a modern digital registration system for births, marriages and deaths with the Home Office, we utilised an Open Innovation process to help uncover innovative solutions. The activity involved several hundred of our colleagues in a structured process to help brainstorm novel solutions for the challenges that the Home Office were seeking to overcome. This was highly successful, identifying new ways to use cutting-edge technologies to efficiently support individual users.

Moreover, our commitment to innovation has strengthened our ongoing relationships with key clients. For example, DVSA were considering the concept of allowing the driving theory test to be undertaken from a home or remote setting, thereby extending the accessibility of the service. They turned to Kainos to create and deliver the concept of a secure, remote theory test. Collaborating closely with the client, we engaged academic experts, cutting-edge technology start-ups, and end users to design and prove a unique solution that met the needs of all stakeholders.

Across our services division, innovation remains a key driver in adopting generative AI solutions within and beyond Kainos. From instant jargon busting to summarising hundreds of contracts in minutes, we have been at the forefront of delivering effective generative AI-based services, demonstrating our commitment to transformative growth and client satisfaction.

### Technical and market research

To support innovation activities and strategic decision-making across Kainos, we have invested in a team dedicated to technical and market research. The team's activities include providing foresight and research into emerging technologies, interpreting developing trends and identifying market insights.

The team is continuing research into: the advances of machine learning and AI, such as federated learning and synthetic data; advances in the development of green software and sustainable approaches to innovation; uses of artificial intelligence in automatic speech recognition and object detection; and a range of other emerging concepts, with a goal of understanding when they should approach a level of maturity and the impact they will have on our business and clients.

### Partnerships

In addition to internally sourced ideas, we nurture relationships with a broad network of partner organisations across our global footprint, from hyperscale partners such as Microsoft and Amazon Web Services, through to start-ups who are developing cutting-edge solutions to some of the world's most complex problems.

We also continue to work with academic research partners and leading industry organisations, such as Ulster University AI Research Centre, and University of Oxford's Responsible Technology Institute, as well as working with our strategic partners on further-from market technology and research.

### Founders

Our Founders Programme has been established to foster and support intrapreneurship within Kainos. It serves as a platform for providing guidance, advice, network access and resources to Founders engaged in innovative projects within the Company.

Founders in Kainos are visionary leaders who challenge the status quo with innovative alternatives, excel in developing strategies, and inspire trust through integrity. They possess strong leadership, negotiation and communication skills, and are adept at turning ideas into commercially viable businesses.

## Working with academia

Kainos continues to support Ulster University's Artificial Intelligence Research Centre (AIRC). This partnership between industry and academia is dedicated to advancing research, innovation and skills development in AI in Northern Ireland. Our shared goal is to inspire the next generation to harness the transformative power of AI for societal improvement.

The pillars of our work include knowledge sharing and strategic research and our collaborative sessions have covered a wide variety of subjects including data ethics, large language models and probabilistic programming. These sessions provide a platform for Kainos staff to gain insight into emerging technical concepts, share the practical challenges that industry is facing and identify opportunities to work together.

This past year, within our strategic research focus, we have funded and launched PhD research projects in both ethical AI and explainable AI where our goal is to provide the knowledge and tools to ensure AI solutions are created ethically, with transparency, accountability and explainability.

# OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITMENTS

### Introduction

We have used the UN Sustainability Development Goals (SDGs) as a framework to assess and guide our efforts as a responsible company. Specifically, we have focused on five SDGs: Quality Education, Gender Equality, Reduced Inequalities, Good Health and Wellbeing and Climate Action.

We are proud of our track record of being a responsible business and we are pleased to record further progress in this report, particularly our ongoing status as a carbon neutral business.

We are delighted that our employees are also shareholders. Every year, we gift shares to employees, and we also operate a save-as-you-earn shared-based scheme[15]. During the year we granted 645,217 shares under all our share schemes, bringing the total allocated since 2015 to 11,788,253 shares.

### Responsibilities

The Kainos Board has nominated the following Directors to oversee ESG activities within the Company:

- Environment: Chair, Tom Burnet, supported by the CEO, Russell Sloan.
- Social: CEO, Russell Sloan.
- Governance: Senior Independent Director, Andy Malpass.

Each Director regularly meets with the appropriate internal teams to ascertain progress, set priorities and contribute to the plans in each area.

### Environmental: protecting and restoring our planet

In 2020, as part of our strategic planning process, we set ourselves the ambitious goal of achieving carbon net zero status by 2025, along with clear progress milestones to allow us to chart our progress towards this target, including setting near-term targets with SBTi.

We continue to invest in the market-leading platform, Watershed, to reliably measure and report our emissions, and engaged with CDP (formerly the Carbon Disclosure Project) to provide an informed assessment of how we could improve as a climate-focused organisation.


These steps, in conjunction with the purchase of carbon offsets, allowed us to be carbon neutral in 2021, a status that we have retained every year since.

In May 2022 we had our net zero Science Based Targets initiative (SBTi) targets confirmed (certificate KAIN-UNI-001-OFF), where we have committed, to reduce our Scope 1 and 2 emissions by 70% on an absolute basis and Scope 3 emissions by 45% on a per unit of value added by 2026, using 2020[16] as our base year.

During May 2024 we have been provided with our draft carbon footprint figures for the prior financial year. These draft figures indicate that we achieved our SBTi near-term reduction targets during the year, significantly ahead of our timetable. During the next months we will work with SBTi and external verifiers to confirm all related figures.

If the figures are verified as correct, we will have a sense of achievement in realising our carbon reduction targets, and to do so in advance of our own ambitious timetable.

It has not been a straightforward journey to this point – in some cases we have had to move offices to avail of green energy tariffs. The ambition of our plan, particularly the timetable, also presented challenges. Selecting 2025 as our carbon net zero target places us in the vanguard of changeable policy, regulation, measurement and best practice.

### Environmental sustainability

Our focus is to ensure that we understand, manage and reduce the harmful environmental impact of our business activities. In addition to our own operations, we aim to make a wider impact by helping our customers, employees and suppliers to achieve their own low carbon futures. For many of our customers, our digital solutions significantly reduce the carbon impact of the ageing, inefficient and manually intensive systems that we are replacing.

In our reporting, we adhere to the Streamlined Energy and Carbon Reporting Regulation (SECR), the Task Force on Climate-related Financial Disclosures (TCFD) and the sustainability accounting standard for the software & IT services sector as defined by the Sustainability Accounting Standards Board (SASB).

(15) We operate share-gifting schemes in UK, Ireland, Poland and US (from December 2022) and have cash equivalent schemes in all our other locations. At a closing share price on 31 March 2024 of 966 pence, our FY24 allocation is valued at £6.2 million.

(16) FY20 Base year emissions data: Scope 1: 87 tonnes $CO_2e$, Scope 2: 409 tonnes $CO_2e$, Scope 3: (full) 9,828 tonnes $CO_2e$, Scope 3 business travel only is 5,028 tonnes $CO_2e$). Total Full emissions for FY20 is 10,324 tonnes $CO_2e$. FY20 total for Scope 1, 2 and Scope 3 business travel is 5,524 tonnes $CO_2e$.

We confirm that we continue to comply with all our environmental legal requirements across all our activities. This year there were zero breaches of any environmental regulations (2023: zero).

### Implementation of the TCFD framework

Our focus during the year was on securing offsetting projects to underpin our carbon neutral status and ensuring that we remain on track for achieving carbon net zero by 2025.

Understanding our emissions and setting reduction targets underpins our carbon net zero ambition. We continue to account for our emissions in line with the GHG Protocols and, as part of our SBTi commitments, will reduce absolute Scope 1 and 2 GHG emissions by 70% on an absolute basis by FY26 and reduce Scope 3 GHG emissions by 45% per unit value added within the same timeframe, using FY20 as our base year.

We completed our climate change disclosure, for the fourth year using CDP. This platform aligns with TCFD recommendations enabling us to continue implementing the framework, to support the reporting requirements for TCFD.

Our disclosures, consistent with the TCFD recommendations, are summarised in the following tables. Further detail is available in this year's submission to CDP[17], alongside our previous detailed disclosures. Assessment of our former CDP submissions and related feedback has taken place and we have amended our risk assessment processes to identify, assess and respond to climate risks and opportunities.

### Scenario analysis

During the year we deferred commissioning an external exercise to undertake climate analytics using the latest IPCC-derived climate and related Shared Socioeconomic Pathways models. The output from this exercise could provide additional evaluation of physical and transitional risk of various climate scenarios, over the short, medium and long term.

Climate risk for an organisation is typically defined across four characteristics – physical (people, offices, supply chain), transition (regulation, client demands), reputational (market, customer and employee expectations) and liability (professional liability). Using the IPCC Shared Socioeconomic Pathways, this assessment is extended to include consideration for the implications of regional cooperation, or dysfunction.

Our assessment, detailed further in the Risk Factors and Uncertainties section of this report, is that reputational risk is our most significant consideration. Our mitigation for this risk is to be proactive around our climate responsibilities, which we have detailed earlier in this section, about our current carbon neutral status, and our carbon net zero ambitions.

With this context and considering both the expense and effort required to support this external assessment we view that it does not currently represent good value for the investment required. We will continue to review this assessment during the current financial year.

| Governance | Priorities for FY25 |
|---|---|
| **a) Describe the Board's oversight of climate-related risks and opportunities.** | Our Board has determined that the process of identifying, assessing and responding to risks posed by climate change should form part of the Group Risk Register and be assessed, reviewed and monitored by the Audit Committee, who will raise appropriate matters to the main Board.<br><br>Our Board Chair is the Non-Executive Director sponsor for climate-related issues. Our Board has overall responsibility and accountability for the implementation of our climate action strategy, its associated reduction of our carbon impact and business opportunities.<br><br>Our risk management framework and governance structure is described in further detail in the 'Risks and opportunities' section of this report. |
| **b) Describe management's role in assessing and managing climate-related risks and opportunities.** | Environmental sustainability is a core focus for our business, with our CEO acting as the ultimate sponsor and responsible individual for our strategy. This creates continuity between operational and Board focus on this area.<br><br>Operational activities are led by our Executive Sponsor Stephan Sakowicz, alongside a dedicated Environmental Lead responsible for the day-to-day co-ordination with our Sustainability Group.<br><br>The main information flow is on an annual basis and takes the form of a detailed presentation, jointly delivered by the CEO plus the Executive Sponsor. The timing is typically linked to a notable milestone – a CDP response, SBTi updates or other significant events.<br><br>Management ensures that climate-related risks and opportunities are appropriately reviewed and acted upon, including monitoring and documenting progress towards mitigating activities through our Enterprise Risk Register. |

(17) CDP responses.

## OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITMENTS
CONTINUED

| Strategy | Priorities for FY25 |
|---|---|
| **a) Describe the climate-related risks and opportunities that organisation has identified over the short, medium and long term.**<br><br>We consider the following timeframes applicable when considering climate risk and the impact on our business.<br>• Short term: to 2025, our current strategic plan<br>• Medium term: to 2030, the next strategic plan<br>• Long term: to 2040. | **Potential areas of risk**<br>**Physical.** Extreme weather events could result in damage to our office locations, restrict business travel, disrupt cloud and internet connectivity providers, cause regular interruption to power supply, or disruption to supply chains, for instance the supply of laptops.<br><br>**Transition.** Regulatory changes, reporting requirements, operational practices, shifts in client demand.<br><br>**Reputational.** We could experience reputational damage if we fail to meet our climate targets; or the increased cost for carbon removal programmes may result in additional business cost.<br><br>**Liability.** Arising from incorrect advice on sustainability-related areas, inability to build complex digital transformation systems.<br><br>**Potential areas of opportunity**<br>**Products and Services.** There is the potential to help our customers achieve a lower carbon future by moving their services to the cloud or redesigning their services to be more energy efficient. We are well established in this market.<br><br>**Reputation.** Enhanced reputation and business opportunity by being a sustainability leader in the technology sector. |
| **b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.** | **Potential areas of risk**<br>Using our enterprise risk framework, our initial assessment of the impact of climate-related risk to our business is moderate likelihood, moderate impact.<br><br>**Physical.** While some disruption could occur, we are a consulting organisation with a distributed workforce, a cloud infrastructure and limited supply chain and should be able to work remotely for extended periods of time. This assessment assumes electricity and internet services continue reliably. (moderate risk, long-term).<br><br>**Transition.** As part of our drive to carbon net zero, we actively monitor and consider the changes to the legislative and regulatory landscape. (low risk, medium-term).<br><br>**Reputational.** We consider ourselves to be proactive on climate topics. This resonates with our colleagues, customers and various other stakeholders; at the same time, we recognise that reputational damage can be created very quickly. (moderate risk, given the unknown future cost and availability of carbon removals, medium-term).<br><br>**Potential areas of opportunity**<br>Given the reduction that well-designed digital services can have on the carbon footprint of an organisation's technology operations, we expect that this will add to the demand for our services in the future. To aid organisations in making that assessment, we launched the Carbon Calculator to help calculate the cost and carbon reduction of moving services or data from on-premise settings to cloud locations.<br><br>Much of our work is centred around enhancing our reputation as a climate-aware organisation. This can vary from creating tools to help our customers understand the carbon impact of running their projects (travel, commuting, re-work), through to supporting several of our colleagues publishing the book: 'Digital Sustainability: The Need for Greener Software'. |
| **c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C lower scenario.** | As noted earlier in this section, we have deferred appointing an external organisation to complete the scenario planning exercise. Our internal assessment is that our most significant risk is that of reputational damage, and we have described our mitigation of reducing our carbon impact, allowing us to be assessed initially as a carbon neutral organisation, and then as a carbon net zero organisation by 2025.<br><br>While different levels of temperature variation will have an impact on factors such as removal costs and government regulation, such impacts will fall outside our short-term and medium-term scenarios; and long-term predictions of these impacts, in our situation, through to 2040 will not be reliable.<br><br>As noted in the earlier section, we will continue to review this assessment. |

| Risks | Priorities for FY25 |
|---|---|
| **a) Describe the organisation's processes for identifying and assessing climate-related risks.** | Our approach to assessing risks is described in more detail in 'Risk factors and uncertainties' section of this report.<br><br>We added the climate-related reputational risk, should we not act or act too slowly, to our register in 2021, as a principal risk. All principal risks are overseen by our Audit Committee, which assesses the material risks to our business and the plans to mitigate and manage their potential impact. The impact of this risk as well as the process for identifying and managing risk is detailed in the 'Risk factors and uncertainties' section of this report. |
| **b) Describe the organisation's processes for managing climate-related risks.** | In line with our overall approach, outlined in the 'Risk factors and uncertainties' section, we review our Risk Register twice each year, with further updates, where required, provided to the Audit Committee. Climate-related risks are reviewed as part of this process. |
| **c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.** | The responsibility of identifying risks is allocated to the Executive and Leader teams within Kainos, which represents a community of over 75 of our most senior leaders.<br><br>Those risks that are assessed as significant are allocated a dedicated owner to ensure that a mitigation plan is put in place.<br><br>For example, ensuring that all our internal systems are cloud-hosted is the responsibility of our Chief Information Officer. |

| Metrics and targets | Priorities for FY25 |
|---|---|
| **a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.** | As noted above, we believe that our key risk is reputational risk, with our mitigation focused on achieving carbon neutral and then carbon net zero status. This focus is reflected in our metrics, which all focus on our emissions.<br><br>At present we use the GHG Protocol Corporate Accounting and Reporting standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 to calculate our absolute emissions and relevant intensity ratios.<br><br>We have signed up to the SBTi and are committed to reduce absolute Scope 1 and 2 GHG emissions 70% by FY26 from a FY20 base year. We remain committed to reduce Scope 3 GHG emissions 45% per unit of value added within the same timeframe.<br><br>In May 2024 we received our draft carbon footprint figures. Based upon these figures we have achieved our near-term SBTi targets. Our absolute Scope 1 and Scope 2 GHG emissions are 148 tonnes $CO_2e$ for FY24, which is below our target of 149 tonnes $CO_2e$ to be achieved by FY26. Our Scope 3 GHG emissions are also below the 45% reduction target of per unit value added to be achieved in the same timeframe. During the next months we will work with SBTi and external verifiers to confirm all related figures.<br><br>The SBTi classifies targets against the long-term temperature pathways of well-below 2°C and 1.5°C. SBTi's Target Validation Team has classified our Scope 1 and 2 target ambition and has determined that it is in line with a 1.5°C trajectory. |
| **b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.** | We calculate and disclose our emissions from Scope 1 and Scope 2 in compliance with SECR regulations. We also disclose full Scope 3 emissions as well as the specific Scope 3 emissions as they relate to business travel. Our emissions are externally calculated by Watershed and will be externally verified by carbonfit.<br><br>Further information about our emissions is contained in the following sections. |
| **c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.** | We achieved carbon neutrality in 2021 and remain on track to achieve carbon net zero in 2025 for full Scope 1, 2 and 3 emissions.<br><br>As noted, in line with SBTi we aim to reduce absolute Scope 1 and 2 GHG emissions 70% by FY26 from a FY20 base year and reduce Scope 3 GHG emissions 45% per unit of value added within the same timeframe.<br><br>As noted above, in May we received our draft carbon footprint figures for FY24. Subject to external validation, we have achieved our near-term SBTi targets for Scopes 1, 2 and 3.<br><br>From our base year (FY20) we have reduced Scope 1 and 2 emissions by more than 70%. |

# OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITMENTS
CONTINUED

**CDP (previously Carbon Disclosure Project)**
During the year we made our fourth submission to CDP, the not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

As part of that submission, CDP generates a 'score report' which allows participants to understand their score and identify actions to improve their climate governance. This year we were awarded a 'C' rating (2023: 'B' rating) indicating that we are transparent about climate issues and have knowledge of impacts on, and of, climate issues.

**Carbon footprint**
As in previous years, we rely on external environmental experts to assess and advise on our environmental impacts. We are working with Watershed to measure and report on our emissions.

Our carbon impact for the year, detailed across Scope 1, 2 and 3, was as follows:

- **Scope 1** comprises emissions from the direct burning of fossil fuels. We generated 86 tonnes of carbon dioxide equivalent ($CO_2e$), relating to oil-based central heating in our premises (2023: 100 tonnes). This reduction, of 14%, largely relates to the review of our office portfolio, including relocation.
- **Scope 2** describes emissions that result during the generation of purchased energy. These emissions largely relate to our offices. We generated 0.3 tonnes $CO_2e$ within the UK and a further 61.7 tonnes worldwide (total: 62 tonnes $CO_2e$; 2023: 104 tonnes $CO_2e$). This 40% reduction was achieved by greater availability and use of green energy contracts.
- **Scope 3** emissions relating to business travel. In FY24, our emissions in this category increased by 34% to 2,570 tonnes $CO_2e$ (2023: 1,911 tonnes).
- **Scope 3** (full) emissions generated indirectly from business activities. In FY24, 11,300 tonnes of $CO_2e$ were generated (2023: 9,222 tonnes), inclusive of business travel, an increase of 23%.

Compared to 2023, our total emissions increased by 21% to 11,448 tonnes $CO_2e$ (2023: 9,426 tonnes $CO_2e$) largely linked to an increase in business travel and the purchasing of third-party goods and services including the refurbishment of our offices.

There are reduction initiatives in place to reduce business travel, encourage "greener" commuting, to move remaining offices to 100% green power (where possible) and to ensure that waste is fully recycled in all our locations worldwide. Our environmental policies have been enhanced to support these initiatives.

Our Scope 1, 2 and Scope 3 business travel emissions in FY20 were 5,524 tonnes $CO_2e$; the same emissions for FY24 were 2,718 tonnes $CO_2e$, a reduction of 51%.

Our total emissions (inclusive of scope 1 ,2 and full scope 3) for last year represent an 11% increase from our base year of 2020, despite our staff numbers increasing by 88% over the same time period.

Our FY20 Scope 1, 2 and full Scope 3 emissions were 10,324 tonnes $CO_2e$. Our carbon intensity ratio (tonnes $CO_2e$ per-employee) has reduced from 7.3 in FY20 to 3.8 in FY24. During the year we offset our total emissions to maintain our carbon neutral status, at a cost of £52,000 (2023: £82,000). We will continue this practice, utilising a portfolio of high-quality, certified offsets that blend local and international projects as well as carbon removal and renewable energy projects. We believe this best reflects our global business and gives us the best opportunity to invest in programmes that offer positive social, as well as environmental, impacts.

We have used the GHG Protocol Corporate Accounting and Reporting standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 to calculate the below disclosures. The standard requires a statement of relevant intensity ratios, which are an expression of the quantity of emissions in relation to a quantifiable factor of the business activity. Kainos has identified two such intensity ratios, set out below. These figures were calculated from data available for our main operations and extrapolated to take account of our smaller locations.

## Hybrid working

To us, hybrid working is about combining remote and office based working, giving our people greater flexibility to work in the location that best suits them, taking into consideration the needs of their role, their work, their team members and the customer.

| GHG emissions data for period 1 April 2023 to 31 March 2024: | Global tonnes of $CO_2e$ 2024 UK | 2024 Non-UK | 2023 UK | 2023 Non-UK |
|---|---|---|---|---|
| Combustion of fuels and operation of facility (Scope 1) | 67 | 19 | 77 | 23 |
| Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2) | 0.3 | 61.7 | 25 | 79 |
| Business travel (Scope 3) | 1,799 | 771 | 1,343 | 568 |
| **Total emissions by location** | **1,866** | **852** | **1,445** | **670** |
| TOTAL EMISSIONS FOR YEAR | **2,718** | | **2,115** | |

| **Total emissions from activities for which the Company is responsible (Scope 1 and 2)** | **2024** | 2023 |
|---|---|---|
| kWh (thousand) | 941 | 1,039 |

The following table expresses our annual emissions in relation to quantifiable factors associated with our activities.

| **Intensity ratios** | **2024** | 2023 |
|---|---|---|
| $tCO_2e$/£ million revenue | 7.11 | 5.64 |
| $tCO_2e$/average number of employees | 0.92 | 0.81 |

### Collaborating with DEFRA Government Digital Sustainability Alliance (GDSA)

We continue to support the UK Government Digital Sustainability Alliance (GDSA) as a member, collaborating with other DEFRA suppliers to fulfil digital sustainability commitments. Since 2023 this has focused on advancing the work of the Planetary Impact group to promote wider sustainability beyond carbon emissions. This work was showcased as part of the first GDSA Summit in March 2024 and aims to reduce the wider planetary impact of IT services procured by the UK Government.

### Hybrid working

In delivering projects to our customers, we have always prided ourselves on being able to work flexibly; whether responding to a customer deadline, a location preference or a change in priorities. Our approach internally has been the same, with a focus on supporting our colleagues in working in the most effective way possible, whether that is working from home, from one of our offices, from a client site or while travelling.

To us, hybrid working is about combining remote and office-based working, giving our people greater flexibility to work in the location that best suits them, taking into consideration the needs of their role, their work, their team members and the customer.

In addition to supporting our people to work effectively in a more flexible manner, hybrid working also provides a unique opportunity to reduce our environmental impact across Scopes 1, 2 and 3, especially in the areas of business travel and employee commuting, which are significant contributors to our environmental impact.

### Secure equipment recycling

As we operate a cloud-based infrastructure, most of our equipment recycling is focused on our laptops. During the year we disposed of our Waste Electronic and Electrical Equipment (WEEE) with two partners who are committed to 100% reuse and recycle of equipment and a 'zero landfill policy'. We are in the fifth year of our arrangement with our disposal partners and we continue to generate funds for charitable causes from disposing of our old equipment. These funds have been donated to our charity partners as well as being used for our charity grants which support our colleagues when fund-raising for their preferred, individual charities.

We are currently assessing whether it is possible to extend the 'useful lifespan' of our laptops from four years to five years, further reducing future electronic waste.

### Environmental awareness and climate action

Throughout the year we have undertaken activities to increase our colleagues' awareness of our impact on the environment. These activities included the development of educational webinars, a Continuous Professional Development module on climate action, Global COP28 communications and supporting local environmental charities though volunteering and raising of vital funds.

Our environmental policies have been enhanced to support reduction initiatives such as waste reduction, energy efficiency, Waste Electronic and Electrical Equipment (WEEE) reuse and recycling in our offices.

# OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITMENTS
CONTINUED

### Social: our people and our communities

Our success depends upon the ability, skills and motivation of our people. We therefore focus on engaging with our people, providing them with opportunities to develop their careers and making it easy for them to stay at Kainos to build their career.

Everyone in Kainos shares in the responsibility of creating a great place to work; however, it is our Chief People Officer, appointed in 2017, who sets the strategy for all our people-related activity.

Alongside supporting them while they are working, part of our responsibility is to support them outside of work. This ranges from healthcare benefits to community volunteering.

To make sure that we perform consistently, every year and in every location, we use our Workday platform to record all our employee information – everything from salary and benefits to performance and career planning, engagement levels, colleague feedback and diversity characteristics.

#### Engagement

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

Historically we used the Sunday Times 'Best Companies to Work For' annual survey as a confidential way for our colleagues to share this feedback, first appearing in the Top 100 of companies back in 2012, a status we retained until we switched to Workday Peakon last year. Peakon is an intelligent listening platform that allows for more timely feedback, provides a holistic view of employee sentiment and allows comparison against circa 350 global technology employers.

Peakon allows organisations to request feedback at any interval; we ask our colleagues for feedback monthly. Based on this feedback from our people, our level of employee engagement remains high at 78%, as are our ratings for diversity and inclusion at 83% and wellbeing measuring 77%.

We also continue to measure engagement through Glassdoor, the online career community with over 55 million monthly users that enables current and former employees to provide feedback on companies. In March 2024, Kainos had an approval rating of 84% which is well above the average rating of 74% derived from 2.5 million companies on Glassdoor; similarly, 87% of respondents would recommend working at Kainos to a friend. In early 2024, we were once again designated to be in the '50 Best Places to Work in the UK' annual Employee Choice awards from Glassdoor, ranked number 32.

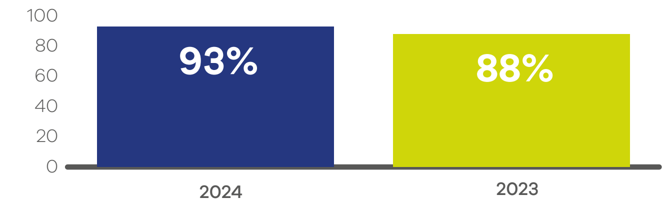
We work hard to retain the talented people already in Kainos. We are also very focused on recruiting new talented colleagues. We continue to attract strong interest in key recruitment markets, with tens of thousands of candidates applying each year to join Kainos. During the year our headcount remained constant at 2,995 people (2023: 2,990).

As part of our recruitment activity, we continue to operate a referral scheme. We believe that referrals, where a new employee has joined Kainos because of a recommendation from an existing employee, is a good indicator of existing employee engagement. This year 57 people joined because of a referral from an existing employee.

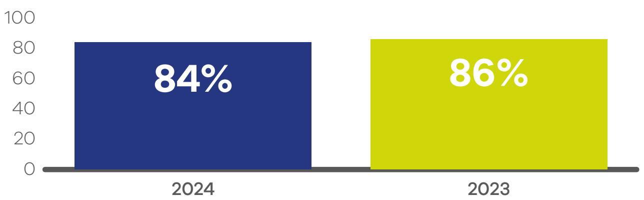
We are focused on creating a workplace that people want to join and then stay to develop their careers. With the global shortage in digital skills, we are pleased that 93% of our colleagues made the choice to stay and develop their career at Kainos (2023: 88%).

**Peakon scores:**

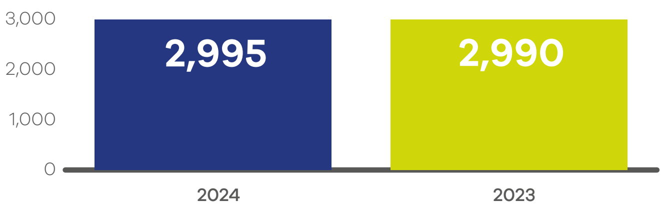

**Staff retention:**




**Glassdoor approval rating:**




**Headcount:** people



We take great enjoyment in marking the significant work anniversaries of our colleagues. During the year 56 people celebrated their five-year anniversary, and a further nine marking their 10, 15, 20, 25 or 30-year anniversary of joining Kainos.

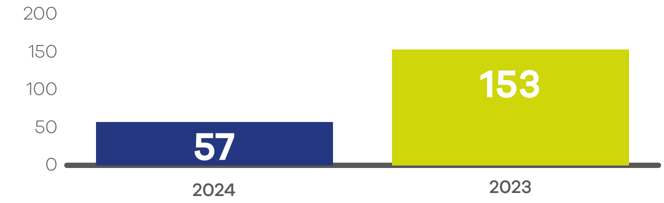
We believe that it is important to celebrate the achievements of our colleagues and our recognition scheme allows any person in Kainos to nominate an inspirational colleague. We centre this scheme around our values – creativity, honesty, cooperation, determination and being respectful. During the year, 3,502 awards were made to recognise the contribution of colleagues.

We also believe that our colleagues have many ideas about how we can improve as an organisation. Over the past nine years, our staff ideas portal has received 587 suggestions. Of these, 128 have been implemented and 199 were not taken forward. Currently, 34 are approved for implementation, 97 ideas are being more fully explored and 129 are awaiting initial review.

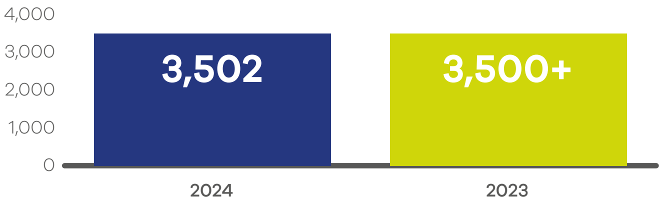
## Referral Scheme

This year 57 people joined because of a referral from an existing employee.

**Employee referrals:** new people employed




**Recognition awards:** awards received



# OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITMENTS
CONTINUED

## Wellbeing
We strive to create the conditions for our people to deal with the normal stresses of life, to feel fulfilled and productive at work and to be able to contribute to their communities. In our wellbeing approach, we focus on empowering and supporting our people across five areas: emotional, physical, social, career and financial wellbeing.

We have a dedicated wellbeing portal which is regularly updated with self-care materials, articles, guides, learning and hints and tips developed with and by our people with the aim of helping employees to manage their own wellbeing and that of others.

During the year we measured over 78,000 wellbeing engagements across all our channels, including those on our wellbeing portal, Microsoft Engage, webinars, Workday Peakon and our Mindset tools.

**a) Emotional wellbeing**
We are focused on the mental and psychological wellbeing of our colleagues, to ensure that they are realising their full potential and coping with their dynamic lives.

Since 2020 we have operated our online Mindset wellbeing platform which is designed to empower our people to explore their own emotional wellbeing through 25 practical learning modules across a range of topics. Currently over 1,600 people are actively using the platform, expressing high satisfaction levels about the platform.

We launched our wellbeing app in 2021, which covers physical and emotional wellbeing, including fitness, nutrition, meditation techniques and wellbeing insights. To date, 696 people (2023: 553) actively use the app.

In addition to these self-directed activities, we have trained 50 volunteers from across all our office locations as 'wellbeing champions'. These dedicated volunteers are equipped to have supportive conversations with our people and, if required, direct them to further support or professional help.

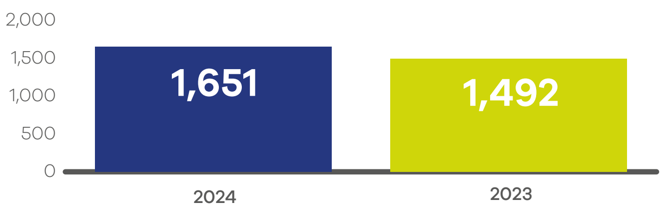
Professional support is available globally through our Employee Assistance Programmes, offering 24/7 confidential access to expert advice (telephone, virtual and face-to-face) across a range of areas including wellbeing, financial and legal advice.

**b) Physical wellbeing**
Support for managing physical health and energy is provided through our self-directed mindset and wellbeing platforms described earlier, and through a range of activities that include our wellbeing webinars, women's health initiatives, supported cycling schemes and employee-led sport, fitness and charity events.

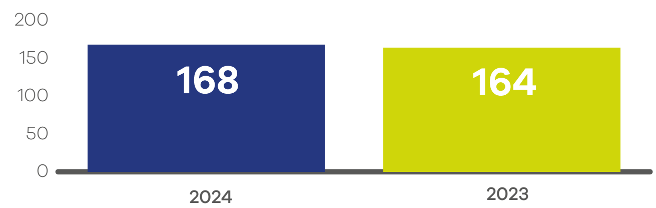
While these measures focus on preventing health issues, we also recognise that our colleagues can require support when health-related issues arise. On a global basis, Kainos continues to offer private medical and permanent health insurance.

During the year, sickness absence increased to 7.9 days per person (2023: 5.8 days), which is similar to the UK average of 7.8 days.

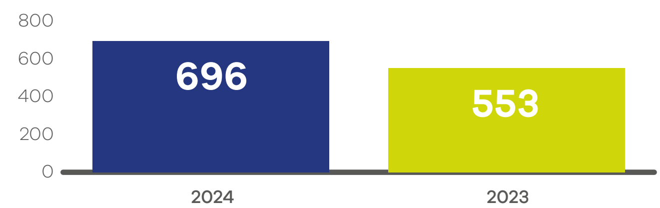
**Using the mindset platform:** people



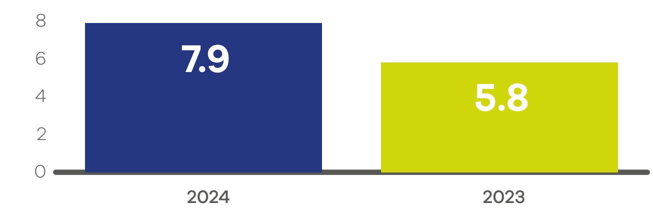

**Accessing the employee assistance programme:** people



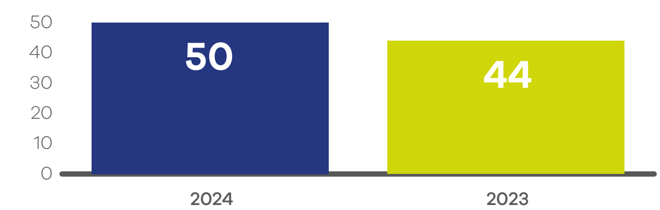

**Using the wellbeing app:** people



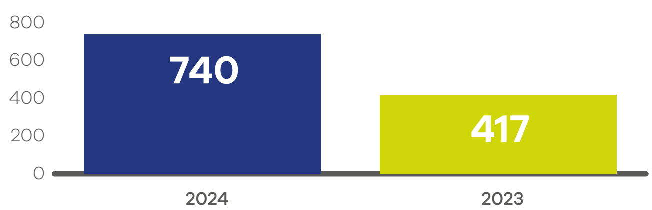

**Absence levels:** days per person




**Wellbeing champions:** people




**Accessing private medical insurance:** claims



**c) Social wellbeing**
We enjoy being a social company, providing the opportunity to have meaningful relationships and creating an environment where our people feel engaged, supported and included.

Our network of over 25 Location Advocates is made up of interested people who, working with local social committees, plan and organise inclusive social events that appeal to local teams. These events aim to bring people together virtually or in person to connect, network and have fun. These can be unique to individual offices (art sessions, board game nights, quizzes), but there are also themes across our locations: a staff party and family-friendly events in December, summer BBQ and payday lunch or drinks.

In addition to these location-focused events, we also encourage quarterly social meet-ups at a team level. Kainos pays for all expenses linked to these events.

**d) Career**
As a growing company, we are continually able to offer people opportunities to develop their career and to undertake meaningful, professional work.

Our global capabilities are responsible for developing the skills, qualifications and confidence of our colleagues. There are 14 global capabilities, covering disciplines such as cyber security, experience design, engineering and reporting and analytics. We have 965 people managers of varying levels of seniority, who are responsible for supporting our people's career development day-to-day.

We use an annual performance appraisal, conducted between each person and their people manager, as a dedicated, detailed review of the year and as a planning exercise for the year(s) ahead. This conversation is complemented with monthly 1-2-1s, that ensure career plans are being progressed, although a person can reduce the frequency of the 1-2-1 discussions to match their career requirements.

Our people are supported by practical tools such as our online coaching portal comprising 29 self-study modules, with over 900 people having completed the learning to date.

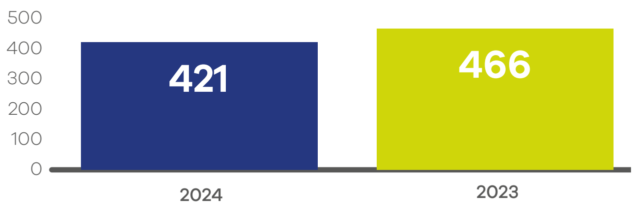
People managers undertake our Effective Manager programme, which covers core management skills, personal leadership skills, everyday coaching and giving and receiving feedback. Several hundred of our people managers have completed this training since it launched in 2019, including 176 during the past year. We are working towards having this training professionally accredited later this year.

Alongside the career planning and support, we invest heavily in training and certifications for our people, with over 12,000 trainings days completed in the past year. We have a diverse curriculum of internal courses (which we call 'Kainos MAP') and comprehensive self-study materials to support external technical and professional qualifications and certifications.

Partly in response to the pandemic, we transitioned our learning curriculum and approach to a virtual delivery model. This has increased the global participation on our training programmes, although it has reduced the opportunity for our colleagues to build their personal networks as they would if they were attending in-person courses.

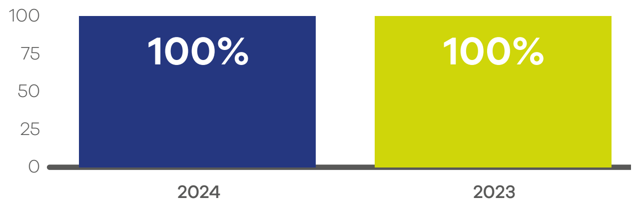
**Accessing permanent health insurance:** people


**Number of promotions:** people

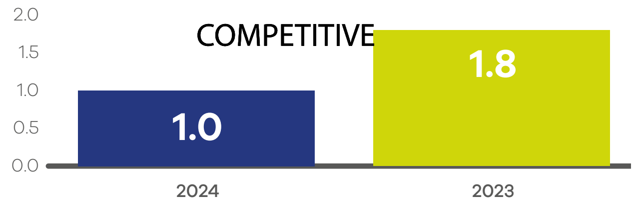



**Staff entertainment expenditure:** £ million


**Annual appraisals completed:**




**Training expenditure:** £ million



# OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITMENTS
CONTINUED

**e) Financial wellbeing**
We recognise the significant role that we play in the financial wellbeing of our people. We have therefore created a compelling reward framework for our colleagues, designed to support their needs as they move through their career at Kainos.

