Company Registration No. 9579188

KAINOS GROUP PLC

Initial accounts

For the period from incorporation on 7 May 2015 to

30 October 2015

Kainos Group plc

Contents

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE INDEPENDENT AUDITOR TO THE DIRECTORS OF KAINOS GROUP PLC UNDER SECTION 839(5) OF THE COMPANIES ACT 2006

We have examined the initial accounts of Kainos Group plc for the period from 7 May 2015 to 30 October 2015 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes 1 to 14. The initial accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company in accordance with section 839(5) of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters that we are required to state to it in an auditor's report on initial accounts and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our audit work, for this report, or for the opinions that we have formed.

Respective responsibilities of directors and auditor

As described in the directors' responsibilities statement, the directors are responsible for the preparation of the initial accounts in accordance with applicable law and FRS 101.

Our responsibility is to report to you our opinion as to whether the initial accounts have been properly prepared within the meaning of section 839(4) of the Companies Act 2006.

Opinion

In our opinion the initial accounts for the period 7 May 2015 to 30 October 2015 have been properly prepared in accordance with section 839(4) of the Companies Act 2006.

DocuSigned by:
David Crawford
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David Crawford (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Belfast, United Kingdom
19 November 2015

Kainos Group plc

Profit and Loss Account
For the period from incorporation on 7 May 2015 to 30 October 2015

	Note	2015 £'000
Turnover	5	415
Operating expenses		(395)
Operating profit	6	20
Income from shares in group undertakings		3,000
Interest receivable and similar income		157
Interest payable and similar charges		(123)
Profit before tax		3,054
Taxation on ordinary activities	8	(11)
Profit and total comprehensive income for the period		**3,043**

The Company was incorporated on 7th May 2015 as Kainos Group Limited and reregistered as Kainos Group plc on 7th July 2015.

All recognised gains and losses for the current period are included in the profit and loss account and arise from continuing operations. Accordingly no statement of other comprehensive income is presented.

Kainos Group plc

Balance Sheet
At 30 October 2015

	Note	2015 £'000
Fixed assets		
Investment in subsidiary	9	6,524
		6,524
Current assets		
Amounts owed from Group undertakings	10	14,353
Cash and bank balances		-
		14,353
Total assets		**20,877**
Creditors: Amounts falling due within one year	11	**(9,430)**
Net assets		**11,447**
Capital and reserves		
Share capital	12	590
Share premium account		1,607
Share based payments reserve		267
Capital reserve		5,940
Retained earnings		3,043
Shareholders' funds		**11,447**

The financial statements of Kainos Group plc (registered number 9579188) were approved by the board of directors and authorised for issue on 19 November 2015. They were signed on its behalf by:

DocuSigned by:

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Director

Richard McCann

Kainos Group plc

Statement of Changes in Equity
At 30 October 2015

	Share Capital	Share Premium	Capital Reserve	Share Based Payments	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 7 May 2015	-	-	-	-	-	-
Group reorganisation [1]	575	-	5,949	-	-	6,524
Issue of share capital	15	1,607	(9)	-	-	1,613
Share based payments	-	-	-	267	-	267
Profit and total comprehensive income	-	-	-	-	3,043	3,043
Balance at 30 October 2015	**590**	**1,607**	**5,940**	**267**	**3,043**	**11,447**

[1] In connection with the admission on 3rd July 2015, the Group undertook a reorganisation of its corporate structure which resulted in Kainos Group plc becoming the ultimate holding company of the Group and Kainos Software Limited a direct wholly owned subsidiary. The company acquired the entirety of the shares in issue of Kainos Software Limited by way of share for share exchange.

1. General information and basis of preparation

Basis of preparation

Kainos Group plc ("the company") is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 4th Floor, 111 Charterhouse Street, London, EC1M 6AW.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

On 7 July 2015 the company registered as a Public Limited Company (plc). These accounts have been completed for this company only and not the consolidated group.

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis except for share based payments that are within the scope of IFRS 2.

The principal accounting policies adopted are set out below.

2. Adoption of new and revised standards

As this is the first set of statutory financial statements prepared for the company since incorporation, all standards and interpretations which are effective at the date of authorisation of these financial statements have been applied.

3. Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the initial accounts. The Company was incorporated on 7 May 2015 and therefore, no comparative information is presented.

Going concern

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with other group companies.

The group has adequate financial resources together with secured contracts and excellent customer retention rates. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when payment is being made. Turnover is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding applicable taxes or duty.

The company's turnover is derived from recharging director remuneration at cost plus a percentage mark-up to other companies within the group.

Dividend Income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. Significant accounting policies (continued)

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Taxation

The tax currently payable is based on taxable profit for the period. Taxable profit may differ from net profit as reported in the profit and loss account 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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Fixed asset investments

Fixed asset investments are stated at cost, less provisions for impairments in value. Income from fixed asset investments is recognised in the profit and loss account in the period in which it is receivable.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value plus transaction costs.

Financial assets

Trade debtors and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as "loans and other receivables". The company's debtors are predominately short-term in nature.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

These assets are subsequently measured at amortised cost using the effective interest method, less impairment. Debtor's that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the historical average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the debtor at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company 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. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Trade and other creditors are classified as 'other financial liabilities'. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

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

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. A capital contribution is recognised in the subsidiary company accounts to the

3. Significant accounting policies (continued)

Share-based payments (continued)

extent that they are not recharged with a corresponding increase in the investment in the subsidiary held by the company.

Equity-settled share-based payments to employees and others providing similar services 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 company's estimate of equity instruments that will eventually vest. At each balance sheet date, the company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non- market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

5. Turnover

All of the company's turnover is derived from recharging the total cost of director's remuneration plus a percentage mark-up to other group companies.

No further analysis of turnover is considered necessary.

6. Operating profit

Operating profit has been arrived at after charging:

	2015
	£'000
Staff costs (see note 7)	383
Fees payable to the company's auditor for the audit of the initial accounts	6

7. Staff costs

The average monthly number of employees employed during the period was 7. All of the staff costs relate to the remuneration costs for executive and non-executive directors.

Their aggregate remuneration comprised:

	2015 £'000
Wages and salaries	292
Social security costs	38
Share based payments	53
	383

The highest paid director received remuneration of £78k.

8. Tax

	2015 £'000
Corporation tax:	
Current period	11
	11

UK Corporation tax is calculated at 20 per cent of the estimated taxable profit for the period. The company's tax charge can be reconciled to the profit in the profit and loss account as follows:

	2015 £'000
Profit before tax	3,054
Tax at the UK corporation tax rate of 20%	611
Non-taxable income	(600)
Tax expense for the period	11

Kainos Group plc

Notes to the Financial Statements
For the period ended 30 October 2015

9. Investment in subsidiary

	£
Cost	
At 7 May 2015	-
Additions	6,524
At 30 October 2015	6,524
Provisions for impairment	
At 7 May 2015	-
Charge for the period	-
At 30 October 2015	-
Carrying amount	
At 30 October 2015	6,524

Details of the company's subsidiaries at 30 October 2015 are as follows:

Subsidiary undertakings	Incorporated	Principal activity	Holding	%
Kainos Software Limited	UK	Software Development	Ordinary Shares	100
Kainos Software Ireland Limited*	Republic of Ireland