This encompasses salary, bonus (where applicable) and pension. It also includes a comprehensive benefits package, some of which has been detailed in previous sections.

One of the reasons that we chose to become a public company was the ability to make it easy for everyone in Kainos to become a shareholder and to share in the value that they have created.

Every year, we gift shares to employees in the UK, Ireland, Poland and US (from December 2022) and operate cash-equivalent schemes in all our other locations. In addition, we operate a save-as-you-earn shared-based scheme. In FY24 we granted 645,217 shares under all our share schemes, bringing the total allocated to 11,788,253 since we became a public company.

Our colleagues regularly share stories of how they have used the proceeds from their share sales to support them in various life events – ranging from a first car to a deposit on a first home.

In the current economic climate, we have increased our content aimed at supporting people in situations where there is significant financial-related pressure. This content includes webinars and the publication of our financial wellbeing guide. This guide offers practical advice for managing personal finances, including budgeting, debt management and links to finding out more about our Kainos reward offerings.

**Shares allocated in 2024:**

**645,217**
shares (£6.2 million at 31 March 2024 closing price[18])

**Shares allocated since 2015:**

**11,788,253**
shares (£113.9 million at 31 March 2024 closing price[18])

### Diversity and inclusion
We have colleagues from 64 different nationalities and, whilst diversity is not only defined by nationality, we appreciate the value of having a diverse, international workforce.

We remain committed to creating an inclusive culture that champions diversity of thinking and ensures everyone has an equal opportunity to develop, be rewarded and be recognised for their contribution to our business. Our publicly available Diversity and Inclusion (D&I) policy commits to a culture that is responsive to the needs of all groups and a zero-tolerance attitude to bullying, harassment, exclusion or victimisation.

Diversity and inclusion are an integral part of our Company strategy because we know that by having more culturally diverse leadership and teams, we are more likely to have increased staff wellbeing and innovation and have higher rates of staff engagement and retention.

With a more diverse work environment, we are better able to deliver technology and services that meet the diverse needs of users and citizens and through diversity of thought quickly bring new innovations into market.

With a more diverse and inclusive culture, we can perform better as an employer and for our customers while driving higher growth and profitability and better meet or exceed global equality standards and laws.

### How we are organised
We have a Global D&I Council comprising colleagues from various levels across our entire business. Sponsored by our Chief People Officer, this group drives delivery of our D&I programme. This is supported by our Employee Network Groups: Xpression (LGBTQ+), Inspire (gender diversity), Voice (ethnic diversity), Embrace (disability) and Neurodiversity.

These groups work as support networks, educators and voices for these communities and each group is sponsored by a member of the Executive Team to ensure representation at all senior decision-making forums.

### Our data
We continue to use our Workday VIBE Index™ to understand the diversity that exists across our business. Launched in 2021, VIBE (Value, Inclusion, Belonging and Equity) empowers colleagues to voluntarily disclose details about ethnicity, disability, marital status, religion, citizenship status, nationality, sexual orientation, sex at birth and gender identity.

To ensure that our planned D&I activities and the day-to-day work of our network groups are focused on areas that are important to our people. Therefore, we measure each diversity characteristic for each colleague – over 82% of all diversity characteristics for all our colleagues are confidentially recorded (2023: different measure).

Over 2,880 people (over 95%) have now completed our Inclusion, Equity, Diversity and Equality eLearning.

(18) KNOS closing share price on 31 March 2024 966 pence.

### Measures: members in Employee Network Groups (ENG):

**Inspire (women):** members


**Xpression (LGBTQ+):** members


**Voice (ethnic diversity):** members


**Neurodiversity ENG:** members


**Embrace (disability):** members


### Progress

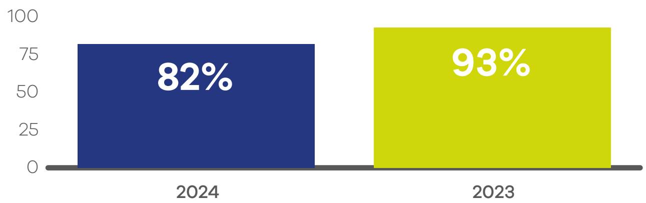
This year our global D&I plan included campaigns to help our people to talk, learn and unite around our differences. Central to this is our Inclusion, Diversity, Equality and Equity e-learning which is an essential e-learning module for all Kainos staff. The module introduces diversity and inclusion concepts like microaggressions, stereotyping and prejudice as well as how our communication styles and behaviours impact inclusion. People Managers receive an additional module to help them understand their role in creating an inclusive environment.

Driven by our Inspire Employee Network Group (women), we have established a new male allies group. Involving 32 men from across Kainos, the purpose is to work with Inspire to champion women in Kainos through increased awareness of the challenges faced by women in technology, and proactively ensure support and change for the better. Recent examples include increased awareness and education about women's health, menopause awareness and updated policies.

Following the success of our Inclusive Leadership programme in 2023, when the Executive Team participated in the first programme, we have extended the programme to our broader leadership team, with two further cohorts completing the programme in 2024 and a further three groups scheduled in the year ahead. We have worked with globally recognised inclusion and diversity experts to design the programme content, helping leaders recognise the key role they must play in shaping a positive working environment. The programme also seeks to embed inclusive leadership into the decision-making of all attendees.

We continue to pledge our support to the Office of the United Nations High Commissioner for Human Rights (OHCHR), UN Standards of Conduct for Business Tackling Discrimination against LGBTI People, the Race at Work Charter and the Armed Forces Covenant. We have retained our membership of Inclusive Employers, the leading membership organisation who are experts in workplace inclusion. We are a proud Disability Confident Level 2 employer and progress has been made on our journey to Level 3 following the introduction of our Reasonable Adjustments policy alongside accessibility improvements to our talent acquisition processes.

**The amount of diversity data disclosed by employees:**



# OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITMENTS
CONTINUED

### Gender balance

Gender diversity remains a challenge within the wider industry, where 22% of roles in technology are undertaken by women[19] and nationally, women hold 5% of executive management roles[20].

In considering Kainos employees, there are 1,002 women (2023: 946), 1,842 men (2023: 1,792) and 19 colleagues that are non-binary or transgender or have chosen not to disclose this information (2023: 55). Viewed as proportions, 35% of our workforce are women (2023: 34%), 64% are men (2023: 64%), 1% are non-binary, transgender or prefer not to disclose this information (2023: 2%).

*Note: At the time of writing, not all colleagues who joined Kainos through the RapidIT-Cloudbera acquisition have been added to our internal Workday systems, hence there is a small difference in reported numbers. The employee data will be migrated to our core systems in the current year.*

There are 229 women at manager level or above (2023: 229) and two women hold executive management roles (2023: two). As proportions, women holding manager level and above roles represent 32% (2023: 29%) with women holding 12% of executive management roles (2023: 12%).

On the Kainos Board, two of the five (40%) independent Non-Executive Directors are women (2023: 50%) and after our AGM in September 2024, when two Directors finish their term on the Kainos Board, this will be two of three (66%). Including the Executive Directors, 29% of our Board are women (2023: 33%), or 40% after the AGM. All Board members identify 'White/European' as their ethnic group.

We recognise that the under-representation of women in Kainos and in the wider sector, means that our journey towards gender parity will take several years. Our gender parity plan identifies three key themes and associated actions plans, outlined in the following sections.

**a) Develop the talents and careers of women already in Kainos**

Working with industry leadership experts, the second iteration of our six-month programme, Empowering Leaders, was delivered. The programme focused on supporting the continued development of the 16 women participants (14 women were on the first programme). In addition to the personal development goals for those in the programme, it established a community of women role models, ambassadors and advocates that are inspirational for women in, or considering a career in, the digital sector.

To further support our women in Kainos, our Inspire Employee Network Group launched the third round of their mentoring initiative. This programme is designed to empower women in Kainos to develop their own leadership skills as mentors and to expand the knowledge and skills for the mentees.

We are partnering with Women in Business to support women develop networks and connections as well as specialist learning to enable career advancement and personal development.

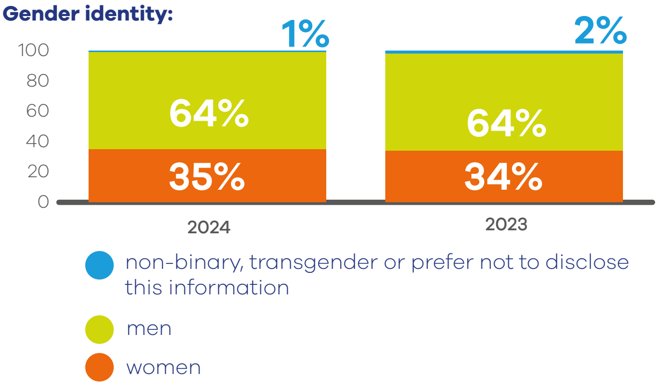
**b) Become the destination employer for talented women**

We believe that the most effective way to encourage people to join Kainos is to showcase our existing talented women colleagues. This year we had eight finalists and four winners across several awards and categories, including Apprentice of the Year, Outstanding Woman in Tech and Digital Transformation Leader of the Year.

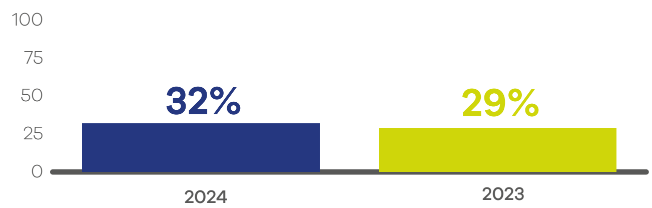
**c) Encourage more women to consider and adopt digital careers**

The 'Outreach' section in this report provides more detail of our activities including the gifting of digital bursaries to undergraduate women studying at university, and women-only events for young women considering a digital career. We were delighted to engage 715 young women in our virtual outreach programmes, where over 2,200 students participated.

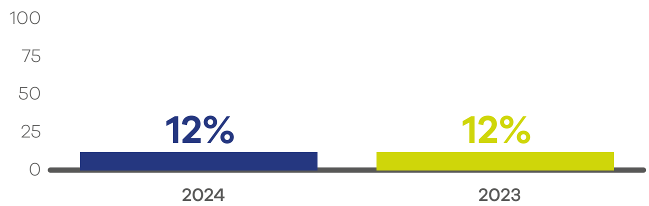
**Gender identity:**




**Women at manager level and above:**




**Women at executive level:**




(19) BCS diversity report 2022: Women in IT.
(20) PwC research report: Women in Tech.

## Communities

**a) Outreach**
Part of our role as a leading digital company is to promote awareness of digital technologies amongst school leavers and young people. This responsibility extends to helping these young people to build the skills that can help them forge a fulfilling career in technology.

Since 2015, we have engaged over 9,600 young people in the UK, Ireland, Poland and the Americas through our outreach activities.

We have redeveloped our outreach programmes to be either in-person or virtual. In total, in the past year over 2,200 young people were involved in one of our programmes, offering students aged 14-19 an enjoyable and engaging insight into the career opportunities available in digital technology.

In addition to our popular work experience programme, 277 students attended our global, one-week CodeCamp event – which we have now been delivering for a decade; 60 young people attended our TechCamp in Toronto, Indianapolis and Buenos Aires; 287 young people participated in our Digital Insights events in Data Science and Artificial Intelligence; and through our CodeClub for young people aged 9-13, we hosted 113 young people. This year we continued with our in-person education conference where over 345 students came together to learn about the latest advancements in the world of technology.

This year we offered new learning to support colleagues to become outreach mentors, which significantly increased participation – over 190 colleagues recorded over 500 days of mentoring support for young people (2023: 170 mentors and 507 days).

Our Digital Bursaries are aimed at widening the participation of young people who are traditionally under-represented at university. Launched in 2021 and partnering with Queen's University Belfast and Birmingham City University, we will support 68 young people and women attending university.

We have continued our partnership with the Now Group, A Social Enterprise and Autism Charity. Through their Digital Skills Academy, we provide paid work placements for young people seeking to gain entry-level employment. We have also launched a new partnership with disability charity Leonard Cheshire, joining their Change 100 programme, and we offer paid internships for computing graduates living with a disability.

In recognition that positive outcomes for young people are most often shaped by teachers, through the year we engaged with 230 educators in Northern Ireland and Poland, helping them acquire skills in Artificial Intelligence and to bring the latest technologies to their classrooms.

**b) Graduate employment and our Earn as You Learn® apprentice scheme**
Since Kainos was founded in 1986, we have recognised our responsibility to provide roles for people starting their career in industry, particularly those with a focus on technology.

In the year, we recruited 114 graduates (2023: 184) and 29 placement students (2023: 22). These roles were based across our Belfast, Birmingham, Derry, Gdańsk, Indianapolis, and Toronto locations.

We continue to operate our popular Earn as You Learn® apprenticeship scheme, which has proven particularly successful since its inception in 2013. Designed to encourage young people into the digital industry, Earn as You Learn® has allowed us to identify talented young people outside our traditional graduate recruitment activity. Since the launch, 102 young people have joined us through this programme (2023: 84).

**c) Charities**
Our people propose and decide on our global charity, which we support for a minimum of two years. We allocate 50% of our funds to our global charity, currently Doctors without Borders or Médecins sans Frontières, with the other 50%

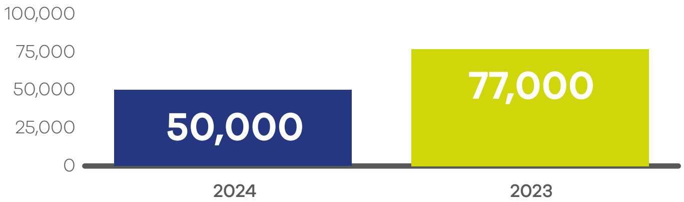
**Virtual placements:**
**676**
provided

**Digital inclusion bursaries:**
**68**
young people since FY22 launch

**EAYL apprenticeships:**
**102**
places since programme launch in 2014

**Graduates and students employed:** people


**Charity donations:** £



# OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITMENTS
CONTINUED

supporting local charities. During the year, we completed our three-year partnership with Doctors without Borders and commenced a new partnership with Cancer Research.

We have volunteer-led charity committees at all our locations, who organise fund-raising activities and decide which local charities receive support. Kainos provides financial support for all these activities. During the year, charitable donations were £50,000 (2023: £77,000).

Everyone in Kainos can avail of two, paid-for days every year to get involved in social and charitable activities. In the past this has covered activities such as volunteering at animal shelters, conservation and tree planting with the National Trust, gift drives for children and numerous city, beach and park litter pickups.

### Governance: our stakeholders

Over the past 37 years, we have constantly demonstrated our commitment to honesty and integrity in our business undertakings; and adhering to best practice in terms of corporate governance.

We view this as spanning our commitments to all our stakeholder groups, our policies underpinning our business ethics and ensuring that all our employee and customer data is held confidentially.

**Statement by the Directors in performance of their statutory duties under s.172(1) Companies Act 2006**
The Directors of Kainos have an obligation to act in accordance with a general set of duties which are set out in section 172 of the Companies Act 2006 ('Companies Act').

Section 172 requires a director of a company to act in the way he or she considers, in good faith, would support the long-term success of the company and its various stakeholders.

In doing this, directors need to consider a variety of factors, including:

- the long-term impact of any decision;
- the interests of our employees;
- our relationships with our suppliers and customers;
- the impact that we have in our communities and on the environment;
- maintaining our reputation for high standards of business conduct; and
- the need to act fairly for our shareholders.

Directors are briefed on these duties as part of their induction and through regular ongoing training. They also have access to professional advice about these duties, from the Company Secretary or, if necessary, from an external independent advisor.

The Directors consider, both individually and together, that they have exercised care in their decision-making, are cognisant of their s.172 obligations, and take into consideration the needs and interests of the various stakeholder groups as part of all Board decision-making.

Under section 172, we consider our stakeholder groups to be our workforce, our customers, our shareholders and our communities. We recognise that the importance of a topic may vary between stakeholder groups and that there may, occasionally, be a conflict in the interests of different groups. Recognising that not every decision can support each group equally, the Board is committed to effective engagement with our stakeholders to understand their interests and priorities.

In addition to the detailed reports provided to the Board as part of our monthly internal reporting, the Directors engage directly with stakeholder groups as appropriate. The table below sets out the stakeholder groups which the Board has identified as, and provides examples of, the Board's engagement with each of these groups and the outcomes. Further examples can be found throughout the Strategic Report.

### Workday Peakon

Peakon is an intelligent listening platform that allows for more timely feedback, provides a holistic view of employee sentiment and allows comparison against circa 350 global technology employers.

**a) Our employees**
The skills, motivation and engagement of the people working in Kainos are key to our success. As the previous sections indicate, we place immense value on ensuring that our colleagues are engaged, rewarded and that we are focused on their wellbeing.

We engage to understand how they view Kainos as an employer and where we can improve. This in turns helps us to attract and retain the talent we need to fulfil our growth plans.

Further information regarding our workforce engagement is set out in the Corporate Governance Report and is referenced in the Social: our people and our communities section of this report.

| Employees | |
|---|---|
| **Their interests** | • Their reward and benefits.<br>• Their career progression.<br>• The training and development opportunities we create.<br>• Our culture and strategy.<br>• Teamwork and peer and manager support.<br>• Their health and wellbeing.<br>• Diversity and inclusion.<br>• Our ethical stance as a Company. |
| **How we engage** | • We use the Workday Peakon employee engagement platform every month to measure sentiment and capture confidential feedback about our strengths and areas for improvement.<br>• The Culture and Development Group (chaired jointly by the CEO and Chief People Officer) is the Company's formal workforce advisory panel. It meets monthly and reports regularly to the Board on people-related matters.<br>• The Directors have regular opportunities to engage with the wider company through office visits, attending our all-staff annual conference and presentations from staff as part of our monthly Board meetings.<br>• Our CEO holds monthly 'Kainos in Brief' sessions with staff groups, to share news and progress against objectives and strategic ambitions, and to receive direct input from staff.<br>• Our Executive Team hosts strategy review sessions with staff groups twice yearly to discuss culture, engagement and performance.<br>• We operate an internal social network platform (Microsoft Engage) which creates the opportunity for every person to publish, share and comment about all aspects of working in Kainos. |
| **Outcomes** | • A high employee engagement score, currently recorded as 78% in Peakon.<br>• The outputs from the Peakon survey are shared with the Board monthly and the same information is available to all staff through the Peakon online dashboards.<br>• Progress against the continuous improvement plans created to address feedback is reported each month to the Executive Team, quarterly to the entire workforce and twice yearly to the Board.<br>• During the past year, colleagues have contributed 10,642 posts to Microsoft Viva Engage, indicating a highly engaged workforce. |

## OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITMENTS
CONTINUED

**b) Our customers**
We engage with our customers so that we can understand their evolving needs and their attitudes towards our service, so we can continue to support them effectively and deliver high levels of customer satisfaction. This enables us to generate repeat business with customers and to win work with new customers.

| Customers | |
|---|---|
| **Their interests** | • Quality and cost of service.<br>• Our ability to meet agreed deadlines.<br>• Our ability to innovate.<br>• Our ethical stance as a Company. |
| **How we engage** | • We work with over 930 customers and our project teams will typically interact with them daily. Feedback or escalations will be shared within the project team and, where appropriate, with the Executive Team and the Board.<br>• We use an online survey to garner customer feedback which is captured as a Net Promoter Score rating. Surveys happen on a rolling basis, with customers asked for feedback twice a year. The output is shared monthly with the Board and is reported in our investor presentations every six months.<br>• The Executive Directors, primarily the CEO, will meet with customers during the year, typically our largest customers.<br>• At a Board level, project success stories and retrospectives are included as part of the regular Board agenda, with the teams directly involved in the project presenting to the Board and receiving Board input and feedback. |
| **Outcomes** | • We received 678 completed NPS surveys, with an NPS score of 58 (above 50 is rated as 'excellent'). Responses are used to inform our continuous improvement programme, which aims to meet or exceed customer expectations on every project.<br>• During the year, a total of the board received seven dedicated presentations from a wide variety of staff focused on our customers. |

### Customer feedback

We received 678 completed NPS surveys, with an NPS score of 58 (above 50 is rated as 'excellent').

**c) Our investors and shareholders**
We value the support of our shareholders and recognise their interest in our strategy, our performance and our progress on key strategic programmes.

| Investors and shareholders | |
|---|---|
| **Their interests** | • Our strategic direction and successful implementation of the strategy.<br>• Our operational and financial performance.<br>• Our dividends and total shareholder return.<br>• Our ethical stance as a Company, including our approach to ESG matters.<br>• Our remuneration practices.<br>• Any developments in our markets. |
| **How we engage** | • Our CEO and CFO meet analysts and institutional shareholders throughout the year, with detailed updates following our interim and full year results.<br>• Our Chair engages with shareholders on various topics raised, addressing enquiries, setting out our position and offering to discuss further, where required, in person or virtually.<br>• We communicate with private investors through the RNS Service, the Annual Report and the Annual General Meeting.<br>• We make financial and other information available on our website. |
| **Outcomes** | • We increased our understanding of shareholder views on dividend policy, environmental considerations, and tax transparency, with the latter resulting in the publication of our tax policy on our website.<br>• Our CEO and CFO provide regular feedback from these meetings to the Board. Formal feedback is also obtained by our PR and financial advisors and reported to the Board. |

**d) Our communities**
We believe that as a responsible business, we need to contribute to the communities within which we operate.

Further information regarding our community engagement is set out in the Corporate Governance Report and is referenced in the Social: our people and our communities section of this report.

| Communities | |
|---|---|
| **Their interests** | • Our engagement with community-based programmes.<br>• Our carbon footprint and our commitment to reducing our environmental impact.<br>• Our employment options for their communities.<br>• Our tax strategy and tax transparency.<br>• Our ethical stance as a Company. |
| **How we engage** | • Our outreach programmes engage with our local communities to ensure that our programmes support the needs of our stakeholders.<br>• Our volunteer-led charity committees support and amplify the fund-raising efforts of our colleagues and oversee the selection of our global and local charities. |
| **Outcomes** | • We extended our outreach programmes to operate globally, with participants from 23 countries.<br>• We maintained high levels of graduate and school-leaver recruitment.<br>• We maintained high levels of charitable donations.<br>• We have maintained our carbon neutral status, first achieved in 2021, remain on schedule to achieve net zero by 2025.<br>• Community initiatives are managed within the relevant Board committees and discussed with the full Board. |

## Our engagement in action

Our Belfast office is in the heart of the Queen's Quarter, which derives its name from Queen's University Belfast. We have always been in the Queen's Quarter, from our very first office in January 1987, through three office moves to our current location, Upper Crescent which we have called home for almost 30 years.

As part of our growth planning in 2017, we identified the need for modern offices that better suited our changing business – larger team sizes, improved facilities, more layout flexibility, long-term expansion space and the ability for the entire Belfast team to be in a single office.

Our preference was to rent, which required us to work with a series of developers. After several failed attempts, in late 2018 we had the opportunity to purchase a site that we could develop ourselves. The Board considered the various options and approved the purchase, which was completed in February 2019.

We were well-advanced in our development plans for the new office when the global pandemic started in early 2020, which put our immediate plans on hold, and in the longer term substantially changed our requirements for our new office.

Our new plans will see us build a 'Net Zero Ready' building, targeting 'outstanding' under the Building Research Establishment Environmental Assessment Methodology (BREEAM). We changed the usage of the site, so that in addition to our 12-storey, 121,000 sq. foot office building, Queen's will also be able to construct a 459-bed purpose-built managed student accommodation facility. We are delighted with this approach, increasing the utility of the site, and accelerating the pace of regeneration in this area of the city.

Construction will commence in late 2024, with occupation anticipated in early 2027.

**Our employees**
Without doubt, the group that was most interested in the development of the new office were our Belfast-based employees. Throughout our search for a new location, we were very communicative with our colleagues – providing updates at regular and important intervals and seeking their feedback, including their views about location, environmental and facilities options.

Their feedback was most useful when, faced with delays, we needed to consider short-term options such as temporary overflow office space and office fit-out options. This feedback process will continue in the new project as we design an office environment that is supportive of the professional needs of our colleagues.

**Our community**
A major building project requires the support of the local community, both during the construction phase and for the lifetime of the building. In the case of our development, the community includes retail owners and users, publicans, hotel owners, office workers, residents in local apartments and residents in the settled inner city local community.

In advance of the planning application process, we engaged with the political and community leaders representing these groups, to explain our plans and to listen to their ambitions and concerns about the development.

The formal planning process commenced in April 2023 with the submission of our plans; a public consultation took place in September 2023, with our final plans approved in April 2024.

While the site was vacant, we supported a social entrepreneur to launch a street food venue, Trademarket, to allow independent food vendors the opportunity to have a temporary location. As part of this arrangement, we donated the rent we received to the food charity, the Trussell Trust.

A building project has a positive economic impact and will create 810 jobs directly and indirectly during the £35 million construction project.

Beyond the local community benefits, our decision to construct a 'Net Zero Ready' building will have a positive impact on air quality in the city, and in minimising emissions through the building's lifetime.

**Our shareholders**
At the Board meeting making the decision about the building project, it was remarked that "we are famous for building software, not office blocks". In addition to the RNS announcing the £7.1 million site purchase, we also directly contacted our largest shareholders to deal with any specific questions or concerns they had about the transaction.

The reaction, and through subsequent iterations of our plan, has been positive. Our shareholders share our belief that to build a great company, we need great people, and a positive working environment, including the physical office space are an important part of the attraction and retention of talented people.

**Our customers**
As with our shareholders, our customers appreciate the importance of a physical working environment that supports our colleagues being as productive and collaborative as possible.

Many of our customers are aware of and supportive of our climate ambitions, and our decision to target the highest BREEAM environmental rating for the new building will be viewed very positively by our customers.

## OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITMENTS
CONTINUED

### Code of ethics: our ethical principles and commitments

We are committed to conducting our business ethically – this is a commitment which resonates with all our stakeholder groups – and our code of ethics directly responds to the concerns and interests of the public and our customers.

Our six ethical principles: wellbeing, equality, the environment, transparency, integrity and taking the initiative to make a positive difference. These principles could not be more important to our people, our customers and the communities we serve.

Our code of ethics outlines our commitments to our ethical principles in clear and active terms. This is deliberate. Everyone in Kainos is working proactively to deliver against our ethical commitments wherever they are relevant.

Our ethical stance isn't new, but our code of ethics is the newly formalised way in which we have consolidated and codified our long-standing ethical principles and commitments so that these are clear and visible to our stakeholders now and in the future.

As detailed above, ethics is core to our approach to business and we are already delivering considerable social value and ethical outcomes through the work that we do and the way that we work.

We have worked collaboratively across Kainos to ensure our code of ethics reflects the needs of the whole Company.

We have agreed our six ethical principles together and outlined how to apply these in our everyday business dealings through our 36 ethical commitments.

We know the number of lives that we touch as an organisation is vast. 60 million users annually interact with the systems or services we have delivered.

That is why our code of ethics is so important, and why we will strive to make sure everything we do is aligned to it, so that we can create the best outcomes for our people, our customers and our communities.

### Business ethics: Human rights, anti-bribery, anti-corruption and whistleblowing

We operate a zero-tolerance approach to corruption and bribery in all our business dealings and encourage staff to report suspected wrongdoing as soon as possible. We also recognise that all businesses face the risk of things going wrong from time to time, or of unknowingly harbouring illegal or unethical conduct. Our culture is one of openness and accountability, which we believe is essential to reduce the possibility of these situations occurring, but also to swiftly address them should they occur.

These principles are reflected in our global anti-corruption and anti-bribery policy and our whistleblowing policy and there is mandatory training for all staff on these issues.

An independent whistleblowing hotline is available and anonymous reporting is facilitated with all reporting treated as confidential.

The whistleblowing policy is proactively communicated to the workforce and there is mandatory anti-bribery and corruption training for all colleagues which includes training on the whistleblowing policy.

We do not tolerate slavery or human trafficking and we take a risk-based approach to our supply chains. We strongly support the enactment and enforcement of human trafficking laws that recognise and protect victims, while seeking to bring traffickers to justice. Our whistleblowing policy encourages staff to report any wrongdoing, and this extends to human rights violations, such as modern slavery.

These policies are reviewed on a regular schedule to ensure they reflect the most recent legislation and that they adopt best practice in this area.

- Global anti-corruption and anti-bribery policy. Updated every two years, current version is June 2022, with the previous version dated April 2020.
- Whistleblowing policy. Updated every five years, current version is March 2021, with the previous version dated April 2016.
- Modern slavery statement. Updated every year, current version is October 2023, with versions updated every year since 2016.

In this reporting period, there were zero incidents of breaches of our anti-corruption and anti-bribery policies (2023: zero); and there were zero breaches of our modern slavery statement (2023: zero). There were zero incidents referred through our whistleblowing process (2023: zero).

### Quality standards, data privacy and security

Our commitment to delivering a high-quality service to our customers has been established over 37 years in business. To achieve this consistent quality, we have invested in our quality management system.

This system is based upon the following quality certifications:

- **ISO9001** (Quality Management System), held since 1993.
- **ISO20000** (Information Technology Service Management System), held since 2009.
- **ISO27001** (Information Security Management System), held since 2011.

We ensure adherence to these standards through our own internal training programme, supplemented by our internal audit review.

As part of the certification process, we are subject to a six-monthly external assessment to ensure that our controls are robust, that we are applying them consistently and we are updating them regularly to reflect the most recent best practice.

In addition, information security risks are assessed and reviewed regularly in IT steering meetings with our senior management team.

Kainos also participates in third-party assessments for public and private sector customers to evidence that our associated security controls are effective and address any related risks.

During the year there were no incidents of data security or privacy breaches that required reporting to the Information Commissioner (2023: zero).

We recognise the sensitivity of the information which we process daily and have prioritised secure data handling processes, product design, hosting and operational management.

Our people complete security awareness and data handling training annually.

We have selected SOC2 Certification for our Smart products. This covers security, availability, processing integrity, confidentiality and privacy. These practices are subject to external assessment annually, by global consulting firm EY.

## Information security

Information security risks are assessed and reviewed regularly in IT steering meetings with our senior management team.

# FINANCIAL REVIEW

FY24 was another year of solid financial performance.

In summary, we grew revenue by 2% (3% ccy) to £382.4 million (2023: £374.8 million). Digital Services revenue reduced by 5% to £213.1 million (2023: £224.4 million), reflecting decreased customer expenditure across the commercial sector and lack of pandemic-related revenues in the healthcare sector. Workday Services revenue grew 6% (9% ccy) to £112.0 million (2023: £105.7 million) driven mainly by growth in Central Europe. Workday Products revenue increased to £57.3 million (2023: £44.7 million), representing growth of 28% (33% ccy) (2023: 40%). The Operating Review provides more information on our revenue performance.

Our overall gross margin was 49.0% (2023: 47.3%). Digital Services' gross margin increased to 38.4% (2023: 38.1%) driven by lower contractor headcount. Workday Services margin increased to 54.7% (2023: 54.2%) driven by higher utilisation. Workday Products margin increased to 77.1% (2023: 76.6%).

### Operating expenses

Operating expenses increased by 3% to £128.4 million (2023: £124.6 million) and is largely consistent with revenue growth.

Our investment in product development increased to £13.5 million (2023: £9.1 million), all of which was expensed during the period. We recognised £5.2 million of Research & Development Expenditure Credit (RDEC) income during the year (2023: £4.2 million).

### Alternative performance measures

We use several alternative performance measures to monitor day-to-day performance and to assist management make financial, strategic and operating decisions.

Specifically, we exclude costs directly attributable to acquisitions. This includes amortisation of acquired intangible assets, compensation for post-combination services and acquisition-related expenses such as legal and professional costs incurred mainly in the period of acquisition. These costs can vary between periods depending on the timing and size of acquisitions, the nature of intangible assets acquired and the structure of consideration.

We adjust for the cost of our share-based payment arrangements in our adjusted measures also. Our arrangements consist of both equity-settled and cash-settled schemes and the cost of each award will be influenced by the share price at the date of grant. The cost of our cash-settled arrangements will also be impacted by share price movements between reporting dates. Due to these variables, we believe adjusting for such costs better represents our underlying trading performance, providing a more meaningful comparison between periods.

| **Adjusted profit measures** | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| PROFIT BEFORE TAX | **64,772** | 54,338 |
| Share-based payment expense and related costs | **5,952** | 6,346 |
| Amortisation of acquired intangible assets | **4,190** | 2,642 |
| Increase in fair value of investment property and gain on sale of property | **(2,154)** | – |
| Compensation for post-combination services | **3,800** | 4,176 |
| Acquisition-related expenses | **626** | 57 |
| ADJUSTED PROFIT BEFORE TAX | **77,186** | 67,559 |
| | | |
| PROFIT AFTER TAX | **48,715** | 41,645 |
| *After tax impact of:* | | |
| Share-based payment expense and related costs | **4,464** | 4,886 |
| Amortisation of acquired intangible assets | **3,147** | 2,642 |
| Increase in fair value of investment property and gain on sale of property | **(1,894)** | – |
| Compensation for post-combination services | **3,746** | 4,176 |
| Acquisition-related expenses | **582** | 57 |
| ADJUSTED PROFIT AFTER TAX | **58,760** | 53,406 |

Furthermore, we also adjust for items which we consider significant and non-recurring in nature. In the current period we excluded gains relating to the sale of property, plant and equipment and fair value movements in our investment property.

We adjust for the above items consistently across all our adjusted measures, namely 'adjusted profit before tax', 'adjusted EBITDA', 'cash conversion' and 'adjusted diluted and basic earnings per share'. We believe our adjusted measures are better indicators of trading performance, assist comparison between periods and are useful measures for users of the financial statements. The nature and type of items adjusted are also similar to comparable companies.

The adjusted profit measures we use are not defined in UK-adopted International Accounting Standards and our definitions may not be comparable with similarly titled performance measures and disclosures in other entities. As such, these measures should not be considered in isolation but as supplementary information to the financial statements.

The adjusted profit measures reconcile to the reported numbers as follows:

| **Adjusted EBITDA** | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| ADJUSTED PROFIT BEFORE TAX | **77,186** | 67,559 |
| Depreciation of property, plant and equipment | **2,886** | 2,249 |
| Depreciation of right-of-use assets | **1,152** | 1,163 |
| Finance expense | **334** | 71 |
| Finance income | **(4,336)** | (1,463) |
| ADJUSTED EBITDA | **77,222** | 69,579 |

Adjusted pre-tax profit increased by 14% to £77.2 million (2023: £67.6 million). Profit before tax increased by 19% to £64.8 million (2023: £54.3 million).

### Corporation tax charge

The effective tax rate for the year was 25% (2023: 23%). The effective tax rate for the period is in line with the UK corporation tax rate which increased to 25% effective 1 April 2023. The rates at which our overseas profits are taxed vary from jurisdiction to jurisdiction but on average have been subject to a blended rate that is largely in line with 25%.

### Financial position

We continue to have a strong financial position, with £126.0 million of cash and treasury deposits (2023: £108.3 million), no debt and net assets of £156.8 million (2023: £129.3 million).

The underlying trade receivables and accrued income balance has reduced to £68.6 million (2023: £74.5 million), despite the growth in revenue, due to strong cash conversion in the period.

Our deferred income balance at year end is £45.0 million (2023: £37.1 million). This increase of 21% is attributed mainly to the growth in our SaaS revenue in the year to £54.8 million (2023: £43.1 million).

Within non-current assets our property, plant and equipment balance increased to £12.3 million at the year end (2023: £9.5 million) due mainly to property refurbishment costs incurred during the year. During the period we entered into four new property leases increasing our right-of-use asset balance to £5.2 million at 31 March 2024 (2023: £1.3 million). A corresponding increase to our lease liabilities was also recognised contributing to the increase in our closing lease liability of £5.9 million (2023: £1.4 million).

In the prior year £5.2 million was transferred from property, plant and equipment to investment property, reflecting our agreement to sell part of the site acquired in 2019 for the development of our future headquarters in Belfast. The sale was subject to planning permission which was obtained subsequent to year end. An increase in fair value of £1.0 million was recognised during the year.

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

As noted within our Workday Products review, we completed the acquisition of RapidIT-Cloudbera Inc. on 30 June 2023. The fair value of assets acquired and liabilities assumed at acquisition date are detailed further in note 29.

### Cash flow and cash conversion

Cash conversion, which is cash generated by operating activities as a percentage of adjusted EBITDA, remained strong at 98% (2023: 104%).

### Dividend

Our progressive dividend policy provides shareholder returns, while ensuring we have sufficient funds to invest in long-term growth. The proposed final dividend recommended by Directors is 19.1p and, if approved by shareholders, will be paid on 25 October 2024 to shareholders on the register on 4 October 2024, with an ex-dividend date of 3 October 2024. This will make the total dividend for the year 27.3p (2023: 23.9p) which will represent a distribution of 58% of adjusted profit after taxation (2023: 56%).

**Richard McCann**
Chief Financial Officer
17 May 2024

# KEY PERFORMANCE INDICATORS (KPIS)

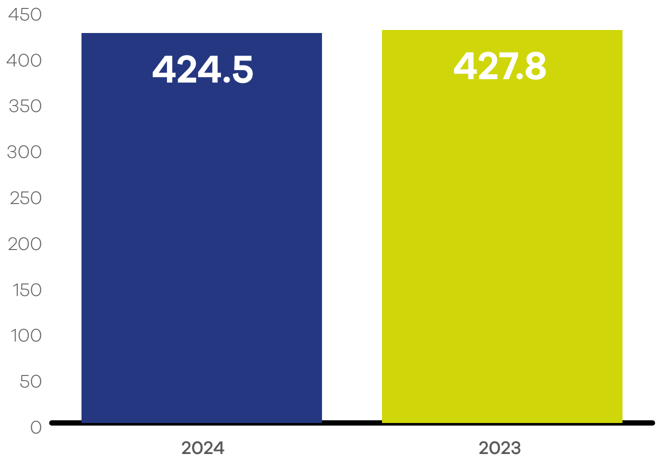
We aim to increase profitability while maintaining a healthy financial position and investing in the people and opportunities which underpin our growth.

We track several KPIs to identify trends in our operating performance and to assess progress of our key objectives, such as staff wellbeing and engagement.

Financial KPI targets are used as a basis for remuneration awards and are identified in the Directors' Remuneration Report.

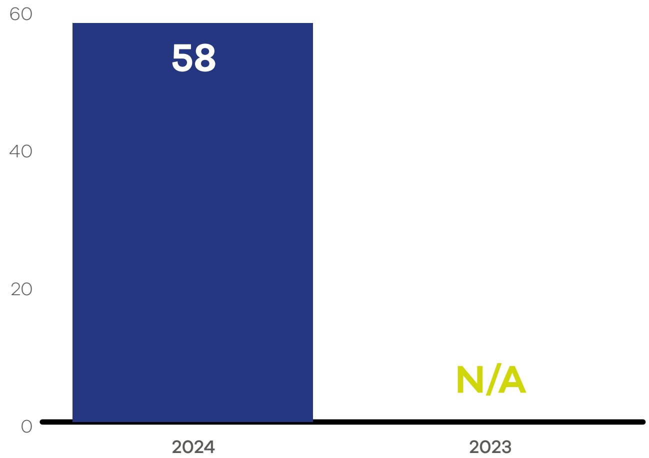
## Financial KPIs

**Bookings:** £ million

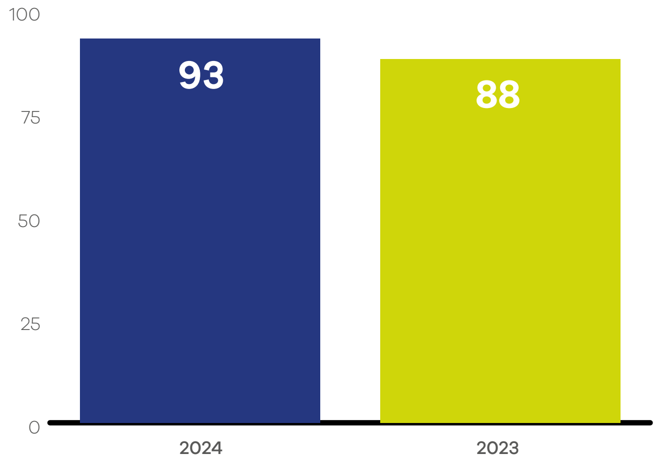



## Non-financial KPIs

**Customer Net Promoter Score[21]:**

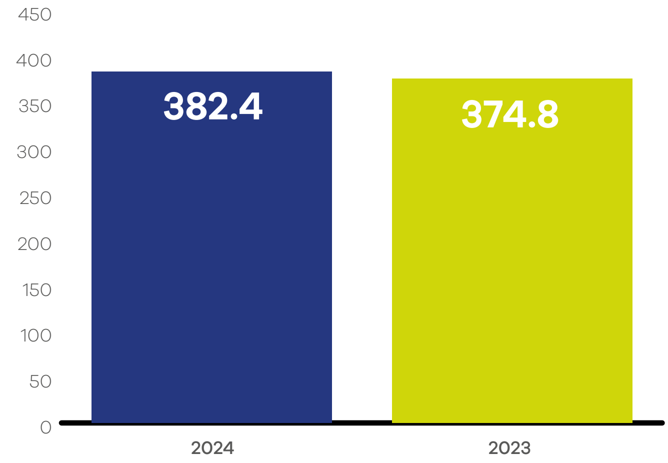



**Staff retention:** %

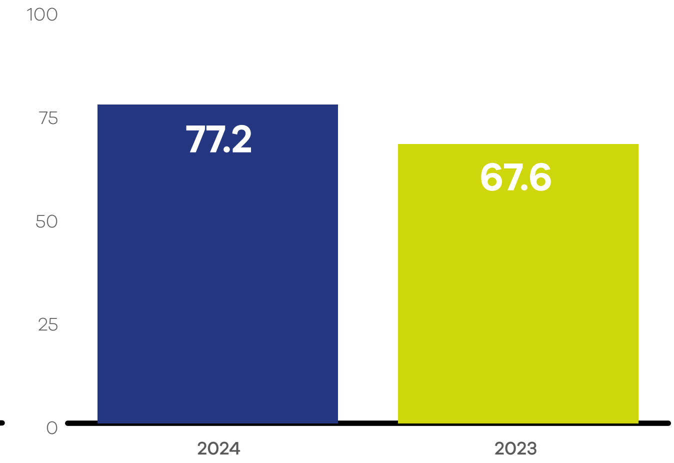



(21) Prior to 2024 we measured customer satisfaction through our own proprietary survey, which categorised our performance as 'excellent', 'very good', 'good', 'satisfactory' or 'poor'; in 2023, 99% of our customers classified our performance as 'good' or 'better'. For 2024 we moved to the industry standard metric Net Promoter Score, where a score of above 50 is viewed as 'excellent'.

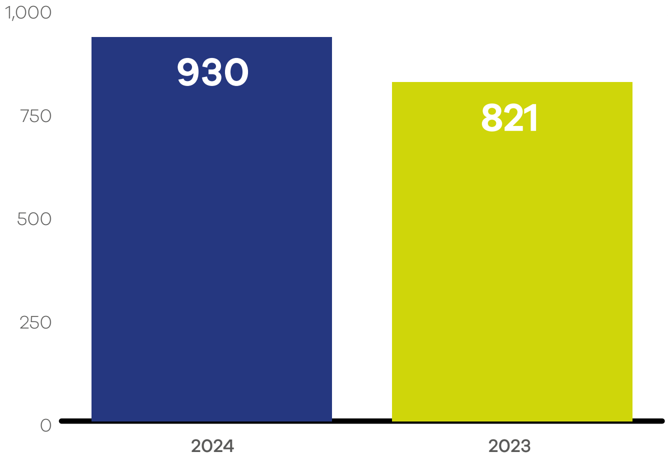
**Revenue:** £ million



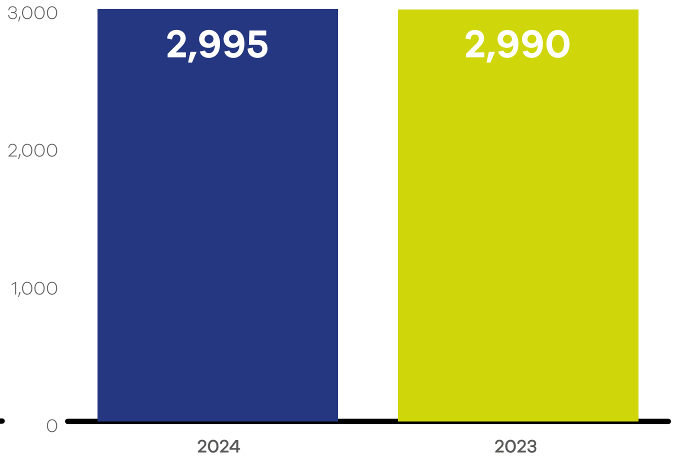

**Adjusted pre-tax profit:** £ million




**Number of customers:**




**Number of staff:**



# RISK FACTORS AND UNCERTAINTIES

We recognise the importance of effective risk management and the need to be proactive to mitigate potential threats which could adversely impact our operations, reputation and financial results.

While we can never eliminate all risk, we continue to monitor and manage the effectiveness of our internal controls through our risk management framework and associated governance structures, developed to help us safeguard our people, our customers and our business.

### Risk governance

The Board has a responsibility to ensure that risk is managed across our Company and understands that effective risk management is essential to meeting our strategic objectives.

The Board considers our risk assessment framework and governance structures to be robust and provide assurance that risk is being identified, monitored and managed effectively.

### Risk management process

The Group Risk Register is our principal tool for monitoring and reporting risk. The Risk Register describes each principal risk, its potential impact, the likelihood of it materialising and any appropriate mitigating controls to reduce the risk to an accepted level. Senior management co-ordinates the register's preparation, using input from all areas of the business. An appropriate senior manager is assigned ownership of each risk and is responsible for ensuring that appropriate controls and mitigating actions are developed to reduce the likelihood and potential impact of the risk being realised. The Audit Committee formally reviews the Risk Register twice each year, with flexibility to meet if there is emerging risk or substantial changes to principal risks which require attention.

When risks change significantly, they are reported to the Board by the Audit Committee who also update the Board after each formal review of the Risk Register.

While individual risks have changed over the last year, our underlying risk profile is not significantly different from the previous report. There are three specific areas of note: (i) we continue to strengthen and embed cyber and data privacy controls into our business, (ii) we continue to focus on addressing climate-related risk, and (iii) we recognise the potential impacts of Artificial Intelligence on our business.

**Cyber and information security:** Cybersecurity and data privacy continue to be principal risks for our business as the threat landscape evolves and becomes increasingly complex. We have made significant investments over the past year to improve our cybersecurity capabilities and enhance our data privacy practices and we will continue to prioritise cybersecurity and data privacy as key risk areas going forward.

**Climate-related risk:** We are committed to reducing our carbon impact and achieving carbon net zero by 2025 and aim to reduce absolute Scope 1 and 2 GHG emissions 70% by FY26 from a FY20 base year and to reduce Scope 3 GHG emissions 45% per unit of value added within the same timeframe.

In May 2024 we received our draft carbon footprint figures. Based upon these figures we have achieved our near-term SBTi targets committing to reduce absolute Scope 1 and 2 GHG emissions 70% by FY26 from a FY20 base year. We have reduced our Scope 1 and 2 emissions from 496 tonnes $CO_2e$ in FY20 to 148 tonnes of $CO_2e$ in the current year (target agreed with SBTi was 149 tonnes of $CO_2e$ by FY26). Our Scope 3 GHG emissions are also below the 45% reduction target set to be achieved by FY26. During the next months we will work with SBTi and external verifiers to confirm all related figures.

In assessing the direct climate risk to our business, for instance from extreme weather events, we assess this as being a moderate risk. A greater risk is one of reputational damage. Further detail on this can be found in the section 'Our Environmental, Social and Governance (ESG) Commitments'.

**Generative AI risk:** While Artificial Intelligence presents opportunities for our Company, and our customers, it also introduces potential data privacy, security, ethical and compliance risk. Throughout this year, we have prioritised the appropriate and safe use of Generative AI through the appointment of a Chief AI Officer and the establishment of our AI Governance structures.

### Detailed risk assessment

The following tables provide a summary of our principal and emerging risks, informed by our Group Risk Register. The risks are not listed in order of severity or potential impact. The table is not intended to be exhaustive and there may also be risks that we do not currently consider to be serious or which we are willing to accept to support strategic objectives.

Where possible, we have taken steps to manage or mitigate risk using a combination of technical, operational and legal controls, but we cannot entirely safeguard against all of them.

1. Long-term climate change and sustainability
2. Cyber and information security
3. Increasing complexity of global data protection laws
4. Increasing customer demands in a competitive skills market
5. Partner relationships
6. Global macro-economic events
7. Exchange rate fluctuations
8. Non-compliance with laws and regulations
9. Unsafe use of Generative AI


| Risk | Description | Potential impact and mitigation |
|---|---|---|
| **1. Long-term climate change and sustainability**<br>Risk to:<br>Change: | With investors and other stakeholders increasingly focusing on sustainability and climate, there is reputational risk for us if we decide not to act, or act too slowly. | **Potential impact**<br>A slow response to our climate responsibilities could lead to fines for non-compliance, increasing costs for carbon offsetting and potential reputational damage. Reputational damage may encourage colleagues to leave Kainos or deter applicants from joining us; it may also deter customers from appointing us to projects and investors owning our shares.<br>**Mitigation**<br>We achieved carbon neutrality in 2021 and remain on track to be carbon net zero by 2025. We believe that achieving this ambitious target mitigates this risk.<br>Further details are outlined in the Our Environmental, Social and Governance (ESG) Commitments section. |

**Key**
People Customers Market Increased risk No change of risk Decreased risk

## RISK FACTORS AND UNCERTAINTIES
CONTINUED

| Risk | Description | Potential impact and mitigation |
|---|---|---|
| **2. Cyber and information security**<br><br>Risk to: People, Customers, Market<br><br>Change: No change of risk | Cyber threats are constantly adapting and increasing in number, frequency and sophistication. We must develop appropriate controls and protective measures to ensure the confidentiality, integrity and availability of our IT systems, both internally and as part of our service offerings to customers. | **Potential impact**<br>By failing to protect sensitive data and information systems from cyber-attacks, we face legal, financial and reputational risk which could reduce short-term profits, expose us to regulatory fines (for example under GDPR), lead to significant remediation costs and contractual liability, and damage our customer relationships and market credibility.<br><br>**Mitigation**<br>We continue to monitor the cyber-threat landscape and invest in developing and strengthening our defences against cyber-attack. We review and test the effectiveness of our ISMS controls against industry best practice, assisted by independent external certification (ISO27001) as well as Cyber Essentials and Cyber Essentials Plus.<br><br>Regular updates on our security programme are provided to our senior management team through the Cyber Steering and Audit and Risk Committee with representation from our Chief Information Security Officer (CISO), Chief Information Officer (CIO), cyber security and information security teams and from our legal and business management.<br><br>This year, we have continued to improve and develop our technical, operational, and contractual measures to address risk, coupled with regular mandatory training for all staff on information security and data privacy. |
| **3. Increasing complexity of global data protection laws**<br><br>Risk to: People, Customers, Market<br><br>Change: No change of risk | We need to comply with legal, regulatory and contractual information security and data privacy requirements. It is essential that we adhere to regional regulations regarding data privacy and data protection.<br><br>In Europe, GDPR mandates a suite of data privacy controls to mitigate the risk of unauthorised disclosure of personal information. Other jurisdictions have similar measures and as we expand into new regions, it is imperative that we understand and adhere to the applicable controls. | **Potential impact**<br>Non-compliance could expose us to liability and financial penalties (for example under GDPR), reduce profit and cash flow in the short term, and damage our customer relationships and credibility in the market.<br><br>**Mitigation**<br>We review the impact of information security and data privacy regulations and legislation on us and our customers. These reviews influence our internal controls and processes and the design of products, solutions and working practices. Specific data privacy controls or conditions are included, where relevant, to our customer or supplier contracts.<br><br>We make staff aware of the potential impact of changing regulations and provide company wide mandatory annual training. Our activities to ensure the provision of GDPR controls includes, but is not limited to:<br>• Staff education regarding data privacy.<br>• Data Privacy Impact Assessment (qualification screening at minimum) for all areas where Kainos acts as data controller.<br>• Data mapping (Record of Processing) for all areas where Kainos acts as data controller.<br>• Customer consent through legitimate interest terms and conditions.<br>• Retention controls.<br>• Personal rights in place, such as right to be forgotten, right to amend, right to view/disclosure.<br>• As we enter new regions, we ensure that:<br>- We review the relevant privacy laws. An example would be subscription to the revised US Data Privacy Framework and Transfer Risk Assessments for relevant countries.<br>- We put in place effective initial controls at the project level.<br><br>A Data Protection Steering body is in place, meeting monthly to ensure that the data privacy mandate is prioritised, planned and governed accordingly. |

**Key**
People  Customers  Market  Increased risk  No change of risk  Decreased risk

| Risk | Description | Potential impact and mitigation |
| --- | --- | --- |
| **4. Increasing customer demands in a competitive skills market**<br><br>Risk to:<br><br>Change: ↓ | Demand for skills in areas such as business development, low code, data and AI, cybersecurity and application development may introduce challenges when recruiting new people and retaining our current skilled employees. | **Potential impact**<br>This could impact our ability to provide solutions and services to our customers, exposing us to liability, reducing profit and cash flow in the short term and causing damage to our reputation, customer relationships and staff morale.<br><br>The continued global shortage of digital skills means the likelihood and impact of this risk has remained constant from the previous year.<br><br>**Mitigation**<br>We have worked to become an employer of choice in some of our key locations, notably Belfast, Birmingham and Gdańsk, and have a team, processes and infrastructure dedicated to recruiting the most appropriate candidates through a streamlined hiring process.<br><br>We have invested in our recruitment team, reviewed our reward ranges and taken steps to define and promote our employer brand in key growth locations.<br><br>Staff engagement is a key area where we continue to focus on ensuring compelling financial rewards and benefits for our people, having clear developmental and career progression opportunities and leveraging feedback from regular surveys to create action plans to improve our performance as employers, evidenced by higher staff retention rates. |
| **5. Partner relationships**<br><br>Risk to:<br><br>Change: → | Losing access to essential intellectual property, or services which could impact partner-influenced sales due to a deterioration in strategic partner relationships. | **Potential impact**<br>Failure of partner relationships could reduce revenue, profit and cash flow in the short term and damage our reputation, customer relationships and market confidence in us.<br><br>**Mitigation**<br>We have contracts to detail the relationship with our main partners, including Workday, Microsoft and AWS. Our partner arrangements may include access to proprietary materials such as training, know-how or branding, which we require to deliver or enhance our services.<br><br>Kainos operates a Strategic Alliances Team to establish and manage relationships with all key partners.<br><br>Our partner managers have regular contact with key partners. |
| **6. Global macro-economic events**<br><br>Risk to:<br><br>Change: → | We may be affected by:<br>• The instability of the financial system, market disruptions or suspensions.<br>• A material downturn in the financial markets or an economic recession.<br>• The insolvency, closure, consolidation or rationalisation of parts of our customer base.<br>• Increased geopolitical instability.<br>• Disruption caused by the UK General Election. | **Potential impact**<br>If these events occur, they could harm our revenue, profit, growth and cash flow over a sustained period, result in higher costs and disruption to our business, damage our reputation or cause financial loss if customers do not renew their contracts.<br><br>**Mitigation**<br>We strive to build a balanced business, where our revenues are generated from many different sources, they are:<br>• from different service lines: Digital Services (56%), Workday Services (29%) and Workday Products (15%);<br>• derived from separate sectors: commercial (52%), public sector (36%) and healthcare (12%);<br>• spread over different regions: UK & Ireland (61%), North America (28%), Central Europe (11%) and the rest of the world (<1%); and<br>• from different business models: services (82%), subscriptions (14%), third party and other (4%).<br><br>In addition to this resilience in our revenue streams, we also have a considerable contracted backlog (typically over 85% of prior year revenues) that provides short-term protection. |

## RISK FACTORS AND UNCERTAINTIES
CONTINUED

| Risk | Description | Potential impact and mitigation |
|---|---|---|
| **7. Exchange rate fluctuations**<br>Risk to: Market<br>Change: No change of risk | There is a risk of material detrimental movement in foreign exchange rates. | **Potential impact**<br>This could harm our revenue, profit, growth and cash flow over a sustained period.<br>**Mitigation**<br>We have a treasury policy to mitigate currency risk, which we review and approve annually. |
| **8. Non-compliance with laws and regulations**<br>Risk to: People, Customers, Market<br>Change: No change of risk | We must comply with laws and regulations applicable to us and design our products and services to meet laws and regulations applicable to our customers. | **Potential impact**<br>Non-compliance could expose us to liability and/or fines, negatively impact profit and cash flow in the short-term and cause reputational damage.<br>**Mitigation**<br>Our finance and legal teams review draft and current regulatory and legislative requirements including, for example, the Network and Information Systems Regulations and GDPR and provide an impact assessment for the products and services that we deliver to customers.<br>Kainos' internal processes and systems are monitored with a view to ensuring compliance with applicable laws and regulations.<br>We have processes in place designed to ensure awareness of regulatory requirements and that the relevant information is appropriately disseminated. There are well established training and awareness activities.<br>In relation to bribery and corruption, we have established policies in place, with associated training. More details on these policies can be found in the 'Business Ethics' section of this report. |
| **9. Unsafe use of Generative AI**<br>Risk to: People, Customers<br>Change: new | The application of Artificial Intelligence technology without appropriate safeguards or ethical considerations could lead to the mishandling of sensitive data, privacy violations and reputational damage through bias, discrimination or use of technology which doesn't consider ethical concerns. | **Potential impact**<br>Unsafe use of AI technology could lead to financial penalties. This could be due to non-adherence to data privacy regulations such as GDPR, or instances of copyright infringement. Reputational damage could result as a consequence of publishing unverified and/or biased content generated by AI models or through failure to deliver AI projects with established governance standards.<br>Reluctance to embrace AI technology may adversely affect Kainos' competitive advantage due to missed opportunities and an inability to benefit from the efficiencies that AI technology can offer.<br>**Mitigation**<br>Kainos has appointed a Chief Artificial Intelligence Officer who drives the strategy and strategic execution of the use of AI by our business. This includes overseeing the safe and appropriate use of Artificial Intelligence tools by our Company, both internally and in delivery to our customers. In addition, Kainos has established AI governance and technology governance structures, including senior management, to provide guidance and recommendations as well as to continue to evaluate and monitor the risk of AI technology use. |

**Key**
People Customers Market Increased risk No change of risk Decreased risk

# VIABILITY AND NON-FINANCIAL AND SUSTAINABILITY INFORMATION

### Viability statement

In accordance with Provision 31 of the UK Corporate Governance Code, the Directors have assessed our viability over a three-year period, ending 31 March 2027. In making this assessment, the Directors have assessed the prospects of the Group by considering the Group's current financial position, its recent and historic financial performance and forecasts, its business model and strategy and the principal risks and uncertainties.

The Directors have reviewed the period used for the assessment and consider that three years remains appropriate. Three years is considered sufficient to assess the rate of change in each of our three divisions and is appropriate given the nature and investment cycle of a technology business. It also aligns with our strategic planning timeline.

In performing the assessment, the Directors considered our long-term strategy and focus, the growing demand for our products and services, the increasing level of recurring revenue and low customer attrition, the track record of strong cash generation and the healthy cash balance, with no debt from financial institutions.

The Directors also considered the risks of regional and political changes in our main markets on each of our business areas.

The Board believes that our global structure means we are less susceptible to the effects of regional changes, as the vast majority of our costs are incurred in Sterling and most revenue is also earned in Sterling. Revenues earned in foreign currency, including the Euro and US Dollar, have most of their associated costs in the same foreign currency.

We remain optimistic that we are well positioned to help public and private sector organisations in their digital transformation initiatives. We have a proportionally low fixed cost base, which enables swift responses to adverse economic conditions when required, further supported by our strong cash position, low capital commitments and no borrowings.

The Directors' review included sensitivity analysis on the Group's future performance and solvency over three years, taking into account severe but reasonable scenarios for the principal and emerging risks facing the business. Based on this assessment, the Directors have a reasonable expectation that should these risks manifest themselves, either all or in part, the Group can manage and mitigate the adverse outcomes, such that we will be able to continue in operation and meet our liabilities as they fall due over the three-year period of their assessment. In doing so, we recognise that such assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

Based on their assessments of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due, for at least the next three years.

### Non-financial and sustainability information statement

We comply with the non-financial reporting requirements contained in sections s.414CA and 414CB of the Companies Act 2006. The information provided above is to help our stakeholders understand our position on key non-financial matters, specifically employees, social matters, respect of human rights, environmental matters, and anti-corruption and anti-bribery matters.

The Strategic Report was approved by the Board and signed on its behalf by:

**Russell Sloan**
Chief Executive Officer
17 May 2024

# DIRECTORS' BIOGRAPHIES

**Tom Burnet**
(aged 56),
Chair

Tom graduated with an MBA from the University of Edinburgh. In addition to his responsibilities at Kainos, Tom is Non-Executive Chairman of The Baillie Gifford US Growth Trust plc, Non-Executive Chairman at Aker Systems and Non-Executive Chairman at Trading Apps. He is also a Non-Executive Director of the BMO Private Equity Trust and at Pipedrive.

He started his career as an Army Officer serving in the Black Watch (R.H.R.) and is a member of the King's Bodyguard in Scotland.

Tom was appointed Company Chair on 26 September 2019, having joined the Board at the Company's admission to the market in July 2015. He is Chair of the Nominations Committee and a member of the Remuneration Committee.

**Russell Sloan**
(aged 48),
Chief Executive Officer (CEO)

Russell joined Kainos on 21 June 1999, as a trainee software engineer, before embarking on a series of leadership roles. Russell led the Kainos Services division from 2013, growing the division from 35 people to the global team of over 1,500 people it is today, delivering digital transformation for government, healthcare, and commercial sector organisations.

Russell was appointed CEO of Kainos on 21 September 2023.

Russell studied Electrical Engineering at Queen's University Belfast and is a Chartered Engineer. He is an alumnus of Stanford Graduate School of Business and Darden Graduate School of Business, University of Virginia.

**Richard McCann**
(aged 59)
Chief Financial Officer (CFO)

Richard is a Fellow of the Institute of Chartered Accountants in Ireland and trained with Coopers & Lybrand, before moving into industry with Galen Holdings plc. He joined Galen as financial controller of a start-up subsidiary in the US and subsequently became Senior Vice President in charge of Corporate Finance, with responsibility for acquisitions and investor relations. He was Managing Director of two subsidiaries in the Almac Group, including a US subsidiary that provides software development services for pharmaceutical companies. Richard joined Kainos in 2011 and was appointed to the Board on the Company's admission to the market on 10 July 2015.

**Andy Malpass**
(aged 62)
Independent Non-Executive Director

Andy graduated with a BA (Hons) in Accounting and Finance from Lancaster University and is a Fellow of the Chartered Institute of Management Accountants. He has almost 40 years' experience in the software industry, covering both private and public companies. Most recently, Andy was Group Finance Director of Fidessa Group plc (formerly Royalblue Group plc) which he joined in 1995, and where he has also been Company Secretary. He is currently a Non-Executive Director and chair of the Audit Committee of accesso Technology Group plc. Andy was appointed to the Kainos Board on the Company's admission to the market on 10 July 2015. He is Chair of the Audit Committee.

**Key**

- Nominations Committee
- Remuneration Committee
- Audit Committee
- Chair of the Committee

**Katie Davis**
(aged 59)
Independent Non-Executive Director

Katie holds a BS in Electrical Engineering from the University of Illinois at Champaign/Urbana. She is an experienced leader, with a strong track record of delivery in both the public and private sectors. She joined Accenture's Chicago office in 1987, moving to London in 1988 and becoming a partner in Accenture's Customer Relationship Management practice in 2000.

In 2005, Katie joined the Cabinet Office, with responsibility for increasing the capacity and capability of UK central government and the wider public sector to deliver large-scale IT-enabled business change. She subsequently held several senior positions in the Cabinet Office, Home Office, Department of Health and NHS. In 2012, Katie was named as one of the 25 most influential women in IT by Computer Weekly.

Katie was appointed to the Board on 28 November 2019. She is Chair of the Remuneration Committee and a member of the Audit Committee and Nominations Committee.

**James Kidd**
(aged 53)
Independent Non-Executive Director

James is a Chartered Accountant and joined AVEVA in 2004. Prior to his appointment to the Board, James held several senior finance roles within the AVEVA Group and was appointed CFO in 2011.

James was Chief Executive Officer from January 2017 to February 2018, leading the merger with the Schneider Electric industrial software business before being appointed Deputy CEO and Chief Financial Officer of the enlarged AVEVA Group.

During his time on the board, AVEVA grew to over 6,500 people globally, with revenues of £1.2 billion. James stepped down from AVEVA in March 2023 following the acquisition of the company by Schneider Electric at an enterprise valuation of £10.6 billion. Prior to joining AVEVA, James worked for Arthur Andersen and Deloitte, serving technology clients in both transactional and audit engagements.

James was appointed to the Board on 1 October 2023. He is a member of the Audit & Risk Committee and the Remuneration Committee.

**Rosaleen Blair**
(aged 58)
Independent Non-Executive Director

Rosaleen is the founder and Chair of AMS, an outsourcing and consulting business, specialising in the global workforce solutions industry. She created the company in 1996 with the ambition of transforming the way blue-chip multinationals attract, engage, and retain top talent. Rosaleen was CEO of AMS for 23 years, leading the business from a start-up to a global business working in partnership with clients such as Deloitte, HSBC, Novo Nordisk, Rolls-Royce, and Santander. AMS has 11,000 employees and operates in 100 countries.

Rosaleen is a serial entrepreneur and adviser to numerous companies. She is also the Chair of Everywoman, an organisation dedicated to the advancement of women in business. Rosaleen is involved in several not-for-profit initiatives, notably serving as Chair of the London Irish Centre and as an Enterprise Fellow of The Prince's Trust. She was the returning Chair of EY's World Entrepreneur of the Year Awards in 2022.

Rosaleen is recognised as an industry leader and entrepreneur, winning numerous awards including Veuve Clicquot Businesswoman of the Year (2007) and EY London Entrepreneur of the Year (2006). She was awarded a CBE in the 2017 New Year's Honours list for services to business and recruitment.

Rosaleen was appointed to the Board on 1 January 2021. She acts as Deputy Chair, and is a member of the Nominations Committee, Remuneration Committee and Audit Committee.

# CORPORATE GOVERNANCE REPORT

The Board believes in strong governance, and we recognise the importance of complying with the various aspects of the UK governance framework. This section of the Annual Report outlines how we maintain high standards of corporate governance, as well as summarising how each Board Committee functions and their work during the year.

## Statement of application of and compliance with the UK Corporate Governance Code 2018

This section explains how we have applied the principles of the 2018 UK Corporate Governance Code ('the Code'), which is available at www.frc.org.uk.

Throughout the financial year ended 31 March 2024 the Company fully complied with all of the provisions of the Code.

## Board leadership and Company purpose

Aligned with our strategy, the Board's role is to deliver long-term success for Kainos and create value for its stakeholders. Our purpose, values and strategy are set out in full in the Strategic Report. Board governance contributes to the delivery of the strategy in several ways: by actively participating in the development, review, and approval of the Company's strategy and ensuring alignment with long-term value creation; by exerting a challenge function, probing key assumptions; by ensuring that execution of the strategy aligns with the Company's values; by leveraging its experience and knowledge to provide expertise and insights into the proposed strategy, its delivery and its iteration.

## Stakeholder engagement

The Group's long-term success depends on how it interacts with its stakeholders. The Board welcomes interaction with all stakeholders and is always available to employees, customers, shareholders, and communities, as an alternative to meetings with the Executive Directors.

Full details of our stakeholder engagement are set out in our Section 172 Statement, which is in the 'Governance: our stakeholders' section in the Strategic Report.

## Board and workforce engagement

Continued dialogue between the Board and our workforce is an important part of the Kainos people approach. In addition to the Executive Directors' regular interactions across the wider business, colleagues are invited to get Board feedback on key people initiatives. Examples in 2024 included our People Promise programme (including our employee brand and projects to improve our employee and candidate experience) and our L&D and Tech Outreach roadmaps. Workforce engagement mechanisms are reviewed annually by the Nominations Committee, to ensure that they are operating effectively and remain effective. Our Workforce engagement mechanisms are iterated, where the Board feels that improvements can be made, for example, the move to Peakon to benefit from the two-way engagement and insights offered by it.

### Our Culture and Development Group (CDG)

This strategic committee comprises senior representatives from our different business areas offering perspectives from a sector, practice, region and technologist point of view. Chaired jointly by our CEO and Chief People Officer, the CDG oversees our people and continuous improvement agenda, aligned to our corporate strategy. The work of CDG has been further enhanced this year with the introduction of our continuous listening tool, Peakon. The insights provided by our Peakon global monthly surveys allow CDG to focus on the projects that matter most for our people.

The CDG meets monthly, our Peakon focus areas being mental and physical wellbeing, personal and professional growth and total reward. Improvements driven through CDG included updates to people policy; targeted wellbeing, diversity and inclusion and climate action campaigns; the review and improvement of our talent management, promotions and hiring processes; and the refresh of our people intranet to better enable colleagues to self-serve the information they need. These projects are part of a wider improvement programme that we call our People Promise, based on what our people tell us through Peakon.

In 2020 we expanded the remit of the CDG, to make it a formal workforce advisory panel, in accordance with Provision 5 of the Code. A CDG group member regularly presents to the Nominations Committee and is invited periodically to attend and participate in the Remuneration Committee. This process continues to be positively received by all involved. The Remuneration and Nominations Committees report the findings of their respective meetings to the full Board.

### Direct engagement

The Board schedules include regular presentations from colleagues who have been leading key or innovative projects, involved in winning a significant contract or responsible for an important area of our business. There were 13 such presentations to the Board during the year.

The Board's schedule also includes meetings with the Group's senior leaders, typically in a social setting. Post pandemic, the Board was pleased to resume meetings and Board dinners with the Group's Executive Team, senior leaders and colleagues.

### Workday Peakon – listening to and engaging with our people

As well as interactions with the Executive Team, senior leaders and colleagues, the Board continues to receive monthly updates on our people approach and key metrics, including engagement, retention and recruitment.

Since moving away from our 'Best Companies' annual survey in February 2023 to a new Peakon monthly listening tool, we have built a dataset that provides comprehensive insights into the sentiment of our people across key areas of engagement, wellbeing and diversity. Executive and other senior colleagues can review and respond to the anonymous employee feedback in real time, and our Board receives a full update on our engagement trends, strengths, issues and priorities on a six-monthly basis. In addition, we can compare our company level engagement scores with c.350 other IT and software companies and compare the scores for teams within Kainos.

### Our global Diversity and Inclusion Group (D&I Group)

The D&I Group comprises diverse colleagues from across Kainos. It informs the D&I plan, ensuring policies, processes and behaviours are inclusive and that our people are educated. The D&I group works to create a workplace that reflects and contributes to the diverse global communities in which Kainos operates. With the support of five employee network groups, representing people with disabilities, women, ethnic diversity, LGBTQ+ and neurodivergent colleagues, the group champions and supports the delivery of D&I initiatives throughout Kainos.

The D&I Group reports quarterly to our leadership teams and every six months to the Nominations Committee, which cascades to the Board.

Further information on our policy, objectives and progress during the year can be found in the 'Social: our people and our communities' section of the Strategic Report.

## Board responsibilities

The Board is responsible for our corporate governance and delegates operational control to the Executive Directors.

There is a written 'Schedule of Matters Reserved for the Board', which covers key areas of the Group's affairs. This includes:

- approving the Annual Report and full year and interim results announcements;
- adopting budgets or business plans;
- decisions on acquisitions, disposals and material financial commitments;
- approving circulars, listing particulars and resolutions; and
- releasing inside information.

The Directors can seek independent legal advice at the Company's expense, if needed to carry out their duties. The Directors also have access to the Company Secretary's advice and services.

## Division of responsibilities

We have a formal written policy, available on the Investor Relations section of our website, setting out the division of responsibilities between the Chair, CEO and Senior Independent Director (SID), so their roles complement each other.

As Chair, Tom Burnet is principally responsible for leading the Board, promoting constructive debate among the Directors, facilitating communication with shareholders, and overseeing strategy. In accordance with Code Provision 3, the Chair engages with shareholders on various topics raised, addressing enquiries, setting out our position and offering to discuss further, where required, in person or virtually. In addition, the Chair and all the Board are available to meet with shareholders at the Group's Annual General Meeting.

As CEO, Russell Sloan is responsible for all aspects of our operations. He leads and develops our strategic plans and identifies risk factors.

As SID, Andy Malpass provides a sounding board for the Chair and acts as an intermediary for the other Directors and shareholders.

Shareholder engagement is primarily the responsibility of the Executive Directors, supported by the Investor Relations team. Our CEO and CFO meet analysts and institutional shareholders throughout the year, with detailed updates following our interim and full year results. Regular feedback from these meetings is provided to the Board. Formal feedback is also obtained by our PR and financial advisors and reported to the Board.

## Board changes during the year

The following Board changes occurred during the year:

- On 21 September 2023, Brendan Mooney stepped down as CEO and as a Board Director.
- On 21 September 2023, Russell Sloan was appointed as CEO and as a Board Director
- On 1 October 2023, James Kidd was appointed as Non-Executive Director and as a member of the Audit and Risk Committee and the Remuneration Committee.

## Board Committees

The Board's principal committees are the Audit, Nominations and Remuneration Committees. Their terms of reference can be found in the Investor Relations section of our website.

In addition to the Board Committees, the Disclosure Committee supports the Group and the Board in the identification, assessment, and control of potentially sensitive information, ensuring compliance with market reporting obligations. The Disclosure Committee members include the Chair, Chief Executive Officer, Chief Financial Officer, Senior Independent Director, and the General Counsel.

# CORPORATE GOVERNANCE REPORT
CONTINUED

## Board and Committee membership

The table below shows the Board and Committee responsibilities of the Directors who served during the year:

| | | Board | Audit | Remuneration | Nominations |
|---|---|---|---|---|---|
| Tom Burnet | Chair | Chair | – | Member | Chair |
| Brendan Mooney | CEO[22] | Member | – | – | – |
| Russell Sloan | CEO[23] | Member | – | – | – |
| Richard McCann | CFO | Member | – | – | – |
| Andy Malpass | Senior Independent Director and Independent NED | Member | Chair | – | – |
| Katie Davis | Independent NED | Member | Member | Chair | Member |
| Rosaleen Blair | Independent NED | Member | Member | Member | Member |
| James Kidd | Independent NED[24] | Member | Member | Member | – |

## Board and Committee meeting attendance

To ensure that Directors are fully briefed, a Board pack containing comprehensive Board and Committee papers is uploaded to a secure Board intranet site, approximately one week prior to scheduled meetings.

The Board meets formally on a regular basis and schedules additional meetings if needed, to consider specific issues. During the year, the Board held 13 scheduled meetings.

In addition, the Chair holds two scheduled meetings with the Non-Executive Directors without the Executive Directors present.

The Directors' attendance at Board and Committee meetings is shown below:

| | Board meetings attended | Audit Committee meetings attended | Remuneration Committee meetings attended | Nominations Committee meetings attended |
|---|---|---|---|---|
| Tom Burnet | 13/13 | – | 5/5 | 2/2 |
| Brendan Mooney[25] | 5/5 | – | – | – |
| Russell Sloan[26] | 8/8 | – | – | – |
| Richard McCann | 13/13 | – | – | – |
| Andy Malpass | 13/13 | 3/3 | – | – |
| Katie Davis | 13/13 | 3/3 | 5/5 | 2/2 |
| Rosaleen Blair[27] | 11/13 | 2/3 | 5/5 | 2/2 |
| James Kidd[28] | 7/7 | 2/2 | 3/3 | – |

(22) Brendan Mooney with effect up until 21 September 2023.
(23) Russell Sloan with effect from 21 September 2023.
(24) James Kidd with effect from 1 October 2023.
(25) Brendan Mooney has attended all Board and/or Committee meetings which have fallen within his period of tenure during the year.
(26) Russell Sloan has attended all Board and/or Committee meetings which have fallen within his period of tenure during the year.
(27) Rosaleen Blair was absent from two Board meetings and one Audit and Risk meeting as she was recovering following a period of ill health. Rosaleen received and read all associated Board and Committee board packs and the minutes of these meetings. She also held follow up debriefing calls with the Company Chair and the Audit & Risk Chair.
(28) James Kidd has attended all Board and/or Committee meetings which have fallen within his period of tenure during the year.

### Board independence

We consider the Board's size and composition to be appropriate, considering the Directors' combined experience and skills. In making this assessment, we considered the independence criteria set out in Provision 10 of the Code.

We carried out due diligence on each Non-Executive Directors' (NED) independence before they joined the Board and when we invited incumbent NEDs to serve for another term. The Board confirms that Tom Burnet, Andy Malpass, Katie Davis, Rosaleen Blair and James Kidd are independent in character and judgement. The Board meets the Code requirement that at least half the Board, excluding the Chair, should be NEDs whom the Board considers to be independent.

The Directors' interests in the Company's shares and share incentives are detailed in the Directors' Remuneration Report.

### Director election and re-election

At the 2024 AGM, all current Directors will retire. All Directors will stand for re-election, except for Andy Malpass and Tom Burnet who will step down immediately following the AGM. Andy and Tom have served on the Board since the Company's admission to the main market on 10 July 2015 and on 10 July 2024 will have served on the Kainos Board for the recommended maximum nine-year tenure.

### Conflicts of interest

As a standing item at the beginning of each Board meeting, the Directors are reminded of their obligations to identify, declare, and manage actual or potential conflicts of interest. In addition, the Register of Interests is updated to reflect new external appointments and resignations.

The Articles of Association allow the Directors to consider and, if they deem fit, authorise conflicts of interest. The Articles of Association set out the process for authorising conflicts of interests. Should a conflict occur, it would be recorded in the Board minutes and on a register maintained for annual review by the Nominations Committee and the Board.

No conflicts arose in the year ended 31 March 2024.

## COMPOSITION, SUCCESSION AND EVALUATION

### Board and Executive composition, balance and diversity

A stable Board that contains the right balance of skills and experience is crucial to strong governance, so we take Board appointments very seriously.

Our Board comprises an independent Non-Executive Chair, four further Independent Non-Executive Directors and two Executive Directors. Further information can be found in our Directors' biographies.

Two (40%) of our five Non-Executive Directors are women (2023: 50%). Including the Executive Directors, 29% of our Board are women (2023: 33%). All Board members identify 'White/European' as their ethnic group.

Although we have not met the Listing Rule requirement on diversity targets in the current year, the Board is fully supportive of and is actively working towards compliance. The additional diversity requirements align with our D&I principles. The Board is continuing to recruit, as part of succession planning for those Non-Executive Directors who will step down in 2024, having by then served on the Kainos Board for the recommended maximum nine-year tenure.

This recruitment activity provides an opportunity for us to achieve compliance with the Listing Rule targets on gender, ethnicity, and female director in a senior Board position. Shortlisting has been completed and members of the Nominations Committee are currently conducting first stage interviews. To achieve a fair and balanced selection process, shortlisting and interview panels consist of equal numbers of men and women with diverse skillsets and levels of experience.

We expect to achieve full compliance with the Listing Rule requirements during 2024, as set out in the 'Board composition' section of the Nominations Committee Report.

# CORPORATE GOVERNANCE REPORT
CONTINUED

The table below sets out our performance against the FCA Listing Rules requirements. Data is self-reported by the Board and collected through VIBE for all other employees. Further information relating to VIBE is contained within the Environmental, Social and Governance section of the Strategic Report.

| | Number of Board members | Percentage of the Board | Number of senior positions on the Board (CEO, CFO, SID, Chair) | Number in executive management | Percentage of executive management |
|---|---|---|---|---|---|
| Men | 5 | 71% | 4 | 15 | 88% |
| Women | 2 | 29% | – | 2 | 12% |
| Other | – | – | – | – | – |
| Not specified | – | – | – | – | – |

| | Number of Board members | Percentage of the Board | Number of senior positions on the Board (CEO, CFO, SID, Chair) | Number in executive management | Percentage of executive management |
|---|---|---|---|---|---|
| White British or other White (including minority-white groups) | 7 | 100% | 4 | 16 | 94% |
| Mixed Multiple Ethnic Groups | – | – | – | – | – |
| Asian/Asian British | – | – | – | – | – |
| Black/African/Caribbean/Black British | – | – | – | – | – |
| Other ethnic group including Arab | – | – | – | – | – |
| Not specified/prefer not to say | – | – | – | 1 | 6% |

### Board appointment process

The Nominations Committee oversees Board appointments. Before a new Non-Executive Director is appointed, they must confirm that they can allocate sufficient time to carry out their duties and responsibilities effectively. There is a minimum 20-day commitment, each year, which is set out in the letter of appointment.

Each Non-Executive Director is appointed for an initial 12-month term, which we expect to extend to three years, subject to a three-month notice period and annual re-election by shareholders at the AGM. At the end of the three years, the Board may invite a NED to continue for a further period, if the Board is satisfied with their performance, independence, and time commitment.

When joining the Board, Non-Executive Directors receive a thorough, formal and tailored induction process. The Senior Independent Director and Chair regularly review the Directors' training and development requirements. Directors receive ongoing updates to improve their skills and knowledge, when needed.

All Directors' service agreements and letters of appointment can be requested from the Company Secretary and will be available to shareholders to view at the 2024 Annual General Meeting.

# NOMINATIONS COMMITTEE REPORT

Dear fellow shareholders,

As Chair of the Nominations Committee, I am pleased to present the Committee's Report for the year ended 31 March 2024.

The Nominations Committee plays a vital role in supporting the Board in discharging its succession planning responsibilities and ensuring that the Board has the correct balance of skills and experience to support the Company's long-term success and delivery on the strategy. This year has been a particularly important one as we have welcomed our new CEO, Russell Sloan and a new Non-Executive Director, James Kidd, who from the 1 June 2024, is taking up the important role as Chair of the Audit and Risk Committee.

Having joined the Board of Kainos immediately before our IPO in 2015 and having had the privilege of being the Chairperson of the Company and Nominations Committee since 2019, it is not my intention to stand for re-election at the September 2024 AGM. I am very pleased that our Deputy Chairperson, Rosaleen Blair, has agreed to take over as Chairperson of both the Company and the Nominations Committee on my retirement. I am certain that Rosaleen will be an outstanding Chairperson and I thank her for all her support since her arrival on the Board.

In September 2024 we also bid farewell to Andy Malpass who has also served as a Non-Executive Director since our 2015 IPO. Andy has been an outstanding member of the Board and Chair of the Audit and Risk Committee, and we all wish him a very happy retirement.

This report outlines how the Committee discharged the responsibilities delegated to it by the Board over the course of the year and the key issues it has considered during FY24.

I will be happy to answer any questions about the work of the Committee at the forthcoming AGM on 24 September 2024.

**Tom Burnet**
Chair
17 May 2024

### Committee membership and meetings

I have chaired the Nominations Committee since 26 September 2019. During the year, the Nominations Committee members were Katie Davis and Rosaleen Blair. The Committee's membership therefore complies with Provision 29 of the Code's requirements.

The Committee held two scheduled meetings during the year.

### Responsibilities

The Committee regularly reviews and updates its terms of reference, which are available on the Company's website.

The Committee's main responsibilities are to advise the Board and make recommendations on:

- the Board's size, structure and composition
- succession planning for Board members and the Executive Management Team and
- the appointment of new Directors and reappointment of existing Directors.

# NOMINATIONS COMMITTEE REPORT
CONTINUED

## Matters considered during the year

During the year ended 31 March 2024, the areas of focus and achievement for the Nominations Committee were:

### CEO succession

The Committee, supported by the Board and many of the wider senior leadership team, has been actively considering CEO succession for a number of years. A pool of potential internal candidates was identified, as it was felt strongly by the Committee that our preference was to develop our internal talent before looking externally for potential CEO replacements. We are delighted that over a number of years Russell Sloan emerged as an outstanding candidate for the role. Russell has been at the centre of developing our strategy over that period as well as running the largest part of our business, attending our Board meetings, and increasingly supporting investor meetings. The Committee and wider Board are confident he is the right person for the job and wish him every success as our third-ever Chief Executive.

### Board composition

For all Board appointments (and in all succession planning at Board and management levels), the Board ensures that recruitment and selection practices are transparent, fair and result in appointments based on merit and objective criteria, promoting diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths. In addition, search processes will use a wide range of channels, including advertising, to encourage applications from diverse candidates with relevant skills, experience, and knowledge.

Whilst achieving diversity in the technology sector presents challenges, due to the profile of the available talent pool, the Board is actively exploring ways to bolster diversity, concentrating on ethnicity, gender and diversity of experience, with a focus on bringing additional skills to the Board to support the Company's strategic objectives.

It is our strong belief that diversity creates a more inclusive corporate culture, better equips companies to navigate challenges and supports long-term strategic needs. The Board views diversity through a broad lens, to include gender, ethnicity, nationality, skills, social mobility and experience.

The Nominations Committee regularly reviews the wider Board's composition. This year the Committee continued the planned rotation of Non-Executive Directors to ensure the Board continues to meet the Code's independence criteria, that there is continuity at Board level and there is improved Board diversity.

During the year, the Nominations Committee has been coordinating the recruitment of two new Non-Executive Directors and we are delighted that one, James Kidd, joined the Board on 1 October 2023. As of 1June 2024, James will take over as Chair of our Audit and Risk Committee, ahead of Andy Malpass' planned retirement in September 2024. Immediately after the AGM on 24 September 2024. James will become our Senior Independent Director and Chair of the Disclosure Committee.

Immediately after the AGM on 24 September 2024, Rosaleen Blair will assume the role of Board Chair, from which time, the Board will meet the FCA Listing Rule requirements (at least one woman in a senior board position within its accounting period).

The Board will meet the FCA Listing Rule gender diversity target (40% of women on the board of directors) on Andy and Tom's retirement from the board on 24 September 2024.

Recruitment of a second Non-Executive Director is ongoing and good progress has been made. New Board appointments provide us with opportunities to exceed the targets on gender diversity set by the FCA Listing Rules (40% women on the board of directors within its accounting period), the FTSE Women Leaders Review (40% women on the board of directors by 2025) and to meet the ethnicity targets set by the Parker Review (one director from an ethnic minority group by December 2024). We are confident that this recruitment will help us to achieve these targets as of the shortlisted candidates, 80% of the candidates identify as women and 100% of the candidates are from an ethnic minority group. We believe this new appointment, alongside our existing board members will allow us to leverage the advantages that a more diverse Board brings.

### Succession planning

The Nominations Committee leads succession planning for Board and Executive level members, taking into account the evolving skills and experience the Board needs, and our desire to promote diversity on the Board.

The Nominations Committee discusses and reviews succession planning at each meeting, with a focus on diversity and good practice, talent retention, talent pipeline, training and development. The Nominations Committee recognises the importance of succession planning and its role in maintaining the quality of management and reducing instability following unforeseen events, such as the departure of a key individual.

All Executive Team roles and other roles deemed critical have a formal succession plan. These plans contain an emergency successor to ensure business continuity, as well as longer-term succession options. Development plans are put into place for potential successors, to address any developmental gaps and to ensure they are ready for the role. The Nominations Committee receives reports on progress with the development plans at each meeting.

This approach has been replicated for senior management roles – meaning critical senior management roles have emergency and longer-term successors identified with supporting development plans in place to ensure successors' readiness for the role when required.

In FY24, the Nominations Committee reviewed all Executive roles succession plans and had the opportunity to meet successors at Board presentations and/or in an informal setting at the Board dinner. In September 2023, the Nominations Committee overseen the smooth transition of Russell Sloan into the CEO role – this was a planned, four-year succession process. To establish a robust talent pipeline, Leadership programmes are in place to support and accelerate future leader development. Following further learning needs analysis, we have expanded our talent development programmes from three to five introducing two additional programmes in FY24 to further support leadership development at key careers and for minority groups. Our talent programmes now consist of key career stages:

- **Developing Leaders programme:** targeting employees who are early in their career and already displaying leadership potential.
- **Emerging Leaders programme:** aimed at mid-management employees who are developing leadership ability.
- **Engaging Leaders programme:** aimed at Senior Managers who are displaying leadership potential and are not currently identified on succession plan.
- **Inspiring Leaders programme:** for senior management who are recognised to be successors for future executive role within the business.
- **Empowering Leaders programme:** a course specifically designed for developing future senior women in leadership.

During FY24, 105 employees attended and graduated from across all talent programmes.

This year the Nominations Committee received updates on all of these talent development programmes including the outcomes achieved, business impact and the plans for further cohorts. There was a specific focus this year on the new Women in Leadership programme – "Empowering Leaders" – introduced as part of the Company's Diversity and Inclusion Strategy to help develop women to fulfil senior roles within Kainos.

Fourteen women in senior management positions completed the programme in FY24. Upon hearing the successful achievements delivered from the first cohort of the programme, there was a "strong recommendation" to run a second cohort of the programme in FY25.

The Nominations Committee also plans for rotation of Non-Executive Directors, to ensure the Board retains a balance of Non-Executive Directors with knowledge of Kainos, while adding new skills and experience and maintaining independence.

## Board evaluation

During the year, we undertook an external evaluation of the Board's performance, by Lintstock. The evaluation process sought views from all Directors and the Company Secretary, through a comprehensive questionnaire covering:

- Board Composition
- Stakeholder Oversight
- Board Dynamics
- Board Support
- Board Committees
- Focus of Meetings
- Strategic Oversight
- Risk Management and Internal Control
- People Oversight
- Priorities for Change

The evaluation concluded that the Board was either highly or very highly rated overall. The biggest focus area was Board composition, and the evaluation highlighted the scope to improve on diversity, particularly in terms of ethnicity.

The Nominations Committee discussed the survey results at the January 2024 meeting where the Company Secretary presented the results to the Board, giving the Directors the opportunity to discuss the outcomes and identify priorities for 2024.

The survey concluded that the Board is operating effectively, and that each Director continues to perform effectively and demonstrates commitment to their roles.

The Non-Executive Directors also evaluated the Chair's performance. The SID, Andy Malpass, confirmed that the Chair continues to perform effectively, as supported by the evaluation results.

The next formal Board evaluation is scheduled for December 2024 and will be internally facilitated.

# AUDIT, RISK AND INTERNAL CONTROL AUDIT COMMITTEE REPORT

As Chair of the Audit Committee, I am pleased to present the Committee's Report for the year ended 31 March 2024.

The Audit Committee continues to fulfil a vital role in the Company's governance framework, providing valuable independent challenge and oversight of the accounting, financial reporting and internal control processes, risk management, and the relationship with the external auditor.

This report outlines how the Committee discharged the responsibilities delegated to it by the Board over the course of the year and the key issues we have considered during FY24.

This report should be read in conjunction with the Independent Auditor's Report and the financial statements of Kainos Group plc.

During the year we welcomed James Kidd to the Committee, bringing his immense relevant experience from his many years at AVEVA. I am pleased to announce that James will succeed me as Chair of the Audit Committee, effective 1 June 2024. I have no doubt that James will be an exceptional Chair of this Committee and I wish him every success in this role

I look forward to attending our forthcoming AGM on 24 September 2024 and will be happy to answer any questions regarding the work of the Committee.

**Andy Malpass**
Chair of the Audit Committee
17 May 2024

## Composition

In addition to myself as Chair, the Committee comprises Katie Davies, who has been a member of the Committee since November 2019, Rosaleen Blair, who joined the Committee in September 2021, and as mentioned above, James Kidd who joined the Committee during the year, in October 2023.

The Code (Provision 24) requires that at least one member of the Committee has recent and relevant financial experience. The Disclosure Guidance and Transparency Rules (DTRs) require that at least one member has competence in accounting and/or auditing. I have chaired the Audit Committee since June 2015 and my previous experience includes serving as Finance Director of Fidessa Group plc for over 20 years until October 2015, and from June 2018, serving as a Non-Executive Director and Chair of the Audit Committee of accesso Technology Group plc. James Kidd, a chartered accountant, also brings a wealth of relevant financial experience having served as CFO, Deputy CEO and CEO during his 12 year tenure on the Board of AVEVA Group plc. The Board is satisfied that we more than meet the requirements of the Code in this regard.

All Audit Committee members are Independent Non-Executive Directors. The range and depth of our financial and commercial experience enables us to deal effectively with the matters we are required to address and to challenge management when necessary. Further details of the Committee members' experience are located in the Directors' biographies. The Board is satisfied that the Committee has the necessary competence and broad experience relevant to the sector in which Kainos operates.

The Company Secretary is secretary to the Audit Committee.

## Responsibilities

The Audit Committee regularly reviews and updates its terms of reference, which are available at www.kainos.com/investor-relations.

The Audit Committee's main responsibilities include:

- monitoring the integrity of the financial statements, including the annual and interim reports, full-year results announcements, and any other formal announcements relating to the Group's financial performance;
- advising the Board that the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- challenging the appropriateness of accounting policies and practices, and ensuring consistent treatment year to year;
- monitoring and reviewing the adequacy and effectiveness of our internal financial controls and our internal control and risk management systems;
- making recommendations to the Board on the appointment and remuneration of the external auditor; and
- reviewing and monitoring the external auditor's performance, expertise, independence and objectivity, along with the scope and effectiveness of the audit process.

## Evaluation

The Committee's performance was externally evaluated during the year by Lintstock. The evaluation process sought views from all Directors and the Company Secretary, through a comprehensive questionnaire covering:

- Composition, meetings and information
  - The composition of the Committee
  - The meetings of the Committee
  - The information/support received
  - The performance of the Committee
- The work of the Audit Committee
  - Committee relationships/communication
    - CFO
    - External audit partner
  - Assessment of internal/external audit
  - Performance in key areas, namely:
    - Significant accounting judgments
    - Financial reporting
    - The control environment
    - Risk management systems
  - Invitation to identify any causes for concern with a focus on:
    - Financial health
    - Accounting treatment
    - Risk exposure
- Priorities for change
  - Overall performance and suggestions for improvement

The evaluation concluded that the Committee's performance was very highly rated overall.

## Audit Committee meetings and key activities during 2023/24

The Committee held three meetings during the year and member attendance at these meetings is detailed within the Corporate Governance Report. Only the Committee's members have the right to attend its meetings. However, the Committee will invite Executive Directors, members of the finance team, senior representatives of the external auditor and other senior management, including those presenting to the Committee on risk-related matters, to attend as required. If the presence of any attendee is inappropriate or might compromise discussion, then the Committee will ask them to recuse themselves from that part of the meeting.

The Committee has a broad agenda, which focuses on the Group's assurance, risk and audit processes.

The Committee's principal activities during the financial year were as follows:

### May 2023

- Review of the external auditor's report to the Audit Committee for the year ended 31 March 2023.
- Review of any significant judgements and issues in relation to the financial statements.
- Review and approval of the Group's going concern and viability statements. In assessing viability, the Committee considered the Group's position as presented over a three-year period as well as a number of scenarios modelled by management.
- Review and recommendation to the Board to approve the Final Results Announcement and the 2023 Annual Report, concluding it was fair, balanced and understandable.
- Review and conclude on the effectiveness of our external auditor.
- Review of the Group's Incident Management process.
- Review of the Group's Enterprise Risk Register.

### November 2023

- Review of the Interim Report, including the going concern statement and key disclosures, and recommendation of its approval to the Board.
- Review of auditor performance.
- Review of the Group's Enterprise Risk Register.
- Information security update.
- Group insurance update.

### February 2024

- Review of the external auditor's audit plan and strategy for the year ended 31 March 2024.
- Review of internal audit activities and requirements.
- Review of Group treasury function.
- Review of Group legal and compliance matters.
- Task Force on Climate-related Financial Disclosures (TCFD) update.

# AUDIT COMMITTEE REPORT
CONTINUED

## External audit

The Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making the recommendation on the appointment, reappointment or removal of the Group's external auditor.

During FY22 we ran a competitive audit tender process, resulting in KPMG's appointment at the AGM in September 2021.

The Company confirms that it complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the financial year ended 31 March 2024.

## Auditor independence and objectivity

The Audit Committee has received written confirmation from KPMG that it considered itself to be independent. The current audit partner is John Poole, who has been in the role since KPMG's appointment in September 2021. Audit partners for listed companies are ordinarily rotated every five years.

The Company has a non-audit services policy in place to ensure that the provision of non-audit services by the external auditor does not impair its independence or objectivity. Other than the review of the interim financial statements for the period ended 30 September 2023, KPMG has not provided any non-audit services during the year. The Group has engaged other independent firms for tax consulting work and other assignments, to ensure KPMG's independence and objectivity is not compromised. Fees paid to KPMG for auditing the consolidated financial statements are set out in note 6 of the consolidated financial statements.

## Effectiveness of the external auditor

The Audit Committee reviews the effectiveness and quality of the external auditor on an ongoing basis, to ensure a high-quality external audit process. During the year the Audit Committee specifically considered the following:

- the audit plan, including identified significant risks, presented at the February 2024 meeting;
- the robustness and perceptiveness of KPMG in its handling of key accounting and audit judgements;
- the relevant experience and expertise demonstrated by the audit team in its direct communication with, and support to, the Committee;
- engagement with our finance team in planning the audit and its execution; and
- the content, quality of insight and added value of formal reports presented to the Audit Committee prior to meetings.

The Committee considers the external audit performance effective.

## Significant issues related to the financial statements

In May 2024 the Committee reviewed the 2024 Annual Report including the financial statements, the Full Year Results Announcement for the year ended 31 March 2024 and reports from the external auditor on its audit of the financial statements and Annual Report.

The Audit Committee's prime areas of focus were:

- the integrity, completeness and consistency of financial reporting, including the adequacy, clarity and appropriateness of disclosures and compliance with financial reporting requirements;
- assisting the Board in assessing whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy;
- the significant judgements and key sources of estimation uncertainty in the financial statements;
- the external audit scope and programme, along with the quality and effectiveness of external audit processes;
- the materiality level used by the external auditor, concluding that its basis should be consistent with the previous year;
- whether the going concern basis of accounting should continue to apply in preparing the financial statements and whether the period covered by the viability statement was appropriate;
- reviewing the processes and systems to identify and mitigate financial and non-financial risks and considering the appropriateness of the controls to reduce the risk of fraud and exposure to bribery and corruption; and
- the appropriateness of the 'whistleblowing' procedures in place, for staff to confidentially raise concerns about possible improprieties.

## Key assumptions, judgements and estimates

We identified the matters below as being significant in the context of the FY24 financial statements. We consider these areas to be significant taking into account the level of materiality and degree of judgement exercised by management. We discussed the issues in detail to ensure that the approaches taken were appropriate. This included reviewing presentations and reports from both management and the external auditor.

| Area | Committee review |
|---|---|
| **Revenue recognition** | • The Committee continues to oversee management's application of the revenue recognition policy. The Group has a clear revenue recognition policy as described in note 3 of the consolidated financial statements, which is reviewed at least annually. During the year there have been no changes to the Group's revenue recognition policy.<br>• We reviewed and challenged judgements, assumptions and estimates made by management with respect to the level of contract or fixed price provisioning for rectification and irrecoverable accrued income.<br>• We received and considered the updates from KPMG on the findings from their procedures over revenue recognition during the year.<br>• We are satisfied that the Group's processes and internal controls are appropriate and revenue recognition is in line with IFRS15 'Revenue from contracts with customers'. |
| **Development costs** | • We received updates from management on accounting for development costs.<br>• In conjunction with product leaders within the business, management update an operational document which details development expenditure by product/module incurred during the period and an assessment of this expenditure against the capitalisation criteria as set out in IAS38 'Intangible Assets'.<br>• We are satisfied that accounting for development costs is in line with accounting standards. |
| **Tax strategy** | • We recognise the tax complexity and risk related to the Group's multinational operations and the areas of uncertainty that arise.<br>• We considered:<br>– the appropriateness of deferred tax assets and tax provisions;<br>– an update from management on accounting for RDEC, and its impact on the reported results;<br>– the application of the Group's transfer pricing policy and its impact on the reported results.<br>• We are satisfied the treatment adopted is fair and reasonable in all circumstances.<br>• The Group's UK tax strategy is available on the Group's website at www.kainos.com/information/uk-tax-strategy. |
| **Acquisition accounting** | • We received updates from management with regards to the accounting treatment for the acquisition of RapidIT-Cloudbera, completed during the year.<br>• In particular, we considered the judgement applied in accounting for the agreed purchase consideration.<br>• We are satisfied that accounting for this acquisition is in line with IFRS3 'Business Combinations'. |
| **Going concern and viability** | • We reviewed management's process for assessing the Group's longer-term viability, including the determination of the period over which viability should be assessed, the appropriateness of the scenarios identified in light of the Group's principal risks and uncertainties and the reasonableness of key assumptions used by management in calculating the financial impact of a viability scenario arising.<br>• The Committee was satisfied with management's work and supported the conclusions reached in respect of the Company's going concern and longer-term viability. |

There were no material changes to significant accounting policies during the year ended 31 March 2024.

# AUDIT COMMITTEE REPORT
CONTINUED

### Financial Reporting Council (FRC) review

In March 2024, the FRC's Corporate Reporting Review team notified the Audit Committee of its review of the Company's Interim Report for the period ended 30 September 2023.

The FRC did not require a substantive response to their review and no queries or questions were raised. The FRC highlighted a number of areas where users of the accounts could benefit from improvements to existing reporting. These areas were fully considered in the preparation of this Annual Report.

The scope of this FRC review was limited to consider compliance with reporting requirements only and not to verify the information contained in the Interim Report.

### Risk management and internal control

The Board is ultimately responsible for the Group's system of internal controls and risk management and for reviewing their effectiveness. The system of internal controls is designed to manage risk, rather than eliminate it, and can provide only reasonable and not absolute assurance against material misstatement or loss. This includes the risk of failure to achieve business objectives. The concept of reasonable assurance recognises that the cost of control procedures should not exceed the expected benefits. Information on principal and emerging risks are set out in the Strategic Report.

The Board confirms that Kainos has established systems, procedures and controls for identifying, evaluating and managing the principal and emerging risks faced by us, and that they have been in place for the period under review and up to the date of approval of the Annual Report. The Board regularly reviews the effectiveness of those systems, procedures and controls.

As required by the Code, the Audit Committee has reviewed the internal controls and risk management systems, including those relating to financial reporting, information security, business continuity, management of employees, operational and compliance matters. The Committee has confirmed to the Board that it is satisfied that Kainos has established internal controls and risk management systems that are effective and compliant with the current governance provisions.

The key elements of Kainos' processes for providing effective internal control and risk management systems include:

- Regular Board meetings to consider matters reserved for the Directors' attention.
- Regular management meetings to monitor divisional performance. Management is responsible for identifying and evaluating significant risks in their area of business, and for designing and operating suitable internal controls.
- Maintenance of a Group Risk Register, to identify and track the risks facing the business. The key risks are summarised for the Audit Committee's review and are operationally owned and managed by the Group.
- Documentation of key policies and procedures.
- A comprehensive annual budget process, for review and approval by the Board, with updated forecasts regularly prepared throughout the year. Operating results are reported monthly to the Board and compared to the latest forecast with explanations for all significant variances.

### Internal audit

Kainos does not have a separate internal audit function. Instead, we undertake internal audit activities through subject specialists across the business and central services teams and engage external specialists when appropriate.

These activities assist the Board and senior management with protecting the Group's assets, reputation and sustainability. The key aims are to:

- ensure all significant risks are identified and appropriately reported;
- assess risk controls and mitigations; and
- provide challenge to improve governance, risk management and internal controls.

Areas covered by internal audit activities include:

- Information security.
- Data privacy and governance.
- Corporate governance and legal compliance.
- Financial compliance.
- Commercial review.
- Project delivery assurance.
- Financial planning and analysis.
- Risk reporting.

To support these activities, Kainos has documented:

1. the principles of how internal audit activities operate;
2. the areas with internal control systems in place, to identify and mitigate risks and issues impacting the business; and
3. the owner for each internal audit area.

The Committee reviews this documentation annually.

### Our internal audit principles

The principles underlying our internal audit activities are:

- Unrestricted scope of subject matter – all aspects of Kainos' business are open to review.
- Internal audit activities are owned by senior subject matter experts in each field.
- Focus and activities are based on the Group's weighted risk profile.
- Risk assessment is informed by stakeholder management.
- Reporting to the Audit Committee on Group-level issues and risks twice a year.
- Reporting to the Audit Committee on various focus areas at regular intervals.
- Ad hoc reporting and review of emerging or significant risks as required to the Group CFO, relevant business stakeholders and the Audit Committee.
- Review of the principles and operation of internal audit activities at least once a year, to ensure these remain appropriate.

### Examples of our internal audit activities

Some examples of our activities are detailed below.

*Information security*

The Information Security Programme is regularly reviewed by the Kainos Information Security Steering Group, which include technology, cyber security and data privacy experts from our business divisions and central services, who:

- regularly review information security and data privacy controls and processes;
- monitor information security programme metrics and compliance;
- maintain a detailed register of current and emerging risks relating to cyber and information security;
- review and approve the information security programme roadmap; and
- manage the third-party information security certification and audit programme.

*Data privacy*

The Kainos Data Privacy Steering Group meet regularly to review the technical and operational measures in relation to handling, storage and processing of Kainos and our customers' information. The steering group reviews the effectiveness of data protection controls, alignment with data protection policies, as well as to identify and mitigate emerging risk in the area.

The Group continues to identify cyber and information security as a major risk area, as described within the Risk factors and uncertainties section of the Strategic Report. Accordingly, the Information Security Steering Group regularly reports to the Executive Team and the Audit Committee on the risks, controls and processes in this area.

### Committee review of internal audit

In February 2024, the Committee reviewed the Group's internal control framework and procedures and considered the merits of establishing a separate internal audit function.

The Committee's view was that while there was an obvious 'independence' benefit from having a separate audit function, this was not currently required given the Audit Committee's confidence that the internal controls were being well managed and that a separate audit function was considered not yet to be appropriate for a company of Kainos' size. The Audit Committee also considers that the absence of an internal audit function does not directly affect the work of the external auditors.

The Committee will keep the requirement for a separate internal audit function under review.

# DIRECTORS' REMUNERATION REPORT

**Statement from the Chair of the Remuneration Committee**

As Chair of the Remuneration Committee, I am pleased to introduce our Directors' Remuneration Report for the year ended 31 March 2024.

**Katie Davis**
Chair
17 May 2024

The Remuneration Committee is comprised entirely of independent Non-Executive Directors.

In addition to myself as Chair, the Committee comprises Tom Burnet, who has been a member of the Committee since July 2015, Rosaleen Blair, who joined the Committee in January 2021, and James Kidd who joined the Committee on 1 October 2023. Further information can be found in the Directors' biographies section.

There were five meetings during the year, with all Committee members attending all meetings and James Kidd attending all meetings from his date of joining.

## Key activities

- We oversaw the operation of the Remuneration Policy that was approved by shareholders at the 2022 AGM, and we discussed medium-term strategic remuneration plans for FY25 and beyond.
- We discussed Executive and Non-Executive Director total reward. In the context of the appointment of a new CEO on 21 September 2023, we conducted additional benchmarking to ensure that the structure and quantum are appropriate to motivate and retain the skills needed to lead the business.
- We continued to support ongoing engagement with our workforce on remuneration philosophy, strategy and policy through company briefings, e-learning and webinars. In addition, employee representatives from our Culture and Development Group and Diversity & Inclusion Council attended Remuneration Committee meetings to participate in strategic remuneration discussions.
- We supported the establishment of internal business-led governance committees for bonus and remuneration. These fora seek to ensure a strategic three-year look ahead as well as robustly implement associated decisions.
- We continued to oversee remuneration practice across Kainos to ensure alignment with our reward philosophy. This includes initiatives such as gender pay equity, bonus, long-term incentive awards, global benefits and critical market salary adjustments.
- We discussed and supported formal job evaluation for Executive positions to ensure objective decision-making on Total Reward taking into consideration market standards and internal equity.

### Strategic context

I am delighted to welcome our new CEO, Russell Sloan, and I look forward to the continued delivery of our reward strategy under his leadership. For the first time, executive-led committees have been established to take the lead on remuneration strategy and bonus. Our people remain critical to our business, and I am grateful for the leadership that Russell is showing as our reward strategy is key to ensuring that we are able to attract, motivate and retain high quality talent.

We remain committed to ensuring that executive reward is aligned to workforce and shareholder experience. As part of the CEO transition, we took the opportunity to undertake additional benchmarking of our reward structure and quantum for Executive Directors using comparators within the High-Tech industry and the FTSE 250 whilst ensuring continued alignment to our overall Remuneration policy. Additionally, we considered internal relativity at Director and senior management level. This review has resulted in a greater proportional emphasis on long-term incentives which aligns to our broader plans for senior leaders as well as aligning with longer-term shareholder expectations.

We continue to expand strategically into new markets. For example, the acquisition of RapidIT-Cloudbera extended our geographic footprint to India. We have also looked critically at locations where we have a very small presence, ensuring that the decisions that we take around where to base our people balance the need for simplicity with customer demand and commerciality.

Given ongoing cost of living challenges and our wide geographical presence, global benefits remain a priority focus area. During the year, we undertook a comprehensive gap analysis of our global benefits with a view to implementing recommended changes on a phased basis. We reviewed core insured benefits and paid leave in our larger locations to ensure that we have a fair and consistent approach. In doing so, we recognise the need to have common standards in all our locations in line with our Reward Philosophy, particularly our duty of care to provide adequate health, risk, retirement and paid time-off benefits for our people. We will continue to assess our global benefits in line with market trends and, over time, close any associated gaps.

Embedding our Reward Philosophy and Strategy remains a focus through employee communication and training. Initiatives such as "Understanding Your Reward in Kainos" e-learning for all our managers (and all employees in FY25) ensures greater clarity and transparency whilst educating on providing reward structures that meet local needs in different parts of the world. This, coupled with awareness campaigns to ensure our people are maximising the value of existing benefits, remains a key focus for the year ahead.

Pay equity has also remained a focus and, as part of our Annual Salary Review in 2023, we proactively looked for gender pay equity anomalies and allocated a portion of our annual pay budget to enable targeted interventions where appropriate. There is more to be done; and, following a successful campaign to encourage employees to update their D&I data, we have increased the scope of this exercise for the Annual Salary Review in June 2024 to include ethnicity. We will continue to track progress year on year in closing any identified pay gaps.

### Executive outcomes and reward

The Strategic Report outlines that we have recorded our 14th consecutive year of growth across a wide range of key metrics, with our business performance demonstrating disciplined execution against a backdrop of macro-economic uncertainty.

Executive Directors' remuneration has been determined in line with the policy approved by shareholders at the 2022 Annual General Meeting (AGM) on 28 September 2022.

As described in the Strategic Report, there are a number of key performance measures to identify trends in our operating performance and to assess progress against our strategic objectives. Our financial KPIs of revenue, adjusted pre-tax profit and bookings are used in establishing the Executive Directors' annual bonus targets.

Given the weightings in our scheme, our performance for the year translates to 78% pay-out against these targets, with the key measures outlined below.

| | **2024 £** | 2023 £ |
|---|---|---|
| Revenue | **£382.4m** | £374.8m |
| Adjusted pre-tax profit | **£77.2m** | £67.6m |
| Bookings | **£424.5m** | £427.8m |
| Total dividend per share | **27.3p** | 23.9p |

In June 2023, the Group made performance share awards to the CEO and CFO of 5,556 and 7,612 share options respectively.

In November 2023, the Group made performance share awards to the incumbent CEO of 15,914, and in December 2023, the Group made performance share awards to the CFO of 9,407.

# DIRECTORS' REMUNERATION REPORT
CONTINUED

On 30 June 2020, we granted long-term incentive awards to the CEO and CFO. These awards vested in full during the year with the CEO receiving 10,969 share options and the CFO receiving 12,171 share options.

Further detail of these awards is provided in the Annual Report on Remuneration.

The Remuneration Committee believes that the FY24 share awards are aligned with our Remuneration Policy and are appropriate in the context of the Company's results and the appointment of a new CEO. They are at the lower quartile of our identified market comparators (High Tech and FTSE 250) and are reflective of our longer-term strategic focus.

## Alignment with UK Corporate Governance Code

The Remuneration Policy which was approved in September 2022 is aligned with the UK Corporate Governance Code 2018, as outlined below.

### Clarity

- This report sets out the arrangements for Executive Directors in a clear and transparent way.
- A formal Reward Philosophy and Strategy has been agreed and continues to be communicated and embedded in the organisation to ensure greater transparency.
- The Committee's workings and the Remuneration Policy have been discussed with representatives of our Culture and Development Group, which is our formal workforce advisory panel.
- Shareholders can ask questions and comment on remuneration at our AGM.

### Simplicity

- The remuneration framework is made up of three key elements: fixed pay (including base salary, pension and benefits), annual bonus scheme and long-term incentive plan.
- The framework is simple to understand for participants, shareholders and the wider workforce. Incentive elements are aligned to our strategic priorities.

### Risk

- We have set variable remuneration targets at levels which reward high performance, but do not encourage inappropriate business risk.
- Part of any bonus earned is deferred and a holding period applies to any long-term award, to ensure variable remuneration is linked to sustainable performance.
- Malus and clawback provisions apply to variable incentives.

### Predictability

- Our policy sets out the maximum payments available for the annual bonus and LTIP.
- We have set target and threshold performance levels for the annual bonus, and minimum, mid and maximum performance levels for LTIP financial performance conditions.

### Proportionality

- A significant proportion of Executive Director reward is linked to performance through the incentive framework, and there is a clear line of sight between performance and the delivery of long-term shareholder value.
- The Committee regularly reviews performance measures and the underlying targets to ensure they are directly aligned to our strategic priorities.

### Alignment to culture

- The 'Responsible Company' LTIP performance condition reflects areas that are important to the business: diversity, workforce engagement, climate action and customer satisfaction.
- The Committee regularly reviews Executive Director reward to ensure alignment with shareholder and workforce experience.
- Share incentives are used extensively throughout Kainos to align the employee experience with shareholders. All employees are given the opportunity to benefit through the Save as You Earn (SAYE) and Share Incentive Plan (SIP), (or the equivalent in locations where these share schemes are not available).

## Looking forward

Despite lower than usual attrition and measured business growth, we anticipate that we will still need to grow our business through the external market, particularly in areas such as Business Development, Data & AI and Low Code. We will continue to ensure that our reward practices not only serve to retain our existing talented employees but also to support our future strategic goals. This, of course, will be balanced against the need for fiscal prudency which is critical to our ongoing business success.

The Committee's priorities over the next year include:

- Continue to educate and embed our reward philosophy, strategy and Remuneration Policy;
- Oversee the creation of a strategic remuneration roadmap for 2025+ and the implementation of associated initiatives;
- Continue to review total reward in the context of formal job sizing and comparable market data (including salaries, share programmes, bonus and benefits) to ensure that we are able to attract, motivate and retain talent everywhere we operate;
- Review and refresh our share plans as we reach the 10-year anniversary of IPO to ensure that they continue to support our strategic business priorities;
- Continue to engage with our workforce on the priorities which matter to them, including reward; and
- Continue to take action to close the gender pay gap and any ethnicity pay gap.

We believe that our newly established and business-led Remuneration Steering Committee will help us to deliver these priorities and will strongly support the measured growth that we are hoping to achieve in the year ahead.

## Directors' Remuneration Policy

The Directors' Remuneration policy was approved at the 2022 AGM held on 28 September 2022 and is effective for three years from that date. The table below outlines the key components, and the full Policy can be accessed on the Company website www.kainos.pub/rempolicy. No changes have been made to the policy since it was approved.

### Executive Director reward components

| **Base Salary** | |
|---|---|
| Purpose | To attract and retain Executive Directors. |
| Operation | Reviewed annually and fixed for 12 months, commencing 1 June each year. The Remuneration Committee considers:<br><br>• an individual's experience and knowledge;<br>• business and individual performance;<br>• achievement of objectives;<br>• comparative salaries and periodic reviews;<br>• the Company's financial position; and<br>• salary increases for Kainos' employees. |
| Potential remuneration | Percentage increases will normally be in line with other employees in the same location.<br><br>Higher increases may be awarded if there are commercial reasons for doing so, such as to reflect market movements, changes in job responsibilities and to address retention issues. |
| Performance metrics | None. |

| **Benefits** | |
|---|---|
| Purpose | To attract and retain Executive Directors. |
| Operation | The Executive Directors are entitled to private medical insurance, life insurance and permanent health insurance. |
| Potential remuneration | No maximum is set but the Remuneration Committee will monitor the overall cost of the benefits package. Any changes will normally be in line with other employees in the same location. |
| Performance metrics | None. |

| **Pension** | |
|---|---|
| Purpose | To attract and retain Executive Directors. |
| Operation | The Executive Directors are entitled to participate in the Kainos pension scheme or receive a payment in lieu of pension. |
| Potential remuneration | The maximum Company contribution for Executive Directors is 5% in line with other employees in the same location. |
| Performance metrics | None. |

## DIRECTORS' REMUNERATION REPORT
CONTINUED

| **Annual Bonus** | |
|---|---|
| Purpose | To reward and incentivise performance within a financial year, focus Executive Directors on key objectives and support positive team behaviour, with adequate reward for good performance and excellent reward for exceptional performance. |
| Operation | Performance is measured on an annual basis for each financial year. The Committee establishes and weights the criteria at the beginning of each year, based on Company financial targets, and determines threshold and target levels of performance for each measure. At the end of the year, the Committee determines the extent to which targets were achieved. On-target levels of payment are set for each Executive Director at the start of each year. Up to 150% of these levels may be paid, based on the extent to which the target is exceeded.<br><br>Annual bonus is normally paid in cash following the completion of the audit of that year's financial statements. One third of payments will be deferred for three years and then paid in cash or in shares.<br><br>Clawback may be applied at the Remuneration Committee's discretion, in the event of material misstatement of the financial results or other exceptional circumstances, such as gross misconduct.<br><br>The Remuneration Committee has discretion to apply 'corporate override' if core targets are not achieved or a material negative event occurs. |
| Potential remuneration | The maximum annual bonus opportunity under the policy is 150% of the Executive's salary. |
| Performance metrics | Annual bonus is discretionary. The Committee chooses and weights the criteria and sets targets each year, in line with business priorities.<br><br>An element of the bonus may also be based on personal performance. |

| **Long-Term Incentive Plan (LTIP)** | |
|---|---|
| Purpose | To motivate Executive Directors, incentivise long-term performance and facilitate share ownership. |
| Operation | Performance share awards are made under the Group's 2015 Performance Share Plan (PSP).<br><br>Awards, made in the form of nil or nominal cost options, will normally have a three-year vesting period following the date of award. For Executive Directors, there is an additional two-year holding period prior to exercise. Awards will vest and be exercisable subject to continued employment and meeting appropriately challenging performance conditions specified at the outset. The Remuneration Committee determines the extent to which performance conditions have been met. Awards may be increased for dividends paid during the vesting period.<br><br>The Remuneration Committee determines the performance conditions, weighting and target performance levels at the point of award. Clawback may be applied at the Committee's discretion, within a period of 3 years following the vesting of an award, in the event of material misstatement of the financial results or other exceptional circumstances, such as gross misconduct. |
| Potential remuneration | The normal maximum level of annual award is 200% of salary. In exceptional circumstances, awards may be made up to a maximum of 300% of salary.<br><br>In the event of a new appointment the Remuneration Committee would expect to make a higher award, closer to the normal maximum. |
| Performance metrics | The Remuneration Committee will assess what measures and targets best support the Group's long-term focus, so measures and targets may be different from year to year. |

## Non-Executive Director payments

| **Fees** | |
|---|---|
| Purpose | To attract and retain Non-Executive Directors with appropriate experience and skills. |
| Operation | The Chair and Non-Executive Directors are paid fees, as detailed in this table. The fees reflect their time commitment and responsibilities, and the fees paid in other companies of comparable size and complexity.<br><br>The Chair's fee is approved by the Board, on the Remuneration Committee's recommendation.<br><br>Fees for the Non-Executive Directors are approved by the Board, on the recommendation of the Chair and Executive Directors.<br><br>Additional fees are payable for additional responsibilities. |
| Potential remuneration | The Chair's fee is currently £100,000 per annum. The base fee for Non-Executive Directors is currently £50,000 per annum.<br><br>Additional fees per annum are awarded:<br><br>• Senior Independent Director – £10,000<br>• Chair of Audit Committee – £8,000<br>• Chair of Remuneration Committee – £8,000 |
| Performance metrics | None. |

### Company-wide share plans

The following share schemes are offered to eligible employees and Executive Directors are eligible to participate as shown.

| **Share Incentive Plan (SIP) UK** | |
|---|---|
| Purpose | To motivate, facilitate share ownership and align employees with shareholders. |
| Operation | The Share Incentive Plan (SIP) is a tax-advantaged all employee plan, supervised by the Remuneration Committee. Significant tax advantages apply if shares acquired under the plan are held for five years (UK).<br><br>UK Employees, including Executive Directors, may be awarded free shares up to a maximum value of £3,600 each year.<br><br>They may purchase partnership shares out of pre-tax salary up to £1,800 per tax year and may be awarded up to two free matching shares for each partnership share acquired (although no partnership purchase or matching has been implemented to date).<br><br>The Board shall determine if and when further SIP awards will be made and the terms of those awards. |
| Potential remuneration | At the time of IPO and each year since, free shares with a value up to £3,600 were awarded to UK employees, including Executive Directors, depending on their length of service. |
| Performance metrics | None. |

# DIRECTORS' REMUNERATION REPORT
CONTINUED

| Save As You Earn Option Plan (SAYE) | |
|---|---|
| Purpose | To motivate, facilitate share ownership and align employees with shareholders. |
| Operation | An 'all employee' share option plan approved by HMRC and supervised by the Remuneration Committee.<br><br>UK employees, including Executive Directors, may enter into a savings contract under which they agree to save a specified monthly amount for three or five years. At the end of the contract, participating employees may use the amount saved to exercise options with an exercise price of up to a 20% discount to the market price at the outset.<br><br>The Board shall determine if and when further SAYE awards will be made and the terms of SAYE participation. |
| Potential remuneration | Under the plan, the maximum monthly savings amount is £500. Executive Directors are eligible to participate in these schemes. |
| Performance metrics | None. |

| Poland, Ireland & US Share Schemes | |
|---|---|
| Purpose | To motivate, facilitate share ownership and align employees with shareholders. |
| Operation | The Group has implemented share schemes for employees in Poland, the Republic of Ireland and the US to make share awards to these employees on similar terms and of a similar value to those made under the UK SAYE and SIP schemes. |
| Potential remuneration | Employees based in these countries may be eligible to participate in these plans, at similar levels to those offered to UK employees under the SAYE and SIP schemes. If Executive Directors were based in these countries, they would be able to participate in these schemes. |
| Performance metrics | None. |

| Share Options (CSOP) | |
|---|---|
| Purpose | To motivate, facilitate share ownership and align employees with shareholders. |
| Operation | Market value options may be granted to employees at the discretion of the Remuneration Committee under the 2015 Performance Share Plan. UK employees may receive tax-advantaged awards under the CSOP Sub-Plan. Options have a market value exercise price and have a normal minimum vesting period of three years. |
| Potential remuneration | The Committee does not intend to grant CSOP options to Executive Directors. |
| Performance metrics | Performance conditions may be applied but it is intended that CSOP options will not normally have performance conditions attached. |

### Service contracts – Executive Directors

The key terms of the Executive Director contracts are summarised in the table below:

| Provisions | |
|---|---|
| Term and notice | Indefinite with 12 months' notice from either party. |
| Payment | Salary and discretionary annual bonus. |
| Benefits and other entitlements | Company pension contribution or payment in lieu of pension, private medical insurance and permanent health insurance. |
| Termination | May be terminated on 12 months' written notice served by either party. Kainos has a contractual right to pay the Executive Directors in lieu of all their notice and to place them on garden leave during all or part of their notice period. In the event of gross misconduct, their employment will be terminated with immediate effect without the requirement for notice or associated payment in lieu. |

## Payments for loss of office

In the event of termination, all Directors will receive payments for loss of office in accordance with the termination provisions of their service contract or letter of appointment.

There were no payments to past Directors for loss of office during the year ended 31 March 2024.

## Shareholders and statement of voting at AGM

The Annual Report on Remuneration for the year ended 31 March 2023 was approved at the 2023 AGM. The Directors Remuneration Policy was approved at the 2022 AGM.

Both were approved as set out below:

| Resolution | Votes cast for | % of votes cast for | Votes against | % of votes against | Total votes cast | Votes withheld |
|---|---|---|---|---|---|---|
| Approval of Annual Report on Remuneration for the year ended 31 March 2023 | 101,576,620 | 97.39% | 2,718,458 | 2.61% | 104,295,078 | 2,260 |
| Approval of the Directors' Remuneration Policy at the 2022 AGM | 101,532,521 | 97.64% | 2,454,090 | 2.36% | 103,986,611 | 80,214 |

We are keen to ensure that our shareholders are supportive of the Group's remuneration philosophy and policy. As Chair, I welcome shareholder feedback either as part of the AGM process, or at any time through the year. To date, we have not received any significant dissenting shareholder votes on Remuneration Policy and outcomes.

## Flexibility, discretion and judgement

The Remuneration Committee developed this policy to ensure that it has sufficient flexibility to deal with unusual situations. As outlined in the policy tables, the Remuneration Committee retains flexibility to determine the objectives, weightings and target performance for the annual bonus at the start of each year. The Committee may also alter the performance criteria during the year, reflecting circumstances and the Group's performance, to ensure targets remain both challenging and appropriate.

Similarly, the Committee has flexibility to determine the conditions, weightings and target performance for share awards at the point awards are made. The Committee can also subsequently amend performance conditions, if events mean that the conditions are no longer a fair measure of performance. The alternative performance condition will be equally challenging.

The Committee did not apply any such discretion during the year ended 31 March 2024.

## External appointments

Executive Directors may accept appointments as Non-Executive Directors in other companies, provided that the appointments do not conflict with their duties or time commitments to Kainos. Any external appointment is subject to written approval from the Board. The Executive Director is entitled to retain the fees from such appointments.

No appointments were made during the year ended 31 March 2024.

# ANNUAL REPORT ON REMUNERATION

## Responsibilities

The Remuneration Committee operates within its terms of reference, which are reviewed and updated annually and are available from our website.

The Committee manages all aspects of the Executive Directors' remuneration, gives guidance on the remuneration of other members of the senior management team and supervises the workings of all our share incentive plans.

## Membership and meetings

The members of the Remuneration Committee are Katie Davis (Chair), Tom Burnet, Rosaleen Blair and James Kidd. All are considered independent Non-Executive Directors. None of the Committee members has any personal financial interest (other than as shareholders, to the extent disclosed in this report), conflicts of interest arising from cross-directorships, or day-to-day involvement in running the business.

The Executive Directors may attend Committee meetings by invitation. The Company Secretary acts as secretary to the Committee.

The Remuneration Committee met five times during the year, with all members of the Committee in attendance and James Kidd attending all meetings from his date of joining.

Further detail is contained within the section 'Directors' Remuneration Report'.

During the year, the Remuneration Committee did not take any advice from external remuneration consultants.

## Evaluation

As outlined in the 'Board Evaluation' section, this year, the performance of the Board and all the Committees was externally evaluated by Lintstock.

The evaluation process sought views from all Directors and the Company Secretary, through a comprehensive questionnaire covering:

Composition, meetings and information

- Composition, management and support
- The composition of the Committee
- The meetings of the Committee
- The information/support received
- The performance of the Committee Chair

The work of the Remuneration Committee

- Engagement with key parties
- Management
- The wider workforce
- Shareholders
- External advisors
- Remuneration policy
- Alignment with group strategic priorities
- Appropriateness of financial measures
- Integration of non-financial measures
- Remuneration policy effectiveness in attracting, retaining and motivating talent

Priorities for change

- Overall performance and suggestions for improvement

The evaluation concluded that the Remuneration Committee was very highly rated overall.

## Remuneration details

The following tables set out the remuneration for each Director for the years ended 31 March 2024 and 31 March 2023.

### Single total figure of remuneration for Executive Directors (audited)

| Name | Year | Salary | Benefits(6) | Bonus | Pension(1) | Other(2) | Incentive vested | Total | Total fixed | Total variable |
|---|---|---|---|---|---|---|---|---|---|---|
| All amounts in (£000s) | | | | | | | | | | |
| Russell Sloan(4) | **2024** | 190 | – | 93 | 9 | 2 | 3 | 297 | 199 | 98 |
| | 2023 | – | – | – | – | – | – | – | – | – |
| Richard McCann(5) | **2024** | 271 | 1 | 145 | 14 | 2 | 122 | 555 | 286 | 269 |
| | 2023 | 260 | 1 | 184 | 13 | 4 | 168 | 630 | 274 | 356 |
| Brendan Mooney(3) | **2024** | 113 | – | 66 | 6 | – | 90 | 275 | 119 | 156 |
| | 2023 | 227 | 1 | 184 | 11 | 4 | 153 | 580 | 239 | 341 |

(1) Pension amounts for Brendan Mooney and Richard McCann are payments in lieu of pension.
(2) Other relates to the award of SIP shares.
(3) Brendan Mooney stepped down from the role of CEO, effective 21 September 2023. The table above for FY24 includes base salary payments from 1 April 2023 to 30 September 2023.
(4) Russell Sloan was appointed CEO effective 21 September 2023. The table above for FY24 includes base salary payments from 1 October 2023 to 31 March 2024. Russell's annual base salary for the role of CEO is £380,000.
(5) Annual base salary for Richard McCann is £275,000 effective 1 October 2023. For clarity, annual base salary from 1 April to 31 May 2023 was £260,000 and from 1 June to 30 September 2023 was £270,400.
(6) Benefits is the taxable value of private health insurance received by Executive Directors.

### Single total figure of remuneration for Non-Executive Directors (audited)

| Name | Year | Fees |
|---|---|---|
| All amounts in (£000s) | | |
| Andy Malpass | **2024** | 68 |
| | 2023 | 68 |
| James Kidd | **2024** | 25 |
| | 2023 | – |
| Tom Burnet | **2024** | 100 |
| | 2023 | 100 |
| Katie Davis | **2024** | 58 |
| | 2023 | 58 |
| Rosaleen Blair | **2024** | 50 |
| | 2023 | 50 |

The above table includes remuneration details for James Kidd from the date of his appointment on 1 October 2023.

## Annual bonus (audited)

The following table details the eligible bonus payment for the Executive Directors.

| | | | | | Eligible bonus pay-out | | |
|---|---|---|---|---|---|---|---|
| Objective | Weighting | Target performance (£ million) | Threshold performance (£ million) | Outcome (£ million) | Russell Sloan (£000s) | Brendan Mooney (£000s) | Richard McCann (£000s) |
| Revenue | 30% | 426.3 | 362.4 | 382.4 | 18 | 13 | 28 |
| Adjusted pre-tax profit | 40% | 76.9 | 61.5 | 77.2 | 48 | 34 | 75 |
| Bookings | 30% | 489.1 | 293.5 | 424.5 | 27 | 19 | 42 |
| Totals | 100% | | | | **93** | **66** | **145** |

# ANNUAL REPORT ON REMUNERATION
CONTINUED

The bonuses payable to Russell Sloan, Brendan Mooney and Richard McCann are 49%, 58% and 54% of salary respectively. Under the Remuneration Policy, the maximum annual bonus opportunity is 150% of salary for the CEO and CFO.

The bonus amount for Brendan Mooney has been calculated on a pro-rata basis reflecting the amount earned to the point he stepped down as CEO on 21 September 2023.

As per the revised Remuneration policy (approved September 2022), one third of the annual bonus amount will be deferred for a period of three years and then paid in cash or shares.

## LTIP (audited)

The Committee granted performance-related share awards to the Executive Directors under the PSP on 23 June 2023, 17 November 2023 and 20 December 2023 as outlined in the table below. The awards are share options with a nominal exercise price of £0.005 per option and do not have the right to dividend payments or equivalent until the options have been exercised.

| Name | Date of grant | No. of ordinary shares under option | Face value[(1)] (£000s) | Exercise price per ordinary share | First exercise date | Lapsing date |
|---|---|---|---|---|---|---|
| Brendan Mooney | June 2023 | 5,556 | 71 | £0.005 | June 2028 | June 2033 |
| Richard McCann | June 2023 | 7,612 | 97 | £0.005 | June 2028 | June 2033 |
| Russell Sloan | Nov 2023 | 15,914 | 160 | £0.005 | Nov 2028 | Nov 2033 |
| Richard McCann | Dec 2023 | 9,407 | 103 | £0.005 | Dec 2028 | Dec 2033 |

(1) Face value is calculated using the closing share price on the date of grant as follows: 23 June 2023 £12.73, 17 November 2023 £10.07 and 20 December 2023 £10.93.

The 2023 PSP awards are subject to the following performance conditions:

| Performance condition | Weighting | Minimum performance | Mid performance | Maximum performance |
|---|---|---|---|---|
| TSR performance (FTSE techMARK index) | 45% | 30% vesting if Company performance is at mean average index price growth | Linear vesting between minimum and maximum performance | 100% vesting if Company performance is at or above mean average index price growth plus 4% points |
| EPS percentage growth | 25% | 30% vesting for growth of 5% | Linear vesting between minimum and maximum performance | 100% vesting if growth is 13% or higher |
| Responsible company[(1)] | 30% | N/A | N/A | N/A |

(1) Responsible company reflects strategic priorities in the areas of diversity, workforce engagement, climate action and customer satisfaction. Includes: percentage of women in senior management roles, staff engagement score, leading Kainos efforts on reducing emissions and achieving carbon net zero by 2025 (FY26) and customer satisfaction scores.

## SIP and SAYE schemes (audited)

The Executive Directors are entitled to participate in the SIP and SAYE schemes, on the same terms as all other employees with the same length of service.

The SIP shares awarded during the year to Executive Directors are shown below:

| Name | 2023 SIP shares | Face value[(1)] (£000s) | Vesting period |
|---|---|---|---|
| Russell Sloan | 200 | 2 | 3 years from the date of grant. |
| Richard McCann | 200 | 2 | 3 years from the date of grant. |

(1) Face value is calculated using the average middle market closing price for the five days prior to grant date.

### 2020 PSP (audited)

On 30 June 2020, awards were granted under the Kainos PSP to Brendan Mooney and Richard McCann.

30% of the awards related to an EPS performance condition, for which the measurement period ended 31 March 2023. The outcome (100% vesting) was reported in our prior year report.

The TSR and Best Companies performance measurement period ended on 29 June 2023, with the following outcome:

| Award | Measure | Weighting | Vesting scale | % of award vesting |
|---|---|---|---|---|
| 2020 | TSR (FTSE techMARK Index) | 50% | Minimum performance: 30% vesting at median performance. Maximum performance: 100% vesting if in upper quartile. Mid performance: Linear vesting between minimum and maximum performance. | 100% |
| 2020 | Best Companies | 20% | 100% vesting if score at end of the three-year period is at least equal to the score at the start of the period.(1) | 100% |

(1) Best Companies score was available in November 2020. In 2023 the Company determined that the all-company staff survey, Peakon, provided a more relevant measure of employee engagement. The score at the end of the three-year period was at least equal to scores at the start.

| | No. of shares | % vested | Number of shares vested | Number of shares lapsed | Share price at end of performance period | Value at end of performance period (£000s) |
|---|---|---|---|---|---|---|
| Brendan Mooney | 7,679 | 100% | 7,679 | – | £12.32 | 95 |
| Richard McCann | 8,520 | 100% | 8,520 | – | £12.32 | 105 |

### 2021 PSP (audited)

On 29 June 2021, awards were granted under the Kainos PSP to Brendan Mooney and Richard McCann. The performance measurement period for the EPS performance condition ended on 31 March 2024, with the following outcome:

| Award | Measure | Weighting | Vesting scale | Performance achieved | % of award vesting |
|---|---|---|---|---|---|
| 2021 | EPS | 30% | No vesting if EPS growth below 5% p.a., 30% of awards vest if EPS growth equals 5% p.a. and 100% vests if EPS growth exceeds 13% p.a. Straight-line pro-rata basis from 30% to 100% if EPS growth exceeds 5% but is less than 13% p.a. | 13.6% | 100% |

| | No. of shares | % vested | Number of shares vested | Number of shares lapsed | Share price at end of performance period | Value at end of performance period (£000s) |
|---|---|---|---|---|---|---|
| Brendan Mooney | 1,792 | 100% | 1,792 | – | £9.66 | 17 |
| Richard McCann | 1,988 | 100% | 1,988 | – | £9.66 | 19 |

The 2021 PSP awards also included performance conditions relating to Company TSR and Employee Engagement for which the measurement period ends on 28 June 2024. Achievement against these performance conditions will be reported in next year's Annual Report on Remuneration.

# ANNUAL REPORT ON REMUNERATION
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## Payments to past directors (audited)

At our AGM on 21 September 2023, we completed the planned, four-year succession process, with Brendan Mooney stepping down as CEO and Russell Sloan assuming the position from this date.

The details of the remuneration arrangements for Brendan are outlined below.

### Salary and benefits

Following Brendan's step-down as CEO and Director on 21 September 2023, he will remain an employee of Kainos until 18 June 2024, or longer by agreement. Until 18 June 2024, he will continue to be paid and receive benefits on the same basis as disclosed in this report up to the point of his resignation.

### LTIP

When Brendan ceases to be employed by the Company, he will be treated as a good leaver for the purposes of the LTIP scheme, and with awards vesting on their normal vesting dates subject to applicable performance and time prorating terms.

He will not receive an LTIP (Long Term Incentive Plan) grant in respect of the financial year commencing 1 April 2024.

### Bonus

Brendan is eligible to receive an annual bonus for the full year to 31 March 2024. This report details the pro-rata amount earned while in the position of CEO.

For the period 1 April 2024 to 18 June 2024, Brendan will be paid a pro rata amount, calculated from the actual bonus achievement in the financial year ended 31 March 2024.

### Outstanding share awards

Brendan will remain an employee of Kainos until 18 June 2024, therefore his existing share awards will continue to vest in line with their original award terms, including, where applicable, performance conditions measurement, post vesting holding periods, and malus and clawback. There are no other remuneration payments related to Brendan stepping down as a Director of the Company, and the arrangements outlined above are in line with the Directors' Remuneration Policy.

## Directors' shareholdings (audited)

The interests in Kainos ordinary shares of the Directors in office at 31 March 2024, including their connected persons, were:

| | Shares | | | Options(1) | | | |
|---|---|---|---|---|---|---|---|
| Name | Current shareholding | SIP shares (available to withdraw) | SIP shares (not available to withdraw) | With performance measures | Without performance measures | Vested but not exercised | Exercised during the year |
| Russell Sloan | 322,887 | 4,779 | 620 | 37,624 | 544 | 45,027 | 580 |
| Richard McCann | 4,630,932 | 3,628 | 620 | 31,140 | 544 | 127,845 | 580 |
| Andy Malpass | 38,590 | N/A | N/A | N/A | N/A | N/A | N/A |
| Tom Burnet | 28,253 | N/A | N/A | N/A | N/A | N/A | N/A |
| Rosaleen Blair | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| James Kidd | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Katie Davis | 6,400 | N/A | N/A | N/A | N/A | N/A | N/A |

(1) Dividend equivalent payments are not made in respect of options held.

During the year:

- Richard McCann and Russell Sloan exercised 580 options relating to the 2020 SAYE scheme.

No other changes in the Directors' interests took place between 31 March 2024 and 30 April 2024.

### Share ownership guideline for Executive Directors

The Remuneration Committee has guidelines for the value of the Executive Directors' shareholdings in Kainos. A minimum shareholding requirement of 200% of annual salary, over a four-year period, applies. In addition, Executive Directors are required to retain shares post-employment equal to 200% of annual salary (or their actual shareholding on departure if that is lower) for a minimum of two years post-employment.

There is no shareholding guideline for the Non-Executive Directors.

| | Shareholding requirement (% of salary) | Shareholding requirement met |
|---|---|---|
| Russell Sloan | 200% | Note (1) |
| Richard McCann | 200% | Yes |
| Brendan Mooney | 200% | Yes |

(1) The shareholding guideline for Russell Sloan has been calculated as 172% as at 31 March 2024, based on the methodology set out below. As per the terms of our policy, new Executive Directors have a period of four years from appointment to accrue the required holding amount. Russell was appointed on 21 September 2023.

The shareholding requirement has been assessed in relation to annual base salaries of Executive Directors as at 31 March 2024 and a closing share price of £9.66 on 31 March 2024.

The following shares count towards the required holding amount:

- Shares owned by the Executive Directors in their own name.
- SIP shares which are available to withdraw.

Unvested or unexercised awards under the Company's share plans do not count towards the ownership target.

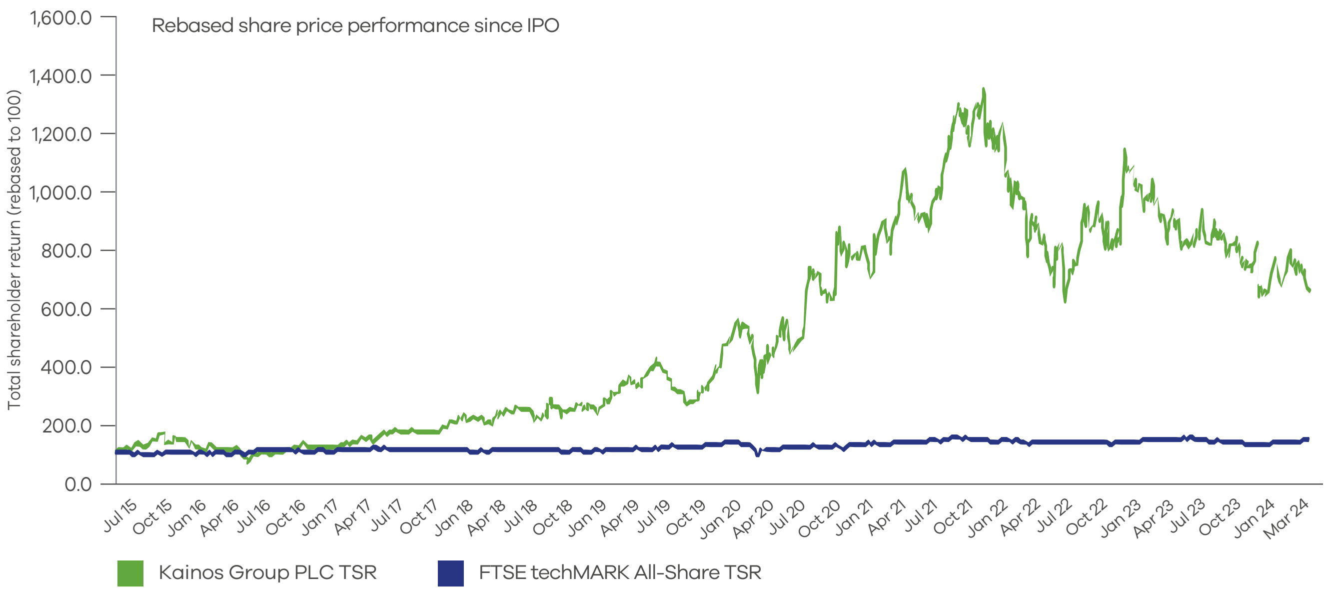
### Performance graphs and comparator tables

The regulations require the presentation of a number of graphs and tables comparing Group performance and CEO remuneration for the same period of time.

The Board believes that the FTSE techMARK All-Share Index provides the best benchmark for comparison. It is also the index used by the Group for the performance criterion for PSPs.

Our TSR performance against the FTSE techMARK All-Share Index TSR performance, from the date of IPO in July 2015 to the end of 31 March 2024, is shown below. The Kainos share price and the FTSE techMARK All-Share Index are both set to 100 at the start of the period.

**Kainos TSR performance against FTSE techMARK All-Share Index**



# ANNUAL REPORT ON REMUNERATION
CONTINUED

### CEO remuneration (nine-year analysis)
The table below sets out the CEO's total remuneration over the last nine years, valued using the methodology applied to the single total figure of remuneration.

| | CEO single figure of total remuneration (£000s) | Annual bonus pay-out against maximum (%) | Long-term incentive vesting rates against maximum opportunity (%) |
|---|---|---|---|
| **2024[1]** | **572** | **35** | **100** |
| 2023 | 580 | 54 | 100 |
| 2022 | 645 | 59 | 100 |
| 2021 | 591 | 65 | 100 |
| 2020 | 683 | 51 | 100 |
| 2019 | 1,036 | 65 | 96 |
| 2018 | 423 | 53 | N/A |
| 2017 | 399 | 46 | N/A |
| 2016 | 428 | 57 | 100 |

(1) CEO remuneration is the total remuneration for the role of CEO. For FY24 it includes remuneration for Brendan Mooney and Russell Sloan as per the single table of remuneration above.

### Percentage change in remuneration
The tables below show the percentage change in remuneration for each Director and all UK employees, for both the current and prior periods. The Committee considers the comparator group of all UK employees to be representative of Kainos as a whole and a global comparator group would not result in a material variance.

*a) Executive Directors*

| | Percentage increase in remuneration in 2024 compared with remuneration in 2023 | | | |
|---|---|---|---|---|
| 2024 | Russell Sloan[3] | Richard McCann | Brendan Mooney[2] | Employees |
| Salary and fees[1] | N/A | 4.2% | (50.2%) | 12.1% |
| All taxable benefits | N/A | 0.0% | (54.0%) | 0.0% |
| Annual bonuses | N/A | (21.2%) | (64.1%) | (23.5%) |
| **TOTAL** | **N/A** | **(11.9%)** | **(52.6%)** | **1.8%** |

(1) Executive Directors' salary movements calculated using the single total figure of remuneration.
(2) Remuneration included for Brendan Mooney up to the date of his resignation as CEO, 21 September 2023.
(3) Russell Sloan was appointed to the Board on 21 September 2023 and has no comparative remuneration information as an Executive Director.

| | Percentage increase in remuneration in 2023 compared with remuneration in 2022 | | |
|---|---|---|---|
| 2023 | Brendan Mooney | Richard McCann | Employees |
| Salary and fees[1] | 0.5% | 1.3% | 9.8% |
| All taxable benefits[2] | (52.6%) | (50.0%) | 0.0% |
| Annual bonuses | (6.9%) | (6.9%) | (0.5%) |
| **TOTAL** | **(10.1%)** | **(10.9%)** | **5.6%** |

(1) Executive Directors' salary calculated using the single total figure of remuneration.
(2) FY22 benefits included travel allowance payments in April and May 2021. Travel allowance payments ceased effective 1 June 2021.

### *b) Non-Executive Directors*

| 2024 | Percentage increase in remuneration in 2024 compared with remuneration in 2023[1] Andy Malpass | Tom Burnet | Katie Davies | James Kidd[2] | Rosaleen Blair | Employees |
|---|---|---|---|---|---|---|
| Salary and fees | 0.0% | 0.0% | 0.0% | N/A | 0.0% | 12.1% |
| All taxable benefits | – | – | – | – | – | 0.0% |
| Annual bonuses | – | – | – | – | – | (23.5%) |
| **TOTAL** | **0.0%** | **0.0%** | **0.0%** | **N/A** | **0.0%** | **1.8%** |

(1) Calculated using the single total figure of remuneration table.
(2) James Kidd was appointed on 1 October and has no comparative remuneration in FY23.

| 2023 | Percentage increase in remuneration in 2023 compared with remuneration in 2022[1] Andy Malpass | Tom Burnet | Katie Davies | Rosaleen Blair | Employees |
|---|---|---|---|---|---|
| Salary and fees | 0.0% | 0.0% | 0.0% | 0.0% | 9.8% |
| All taxable benefits | – | – | – | – | 0.0% |
| Annual bonuses | – | – | – | – | (0.5%) |
| **TOTAL** | **0.0%** | **0.0%** | **0.0%** | **0.0%** | **5.6%** |

(1) Calculated using the single total figure of remuneration table.

## Pay ratios

The following table sets out the ratio of the CEO's latest single total figure of remuneration versus UK full-time equivalent (FTE) employees' remuneration.

| Year | Method | 25th percentile pay ratio | Median pay ratio | 75th percentile pay ratio |
|---|---|---|---|---|
| 2024 | A | 14.7:1 | 8.9:1 | 6.2:1 |
| 2023 | A | 15.3:1 | 9.3:1 | 6.4:1 |

The Committee has adopted option A as its preferred method for calculating the pay ratio for the year ended 31 March 2024. The Committee considered this is the most efficient and robust approach to gathering data for the year.

The salaries and wages of UK staff were used to calculate an equivalent single figure remuneration.

The wages and salaries figures for the median, 25th and 75th percentile employees used in the pay ratio calculation are as follows:

| | Y25 | Y50 | Y75 |
|---|---|---|---|
| Wages and salaries | £39k | £64k | £92k |

## Relative importance of spend on pay

As a digital technology business with a growth strategy focused on organic development, our primary costs are related to our employees. The profit, corporation tax and dividend figures have been included to provide greater context to staff remuneration.

| | 2024 (£000s) | 2023 (£000s) | Change (£000s) | Change % |
|---|---|---|---|---|
| Staff remuneration | 261,430 | 232,033 | 29,397 | +13% |
| Profit before tax | 64,772 | 54,338 | 10,434 | +19% |
| Corporation tax | 16,057 | 12,693 | 3,364 | +27% |
| Effective tax rate | 25% | 23% | N/A | +2% |
| Dividends paid | 30,422 | 28,434 | 1,988 | +7% |

# ANNUAL REPORT ON REMUNERATION
CONTINUED

## Employee engagement

Workforce engagement continues to be a priority to help our employees understand our current reward strategy for Executive Directors, Executive Managers and other employees.

We continue to seek anonymous feedback monthly from colleagues via Peakon, our employee listening tool. Peakon enables the Group to see how its engagement levels compare with around 350 other global companies from the IT and software sector. Peakon measures engagement through a number of drivers including questions on reward and the outputs are used to influence our overall Reward Strategy and roadmap.

Education of our people on reward remains a key theme for us, and we continued to embed our Reward Philosophy and Strategy through Company briefings and inviting members of our Culture and Development Group and D&I Council to participate in Remuneration Committee meetings. We further embedded Annual Salary Review e-learning modules and provided drop-in sessions for managers to equip them with the knowledge to make and convey reward decisions confidently. We enhanced communications on employee benefits, created a UK Pensions Committee with employee representatives and delivered a series of employee benefit webinars to ensure employees maximise the benefits available to them. Additionally, we created a new e-learning module "Understanding Your Reward in Kainos". This is designed to deepen employees' comprehension of key reward principles and their overall compensation package. We plan to extend this education in FY25 to train our senior leaders, followed by all employees on the mechanics of salary progression and how we benchmark globally to enable them to have a better understanding of salary positioning.

Ensuring our Remuneration Policy for Executive Directors and Executive Managers is aligned with the employee experience is a continuing priority for the Remuneration Committee, and both the Board and the Remuneration Committee will continue to engage with the workforce through the Kainos Culture and Development Group and divisional leadership teams.

## AGM

The Directors' Annual Report on Remuneration will be put to an advisory shareholder vote at the 2024 AGM.

## Directors' remuneration for the year commencing 1 April 2024

| | |
|---|---|
| **Salary** | The Remuneration Committee will continue to monitor the remuneration of Executive Directors against other companies in the IT sector and other listed companies with similar market capitalisation to ensure that the Executive Directors remain sufficiently rewarded to promote long-term success. The Remuneration Committee will also consider salary increases across the wider workforce. |
| **Benefits** | There will be no change to the Executive Directors' benefits in the year commencing 1 April 2024. |
| **Pension** | There will be no change to the Executive Directors' pension contributions in the year commencing 1 April 2024. |
| **Annual bonus** | Annual bonus for the year commencing 1 April 2024 will be determined by the policy disclosed in this report. Executive Directors will defer one third of the annual bonus payable in June 2025 for three years.<br><br>The targets for the annual bonus for FY25 are not disclosed in this report, as that information is deemed commercially sensitive and may be interpreted to be a forecast. The targets will be disclosed in the 2025 Annual Report. |
| **Long-term incentives** | The Remuneration Committee intends to make further performance share awards in mid-2024. These will be made in line with the Remuneration Policy. The Committee will determine the levels, performance conditions, weighting and growth targets to be applied at the time of award and disclose them in the 2025 Annual Report. |
| **Non-Executive Director remuneration** | A review of Non-Executive Director fees is planned for June 2024. Any changes will be disclosed in the 2025 Annual Report. |

On behalf of the Board

**Katie Davis**
Chair of the Remuneration Committee
17 May 2024

# DIRECTORS' REPORT

The Directors present their report and the audited financial statements for Kainos Group plc (company number 09579188) for the year ended 31 March 2024. These will be laid before the shareholders at the Annual General Meeting (AGM) to be held on 24 September 2024. The Strategic Report and the Corporate Governance Report are incorporated by reference into this Directors' Report.

## Forward looking statements

All sections of the Annual Report contain certain forward-looking statements which, by their nature, involve risk and uncertainty. The forward-looking statements are based on the knowledge and information available at the date of preparation and on what are believed to be reasonable judgements. A wide range of factors may cause the actual results to differ materially from those contained within, or implied by, these forward-looking statements.

The forward-looking statements should not be construed as a profit forecast.

## Other statutory disclosures

In accordance with Section 414C (11) of the Companies Act 2006, to the extent they are not addressed in the Directors' Report, the disclosures relating to the following matters are included in the Strategic Report:

- environmental matters (including greenhouse gas emissions and the impact of the Group's business on the environment);
- the Group's employees (including equal opportunities, gender diversity and employee engagement);
- details of research and development activities; and
- social, community and human rights issues (including corporate social responsibility).

## Directors

The Directors who held office during the year are detailed within the Board and Committee membership section of the Corporate Governance Report.

## Financial performance and position

The financial results and position are shown in the consolidated financial statements. A fuller explanation of the results and financial position, including the dividend recommended by the Directors, is provided in the Operational and Financial review sections of the Strategic Report and the notes to the financial statements.

Information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging is provided in note 27 of the financial statements.

## Political donations

No political donations were made during the year ended 31 March 2024 (£nil for year ended 31 March 2023).

## Off-balance sheet arrangements

There are no off-balance sheet arrangements. Details of the trusts relating to Kainos' share incentive plans are set out in note 25 to the consolidated financial statements. The shares held by the trust rank pari passu with all the other shares in issue and have no special rights.

## Information required by the Listing Rules

For the purposes of LR9.8.4C R, the information required to be disclosed by LR9.8.4 R can be found in the following locations:

| Section topic | | Location |
|---|---|---|
| 1 | Interest capitalised | Not applicable |
| 2 | Publication of unaudited financial information | Not applicable |
| 4 | Details of long-term incentive schemes | Directors' Remuneration Report |
| 5 | Waiver of emoluments by a Director | Not applicable |
| 6 | Waiver of future emoluments by a Director | Not applicable |
| 7 | Non pre-emptive issues of equity for cash | Not applicable |
| 8 | Section (7) in relation to major subsidiary undertakings | Not applicable |
| 9 | Parent participation in a placing by a listed subsidiary | Not applicable |
| 10 | Contracts of significance | Directors' Report |
| 11 | Provision of services by a controlling shareholder | Not applicable |
| 12 | Shareholder waivers of dividends | Not applicable |
| 13 | Shareholder waivers of future dividends | Not applicable |
| 14 | Agreements with controlling shareholders | Not applicable |

# DIRECTORS' REPORT
CONTINUED

### Share capital and articles of association

Details of the called-up and fully paid share capital are set out in note 24 to the consolidated financial statements. The rights and obligations attaching to the shares and the powers of the Directors are set out in the Articles of Association, copies of which can be obtained from Companies House. There are no restrictions on the voting rights attached to the shares and no person holds securities carrying special rights regarding control.

### Authority to purchase own shares

Kainos holds a general authority to purchase up to 12,479,119 ordinary shares in the market. This represented approximately 10% of Kainos' issued share capital as at 10 August 2023, as approved by shareholders at the 2023 AGM. No purchase of shares has been made pursuant to this authority. The Board does not currently intend to use such an authority but considers it desirable to have the ability to do so under appropriate circumstances. A similar authority will be requested at the forthcoming AGM, again limited to a maximum of 10% of the issued share capital. The Board intends to exercise this authority only if it believes it will lead to an increase in earnings per share for the remaining shareholders.

### Appointment and replacement of Directors

The appointment and replacement of Directors is governed by the Articles of Association and the Nominations Committee's Terms of Reference. The Articles of Association may be amended by a special resolution.

### Directors' indemnities

At the date of this Directors' Report, indemnities are in force under which Kainos has agreed to indemnify the Directors and the Company Secretary to the extent permitted by law, and by Kainos Group plc's Articles of Association in respect of losses arising in their capacity as Director or officer of any member of the Kainos Group.

### Directors' and officers' liability insurance

Kainos has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors and officers.

### Disclosure of information to auditor

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the auditor is unaware, and each Director has taken the steps that he or she ought to have taken as a Director to ascertain any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

### Significant agreements – change of control

Group companies are subject to certain customer contracts, which require them to notify the customer of a change of control of the Group. In some instances, this may allow the customer to terminate its contracts with the Group. The Directors are not aware of, and do not anticipate, any circumstances where, any customer would wish to trigger its termination rights under such change of control provisions.

The only significant agreements with change of control provisions are the share incentive plans. Under the CSOP, SAYE and Polish share plans, on a change of control, options and awards that have not lapsed would generally vest in full. Awards under the PSP rules would also vest, subject to the satisfaction of any performance conditions at the time, but these would be time pro-rated.

Kainos is not party to any other significant agreements that take effect, alter or terminate upon a change of control following a takeover or upon a takeover bid.

### Principal shareholders

The following have disclosed that they (including persons closely connected, where appropriate) have an interest in 3% or more of the issued ordinary share capital. At 30 March 2024, the last holding notified to the Company is shown below. These holdings are likely to have changed since the Company was notified, however, notification of any change is not required until the next notifiable threshold is crossed.

| Investor | Ordinary 0.5p shares | % of issued share capital |
|---|---|---|
| QUBIS Ltd | 12,221,217 | 9.71% |
| Baillie Gifford & Co | 7,485,280 | 5.95% |
| Liontrust Asset Management plc | 7,489,033 | 5.95% |
| Brendan Mooney | 6,756,521 | 5.37% |
| Paul Gannon | 6,125,533 | 4.87% |
| Eileen Mooney | 5,862,541 | 4.66% |
| Richard McCann | 4,630,932 | 3.68% |
| Dr Brian Gannon | 4,285,675 | 3.41% |

### Going concern

Our business activities and position in our markets are described in the 'Operational Review', 'Our Markets' and 'Risk factors and uncertainties' sections of the Strategic Report. The financial position, cash flows and liquidity position are described in the 'Financial Review' and the notes to the consolidated financial statements. In addition, the notes to the consolidated financial statements include our objectives, policies and processes for managing our capital, our financial risk management objectives and our exposures to credit and liquidity risk.

Having reviewed the plans and projections for our business and our current financial position, the Board believes that we are well placed to manage our business risks successfully. We have adequate financial resources, no borrowings, a good level of recurring revenue, and a broad spread of customers. As a consequence of these factors, and having reviewed the forecasts for the coming year, the Board has a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. For this reason, we continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Long-term viability

The full Viability Statement and the associated explanations made in accordance with Provision 31 of the Code can be found in the Strategic Report.

## Directors' responsibilities statement in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Company financial statements in accordance with UK accounting standards and applicable law, including FRS101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the Group's profit or loss for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

## Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This Directors' Report was approved by the Board of Directors on 17 May 2024 and is signed on its behalf by:

**Tom Burnet**
Chair
17 May 2024

## INDEPENDENT AUDITOR'S REPORT
### TO THE MEMBERS OF KAINOS GROUP PLC

# Independent auditor's report

## to the members of Kainos Group plc

### Report on the audit of the financial statements

### 1. Opinion

We have audited the financial statements of Kainos Group plc ("the Company") and its consolidated undertakings ("the Group") for the year ended 31 March 2024, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity, and the related notes, including the accounting policies in note 3 to the Group financial statements and note 2 to the Company financial statements. The financial reporting framework that has been applied in their preparation is UK Law, UK adopted international accounting standards and, as regards the Company financial statements, UK Law and FRS 101 *Reduced Disclosure Framework*.

**In our opinion:**

— the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2024 and of the Group's profit for the year then ended;

— the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;

— the Company financial statements have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework* issued by the UK's Financial Reporting Council; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 23 September 2021. The period of total uninterrupted engagement is for three financial years ended 31 March 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the Financial Reporting Council (FRC)'s Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

| Overview | | |
|---|---|---|
| **Materiality:** group financial statements as a whole | | £3.4m (2023: £2.9m)<br>5% of Group adjusted profit before tax |
| **Coverage** | | 84% (2023: 97%) of revenue |
| **Key audit matters** | | **vs 2023** |
| **Recurring risks** | Revenue recognition | ◄► |
| | Investment in subsidiaries | ◄► |

## 2. Conclusions relating to going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.
- Obtaining an understanding of the directors' use of the going concern basis of preparation. This included inspecting their going concern assessment and associated underlying forecasts and assumptions, and performing inquiries of management and those charged with governance.
- Assessing the appropriateness of key assumptions made in the Group's business plan, by comparing them to historical performance and challenging the achievability of budgeted growth.
- Testing the clerical accuracy of the going concern model including the data used in stress testing.
- We also compared past budgets to actual results to assess the directors' track record of budgeting accurately.
- We considered whether the going concern disclosure in note 3 to the Group financial statements gives an appropriate and sufficient description of the directors' assessment of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

In relation to the Group and the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

## 3. Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included:

- Inquiring with the directors and other management as to the Group's policies and procedures regarding compliance with laws and regulations, identifying, evaluating and accounting for litigation and claims, as well as whether they have knowledge of non-compliance or instances of litigation or claims.
- Inquiring of directors and the audit committee as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Inquiring of directors regarding their assessment of the risk that the financial statements may be materially misstated due to irregularities, including fraud.
- Inspecting the Group's regulatory and legal correspondence.
- Reading Board, audit committee, remuneration committee and nomination committee meeting minutes.
- Performing planning analytical procedures to identify any usual or unexpected relationships.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation, taxation legislation and distributable profits legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, environmental law and certain aspects of company legislation recognising the nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition. We identified a fraud risk in relation to the Group revenue recognition relating to misstatement of fixed price and SaaS revenue.

# INDEPENDENT AUDITOR'S REPORT CONTINUED
## TO THE MEMBERS OF KAINOS GROUP PLC

### 3. Detecting irregularities including fraud *(continued)*

In response to the fraud risks, we also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation.
- Assessing significant accounting estimates for bias.
- Assessing the disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

### 4. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters (unchanged from 2023).

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

| | The key audit matter | How the matter was addressed in our audit |
|---|---|---|
| **Revenue recognition**<br><br>Revenue:<br>£382.4 million<br>(2023: £374.8 million)<br><br>*Refer to Audit Committee Report (Significant issues related to the financial statement section), note 3 Significant Accounting Policies (revenue section), note 4 Material accounting judgements and key sources of estimation uncertainty (Critical judgements in applying the Group's accounting policies) and note 5 Segment reporting.* | Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.<br><br>Revenue may be overstated in a period due to an incentive to achieve revenue forecasts to meet investor expectations and in order to achieve targets as part of performance based compensation arrangements.<br><br>There is an opportunity for fraud in relation to fixed price contracts where an inappropriate amount is estimated for inputs used to measure progress; and in Software as a Service ('SaaS') contracts to prematurely recognise revenue rather than spread recognition over the service period.<br><br>No fraud risk has been assessed over time and material contracts due to there being no significant judgement or estimation involved, with the revenue recognised based on approved time charged and contractual rates.<br><br>Whilst we do not deem there to be a fraud risk over time and materials ('T&M') revenue, all three steams of revenue represent key audit matters due to the size and volume of transactions recorded and the related audit effort.<br><br>For the reasons outlined above the engagement team determine this matter to be a key audit matter. | Our procedures included, amongst others:<br><br>— **Control operation:** We obtained and documented our understanding of the process for recording the recognition of revenue and tested the design and implementation of the relevant control.<br><br>— **Tests of detail:** For fixed price contracts, we selected a sample of contracts and assessed the level of completion. Supporting evidence included the signed contract, approved time records confirmed by the appropriate person, invoices, evidence of customer payment and discussions with project managers on percentage completion as at 31 March 2024.<br><br>— For SaaS revenue we selected a sample of revenue transactions to ensure these have been recognised in line with the terms of the contract and spread accordingly over the service period, including whether revenue has been recognised within the correct accounting period.<br><br>— For T&M revenue we utilised IT specialists to test the underlying timesheet data alongside sampling employee charge out rates and agreeing these back to signed contracts. We also tested a sample of revenue transactions to invoice and customer payment together with discussions with project managers in relation to specific large projects.<br><br>— Tested a sample of deferred revenue and accrued revenue balances to ensure they are in accordance with the Group's revenue recognition accounting policies.<br><br>— We considered the Group's revenue accounting policies in accordance with the requirements of IFRS 15.<br><br>— We made enquiries of the directors' and other management and remained alert to the indicators of fraud during the course of the audit.<br><br>— **Disclosures:** We assessed the disclosures presented in the financial statements to explain revenue recognition, including key sources of estimation uncertainty and judgments being applied.<br><br>**Our results**<br><br>— The results of our testing were satisfactory and we found the amount of revenue recognised to be appropriate. |

### 4. Key audit matters: our assessment of risks of material misstatement *(continued)*

| | The key audit matter | How the matter was addressed in our audit |
|---|---|---|
| **Investments in subsidiaries**<br><br>£9.0 million<br>(2023: £6.5 million)<br><br>*Refer to Company note 2 Significant Accounting Policies (investment in financial assets section) and Company note 4 Investments in subsidiaries.* | **Recoverability of investments in subsidiary**<br><br>The Company holds an investment of £9.0m in subsidiary undertakings and is accounted for at cost less any provision made for impairment.<br><br>The recoverability of the investments in subsidiaries is not at high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Company financial statements this is considered to be the area that had the greatest effect on our overall audit of the Company.<br><br>For the reason outlined above the engagement team determine this matter to be a key audit matter. | Our procedures included, amongst others:<br><br>— **Tests of detail:** We considered management's assessment of impairment indicators over the investment in subsidiaries.<br><br>— We compared the carrying amount of 100% of the amounts included in investments in subsidiaries with the respective subsidiaries' net assets values to identify whether the net assets values, being an approximation of their minimum recoverable amount, were in excess of the carrying amount.<br><br>— We consider the Group's market capitalisation to the book value of the investments in subsidiaries which indicated that the market capitalisation exceeded the book value by £1.3 billion as at 31 March 2024.<br><br>**Our results**<br><br>— The results of our testing were satisfactory and we found the carrying amount of the investments in subsidiaries to be acceptable. |

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# INDEPENDENT AUDITOR'S REPORT CONTINUED
## TO THE MEMBERS OF KAINOS GROUP PLC

### 3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £3.4m (2023: £2.9m), determined with reference to a benchmark of Group profit before tax, normalised to exclude acquisition related costs and post-combination remuneration expenses of £4.4m (2023: £4.2m), of which it represents 5% (2023: 5%). We consider the basis of our materiality to be one of the important considerations for shareholders of the Company in assessing the financial performance of the Group. It is linked to the key earnings measures discussed when the Group presents the financial results. The Group's reported adjusted profit before tax is detailed in note 5. In addition to acquisition related costs and post-combination remuneration expenses, the Group also adjusts for amortisation of purchased intangibles and share based payments expense and related costs to present adjusted profit before tax; these amounts are not excluded from our materiality calculation.

Materiality for the Company financial statements as a whole was set at £0.9m (2023: £1.4m), determined with reference to a benchmark of Company total assets (2023: net assets), of which it represents 1% (2023: 2%). In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

In applying our judgement in determining the percentage to be applied to the benchmark for Group and Company, the following qualitative factors, had the most significant impact, increasing our assessment of materiality and included:

- the Group has no external debt; and
- the stability of the business environment in which it operates.

We applied Group materiality to assist us determine the overall audit strategy.

Performance materiality was set at 75% (2023: 75%) of materiality for the financial statements as a whole, which equates to £2.5m (2023: £2.2m) for the Group and £0.7m (2023: £1.1m) for the Company. In applying our judgement in determining performance materiality for the Group and Company, the following factors were considered to have the most significant impact, increasing our assessment of performance materiality:

- the low number and value of misstatements detected in the prior year financial statement audit;
- the low number and severity of deficiencies in control activities identified in the prior year financial statement audit; and
- the stability in the senior management and key financial reporting personnel over the last three years.

We applied performance materiality to assist us determine what risks were significant risks and the procedures to be performed.

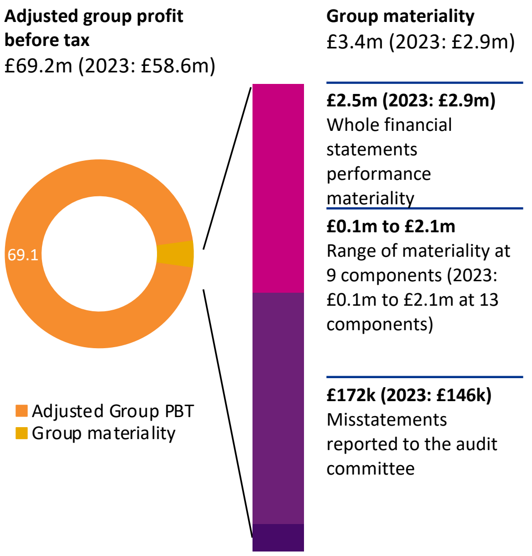
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £172k (2023: £146k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

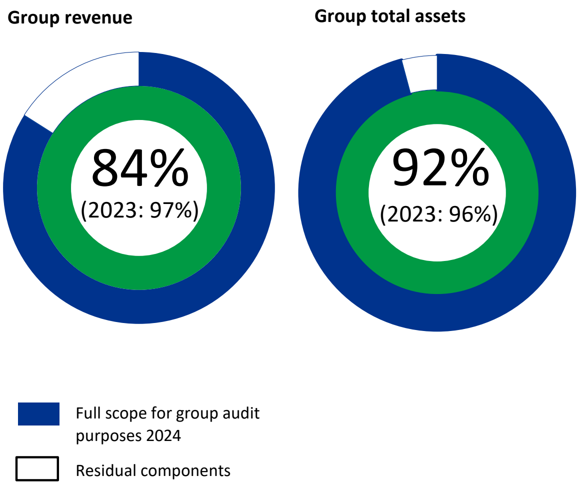
Of the Group's 30 (2023: 25) reporting components, we subjected 9 (2023: 9) to full scope audits for group purposes and Nil (2023:4) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes.

The work on these components, including the audit of the Company, was performed by the Group team. The audit was performed using the materiality levels set out above.

The components within the scope of our work accounted for the percentages illustrated below.

The remaining 16% of total Group revenue and 8% of total Group assets is represented by 21 reporting components, none of which individually represented more than 3% of any of total Group revenue, Group profit before tax or total Group assets. For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no risk of material misstatement within these.



### 6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Directors' report and the Strategic report and Corporate governance sections of the Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### 7. Opinions on other matters prescribed by the Companies Act 2006

*Strategic report and directors' report*

Based solely on our work on the other information undertaken during the course of the audit:

— we have not identified material misstatements in the strategic report or the directors' report;

— in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and

— in our opinion, the strategic report and the directors' report have been prepared in accordance with the Companies Act 2006.

*Directors' remuneration report*

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

*Corporate governance statement*

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code four our review specified by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

— Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out in the Directors' report (Going concern section) and Strategic Report (Viability section);

— Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out in the Directors' report (Going concern section) and Strategic Report (Viability section);

— Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out in the Directors' report (Going concern section) and Strategic Report (Viability section).

### 7. Opinions on other matters prescribed by the Companies Act 2006 *(continued)*

— Directors' statement on fair, balanced and understandable and the information necessary for shareholders to assess the Group's position and performance, business model and strategy set out in the Directors' Report (Directors' responsibilities statement in respect of the Annual Report and the financial statements section);

— Board's confirmation that it has carried out a robust assessment of the emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated set out in the Strategic Report (Risk factors and uncertainties section);

— Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out in the Audit Committee Report (Risk management and internal control section); and

— Section describing the work of the audit committee set out in the Audit Committee Report.

### 8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

— adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### 9. Respective responsibilities and restrictions on use

*Responsibilities of directors for the financial statements*

As explained more fully in the directors' responsibilities statement set out in the Directors' Report (Directors' responsibilities statement in respect of the Annual Report and the financial statements section), the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

# INDEPENDENT AUDITOR'S REPORT CONTINUED
## TO THE MEMBERS OF KAINOS GROUP PLC

### 9. Respective responsibilities and restrictions on use *(continued)*

*Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities or error, and to issue an opinion in an auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

*The purpose of our audit work and to whom we owe our responsibilities*

Our report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**John Poole (Senior Statutory Auditor)**
**for and on behalf of KPMG, Statutory Auditor**
*Chartered Accountants*
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

17 May 2024

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# CONSOLIDATED INCOME STATEMENT
## FOR THE YEAR ENDED 31 MARCH 2024

| CONTINUING OPERATIONS | Note | 2024 (£000s) | 2023 (£000s) |
|---|---|---|---|
| REVENUE | 5 | **382,393** | 374,807 |
| Cost of sales | 5 | **(195,079)** | (197,652) |
| GROSS PROFIT | 5 | **187,314** | 177,155 |
| Operating expenses | | **(128,411)** | (124,597) |
| Impairment (loss)/gain (including amounts recovered) on trade receivables and accrued income | 27 | **(287)** | 388 |
| Gain on disposal of property, plant and equipment | | **1,114** | – |
| Increase in fair value of investment property | 14 | **1,040** | – |
| OPERATING PROFIT | 6 | **60,770** | 52,946 |
| Finance income | 7 | **4,336** | 1,463 |
| Finance expense | 7 | **(334)** | (71) |
| PROFIT BEFORE TAX | | **64,772** | 54,338 |
| Income tax expense | 9 | **(16,057)** | (12,693) |
| PROFIT FOR THE YEAR | | **48,715** | 41,645 |
| | | | |
| EARNINGS PER SHARE | | | |
| Basic | 11 | **39.0p** | 33.6p |
| Diluted | 11 | **38.6p** | 33.1p |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 MARCH 2024

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| PROFIT FOR THE YEAR | **48,715** | 41,645 |
| ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS: | | |
| Foreign operations – foreign currency translation differences | **(1,065)** | 779 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **47,650** | 42,424 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 MARCH 2024

| | Note | 2024 (£000s) | 2023 (£000s) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Goodwill | 12 | **38,203** | 19,007 |
| Other intangible assets | 12 | **5,208** | 3,816 |
| Investment property | 14 | **6,200** | 5,160 |
| Property, plant and equipment | 13 | **12,285** | 9,509 |
| Right-of-use assets | 17 | **5,216** | 1,261 |
| Investments in equity instruments | | **1,299** | 1,299 |
| Deferred tax asset | 19 | **5,147** | 3,103 |
| | | **73,558** | 43,155 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 18 | **41,832** | 38,970 |
| Prepayments | 18 | **4,268** | 3,656 |
| Accrued income | 18 | **33,225** | 38,808 |
| Tax receivable | | **–** | 400 |
| Cash and cash equivalents | 20 | **121,558** | 108,302 |
| Treasury deposits | 20 | **4,403** | – |
| Assets held for sale | 15 | **–** | 310 |
| | | **205,286** | 190,446 |
| TOTAL ASSETS | | **278,844** | 233,601 |
| CURRENT LIABILITIES | | | |
| Trade payables and accruals | 22 | **(50,062)** | (52,348) |
| Deferred income | 22 | **(44,954)** | (37,087) |
| Tax payable | 22 | **(7,069)** | – |
| Lease liabilities | 21 | **(1,015)** | (794) |
| Provisions | 23 | **–** | (341) |
| Other tax and social security | 22 | **(10,135)** | (12,068) |
| | | **(113,235)** | (102,638) |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 23 | **(1,542)** | (1,031) |
| Deferred tax liability | 19 | **(2,371)** | – |
| Lease liabilities | 21 | **(4,883)** | (585) |
| | | **(8,796)** | (1,616) |
| TOTAL LIABILITIES | | **(122,031)** | (104,254) |
| NET ASSETS | | **156,813** | 129,347 |
| EQUITY | | | |
| Share capital | 24 | **629** | 623 |
| Share premium account | | **9,419** | 6,567 |
| Capital reserve | | **3,548** | 3,548 |
| Share-based payment reserve | | **31,228** | 23,394 |
| Translation reserve | | **(35)** | 1,030 |
| Retained earnings | | **112,024** | 94,185 |
| TOTAL EQUITY | | **156,813** | 129,347 |

These financial statements were approved by the Board of Directors and authorised for issue on 17 May 2024. They were signed on its behalf by:

**Richard McCann**
Director
17 May 2024

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2024

| | Share capital (£000s) | Share premium (£000s) | Capital reserve (£000s) | Share-based payment reserve (£000s) | Translation reserve (£000s) | Retained earnings (£000s) | Total equity (£000s) |
|---|---|---|---|---|---|---|---|
| BALANCE AT 31 MARCH 2022 | 619 | 6,433 | 3,548 | 15,171 | 251 | 81,668 | 107,690 |
| Profit for the year | – | – | – | – | – | 41,645 | 41,645 |
| Other comprehensive income | – | – | – | – | 779 | – | 779 |
| Total comprehensive income for the year | – | – | – | – | 779 | 41,645 | 42,424 |
| Equity-settled share-based payments | – | – | – | 8,223 | – | – | 8,223 |
| Current tax for equity-settled share-based payments | – | – | – | – | – | 237 | 237 |
| Deferred tax for equity-settled share-based payments | – | – | – | – | – | (931) | (931) |
| Issue of share capital – share options exercised | 4 | 134 | – | – | – | – | 138 |
| Dividends | – | – | – | – | – | (28,434) | (28,434) |
| BALANCE AT 31 MARCH 2023 | 623 | 6,567 | 3,548 | 23,394 | 1,030 | 94,185 | 129,347 |
| Profit for the year | – | – | – | – | – | 48,715 | 48,715 |
| Other comprehensive income | – | – | – | – | (1,065) | – | (1,065) |
| Total comprehensive income for the year | – | – | – | – | (1,065) | 48,715 | 47,650 |
| Equity-settled share-based payments | – | – | – | 7,834 | – | – | 7,834 |
| Current tax for equity-settled share-based payments | – | – | – | – | – | 514 | 514 |
| Deferred tax for equity-settled share-based payments | – | – | – | – | – | (968) | (968) |
| Issue of share capital – share options exercised | 6 | 2,852 | – | – | – | – | 2,858 |
| Dividends | – | – | – | – | – | (30,422) | (30,422) |
| **BALANCE AT 31 MARCH 2024** | **629** | **9,419** | **3,548** | **31,228**[29] | **(35)** | **112,024** | **156,813** |

(29) £21.7 million relates to exercised or lapsed options or fully vested free share awards and is considered distributable.

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MARCH 2024

| | Note | 2024 (£000s) | 2023 (£000s) |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| PROFIT FOR THE YEAR | | **48,715** | 41,645 |
| *Adjustments for:* | | | |
| Finance income | 7 | **(4,336)** | (1,463) |
| Finance expense | 7 | **334** | 71 |
| Tax expense | 9 | **16,057** | 12,693 |
| Share-based payment expense | | **5,952** | 6,346 |
| Depreciation of property, plant and equipment | 13 | **2,886** | 2,249 |
| Depreciation of right-of-use assets | 17 | **1,152** | 1,163 |
| Amortisation of intangible assets | 12 | **4,190** | 2,642 |
| Gain on disposal of property, plant and equipment | | **(1,114)** | – |
| Increase in fair value of investment property | 14 | **(1,040)** | – |
| Post-acquisition remuneration settled by shares | | **1,501** | 3,200 |
| Increase/(decrease) in provisions | 23 | **170** | (758) |
| OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL | | **74,467** | 67,788 |
| Decrease/(increase) in trade and other receivables | | **2,337** | (3,380) |
| (Decrease)/increase in trade and other payables | | **(1,336)** | 8,076 |
| CASH GENERATED FROM OPERATING ACTIVITIES | | **75,468** | 72,484 |
| Income taxes paid | | **(6,454)** | (10,585) |
| NET CASH FROM OPERATING ACTIVITIES | | **69,014** | 61,899 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | **4,336** | 1,463 |
| Purchases of property, plant and equipment | 13 | **(5,662)** | (2,499) |
| Proceeds from sale of property, plant and equipment | | **1,484** | – |
| Amounts placed on treasury deposit | 20 | **(4,403)** | – |
| Acquisition of subsidiaries net of cash acquired | 29 | **(22,908)** | – |
| NET CASH USED IN INVESTING ACTIVITIES | | **(27,153)** | (1,036) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | 10 | **(30,422)** | (28,434) |
| Interest paid | | **(334)** | (71) |
| Repayment of lease liabilities | | **(466)** | (1,075) |
| Proceeds on issue of shares | | **2,858** | 138 |
| NET CASH USED IN FINANCING ACTIVITIES | | **(28,364)** | (29,442) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | **13,497** | 31,421 |
| Cash and cash equivalents at beginning of year | | **108,302** | 76,609 |
| Effect of exchange rate fluctuations on cash held | | **(241)** | 272 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 20 | **121,558** | 108,302 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. General information and basis of preparation

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

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The parent Company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards ('UK-Adopted IFRS'). The Company has elected to prepare its parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS101'). The financial statements are presented in Pounds Sterling, generally rounded to the nearest thousand.

The Group financial statements are prepared on a historical cost basis except for the following items which are measured at fair value or grant date fair value:

- share-based payment arrangements;
- investment property;
- business combinations; and
- equity investments that are in the scope of IFRS9.

Non-current assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group other than those detailed in changes in accounting policies.

The financial statements were authorised for issue by the Directors on 17 May 2024.

## 2. Adoption of new and revised standards

In the current year, the Group and Company have applied a number of amendments UK-adopted IFRS that are effective for an accounting period that begins on or after 1 January 2023.

| |
|---|
| IFRS17 Insurance Contracts, Amendments to IFRS17 and Initial Application of IFRS17 and IFRS9 – Comparative Information. |
| Amendments to IAS8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates. |
| Amendments to IAS1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements. |
| Amendments to IAS12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction. |

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The accounting policy for deferred tax (note 3) has been updated to reflect the amendments to IAS12.

### New and revised UK-adopted IFRS Accounting Standards in issue but not yet effective

The following UK-adopted IFRSs have been issued but have not been applied by the Group and Company in these financial statements. Their adoption is not expected to have a material effect in the financial statements.

| |
|---|
| Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current Liabilities with Covenants (effective date 1 January 2024). |
| Amendments to IFRS16 – Lease Liability in a Sale and Leaseback (effective date 1 January 2024). |
| Amendments to IAS7 and IFRS7 – Supplier Finance Arrangements (effective date 1 January 2024). |
| Amendments to IAS21 – Lack of Exchangeability (effective date 1 January 2025). |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 3. Material accounting policies

### Going concern
The financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are summarised in the Strategic Report. The principal risks, uncertainties and risk management processes are also described in the Strategic Report. The Group's policies and objectives with regards to financial risk management are further described in note 27 of the financial statements.

The Directors, having reviewed the future plans and projections for the business and the current financial position, believe that the Group is placed to manage its business risks successfully. It has adequate financial resources, no borrowings, a good level of recurring revenue, and a broad spread of customers.

In reaching its conclusion on the going concern assessment, the Directors also considered the findings of the work performed to support the long-term viability of the Company and Group. The viability review included sensitivity analysis on the future performance and solvency over three years and for the principal and emerging risks facing the business in severe but reasonable scenarios. In performing this assessment, our long-term strategy and focus, the growing demand for our products and services, the increasing level of recurring revenue and low customer attrition, the track record of strong cash generation and a healthy cash balance with no debt from financial institutions were all taken into consideration. Consideration was also given to the risks of regional and political changes in our main markets. The Group's Viability Statement is included within the Strategic Report.

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

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

### Functional and presentational currency
These consolidated financial statements are presented in Pounds Sterling, which is the Company's functional currency.

### Basis of consolidation
*Subsidiaries*
Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

*Transactions eliminated on consolidation*
Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

### Business combinations
Acquisitions of businesses are accounted for using the acquisition method.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 Business Combinations are recognised at their fair values at the acquisition date.

Any deferred and contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. Deferred and contingent consideration that is assessed as being payment for post-combination services (remuneration) is expensed as incurred in the post-combination period.

Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred and included in operating expenses.

## 3. Material accounting policies continued

### Business combinations continued
The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Identifiable intangibles are those which can be sold separately, or which arise from contractual or legal rights regardless of whether those rights are separable.

### Goodwill
Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit which represents the lowest level within the Group at which goodwill is monitored. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

### Revenue
Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. The Group has adopted the five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. This involves identifying the contract with customers, identifying the performance obligations, determining the transaction price, allocating the price to the performance obligations within the contract and recognising revenue when the performance obligations are satisfied.

Revenue from the Group's activities is recognised as detailed below.

The Group recognises a contract asset (accrued income) when the value of the satisfied performance obligations is in excess of the payment due to the Group or a contract liability (deferred income) when the amount of unconditional consideration is in excess of the value of satisfied performance obligations. Once a right to receive consideration is unconditional, that amount is recognised as a receivable.

Contract assets are represented by accrued income (note 18) and contract liabilities are represented by deferred income (note 22).

### Service revenue
*Time and materials contracts*
Contracts for the provision of software-related services generally tend to be 'time and materials' contracts whereby the customer is contractually bound to pay for services for each hour or day spent in delivering a contractually agreed services scope. These contracts typically have no payment milestones, refunds or bundling with other services or products. Such services are recognised as a performance obligation satisfied over time in line with the chargeable 'time and materials' which are allocated to the contracted project.

*Fixed price contracts*
Other contracts for the provision of software-related services are contracted on a fixed price basis. The Directors have assessed that the stage of completion determined as a proportion of the total hours expected for the project that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of the performance conditions under IFRS15. This is reviewed on a monthly basis. Payment for services is not due from the customer unless milestones have been achieved or the project is complete, therefore a contract asset is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed to date. Where costs are anticipated to be in excess of revenues an onerous contract will be recognised.

*Support*
Revenue relating to support services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transactions and is released on a straight-line basis over the contracted term in line with the estimated delivery of performance obligations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 3. Material accounting policies continued

### Software as a Service (SaaS)

SaaS is charged on a subscription basis and the revenue is recognised pro-rata over the period that the service is provided.

### Managed service subscription

Subscription revenue for the management of software applications for customers in the cloud is recognised pro-rata over the period the service is provided.

### Commission revenue

Commission income is earned when the Group secures orders for end-user access to Workday Adaptive Planning software. The performance obligations are satisfied at the point the order is secured and revenue is recognised accordingly.

### Third party goods

Revenue from the sale of goods is recognised when control of the goods has transferred to the customer, usually on delivery of the goods.

### 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 unless another systematic basis is more representative of the time pattern in which economic benefits of the lease are consumed.

*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 when it can be readily determined. If this rate cannot be readily determined the Group uses its incremental borrowing rate, which is typically applied.

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.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

*Right-of-use asset*

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and plus any initial direct costs. It is 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 at commencement of the lease 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. The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase options or that transfer ownership of the underlying asset at the end of the lease term.

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

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

## **3. Material accounting policies** continued

### Foreign currency

*Foreign currency transactions*

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within operating expenses.

*Foreign operations*

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Pounds Sterling at the exchange rates at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Foreign currency differences are recognised in the statement of comprehensive income and accumulated in the translation reserve until the foreign operation is disposed of, at which point the relevant proportion of the accumulated amount is recycled to profit or loss.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants that compensate the Group for expenses incurred are recognised in profit and loss on a systematic basis in the periods in which the related costs for which the grants are intended to compensate are recognised. The Group has elected to present grants related to income as a reduction to the related expense within operating expenses.

### Research and Development Expenditure Credits

Research and Development Expenditure Credits are accounted for as having the substance of a government grant and accordingly this income is accounted for under IAS20 Accounting for Government Grants. The grants are recognised on the basis of the fair value of claims made and are recognised within operating expenses in the profit or loss. A corresponding other receivable is recognised at the time the grants are earned.

### Retirement benefit costs

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

### Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

### Current tax

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

### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that at the time of the transaction i) affects neither the taxable profit nor the accounting profit and ii) does not give rise to equal taxable and deductible temporary timing differences.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 3. Material accounting policies continued

**Deferred tax** continued
Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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

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

**Property, plant and equipment**
Property under construction is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Property, plant and equipment assets are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and property under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

| | |
|---|---|
| Long-term leasehold property | 2.5% |
| Leasehold improvements | Over the term of the lease up to five years |
| Fixtures and fittings | 20% |
| Office equipment | 25%-33% |

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

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

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

**Investment property**
Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve.

## 3. Material accounting policies continued

### Assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

### Insurance

The Group has entered into arrangements to self-insure for professional indemnity and cyber insurance through the establishment of a protected cell captive (PCC). In accordance with IFRS10, the Group has assessed that the PCC should be classified as a separate entity and that the Company controls the entity. Accordingly, the PCC has been consolidated in these Group financial statements.

As the Group enters into self-insurance, in accordance with IAS37, the Group will recognise a provision when an event of loss occurs, before the reporting date and only for obligations incurred. A provision is not recognised for future losses or costs associated with self-insurance.

### Acquired intangible assets

Separately identified intangible assets acquired in a business combination are initially recognised at their fair value (which is regarded as their cost). Intangible assets are subsequently stated at fair value or cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful life of the asset. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Estimated useful lives typically applied are as follows:

- Customer relationships – over 2-10 years
- Order backlog – over 10-33 months

### Internally generated intangible assets – research and development expenditure

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

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

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

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

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 3. Material accounting policies continued

### Trade receivables
Trade receivables, which typically have 30-day credit terms, are initially recognised and carried at their original invoice amount. Given the short lives of the trade receivables, there are generally no material fair value movements between initial recognition and the derecognition of the receivable and are subsequently stated at cost less expected credit losses. The Group applies the simplified approach, which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

### Cash and cash equivalents
Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. All of the cash and cash equivalents balance is available for use by the Group.

The Group has not recognised an expected credit loss on cash and cash equivalents as it is deemed not material.

### Treasury deposits
Treasury deposits represent bank deposits with an original maturity date of over three months and are held with a fixed rate of interest. Treasury deposits are held to collect and are SPPI (solely payments of principal and interest) compliant.

The Group has not recognised an expected credit loss on treasury deposits as it is deemed not material.

### Investments in financial assets
Investments in equity shares, which are all unquoted equity investments, are stated at fair value through profit or loss (FVTPL).

### Impairment of financial assets
The Group recognises a loss allowance at an amount equal to lifetime expected credit loss (ECL) on trade receivables and accrued income in accordance with the simplified approach as set out in IFRS9. The ECL is updated at each reporting date to reflect changes in credit risk.

The Group measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers any change in credit quality of the amounts owing from the date the credit was initially granted up to the reporting date. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses estimated using a provision matrix.

The Group recognises a loss allowance of 100% against all receivables older than six months at the reporting date.

### Financial liabilities
Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the amortised cost of a financial liability.

### Derecognition of financial assets and financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

## 3. Material accounting policies continued

### Provisions

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

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

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

### Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each statement of financial position date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

The fair value of the amount payable to employees in respect of share options settled in cash is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the options. Any changes in the liability are recognised in profit or loss.

## 4. Material accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, which are described in note 3, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

*Product development expenditure*

The Group invests on a continual basis in the development of new and enhanced features in the product suite. There is a continual process of enhancements to and expansion of the overall product suite. Judgement is required in assessing whether the development costs meet the criteria for capitalisation. These judgements have been applied consistently year to year. In making this judgement, the Group evaluates, amongst other factors, whether there are future economic benefits beyond the current period, the stage at which technical feasibility has been achieved, management's intention to complete and use or sell the product, the likelihood of success, availability of technical and financial resources to complete the development phase and management's ability to measure reliably the expenditure attributable to the project. Research and product development expenditure incurred on minor or major upgrades, or other changes in software functionality, does not satisfy the criteria in order to capitalise. Such expenditure is therefore recognised as an expense.

Therefore, judgement is required in assessing whether eligible costs meet the relevant capitalisation criteria under IAS38 Intangible assets. The accounting policy for research and product development is in note 3 and in the current year there are no development expenses that have been capitalised (2023: £nil). The total product development expenditure in the period is £13.5 million (2023: £9.1 million). R&D expenditure credit (RDEC) grants received from HMRC and product development expenditure incurred are presented gross in note 6.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 4. Material accounting judgements and key sources of estimation uncertainty continued

### Critical judgements in applying the Group's accounting policies continued

*Product development expenditure* continued

Generally, commercial viability of new products is not proven until all high-risk development issues have been resolved through testing pre-launch versions of the product. As a result, technical feasibility is proven only after completion of the detailed design phase and formal approval, which occurs just before the products are ready to go to market. Certain development costs are incurred for specific projects and there is a lack of certainty that the work may have future economic benefit on future projects. Accordingly, development costs have not been capitalised.

Costs which are incurred after the general release of internally generated software, or costs which are incurred in order to enhance existing products are expensed in the period in which they are incurred and included within the research and development expense in the financial statements.

*RDEC income*

Judgements are made regarding the assessment of the eligibility of product development expenditure incurred for RDEC claims. The Group's assessment of eligible expenditure must align with the definition of R&D for RDEC purposes. This assessment is more difficult in some industries such as software development resulting in judgement over the qualifying R&D costs and the eligibility of these costs for the RDEC claim. The unrecognised component of RDEC as at 31 March 2024 is £4.4 million (2023: £4.8 million) and represents the Group's determination of the value subject to this judgement. This portion is recognised when this judgement has been removed either via formal acceptance of the claim value submitted or the expiry of the enquiry window. The net value of RDEC receivable as at 31 March 2024 is £4.3 million (2023: £3.0 million) and is included within other receivables in the statement of financial position.

*RapidIT-Cloudbera Acquisition*

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

It is our view that the transfer of employees was solely to facilitate the successful acquisition of the entire RIC business and was administrative in nature. The payment was not subject to continuing employment of the selling shareholders and no other service conditions were required to be delivered. As such, our accounting judgement is that the $6.0 million amount initially held in escrow and paid in full during the year, should be reflected as purchase consideration rather than post-acquisition services.

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*Revenue recognition*

*Service revenue*

Kainos charges for its digital services on a time and materials or fixed price basis. Where there are fixed price contracts, revenue is recognised based on the stage of completion. Stage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs. The Group estimates costs to complete its contractual obligations by reference to the current run rate of these costs until contractual completion. The estimation of stage of completion is sensitive to future uncertainties such as technical challenges, timescale changes and commercial issues. During the year revenue relating to fixed price project income was £35.1 million (2023: £33.8 million). The associated carrying values of accrued and deferred income at 31 March 2024 were £11.5 million (2023: £10.8 million) and £2.0 million (2023: £2.5 million) respectively.

## 5. Segment reporting

All of the Group's revenue during the year ended 31 March 2024 and for the year ended 31 March 2023 was derived from continuing operations.

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

## 5. Segment reporting continued

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

### 2024

| 12 MONTHS TO 31 MARCH | Digital Services (£000s) | Workday Services (£000s) | Workday Products (£000s) | Consolidated (£000s) |
|---|---|---|---|---|
| REVENUE | **213,097** | **112,044** | **57,252** | **382,393** |
| Cost of sales | **(131,280)** | **(50,717)** | **(13,082)** | **(195,079)** |
| GROSS PROFIT | **81,817** | **61,327** | **44,170** | **187,314** |
| Direct expenses[30] | **(20,778)** | **(35,889)** | **(28,280)** | **(84,947)** |
| CONTRIBUTION | **61,039** | **25,438** | **15,890** | **102,367** |
| Central overheads[30] | | | | **(29,183)** |
| Net finance income | | | | **4,002** |
| ADJUSTED PRE-TAX PROFIT | | | | **77,186** |
| Share-based payments expense and related costs | | | | **(5,952)** |
| Amortisation of acquired intangible assets | | | | **(4,190)** |
| Compensation for post-combination remuneration | | | | **(3,800)** |
| Acquisition-related expenses | | | | **(626)** |
| Increase in fair value of investment property and gain on sale of property | | | | **2,154** |
| PROFIT BEFORE TAX | | | | **64,772** |

### 2023

| 12 MONTHS TO 31 MARCH | Digital Services (£000s) | Workday Services (£000s) | Workday Products (£000s) | Consolidated (£000s) |
|---|---|---|---|---|
| REVENUE | 224,384 | 105,741 | 44,682 | 374,807 |
| Cost of sales | (138,798) | (48,406) | (10,448) | (197,652) |
| GROSS PROFIT | 85,586 | 57,335 | 34,234 | 177,155 |
| Direct expenses[30] | (24,326) | (36,439) | (21,687) | (82,452) |
| CONTRIBUTION | 61,260 | 20,896 | 12,547 | 94,703 |
| Central overheads[30] | | | | (28,536) |
| Net finance income | | | | 1,392 |
| ADJUSTED PRE-TAX PROFIT | | | | 67,559 |
| Share-based payments expense and related costs | | | | (6,346) |
| Amortisation of acquired intangible assets | | | | (2,642) |
| Compensation for post-combination remuneration | | | | (4,176) |
| Acquisition-related expenses | | | | (57) |
| PROFIT BEFORE TAX | | | | 54,338 |

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

### 5. Segment reporting continued

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

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| United Kingdom & Ireland | **232,557** | 242,787 |
| North America | **106,990** | 95,505 |
| Central Europe | **41,433** | 35,262 |
| Rest of world | **1,413** | 1,253 |
| | **382,393** | 374,807 |

### Disaggregation of revenue by type

| | Digital Services 2024 (£000s) | Workday Services 2024 (£000s) | Workday Products 2024 (£000s) | Total 2024 (£000s) |
|---|---|---|---|---|
| TYPE OF REVENUE | | | | |
| Services | **204,950** | **105,428** | **2,430** | **312,808** |
| Subscriptions | **–** | **–** | **54,822** | **54,822** |
| Third party and other | **8,147** | **6,616** | **–** | **14,763** |
| | **213,097** | **112,044** | **57,252** | **382,393** |

| | Digital Services 2023 (£000s) | Workday Services 2023 (£000s) | Workday Products 2023 (£000s) | Total 2023 (£000s) |
|---|---|---|---|---|
| TYPE OF REVENUE | | | | |
| Services | 217,490 | 98,961 | 1,625 | 318,076 |
| Subscriptions | – | – | 43,057 | 43,057 |
| Third party and other | 6,894 | 6,780 | – | 13,674 |
| | 224,384 | 105,741 | 44,682 | 374,807 |

### 5. Segment reporting continued

**Disaggregation of revenue by sector**

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| DIGITAL SERVICES | | |
| Public | **138,168** | 136,951 |
| Commercial | **30,749** | 37,782 |
| Healthcare | **44,180** | 49,651 |
| | **213,097** | 224,384 |
| WORKDAY SERVICES | | |
| Public | **89** | 167 |
| Commercial | **111,949** | 105,423 |
| Healthcare | **6** | 151 |
| | **112,044** | 105,741 |
| WORKDAY PRODUCTS | | |
| Public | **–** | 891 |
| Commercial | **57,170** | 43,171 |
| Healthcare | **82** | 620 |
| | **57,252** | 44,682 |
| GROUP | | |
| Public | **138,257** | 138,009 |
| Commercial | **199,868** | 186,376 |
| Healthcare | **44,268** | 50,422 |
| TOTAL | **382,393** | 374,807 |

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

The following table provides information about receivables, accrued income and deferred income from contracts with customers.

| | Note | 2024 (£000s) | 2023 (£000s) |
|---|---|---|---|
| Trade receivables | 18 | **35,368** | 35,693 |
| Accrued income | 18 | **33,225** | 38,808 |
| Deferred income | 22 | **(44,954)** | (37,087) |

Accrued income relates to the Group's right to consideration for work completed and delivered but not invoiced as at year end and is transferred to trade receivables when an invoice is issued to the customer. Customers are typically invoiced on a monthly basis and consideration is payable when invoiced. The accrued income balance as at 31 March 2023 (£38.8 million) was invoiced during the year. Any amounts written-off were small and considered immaterial in the context of these financial statements.

Deferred income relates to advance consideration received from customers, where revenue is recognised over time as the services are provided/delivered to customers. During the year, all of the opening deferred revenue balance (2023: all) has been recognised as revenue.

Any revenue recognised in the period resulting from performance obligations satisfied (or partially satisfied) in previous periods would not be considered material in the context of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 5. Segment reporting continued

**Disaggregation of revenue by sector** continued

The Group's non-current assets (excluding deferred tax assets) are located as follows:

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Northern Ireland | **18,177** | 16,685 |
| Rest of UK | **2,231** | 2,231 |
| United States of America | **34,954** | 11,366 |
| Finland | **8,454** | 8,822 |
| Canada | **2,208** | 8 |
| Poland | **2,112** | 56 |
| Other | **275** | 884 |

**Significant customer**

One customer, a Digital Services client, contributed £45.1 million or 12% to Group revenue for the year ended 31 March 2024. This customer contributed £38.2 million or 10% to Group revenue for the year ended 31 March 2023. No other single customer contributed more than 10% to Group revenue in the period.

## 6. Profit for the year

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

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Total staff costs (note 8) | **261,430** | 232,033 |
| Government grants(51) | **(2,070)** | (12) |
| Research and development expensed as incurred | **13,493** | 9,061 |
| Research and Development Expenditure Credit | **(5,161)** | (4,230) |
| Depreciation of property, plant and equipment (note 13) | **2,886** | 2,249 |
| Depreciation of right-of-use assets (note 17) | **1,152** | 1,163 |
| Gain on disposal of property, plant and equipment | **(1,173)** | – |
| Net foreign exchange loss/(gain) | **553** | (873) |
| Amortisation of acquired intangibles (note 12) | **4,190** | 2,642 |

The analysis of auditor's remuneration is as follows:

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Fees payable to the Group's auditor for the audit of the Group's annual accounts | **160** | 110 |
| Fees payable to the Group's auditor for the audit of subsidiaries | **88** | 61 |
| TOTAL AUDIT FEES | **248** | 171 |
| Fees payable to the Group's auditor for other services to the Group: | **–** | – |
| Review of interim report | **27** | 25 |
| TOTAL AUDIT-RELATED FEES | **275** | 196 |
| Non-audit fees | **–** | – |
| Total audit and non-audit fees | **275** | 196 |
| Total % of non-audit fees | **0%** | 0% |

(51) Grant income received in connection with employment and R&D related grants.

## 7. Finance income and expense

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Bank interest | **4,336** | 1,463 |
| FINANCE INCOME | **4,336** | 1,463 |

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Interest expense on lease liabilities | **320** | 64 |
| Other finance expense | **14** | 7 |
| FINANCE EXPENSE | **334** | 71 |

## 8. Staff numbers and costs

The average number of employees during the year was:

| | 2024 Number | 2023 Number |
|---|---|---|
| Technical | **2,354** | 2,107 |
| Administration | **331** | 311 |
| Sales | **258** | 188 |
| | **2,943** | 2,606 |

The aggregate payroll costs of these persons were as follows:

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Wages and salaries | **222,916** | 194,210 |
| Social security costs | **21,821** | 20,290 |
| Contributions to defined contribution plans | **9,270** | 7,907 |
| Share-based payments (note 25) | **7,423** | 9,626 |
| | **261,430** | 232,033 |

The split of remuneration between cost of sales and operating expenses is as follows:

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Cost of sales | **164,101** | 140,142 |
| Operating expenses | **97,329** | 91,891 |
| | **261,430** | 232,033 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 9. Tax expense

The following tax was recognised in the income statement:

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| CURRENT TAX EXPENSE: | | |
| Current year (UK) | **12,201** | 7,793 |
| Current year (overseas) | **6,456** | 5,271 |
| Adjustments in respect of prior years | **(444)** | (385) |
| | **18,213** | 12,679 |
| DEFERRED TAX (NOTE 19) | | |
| Origination and reversal of temporary differences | **(1,439)** | (1,130) |
| Adjustments in respect of prior years | **(717)** | 1,144 |
| | **(2,156)** | 14 |
| TOTAL TAX EXPENSE | **16,057** | 12,693 |

In addition to the amount charged to the statement of comprehensive income, the following amounts relating to tax have been recognised directly in equity in relation to share-based payments:

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| CURRENT TAX | | |
| Permanent element of share-based payment deduction | **514** | 237 |
| DEFERRED TAX | | |
| Deferred tax on share-based payments | **(968)** | (931) |
| | | |
| TOTAL TAX RECOGNISED DIRECTLY IN EQUITY | **(454)** | (694) |

UK corporation tax has been calculated at 25% (2023: 19%) of the estimated taxable profit for the year, the prevailing rate at the balance sheet date. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate for the period is in line with the UK corporation tax rate which increased to 25% effective 1 April 2023 (2023: 23%). The rates at which our overseas profits are taxed vary from jurisdiction to jurisdiction but on average have been subject to a blended rate that is largely in line with 25%.

We envisage our future effective tax rates to be broadly in line with the main UK corporation tax rate.

## 9. Tax expense continued

The Group's tax charge can be reconciled to the profit in the income statement and effective tax rate as follows:

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| PROFIT BEFORE TAX ON CONTINUING OPERATIONS | **64,772** | 54,338 |
| Tax at the UK corporation tax rate of 25% (2023: 19%) | **16,193** | 10,324 |
| Expenses not deductible for tax purposes | **1,333** | 919 |
| Tax exempt income | **(428)** | (3) |
| Effect of foreign exchange on consolidation | **–** | (92) |
| Effect of tax rates in foreign jurisdictions | **120** | 740 |
| Adjustments to tax charge in respect of prior years | **(1,161)** | 759 |
| Change in UK tax rates | **–** | 46 |
| TAX EXPENSE FOR THE YEAR | **16,057** | 12,693 |
| EFFECTIVE TAX RATE | **25%** | 23% |

## 10. Dividends

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| AMOUNTS RECOGNISED AS DISTRIBUTIONS TO EQUITY HOLDERS IN THE PERIOD: | | |
| Interim dividend for 2024 of 8.2p per share | **10,287** | – |
| Final dividend for 2023 of 16.1p per share | **20,135** | – |
| Interim dividend for 2023 of 7.8p per share | **–** | 9,702 |
| Final dividend for 2022 of 15.1p per share | **–** | 18,732 |
| | **30,422** | 28,434 |

The Board has proposed a final dividend in respect of the year ended 31 March 2024 subject to approval by shareholders at the Annual General Meeting. This dividend has not been recognised as a liability in these financial statements and there are no tax consequences. The proposed final dividend, if approved by shareholders, will be 19.1p per share (£24.0 million in total) and payable on 25 October 2024 to all shareholders on the Register of Members on 4 October 2024, and with an ex-dividend date of 3 October 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

### 11. Earnings per share

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

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS | **48,715** | 41,645 |
| | **Thousands** | Thousands |
| Issued ordinary shares at 1 April | **124,628** | 124,078 |
| Effect of shares held in trust | **(790)** | (786) |
| Effect of share options vested and exercised | **711** | 392 |
| Effect of shares issued related to a business combination | **113** | 18 |
| Effect of shares issued related to free share awards | **109** | 99 |
| Weighted average number of ordinary shares at 31 March | **124,771** | 123,801 |
| BASIC EARNINGS PER SHARE | **39.0p** | 33.6p |

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

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS | **48,715** | 41,645 |
| | **Thousands** | Thousands |
| Weighted average number of ordinary shares (basic) | **124,771** | 123,801 |
| Effect of share options in issue | **626** | 758 |
| Effect of shares held in trust | **790** | 786 |
| Effect of potential shares to be issued related to a business combination | **138** | 299 |
| Weighted average number of ordinary shares (diluted) at 31 March | **126,325** | 125,644 |
| DILUTED EARNINGS PER SHARE | **38.6p** | 33.1p |

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

At 31 March 2024, 181,451 options (2023: 159,755) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

### 11. Earnings per share continued

#### Adjusted (unaudited)

Adjusted basic and adjusted diluted earnings per share is calculated using the adjusted profit for the year measure. The calculation of adjusted profit for the year is detailed in the Financial Review section of the Strategic Report.

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| ADJUSTED PROFIT FOR THE YEAR | **58,760** | 53,406 |
| | **Thousands** | Thousands |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **124,771** | 123,801 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **126,325** | 125,644 |
| ADJUSTED BASIC EARNINGS PER SHARE | **47.1p** | 43.1p |
| ADJUSTED DILUTED EARNINGS PER SHARE | **46.5p** | 42.5p |

### 12. Intangible assets and goodwill

| | Goodwill (£000s) | Order backlog (£000s) | Customer relationships (£000s) | Total (£000s) |
|---|---|---|---|---|
| COST | | | | |
| At 1 April 2022 | 18,765 | 1,069 | 7,271 | 27,105 |
| Exchange adjustments | 242 | 29 | 415 | 686 |
| At 31 March 2023 | 19,007 | 1,098 | 7,686 | 27,791 |
| Exchange adjustments | (720) | (43) | (79) | (842) |
| Acquisitions through business combinations (note 29) | 19,916 | 677 | 4,892 | 25,485 |
| **AT 31 MARCH 2024** | **38,203** | **1,732** | **12,499** | **52,434** |
| AMORTISATION AND IMPAIRMENT | | | | |
| At 1 April 2022 | – | 333 | 2,014 | 2,347 |
| Charge for the year | – | 792 | 1,850 | 2,642 |
| Exchange adjustments | – | (27) | 6 | (21) |
| At 31 March 2023 | – | 1,098 | 3,870 | 4,968 |
| Charge for the year | – | 179 | 4,011 | 4,190 |
| Exchange adjustments | – | (23) | (112) | (135) |
| **AT 31 MARCH 2024** | **–** | **1,254** | **7,769** | **9,023** |
| CARRYING AMOUNT | | | | |
| **AT 31 MARCH 2024** | **38,203** | **478** | **4,730** | **43,411** |
| At 31 March 2023 | 19,007 | – | 3,816 | 22,823 |

The useful economic life of the customer relationship intangible asset, recognised on the acquisition of Blackline Group, was reviewed during the period. Previously assessed as seven years, the useful economic life was reassessed as two years. The effect of the decrease in the useful economic life resulted in an increase in the amortisation expense, included in 'operating expenses', during the period. A total amortisation charge of £2.6 million has been recognised in the year, which includes £2.3 million accelerated amortisation as a result of this change.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

### **12. Intangible assets and goodwill** continued

Amortisation of customer relationships is calculated using the straight-line method over a period ranging from two to ten years. For the year ended 31 March 2023, the amortisation periods ranged from three to seven years. As explained above, the amortisation period associated with the Blackline customer relationship intangible asset was reassessed to two years. The useful economic life of the customer relationship intangible recognised on the acquisition of RapidIT-Cloudbera was assessed as ten years.

Amortisation of order backlog is calculated using the straight-line method over a period ranging from ten to 33 months. For the year ended 31 March 2023, the amortisation periods ranged from ten to 15 months. The useful economic life of the backlog intangible recognised on the acquisition of RapidIT-Cloudbera was assessed as 33 months.

Amortisation of acquired intangibles is included within operating expenses in the consolidated income statement.

#### Impairment testing of goodwill

The carrying amount of goodwill has been allocated to cash-generating units (CGU) as follows:

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| Kainos Workday Adaptive Practice | **3,199** | 3,219 |
| Workday Services Americas | **6,649** | 7,251 |
| Workday Services Europe | **8,290** | 8,537 |
| Workday Products | **20,065** | – |
| TOTAL | **38,203** | 19,007 |

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. For the purpose of impairment testing, goodwill is allocated to the CGU which represents the lowest level within the Group at which goodwill is monitored.

The recoverable amount of the relevant CGU has been determined based on a value-in-use calculation using cash flows derived from financial projections covering a three-year period, with cash flows thereafter calculated using a terminal value methodology. The Group considers the three-year period to be appropriate as it aligns with the period underpinned by financial budgets and forecasts for the Group.

*Key assumptions*

The pre-tax discount rates used in the calculations were as follows:

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| Workday Adaptive Practice | **12–13%** | 11-12% |
| Workday Services Americas | **12-13%** | 11-12% |
| Workday Services Europe | **13-14%** | 12-13% |
| Workday Products | **11-12%** | – |

Discount rates represent the Group's pre-tax discount rate adjusted for the risk profiles of the individual CGUs.

Long-term growth rates of net operating cash flows are reflective of long-term growth rates in the regions in which the CGU's operations are primarily undertaken.

The terminal value growth rates used in the calculations were as follows:

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| Workday Adaptive Practice | **2%** | 2% |
| Workday Services Americas | **2%** | 2% |
| Workday Services Europe | **2%** | 2% |
| Workday Products | **2%** | – |

## 12. Intangible assets and goodwill continued

### Impairment testing of goodwill continued

*Key assumptions* continued

Projected cash flows are most sensitive to assumptions regarding future growth of the CGU and its profitability. The values applied to these key assumptions are derived from a combination of external and internal factors, based on past experience together with management's future expectations about business performance.

*Summary of results*

The Group performed its annual test for impairment for all CGUs as at 31 March 2024. The recoverable amount significantly exceeded the carrying value for each CGU, accordingly no impairment charge has been recognised in the year (2023: no impairment).

*Sensitivity analysis*

The Group conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions. Management concluded that no reasonably possible change in any of the key assumptions would reduce the recoverable amount below its carrying value.

## 13. Property, plant and equipment

| | Property under construction (£000s) | Property and leasehold improvements (£000s) | Office equipment (£000s) | Fixtures and fittings (£000s) | Total (£000s) |
|---|---|---|---|---|---|
| COST | | | | | |
| At 1 April 2022 | 8,207 | 2,547 | 7,817 | 1,575 | 20,146 |
| Impact of foreign exchange | – | (103) | (8) | (9) | (120) |
| Reclassification to investment property (note 14) | (5,160) | – | – | – | (5,160) |
| Reclassification to assets held for sale | – | (1,436) | – | – | (1,436) |
| Additions | 811 | 45 | 1,515 | 128 | 2,499 |
| Disposals | – | – | (718) | (215) | (933) |
| At 31 March 2023 | 3,858 | 1,053 | 8,606 | 1,479 | 14,996 |
| Impact of foreign exchange | – | (89) | 543 | 3 | 457 |
| Additions | 355 | 4,237 | 1,045 | 25 | 5,662 |
| Disposals | – | – | (28) | – | (28) |
| **AT 31 MARCH 2024** | **4,213** | **5,201** | **10,166** | **1,507** | **21,087** |
| ACCUMULATED DEPRECIATION | | | | | |
| At 1 April 2022 | – | 1,355 | 3,340 | 584 | 5,279 |
| Impact of foreign exchange | – | (30) | 27 | (6) | (9) |
| Charge for the year | – | 250 | 1,751 | 248 | 2,249 |
| Reclassification to assets held for sale | – | (1,126) | – | – | (1,126) |
| Eliminated on disposals | – | – | (691) | (215) | (906) |
| At 31 March 2023 | – | 449 | 4,427 | 611 | 5,487 |
| Impact of foreign exchange | – | (27) | 479 | 5 | 457 |
| Charge for the year | – | 826 | 1,818 | 242 | 2,886 |
| Eliminated on disposals | – | – | (28) | – | (28) |
| **AT 31 MARCH 2024** | **–** | **1,248** | **6,696** | **858** | **8,802** |
| CARRYING AMOUNT | | | | | |
| **AT 31 MARCH 2024** | **4,213** | **3,953** | **3,470** | **649** | **12,285** |
| At 31 March 2023 | 3,858 | 604 | 4,179 | 868 | 9,509 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 13. Property, plant and equipment continued

### Property under construction

During the year ended 31 March 2020, the Group acquired a site for development of Kainos' future Belfast headquarters at a purchase price of £7.4 million. Costs incurred since purchase relate to legal and professional fees and demolition works.

During the year ended 31 March 2023, £5.2 million was transferred to investment property, reflecting the Group's agreement to sell part of this site (note 14). Immediately before the transfer, the Group internally remeasured the relevant portion of the site to fair value with no gain or loss arising.

£0.1 million of capital commitments exist at 31 March 2024 (2023: nil) relating to the property under construction.

## 14. Investment property

| | (£000s) |
|---|---|
| At 1 April 2022 | – |
| Reclassification from property, plant and equipment | 5,160 |
| At 31 March 2023 | 5,160 |
| Increase in fair value | 1,040 |
| AT 31 MARCH 2024 | **6,200** |

As described in note 13, during the year ended 31 March 2023, £5.2 million was transferred to investment property, reflecting the Group's agreement to sell part of the site purchased in FY20 for the development of the Group's future headquarters.

The fair value of the property as at 31 March 2024 is based on an agreed contract for sale, discounted at the market rate of interest. The sale is subject to planning permission and is expected to complete during FY25.

The fair value measurement of the investment property has been categorised as level 3 fair value based on the input for the risk-adjusted discount rate applied, which is considered to be an unobservable input. The agreed sales price was also not market observable. The estimated fair value would increase (decrease) if the risk-adjusted discount was lower (higher).

## 15. Asset held for sale

| | (£000s) |
|---|---|
| At 1 April 2022 | – |
| Reclassification from property, plant and equipment | 310 |
| At 31 March 2023 | 310 |
| Disposal of property | (310) |
| AT 31 MARCH 2024 | **–** |

In February 2023, the Group committed to selling a number of properties located in Belfast and actively listed these for sale. Accordingly, the Group classified these properties as assets held for sale at 31 March 2023 and was measured at their carrying amount of £0.3 million. During FY24, the Group completed the sale and recognised a gain on disposal of this property of £1.1 million.

## 16. Subsidiaries

The subsidiary undertakings at 31 March 2024 are in the table below. All principally operate in their country of incorporation.

| Subsidiary undertakings | Incorporated | Registered office | Principal activity | Proportion of ordinary share capital held |
|---|---|---|---|---|
| Kainos Software Limited | Northern Ireland | Kainos House, 4-6 Upper Crescent, Belfast, BT7 1NT, Northern Ireland | Software development | 100% |
| Kainos Software Ireland Limited | Republic of Ireland | Glandore, Fitzwilliam Court, Suite 103, Leeson Close, Dublin 2, D02 YW24, Ireland | Software development | 100% |
| Kainos Software Poland Spólka z.o.o | Poland | Tryton Business House, ul. Jana z Kolna 11, 80-864 Gdańsk, Poland | Software development | 100% |
| Kainos Poland Services Spólka z.o.o | Poland | Jana z Kolna 11 80-864 Gdańsk, Poland | Software services | 100% |
| Kainos Trustees Limited | Northern Ireland | Kainos House, 4-6 Upper Crescent, Belfast, BT7 1NT, Northern Ireland | Share Scheme Trustee | 100% |
| Kainos Managers Limited | Northern Ireland | Kainos House, 4-6 Upper Crescent, Belfast, BT7 1NT, Northern Ireland | Property company | 100% |
| Kainos Evolve Limited | Northern Ireland | Kainos House, 4-6 Upper Crescent, Belfast, BT7 1NT, Northern Ireland | Software development | 100% |
| Kainos WorkSmart Limited | Northern Ireland | Kainos House, 4-6 Upper Crescent, Belfast, BT7 1NT, Northern Ireland | Software development | 100% |
| Kainos WorkSmart Inc. | US | Suite 4300, 111 Monument Circle Indianapolis, USA | Software development | 100% |
| Kainos WorkSmart GmbH | Germany | 5th Floor, Hahnstraße 70 60528 Frankfurt am Main, Germany | Software development | 100% |
| Kainos WorkSmart ApS | Denmark | Office no. 280110080 Harsdorffs Hus Office Club Kongens Nytorv 5 1050 Copenhagen, Denmark | Software development | 100% |
| Kainos Canada Inc. | Canada | 20 Wellington Street East, Suite 500, Toronto, ON, M5E 1C5, Canada | Software development | 100% |
| Kainos WorkSmart SAS | France | 3-5 Rue Saint Georges TMF Pole 75009, Paris, France | Software development | 100% |
| Kainos WorkSmart Oy | Finland | c/o TMF Finland Oy, Erottajankatu 15-17, 00130 Helsinki, Finland | Software development | 100% |
| Formulate Kainos Limited | England | 2nd Floor, 21 Farringdon Road, London, EC1M 3HA, England | Software services | 100% |
| Kainos Planning, LLC | US | Suite 4300, 111 Monument Circle Indianapolis, Indiana 46204, USA | Software services | 100% |
| KW Software Oy | Finland | c/o TMF Finland Oy, Erottajankatu 15-17 00130, Helsinki, Finland | Software services | 100% |
| Kainos AB | Sweden | c/o Baker & McKenzie Advokatbyrå KB, Box 180, 101 23 Stockholm, Sweden | Software services | 100% |
| Kainos the Netherlands B.V. | Netherlands | Hogebrinkerweg 15 b, 3871KM, Hoevelaken, Netherlands | Software services | 100% |
| Kainos Belgium BV | Belgium | 2160 Wommelgem Nijverheidsstraat 70, Belgium | Software services | 100% |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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### 16. Subsidiaries continued

| Subsidiary undertakings | Incorporated | Registered office | Principal activity | Proportion of ordinary share capital held |
|---|---|---|---|---|
| Kainos WorkSmart S.R.L. | Romania | București Sectorul 4, Calea Văcărești, Nr. 391, Intrarea A, Etaj 3, Sector 4, Bucuresti, Romania | Software services | 100% |
| Kainos AS | Norway | c/o Azets Insigt AS, Drammensveien, 151, 0277 Oslo, Norway | Software services | 100% |
| Kainos OÜ | Estonia | Harju maakond, Tallinn, Lasnamäe linnaosa, Valukoja tn 8/1, 11415 Estonia | Software services | 100% |
| Blackline Group, Inc. | US | 522 W Riverside Avenue, Suite 4197, Spokane, WA 99201, USA | Software services | 100% |
| Kainos Argentina S.A.U. | Argentina | Av. del Libertador 498, 13th floor, 'South', Buenos Aires, Argentina | Software services | 100% |
| Kainos (Philippines) Inc. | Philippines | 24/Floor Philam Life Tower, 8767 Paseo de Roxas Avenue, Brgy. Bel-Air, Makati City, NCR, Philippines 1226 | Software services | 100% |
| RapidIT – Cloudbera, Inc. | US | 6110 McFarland Station Dr, Suite 103, Alpharetta, GA 30004, USA | Software development | 100% |
| Kainos cell, Mangrove Insurance Guernsey PCC Limited | Guernsey | PO BOX 155, Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey | Insurance cell | 100% (redeemable preference shares) |
| Kainos Software Technologies Private Limited | India | Plot No.1202 & 1215A, 3rd Floor, SL Jubilee, Rd Number 36, Jubilee Hills, Hyderabad, Telangana 500033, India | Software development | 100% |

As described in note 27 (insurance risk management), a minimum of £2.5 million is required to be held in cash within our insurance cell. There are no other significant restrictions on the ability of the Group to access or use assets and settle liabilities.

### 17. Right-of-use assets

| | Property (£000s) | Other (£000s) | Total (£000s) |
|---|---|---|---|
| COST | | | |
| 1 April 2022 | 6,555 | 87 | 6,642 |
| Additions | 751 | – | 751 |
| Disposals | (4,546) | – | (4,546) |
| Exchange adjustments | 77 | – | 77 |
| At 31 March 2023 | 2,837 | 87 | 2,924 |
| Additions | 5,124 | – | 5,124 |
| Disposals | (1,349) | (87) | (1,436) |
| Exchange adjustments | 1 | – | 1 |
| **AT 31 MARCH 2024** | **6,613** | **–** | **6,613** |
| ACCUMULATED DEPRECIATION | | | |
| 1 April 2022 | 3,420 | 56 | 3,476 |
| Charge for the year | 1,154 | 9 | 1,163 |
| Elimination on disposal | (3,074) | – | (3,074) |
| Exchange adjustments | 96 | 2 | 98 |
| At 31 March 2023 | 1,596 | 67 | 1,663 |
| Charge for the year | 1,132 | 20 | 1,152 |
| Elimination on disposal | (1,349) | (87) | (1,436) |
| Exchange adjustments | 18 | – | 18 |
| **AT 31 MARCH 2024** | **1,397** | **–** | **1,397** |
| CARRYING AMOUNT | | | |
| **AT 31 MARCH 2024** | **5,216** | **–** | **5,216** |
| At 31 March 2023 | 1,241 | 20 | 1,261 |

The Group leases mainly property. The average lease term is 6.6 years (2023: 4.3 years) with an option to renew the lease after the end of lease term. The Group is committed to £0.3 million for leases not yet commenced and therefore not reflected as at 31 March 2024. The maturity analysis of lease liabilities is presented in note 21.

#### Amounts recognised in profit or loss

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| Depreciation expense on right-of use assets | **1,152** | 1,163 |
| Interest expense on lease liabilities (note 7) | **320** | 64 |
| Expense relating to short-term and low value leases | **726** | 722 |

#### Amounts recognised in statement of cash flows

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| TOTAL CASH OUTFLOW FOR LEASES | **1,512** | 1,861 |

At 31 March 2024, the Group is committed to £0.2 million (2023: £0.4 million) for short-term leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 18. Trade and other receivables

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Trade receivables | **35,368** | 35,693 |
| Other receivables | **6,464** | 3,277 |
| | **41,832** | 38,970 |
| Prepayments | **4,268** | 3,656 |
| Accrued income | **33,225** | 38,808 |
| | **79,325** | 81,434 |

The Group's accrued income (contract asset) balance solely relates to revenue from contracts with customers. Movements in the accrued income balance were driven by transactions entered into by the Group within the normal course of business in the year.

Trade receivables is net of a loss allowance for impairment. Further information is disclosed in note 27.

## 19. Deferred tax

Recognised deferred tax assets and liabilities.

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2024 (£000s) | 2023 (£000s) | 2024 (£000s) | 2023 (£000s) | 2024 (£000s) | 2023 (£000s) |
| Accelerated capital allowances | **–** | – | **(1,176)** | (1,007) | **(1,176)** | (1,007) |
| Share-based payments | **–** | 479 | **(530)** | – | **(530)** | 479 |
| Right-of-use assets | **319** | – | **–** | – | **319** | – |
| Lease Liability | **–** | – | **(277)** | – | **(277)** | – |
| Short-term temporary differences | **5,901** | 3,834 | **–** | – | **5,901** | 3,834 |
| Deferred tax on acquisitions | **–** | – | **(1,461)** | (203) | **(1,461)** | (203) |
| TAX (ASSETS)/LIABILITIES BEFORE SET-OFF | **6,220** | 4,313 | **(3,444)** | (1,210) | **2,776** | 3,103 |
| Set-off of tax | **(1,073)** | (1,210) | **1,073** | 1,210 | **–** | – |
| NET TAX (ASSETS)/LIABILITIES | **5,147** | 3,103 | **(2,371)** | – | **2,776** | 3,103 |

## 19. Deferred tax continued

### Movement in deferred tax during the year

| | Accelerated capital allowances (£000s) | Share-based payment (£000s) | Right-of-use assets (£000s) | Lease liability (£000s) | Short-term temporary differences (£000s) | Deferred tax on acquisitions (£000s) | Total (£000s) |
|---|---|---|---|---|---|---|---|
| At 1 April 2022 | (364) | 1,928 | – | – | 2,921 | (203) | 4,282 |
| Foreign exchange differences | – | – | – | – | 78 | – | 78 |
| Adjustment for prior years | (778) | – | – | – | (366) | – | (1,144) |
| Reclassification from corporation tax | – | (312) | – | – | – | – | (312) |
| Debit to retained earnings | – | (931) | – | – | – | – | (931) |
| (Debit)/credit to profit | 135 | (206) | – | – | 1,201 | – | 1,130 |
| At 31 March 2023 | (1,007) | 479 | – | – | 3,834 | (203) | 3,103 |
| Foreign exchange differences | – | – | – | – | (6) | – | (6) |
| Adjustment for prior years | (150) | – | – | – | 850 | 17 | 717 |
| On recognition of lease | – | – | 362 | (362) | – | – | – |
| Acquired in business combination | – | – | – | – | – | (1,509) | (1,509) |
| Debit to retained earnings | – | (968) | – | – | – | – | (968) |
| (Debit)/credit to profit | (19) | (41) | (43) | 85 | 1,223 | 234 | 1,439 |
| **AT 31 MARCH 2024** | **(1,176)** | **(530)** | **319** | **(277)** | **5,901** | **(1,461)** | **2,776** |

Deferred tax assets have been recognised in respect of all temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered.

## 20. Cash and cash equivalents and treasury deposits

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| Cash at bank and in hand | **38,593** | 42,431 |
| Short-term deposits | **82,965** | 65,871 |
| CASH AND CASH EQUIVALENTS | **121,558** | 108,302 |
| TREASURY DEPOSITS | **4,403** | – |
| TOTAL CASH AND CASH EQUIVALENTS AND TREASURY DEPOSITS | **125,961** | 108,302 |

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective fixed short-term deposit rates. There is an insignificant risk to the change in value of the short-term deposits, as a result of the fixed interest deposit rates and the maturity dates being within three months of the date of deposit.

Treasury deposits represent bank deposits with an original maturity of over three months and are held with a fixed rate of interest.

The amount held in treasury deposit relates to the cash within the PCC, which to satisfy regulatory requirements, a minimum of £2.5 million (2023: nil) must be retained in cash within the cell. The Group can access the funds with 95 days notice and has control over the investing decisions made. Further information regarding the PCC arrangements is detailed in note 27 (insurance risk management).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

### 21. Lease liabilities

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Less than one year | **1,317** | 640 |
| One to five years | **3,925** | 835 |
| More than 5 years | **1,837** | – |
| | **7,079** | 1,475 |
| Less: unearned interest | **(1,181)** | (96) |
| | **5,898** | 1,379 |
| ANALYSED AS: | | |
| Non-current | **4,883** | 585 |
| Current | **1,015** | 794 |

The Group does not have a significant liquidity risk with regard to its lease liabilities.

**Reconciliation of movement of liabilities to cash flows arising from financing activities**

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| 1 April | **1,379** | 3,361 |
| New leases | **5,124** | 751 |
| Cash flow on principal | **(466)** | (1,075) |
| Cash flow on interest | **(320)** | (64) |
| Interest Expense | **320** | – |
| Termination of lease agreements | **–** | (1,496) |
| Non-cash movement | **(139)** | (98) |
| 31 MARCH | **5,898** | 1,379 |

### 22. Trade and other payables

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Trade payables and accruals | **50,062** | 52,348 |
| Deferred income | **44,954** | 37,087 |
| Current tax liabilities | **7,069** | – |
| Other tax and social security | **10,135** | 12,068 |
| | **112,220** | 101,503 |

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs, including payroll. For most suppliers, no interest is charged on payables.

The deferred income can arise in respect of support contracts billed quarterly or annually in advance and SaaS agreements which are billed annually in advance, with revenue being recognised for both over the contracted period. The period end deferred income balance will be recognised within 12 months.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

## 23. Provisions

Other provisions are analysed as follows:

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Property-related provision | **1,542** | 1,372 |
| | **1,542** | 1,372 |

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Current | – | 341 |
| Non-current | **1,542** | 1,031 |
| | **1,542** | 1,372 |

| | Total (£000s) |
|---|---|
| At 1 April 2023 | 1,372 |
| Utilisation of provision | (341) |
| Additional provision in the year | 511 |
| AT 31 MARCH 2024 | **1,542** |

### Property-related provision

The property-related provision represents management's best estimate of the Group's liability for future contractual repair works at the end of the lease period recognised at the commencement of the lease. The relevant properties have lease end dates ranging from April 2026 to October 2033.

### Insurance

As described in note 27 (insurance risk management), the Group has established a Protected Cell Captive (PCC) for certain self-insurance purposes. A provision is recognised only when a loss occurs, and only for obligations incurred. As at 31 March 2024 the Group has not received any claims and no provision has therefore been recognised.

## 24. Share capital and reserves

### Share capital

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| ISSUED AND FULLY PAID: | | |
| ORDINARY SHARES | | |
| Opening balance | **623** | 619 |
| Issued during the year | **6** | 4 |
| TOTAL SHARE CAPITAL | **629** | 623 |

The Company has one class of ordinary share which carries no right to fixed income. The Company's Articles of Association do not specify any limit on the total authorised share capital of the Company. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

At 31 March 2024, the Company had 125,787,715 issued ordinary shares (2023: 124,628,176) with a nominal value of £0.005 each.

During the year the Group issued 944,547 shares due to the exercise of vested options and the award of shares under the UK SIP and ROI Restricted share schemes. The exercise price of options exercised during the year ranged from £0.005 per share to £7.35 per share.

The Group issued 214,992 (2023: 129,170) ordinary shares in respect of post-acquisition remuneration.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 24. Share capital and reserves continued

### Nature and purpose of reserves

*Share-based payment reserve*
The share option reserve comprises the charge for share options and equity-settled compensation for post-combination services.

*Capital reserve account*
The capital reserve arises from the capital reorganisation which occurred in 2015, together with the fair value of consideration given in excess of the nominal value of the ordinary shares issued on the acquisition of subsidiaries (interest of at least 90%) on share for share exchange, in accordance with requirements of Section 612 of the Companies Act 2006.

*Translation reserve*
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

## 25. Share-based payments

### Share-based payments

The Group has the following equity-settled share-based payment arrangements:

*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 generally be exercised within three 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. Options ordinarily are forfeited if the employee leaves the Group before the options vest.

The specific performance conditions relating to the Group Performance Share Plan are described in further detail as part of the Directors' Remuneration Report.

*Company Share Option Plan (CSOP)*
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 three 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. Options ordinarily are forfeited if the employee leaves the Group before the options vest.

*Save as you Earn (SAYE) Scheme*
The Group has an all-employee share plan open to UK employees. Employees who participate enter into a savings contract under which they agree to save between £5 and £150 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. Options ordinarily are forfeited if the employee leaves the Group before the options vest. There are no cash settlement alternatives.

*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. Options ordinarily are forfeited if the employee leaves the Group before the options vest.

*UK Share Incentive Plan (SIP)*
The Group has established a Share Incentive Plan for UK employees. Under this scheme all eligible employees are awarded a number of shares determined by length of service of each employee at a specified date for each respective grant. The shares are held in trust for each employee by Equiniti Share Plan Trustees Limited, which also administers the scheme. A minimum period of three years is imposed before the employee can withdraw. There are no cash settlement alternatives.

*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. A minimum period of five years and one week is imposed before the employee can withdraw any free shares. The shares are held in trust for the employees until they vest. There are no cash settlement alternatives.

## 25. Share-based payments continued

### Share-based payments continued

*Kainos Group plc Poland Share Plans*

In order to replicate the share-based awards available to staff in the UK and Ireland, the Group implemented the Kainos Group plc Poland Share Plan. The Remuneration Committee may grant Share Options or Conditional Share Awards (CSA) to employees of the Group's Polish subsidiary. Share options will not generally be exercisable within three years and have a maximum life of 3.5 years. Conditional Share Awards may be granted for free or at a purchase price determined by the Remuneration Committee. Conditional Share Awards will generally be subject to a minimum three-year vesting period. All options and awards will be satisfied out of newly issued shares and there are no cash settlement alternatives. Options and awards ordinarily are forfeited if the employee leaves the Group before vesting occurs.

*Kainos Group plc US Share Plans*

In order to replicate the share-based awards available to staff in the UK and Ireland, the Group implemented the US Conditional Share Award (CSA) which applies to US employees only. The Remuneration Committee may grant Share Options or Conditional Share Awards (CSA) to employees of the Group's US subsidiaries. Share options will not generally be exercisable within three years and have a maximum life of 3.5 years. Conditional Share Awards may be granted for free or at a purchase price determined by the Remuneration Committee. Conditional Share Awards will generally be subject to a minimum three-year vesting period. All options and awards will be satisfied out of newly issued shares and there are no cash settlement alternatives. Options and awards ordinarily are forfeited if the employee leaves the Group before vesting occurs.

### Fair values and awards outstanding

The fair value of shares awarded under the UK SIP scheme and the Republic of Ireland Restricted Share scheme is calculated using the closing share price on the award date. The total charge is adjusted for attrition and recognised on a straight-line basis over the three-year vesting period.

For share awards under the PSP, SAYE, CSOP, Republic of Ireland (ROI), US and Poland share option schemes, the fair value has been measured using the Black-Scholes model. During the year options were granted on 23 June 2023, 17 November 2023 and 20 December 2023 (2023: 28 June 2022, 18 November 2022 and 2 December 2022) under the PSP and CSOP option schemes, and under the US and Poland CSA schemes. The aggregate of the estimated fair values of the options granted on those dates is £2.2 million (2023: £4.4 million). The following table lists the key inputs to the model used in the year of grant. In calculating the fair value, the expected life of the options is based on historical data. Similarly, expected volatility was determined by calculating the historical volatility of the Group's share price over a period commensurate with the expected life of the option.

| PSP | **Granted during year to 31 March 2024** | Granted during year to 31 March 2023 |
|---|---|---|
| Weighted-average exercise price | **£0.01** | £0.01 |
| Fair value at grant date | **£7.64-£11.62** | £8.92-£10.49 |
| Share price at grant | **£10.93-£12.73** | £11.29 |
| Expected volatility | **47%-48%** | 47% |
| Expected life (years) | **4.0-5.0** | 4.0 |
| Risk-free interest rate | **3.5%-4.6%** | 2.1% |
| Expected dividends per annum | **2.2%** | 1.7% |

| CSOP | **Granted during year to 31 March 2024** | Granted during year to 31 March 2023 |
|---|---|---|
| Weighted-average exercise price | **£13.14** | £10.81 |
| Fair value | **£4.43** | £2.69 |
| Share price at grant | **£12.73** | £11.29 |
| Expected volatility | **47%** | 47% |
| Expected life (years) | **4.0** | 4.0 |
| Risk-free interest rate | **4.6%** | 2.1% |
| Expected dividends per annum | **2.2%** | 1.7% |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

### 25. Share-based payments continued

**Fair values and awards outstanding** continued

| Poland CSA | Granted during year to 31 March 2024 | Granted during year to 31 March 2023 |
|---|---|---|
| Weighted-average exercise price | **£0.01** | £0.01 |
| Fair value | **£9.34** | £14.70 |
| Share price at grant | **£10.07** | £15.62 |
| Expected volatility | **48%** | 47% |
| Expected life (years) | **3.25** | 3.25 |
| Risk-free interest rate | **4.1%** | 3.3% |
| Expected dividends per annum | **2.2%** | 1.7% |

| US CSA | Granted during year to 31 March 2024 | Granted during year to 31 March 2023 |
|---|---|---|
| Weighted-average exercise price | **£0.01** | £0.01 |
| Fair value | **£9.34** | £15.15 |
| Share price at grant | **£10.07** | £16.10 |
| Expected volatility | **48%** | 47% |
| Expected life (years) | **3.25** | 3.25 |
| Risk-free interest rate | **4.1%** | 3.3% |
| Expected dividends per annum | **2.2%** | 1.7% |

| UK SAYE | Granted during year to 31 March 2024 | Granted during year to 31 March 2023 |
|---|---|---|
| Weighted-average exercise price | – | £9.92 |
| Fair value | – | £2.86 |
| Share price at grant | – | £11.29 |
| Expected volatility | – | 47% |
| Expected life (years) | – | 3.25 |
| Risk-free interest rate | – | 2.1% |
| Expected dividends per annum | – | 1.7% |

## **25. Share-based payments** continued

### **Fair values and awards outstanding** continued

| **ROI share options** | **Granted during year to 31 March 2024** | Granted during year to 31 March 2023 |
|---|---|---|
| Weighted-average exercise price | – | £9.92 |
| Fair value | – | £2.86 |
| Share price at grant | – | £11.29 |
| Expected volatility | – | 47% |
| Expected life (years) | – | 3.25 |
| Risk-free interest rate | – | 2.1% |
| Expected dividends per annum | – | 1.7% |

| **Poland share options** | **Granted during year to 31 March 2024** | Granted during year to 31 March 2023 |
|---|---|---|
| Weighted-average exercise price | – | £9.92 |
| Fair value | – | £2.86 |
| Share price at grant | – | £11.29 |
| Expected volatility | – | 47% |
| Expected life (years) | – | 3.25 |
| Risk-free interest rate | – | 2.1% |
| Expected dividends per annum | – | 1.7% |

### **Reconciliation of outstanding share options and share awards**

*Number of share options 2023/2024*

| | PSP (000s) | UK SAYE (000s) | CSOP (000s) | US (000s) | ROI (000s) | Poland (000s) | Total (000s) |
|---|---|---|---|---|---|---|---|
| Outstanding at 31 March 2023 | 645 | 779 | 291 | 42 | 22 | 379 | 2,158 |
| Granted during period | 142 | – | 44 | 42 | – | 54 | 282 |
| Exercised during the period | (98) | (319) | (68) | – | (7) | (147) | (639) |
| Forfeited during the period | (3) | (53) | (1) | (21) | (4) | (57) | (139) |
| OUTSTANDING AT 31 MARCH 2024 | **686** | **407** | **266** | **63** | **11** | **229** | **1,662** |
| EXERCISABLE AT THE END OF THE YEAR | **360** | **1** | **157** | **–** | **–** | **–** | **518** |

*Weighted average exercise price 2023/2024*

| | PSP £ | UK SAYE £ | CSOP £ | US £ | ROI £ | Poland £ |
|---|---|---|---|---|---|---|
| Outstanding at 31 March 2023 | 0.005 | 8.36 | 5.43 | 0.005 | 8.36 | 5.17 |
| Granted during period | 0.005 | – | 13.14 | 0.005 | – | 0.005 |
| Exercised during the period | 0.005 | 6.20 | 2.97 | – | 6.20 | 4.27 |
| Forfeited during the period | 0.005 | 9.50 | 12.85 | 0.005 | 7.39 | 4.36 |
| OUTSTANDING AT 31 MARCH 2024 | **0.005** | **9.91** | **7.41** | **0.005** | **9.92** | **4.68** |
| EXERCISABLE AT THE END OF THE YEAR | **0.005** | **–** | **3.87** | **–** | **–** | **–** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 25. Share-based payments continued

**Reconciliation of outstanding share options and share awards** continued

*Number of share options 2022/2023*

| | PSP (000s) | UK SAYE (000s) | CSOP (000s) | US (000s) | ROI (000s) | Poland (000s) | Total (000s) |
|---|---|---|---|---|---|---|---|
| Outstanding at 31 March 2022 | 599 | 350 | 284 | – | 10 | 307 | 1,550 |
| Granted during period | 104 | 465 | 41 | 43 | 12 | 199 | 864 |
| Exercised during the period | (46) | (1) | (27) | – | – | (67) | (141) |
| Forfeited during the period | (12) | (35) | (7) | (1) | – | (60) | (115) |
| OUTSTANDING AT 31 MARCH 2023 | 645 | 779 | 291 | 42 | 22 | 379 | 2,158 |
| EXERCISABLE AT THE END OF THE YEAR | 337 | – | 180 | – | – | – | 517 |

*Weighted average exercise price 2022/2023*

| | PSP £ | UK SAYE £ | CSOP £ | US £ | ROI £ | Poland £ |
|---|---|---|---|---|---|---|
| Outstanding at 31 March 2022 | 0.005 | 6.20 | 4.76 | – | 6.20 | 2.56 |
| Granted during period | 0.005 | 9.92 | 10.81 | 0.005 | 9.92 | 4.45 |
| Exercised during the period | 0.005 | 6.20 | 5.80 | – | – | 0.005 |
| Forfeited during the period | 0.005 | 8.39 | 11.15 | 0.005 | – | 4.74 |
| OUTSTANDING AT 31 MARCH 2023 | 0.005 | 8.36 | 5.43 | 0.005 | 8.36 | 5.17 |
| EXERCISABLE AT THE END OF THE YEAR | 0.005 | – | 2.65 | – | – | – |

The weighted average share price at the date of exercise of share options exercised during the year was £11.78 (2023: £21.99).

The options outstanding at 31 March 2024 had an exercise price in the range of £0.005 to £14.66 (2023: £0.005 to £14.66) and a weighted-average contractual life of 4.67 years (2023: 6.32 years).

*Restricted shares*

| | UK SIP (000s) | ROI (000s) | Total (000s) |
|---|---|---|---|
| Outstanding at 31 March 2023 | 1,535 | 24 | 1,559 |
| Granted during period | 357 | 6 | 363 |
| Released during the period | (133) | (6) | (139) |
| Forfeited during the period | (43) | (1) | (44) |
| **OUTSTANDING AT 31 MARCH 2024** | **1,716** | **23** | **1,739** |

*Restricted shares*

| | UK SIP (000s) | ROI (000s) | Total (000s) |
|---|---|---|---|
| Outstanding at 31 March 2022 | 1,417 | 25 | 1,442 |
| Granted during period | 345 | 5 | 350 |
| Released during the period | (155) | (5) | (160) |
| Forfeited during the period | (72) | (1) | (73) |
| OUTSTANDING AT 31 MARCH 2023 | 1,535 | 24 | 1,559 |

## 25. Share-based payments continued

### Cash-settled share-based payment arrangements

The fair value of the amount payable to employees in respect of share options, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. Based on share price information, the liability is remeasured at each reporting date and at the settlement date.

*Cash-settled awards*

| | Total (000s) |
|---|---|
| Outstanding at 31 March 2023 | 296 |
| Granted during period | 53 |
| Released during the period | (26) |
| Forfeited during the period | (27) |
| OUTSTANDING AT 31 MARCH 2024 | **296** |

During FY24, the fair value of awards on the award date was £0.5 million. At 31 March 2024 the total liability (inclusive of social security costs) recognised for all cash-settled awards outstanding was £0.6 million (2023: £1.5 million).

A further accrual of £0.8 million (2023: £1.3 million) has been recognised for social security costs in respect of PSP and unapproved share-option schemes.

### Expense recognised in the profit or loss

The Group recognised a total expense of £7.4 million related to share-based payment transactions during the year (2023: £9.5 million). £7.8 million (2023: £8.2 million) has been recognised as an employee benefit expense in the share-based payment reserve. Overall a credit of £0.4 million (2023: charge of £1.3 million) has been recognised relating to cash-settled share-based payment arrangements and social security contributions associated with equity-settled share-based payment arrangements. Kainos Group plc's share price reduced from £13.82 at 31 March 2023 to £9.96 at 31 March 2024 resulting in a fair value credit for cash-settled share-based payment arrangements recognised in the year.

### Compensation for post-combination services

Of the total expense recognised above, £1.5 million (2023: £3.2 million) relates to compensation for post-combination remuneration. In connection with the Group's acquisitions there are contingent consideration arrangements in place, which are subject to future service conditions being met and are settled through the allotment of shares. This equity-settled share-based payment expense is recognised over the service periods based on the grant date fair value.

## 26. Pensions

The Group operates three defined contribution retirement benefit schemes. The assets of the schemes are held separately from those of the Group in independently administered funds under the control of trustees. The total cost charged to the income statement of £9.3 million (2023: £7.9 million) represents contributions payable to these funds by the Group at rates specified in the rules of the schemes. As at 31 March 2024, contributions of £0.1 million (2023: £0.1 million) were payable to the funds and are included in trade creditors and accruals.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 27. Financial instruments

### Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities. The carrying amount of all financial assets and liabilities not measured at fair value are considered to be a reasonable approximation of fair value.

| 31 MARCH 2024 | FVPL (£000s) | Financial assets at amortised cost (£000s) | Other financial liabilities (£000s) | Total (£000s) | Fair value (£000s) | Level |
|---|---|---|---|---|---|---|
| FINANCIAL ASSETS MEASURED AT FAIR VALUE: | | | | | | |
| Investments in equity instruments | **1,299** | **–** | **–** | **1,299** | **1,299** | **3** |
| FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE: | | | | | | |
| Trade and other receivables | **–** | **41,832** | **–** | **41,832** | **–** | **–** |
| Cash and cash equivalents | **–** | **121,558** | **–** | **121,558** | **–** | **–** |
| Treasury deposits | **–** | **4,403** | **–** | **4,403** | **–** | **–** |
| FINANCIAL LIABILITIES MEASURED AT FAIR VALUE: | | | | | | |
| Cash-settled share-based payments and share-based social security costs | **1,421** | **–** | **–** | **1,421** | **1,421** | **1** |
| FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE: | | | | | | |
| Trade payables | **–** | **–** | **1,565** | **1,565** | **–** | **–** |
| Other tax and social security | **–** | **–** | **10,135** | **10,135** | **–** | **–** |

| 31 MARCH 2023 | FVPL (£000s) | Financial assets at amortised cost (£000s) | Other financial liabilities (£000s) | Total (£000s) | Fair value (£000s) | Level |
|---|---|---|---|---|---|---|
| FINANCIAL ASSETS MEASURED AT FAIR VALUE: | | | | | | |
| Investments in equity instruments | 1,299 | – | – | 1,299 | 1,299 | 3 |
| FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE: | | | | | | |
| Trade and other receivables | – | 38,970 | – | 38,970 | – | – |
| Cash and cash equivalents | – | 108,302 | – | 108,302 | – | – |
| FINANCIAL LIABILITIES MEASURED AT FAIR VALUE: | | | | | | |
| Cash-settled share-based payments and share-based social security costs | 2,771 | – | – | 2,771 | 2,771 | 1 |
| FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE: | | | | | | |
| Trade payables | – | – | 3,860 | 3,860 | – | – |
| Other tax and social security | – | – | 12,068 | 12,068 | – | – |

## 27. Financial instruments continued

### Measurement of level 3 fair values

*Investment in equity instruments*

The Group continues to hold an investment in equity instruments in an unlisted company. The fair value of the investment is considered to be consistent with initial cost as there has been no material change in the underlying business and its environment since initial investment.

### Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, manages and forecasts cash balances on each bank account held and researches available facilities and reports to the CFO on the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the CFO and the Finance function on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. There are no financial derivatives held at year end (2023: nil).

The Finance function provides updates to the Audit Committee so it can monitor risk and policies implemented to mitigate risk exposures.

### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. This risk is measured through the Group's budgeting and cash flow forecasting processes, which identify net foreign currency exposures in Polish Złoty, Euro and US Dollars. The Finance function quantifies and suggests risk mitigation measures to manage the risk in accordance with Group policies and obtains CFO approval for implementation of these risk mitigation procedures.

There has been no change to the nature of market risk which the Group was exposed to during the year.

*Foreign currency risk management*

The Group considers currency risk to relate to the sales and purchases made by Group subsidiaries in a currency other than their functional currency, resulting in foreign currency trade receivables and trade payables balances. The table below details this exposure:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | **2024 (£000s)** | 2023 (£000s) | **2024 (£000s)** | 2023 (£000s) |
| Polish Złoty | **85** | – | **209** | 48 |
| Euro | **5,463** | 146 | **7,947** | 4,375 |
| US Dollar | **4,553** | 583 | **2,936** | 537 |
| Canadian Dollar | **4** | 1 | **3,791** | 3,300 |
| Sterling | **–** | – | **438** | – |

*Foreign currency sensitivity analysis*

The following exchanges rates were applied at the reporting date.

| | **2024** | 2023 |
|---|---|---|
| Polish Złoty | **5.038** | 5.312 |
| Euro | **1.170** | 1.136 |
| US Dollar | **1.263** | 1.238 |
| Canadian Dollar | **1.710** | 1.676 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 27. Financial instruments continued

### Market risk continued

*Foreign currency sensitivity analysis* continued

A 1% percent weakening of the following currencies against the pound sterling at 31 March 2024 would have increased (decreased) equity and profit or loss by the amounts shown below:

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Polish Złoty | **(1)** | – |
| Euro | **(25)** | (42) |
| US Dollar | **16** | – |
| Canadian Dollar | **(37)** | (33) |

*Forward foreign exchange contracts*

The Group may enter into forward foreign exchange contracts to manage the risk associated with anticipated costs for a period up to 12 months.

There were no forward contracts entered into during the year and subsequently there are no outstanding forward contracts at 31 March 2024 (2023: nil).

The Group does not currently hedge expected future revenue denominated in Euro or US Dollars. The Finance function minimises exposure to currency risk by converting surplus foreign currency balances into Pounds Sterling on a regular basis while ensuring the balance remaining in foreign currency is sufficient to meet working capital requirements.

*Interest rate risk management*

The Group has no borrowings and therefore the exposure to interest rate risk is limited to the rates received as interest income on cash deposits. Bank deposit interest income amounted to £4.3 million during the year ended 31 March 2024 (2023: £1.5 million).

The following table details the Group's sensitivity to a 1% increase in interest rates received on cash deposits. The sensitivity analysis includes only short-term and treasury deposits where the Group receives a fixed rate of interest, and adjusts the interest income received for a 1% change in interest rates. A positive number below indicates an increase in profit and other equity. For a 1% decrease in interest rates, there would be a comparable impact on the profit and other equity and the balances would be opposite:

| | Interest rate impact | |
|---|---|---|
| | 2024 (£000s) | 2023 (£000s) |
| 1% increase in interest rates | **874** | –[52] |

(52) No sensitivity analysis performed over 2023 interest income amount.

### Credit risk management

*Trade receivables and accrued income*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The concentration of credit risk is limited due to the customer base consisting largely of public sector bodies, state agencies and blue-chip corporates. The Group uses publicly available financial information and its own trading records to rate its major customers.

The typical credit period extended to customers is 30 days. Generally, no interest is charged on outstanding trade receivables. The maximum exposure on trade receivables and accrued income, as at the reporting date, is their carrying value.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts on an ongoing basis. Furthermore, the Group reviews the recoverable amount of each trade debt and accrued income balance on an individual basis at the end of the reporting period to ensure that an adequate loss allowance is made for irrecoverable amounts.

## 27. Financial instruments continued

### Credit risk management continued

*Trade receivables and accrued income* continued

Expected credit losses are measured using a provisioning matrix, applying a simplified approach based on the Group's historical experience and informed credit assessment, and adjusted, when required, to take into account current macro-economic factors. The Group also considered the potential impact of climate-related risks and global political uncertainty and determined there is no significant risk credit risk relating to these factors. For certain significant customers the Group applies credit judgement that is determined to be predictive of the risk of expected credit loss, taking into account external ratings, financial statements and other available information before applying a provision matrix to the residual population.

Accrued income relates to contractual revenue recognised not yet invoiced and is assessed for recoverability at the reporting date. At 31 March 2024, accrued income was £33.2 million (2023: £38.8 million).

The following table provides information about the exposure to credit risk and ECLs.

| 31 MARCH 2024 | Expected loss rate % | Gross carrying amount (£000s) | Loss allowance (£000s) |
|---|---|---|---|
| Accrued income | <1 | 33,962 | 137 |
| Not past due | 3 | 26,391 | 890 |
| Past due 1-90 days | 2 | 8,796 | 176 |
| Past due 91 + | 52 | 1,352 | 705 |
| BALANCE AT 31 MARCH 2024 | | 70,501 | 1,908 |

| 31 MARCH 2023 | Expected loss rate % | Gross carrying amount (£000s) | Loss allowance (£000s) |
|---|---|---|---|
| Accrued income | <1 | 38,946 | 138 |
| Not past due | 1 | 24,297 | 254 |
| Past due 1-90 days | 4 | 11,572 | 489 |
| Past due 91 + | 57 | 1,307 | 740 |
| BALANCE AT 31 MARCH 2023 | | 76,122 | 1,621 |

The movement in the allowance for impairment during the year was as follows:

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Balance at the beginning of the period | 1,621 | 2,035 |
| Remeasurement of loss allowance | 499 | (91) |
| Amounts recovered during the year | (212) | (297) |
| Amounts written off | – | (26) |
| BALANCE AT THE END OF THE PERIOD | 1,908 | 1,621 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 27. Financial instruments continued

### Credit risk management continued

*Trade receivable and accrued income concentration risk*
The Group has evaluated the concentration of risk with respect to its trade receivables and accrued income balance and considers it to be low. One customer (customer A) represents more than 10% of the accrued income and trade receivables balances at 31 March 2024. At 31 March 2023, one customer represented more than 10% of the trade receivables and accrued income balances.

The table below presents the combined trade receivables and accrued income balances by geographic region at 31 March:

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| United Kingdom & Ireland | **32,612** | 41,277 |
| North America | **25,034** | 23,652 |
| Central Europe | **10,483** | 9,347 |
| Rest of world | **464** | 225 |
| | **68,593** | 74,501 |

*Cash and cash equivalents*
The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. As at 31 March 2024, over 99% of the Group's funds were held in counterparty banks with ratings of 'BBB' and above (2023: 'BBB' or above), as assessed by Fitch or Moody's.

The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the CFO in line with Group policies.

The ECL in respect of cash and cash equivalents is deemed not to be material.

### Insurance risk management
The Group purchases insurance for commercial or, where required, for legal or contractual reasons. In addition, the Group retains insurable risk where external insurance is not considered an economic means of mitigating these risks.

The Group has entered into arrangements to insure through a protected cell captive (PCC) for professional indemnity and cyber insurance (£15.0 million of self-insurance cover). The PCC arrangements impact a number of disclosures within these consolidated financial statements:

- Note 3 – Accounting policy (insurance).
- Note 16 – Insurance cell recorded as a subsidiary.
- Note 20 – Treasury deposits held within the cell.
- Note 23 – Accounting for loss in the event of a claim.

To satisfy regulatory PCC capital requirements, a minimum £2.5 million (2023: nil) must be retained in cash within the cell.

As at 31 March 2024 the Group has not recognised a provision as no events of loss have occurred.

### Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Cash and cash equivalents comprise cash and short-term bank deposits. The interest rates obtained on the Group's bank deposits during the year attracted interest rates ranging between 0.00% and 5.4% per annum. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position.

## 27. Financial instruments continued

### Liquidity risk management continued

The Group expects to meet its obligations from existing cash balances and future operating cash flows.

The Group has a strong period end cash and treasury deposit balance of £126.0 million (2023: £108.3 million) and no borrowings. The Group does not anticipate requiring additional credit facilities to manage liquidity.

Note 21 details the contractual maturity analysis for lease liabilities. There is no difference between the carrying value of trade creditors and accruals and the contractual cash flows in relation to these amounts. The financial liabilities of the Group, with the exception of lease liabilities (note 21), will be settled within 12 months of the financial year end.

### Capital risk management

The Group manages its capital to ensure that all Group entities will be able to continue as going concerns while maximising the return to shareholders. The Group's overall strategy remained unchanged throughout the period 1 April 2023 to 31 March 2024. The capital structure of the Group consists of Company equity only (comprising issued capital, reserves and retained earnings). The Group is not subject to any externally imposed capital requirements and has no borrowings.

## 28. 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.

### Parent and ultimate controlling party

There is no one party which is the ultimate controlling party of the Group and Company.

### Remuneration of key management personnel

The remuneration of the Executive and Non-Executive Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS24 Related Party Disclosures.

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| Short-term employee benefits (emoluments) | **1,204** | 1,165 |
| Post-employment benefits (pension contributions) | **9** | – |
| Gains on exercise of share options | **9** | – |
| Share-based payments charge | **163** | 139 |
| | **1,385** | 1,304 |

*Pension*

One director is a member of the Group's defined contribution pension schemes (2023: nil). Two Directors received additional salary in lieu of pension contributions during the year.

*Share options*

Three Directors exercised options over shares in the Group (2023: nil).

*Highest paid director*

Remuneration of the highest paid Director was £0.5 million (2023: £0.5 million), including pension contributions of £nil (2023: £nil). The highest paid Director exercised 580 SAYE options during the year, resulting in a gain of £2,000 (2023: nil).

Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report.

### Aggregate Executive Directors' remuneration

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| Short-term employee benefits (emoluments) | **912** | 890 |
| Gains on exercise of share options | **9** | – |
| Share-based payments charge | **163** | 139 |
| | **1,084** | 1,029 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 29. Acquisitions

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

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

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

From 30 June 2023, RapidIT-Cloudbera has contributed revenue of £2.2 million and no profit or loss for the period. If the acquisition had occurred on 1 April 2023, management estimates that consolidated revenue for the year ended 31 March 2024 would have been £383.1 million and consolidated profit for the period would have been £48.6 million.

The following table summarises the recognised amounts of assets and liabilities assumed at the acquisition date.

| | Fair value (£000s) |
|---|---|
| Cash and cash equivalents | 340 |
| Trade and other receivables | 281 |
| Intangible assets | 5,569 |
| Deferred tax liability | (1,509) |
| Trade and other payables | (1,349) |
| FAIR VALUE OF NET IDENTIFIABLE ASSETS | 3,332 |
| Goodwill | 19,916 |
| TOTAL CONSIDERATION | 23,248 |

| SATISFIED BY: | (£000s) |
|---|---|
| Cash | 23,248 |
| TOTAL CONSIDERATION | 23,248 |

| | (£000s) |
|---|---|
| Cash consideration | 23,248 |
| Less cash and equivalents acquired | (340) |
| NET CASH OUTFLOW | 22,908 |

### *Cash consideration*

Our interim results for the six months ended 30 September 2023 reported consideration for this acquisition as £23.7 million. The consideration payable was pending finalisation of a working capital adjustment which was settled during the second half of FY24. This resulted in a refund of £0.5 million received from the sellers and as such the initial cash consideration has been revised.

### *Goodwill*

Goodwill has arisen on the acquisition and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the skilled and assembled workforce of the acquired entity and the anticipated profitability and synergistic benefits arising from the combination for the Workday Products division. None of the goodwill recognised is expected to be deductible for tax purposes.

### *Acquisition-related costs*

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

## 29. Acquisitions continued

### Compensation for post-combination services

In respect of all acquisitions of the Group, additional compensation for post-combination services of up to £3.3 million (2023: £3.7 million) will be payable in future periods to March 2026, subject to future service conditions being met. Amounts relating to compensation for post-combination services are recognised as an expense over the service period. During the year, a charge of £3.8 million (2023: £4.2 million) has been recognised for compensation for post-combination services in operating expenses. Of this amount £1.5 million (2023: £3.2 million) relates to share-based payment arrangements and has been credited to equity.

## 30. Subsequent events

There have been no significant events subsequent to year end that would require adjustment or disclosure in these consolidated financial statements.

# COMPANY STATEMENT OF FINANCIAL POSITION
## AS AT 31 MARCH 2024

| | Notes | 2024 (£000s) | 2023 (£000s) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Investments in subsidiaries | 4 | **9,025** | 6,524 |
| Receivables | 5 | **11,216** | 8,621 |
| | | **20,241** | 15,145 |
| CURRENT ASSETS | | | |
| Receivables | 5 | **2,849** | 10,799 |
| Prepayments | | **842** | 524 |
| Cash at bank and in hand | | **83,239** | 55,385 |
| | | **86,930** | 66,708 |
| Payables: Amounts falling due within one year | | **(14,987)** | (8,902) |
| NET CURRENT ASSETS | | **71,943** | 57,806 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **92,184** | 72,951 |
| NET ASSETS | | **92,184** | 72,951 |
| | | | |
| CAPITAL AND RESERVES | | | |
| Share capital | 7 | **629** | 623 |
| Share premium account | | **9,419** | 6,567 |
| Share-based payments reserve | | **31,228** | 23,394 |
| Capital reserve | | **8,820** | 8,820 |
| Profit and loss account | | **42,088** | 33,547 |
| SHAREHOLDERS' FUNDS | | **92,184** | 72,951 |

As permitted by section 408 of the Companies Act 2006, the parent Company has elected not to present its own profit and loss account for the year. The parent Company reported a profit for the year of £39.1 million (2023: £27.9 million).

The financial statements of Kainos Group plc (registered number 09579188) were approved by the Board of Directors and authorised for issue on 17 May 2024.

They were signed on its behalf by:

**Richard McCann**
Director
17 May 2024

# COMPANY STATEMENT OF CHANGES IN EQUITY

| | Share capital (£000s) | Share premium account (£000s) | Share-based payments (£000s) | Capital reserve (£000s) | Retained earnings (£000s) | Total equity (£000s) |
|---|---|---|---|---|---|---|
| Balance at 31 March 2022 | 619 | 6,433 | 15,171 | 8,820 | 34,643 | 65,686 |
| Profit and total comprehensive income | – | – | – | – | 27,942 | 27,942 |
| Issue of share capital – share options exercised | 4 | 134 | – | – | – | 138 |
| Equity-settled share-based payments | – | – | 8,223 | – | – | 8,223 |
| Deferred tax for equity-settled share-based payments | – | – | – | – | (604) | (604) |
| Dividends | – | – | – | – | (28,434) | (28,434) |
| Balance at 31 March 2023 | 623 | 6,567 | 23,394 | 8,820 | 33,547 | 72,951 |
| Profit and total comprehensive income | – | – | – | – | 39,057 | 39,057 |
| Issue of share capital – share options exercised | 6 | 2,852 | – | – | – | 2,858 |
| Equity-settled share-based payments | – | – | 7,834 | – | – | 7,834 |
| Deferred tax for equity-settled share-based payments | – | – | – | – | (94) | (94) |
| Dividends | – | – | – | – | (30,422) | (30,422) |
| BALANCE AT 31 MARCH 2024 | 629 | 9,419 | 31,228 | 8,820 | 42,088 | 92,184 |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 1. General information

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

## 2. Significant accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS101'). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ('Adopted IFRSs') but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS101 available in respect of the following disclosures:

- IFRS2 Share-based payments in respect of Group settled share-based payments
- Certain disclosures required by IFRS13 Fair Value Measurement, and the disclosures required by IFRS7 Financial Instrument Disclosures.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements, including the following policies applicable to the Company.

### Investments in subsidiaries

Investments in subsidiaries are stated at cost and, where appropriate, less allowances for impairment.

### Share-based payments

Where the Company has granted rights to its equity instruments to employees of other Group companies, such arrangements are accounted for as equity-settled share-based payment arrangements. The share-based payment expense relating to employees of other Group companies is recharged to these companies.

### Accounting judgements and key sources of estimation uncertainty

The Directors have identified no key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Furthermore, no individual judgements have been made that have a significant impact on the Company financial statements.

### 3. Profit for the year

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The parent Company reported a profit for the year of £39.1 million (2023: £27.9 million).

The auditor's remuneration for audit and other services is disclosed in note 6 to the consolidated financial statements.

The average monthly number of employees (including Executive Directors) was two (2023: two).

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| Wages and salaries | **778** | 865 |
| Social security costs | **108** | 125 |
| Other pension costs | **26** | 24 |
| Share-based payments | **125** | 139 |
| | **1,037** | 1,153 |

Pension amounts for Richard McCann and Brendan Mooney are payments in lieu of pension.

Further information about share-based payments is provided in note 25 to the consolidated financial statements.

### 4. Investments in subsidiaries

| | (£000s) |
|---|---|
| COST AND CARRYING AMOUNT | |
| On 1 April 2023 | 6,524 |
| Additions | 2,500 |
| AT 31 MARCH 2024 | **9,025** |

During the year, the Company made an investment of £2.5 million in the Kainos cell of Mangrove Insurance Guernsey PCC Limited. Further information is located in notes 3, 16, 20 and 27 of these financial statements.

Details of the Group's subsidiaries at 31 March 2024 are included in note 16 of the consolidated financial statements.

### 5. Receivables

| | **2024 (£000s)** | 2023 (£000s) |
|---|---|---|
| AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR: | | |
| Amounts owed from Group undertakings | **11,099** | 8,415 |
| Deferred tax asset | **117** | 206 |
| | **11,216** | 8,621 |
| AMOUNTS FALLING DUE WITHIN ONE YEAR: | | |
| Amounts owed from Group undertakings | **2,817** | 10,723 |
| Tax receivable | **32** | – |
| Other receivables | **–** | 76 |
| | **2,849** | 10,799 |

The deferred tax asset relates to share-based payments.

Amounts owed from other Group companies are unsecured and carry interest of between 3%-5% per annum charged on the average outstanding loan balances. Management has assessed that the estimated credit loss on such balances is insignificant and, on this basis, have not provided for an expected credit loss on this balance.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

### 6. Payables: Amounts falling due within one year

| | 2024 (£000s) | 2023 (£000s) |
|---|---|---|
| Trade creditors and accruals | **1,178** | 1,326 |
| Bank overdraft | **–** | 7,325 |
| Amounts owed to Group undertakings | **13,770** | 214 |
| Other tax and social security | **39** | 37 |
| | **14,987** | **8,902** |

Bank overdraft amount as at 31 March 2023 related to Group cash pooling arrangements.

Amounts owed to other Group companies are repayable on demand, unsecured and carry interest of between 3%-5% per annum charged on the average outstanding loan balances.

### 7. Share capital

Information on share capital and movements during the year is included in note 24 of the consolidated financial statements.

### 8. Distributable reserves

The Company's distributable reserves as at 31 March 2024 total £63.8 million (2023: £45.6 million).

### 9. Commitments

As at 31 March 2024, the Company has no commitments.

As at 31 March 2023, the Company had an obligation, as part of the Group's insurance arrangements, to transfer £2.5 million in exchange for the share capital of a cell in a protected cell company. The payment was made in April 2023 and was funded from existing cash at bank held by the Company.

Further information regarding the Group's insurance cell arrangements is detailed in note 27 of the consolidated financial statements.

# DEFINITION OF TERMS

## Definition of terms

We use the following definitions for our key metrics:

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

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

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

**Adjusted profit margin:** adjusted profit as a percentage of revenue for the period.

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

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

**Carbon net zero:** any $CO_2$, released into the atmosphere from a company's entire value chain is reduced as much as possible and the rest is removed.

**Carbon neutral:** any $CO_2$ released into the atmosphere from a company's entire value chain activities is balanced by an equivalent amount being removed.

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

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

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

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

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

**Net Promoter Score (NPS):** a metric that organisations use to measure customer loyalty toward their brand, product or service, and can range from -100 to +100. Bain & Co, the creators of the metric, held that a score above 0 is good; 20+ is favourable; 50+ is excellent and 80+ is world class.

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

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

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

**Science Based Targets initiative (SBTi):** a target for reducing greenhouse gases and $CO_2$ emissions which is aligned with the global effort to limit global warming to 1.5°C.

# COMPANY INFORMATION

## Kainos Group plc

**Registered Office**
2nd Floor
21 Farringdon Road
London
EC1M 3HA

**Business Address**
Kainos House
4-6 Upper Crescent
Belfast
BT7 1NT
Northern Ireland

Email:
investorrelations@kainos.com

**Registrar**
Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Email:
shareholdersenquiries@linkgroup.co.uk

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Kainos plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Arena Smooth Extra White which is an FSC® material. This document was printed by Maxim using its carbon neutral built indigo 7900, which minimises the impact of manufacture on the environment. Maxim is also a member of the carbon capture programme run by the Woodland Trust, which offsets the carbon cost of paper by planting trees. 99% of paper waste is also diverted from landfill and recycled.

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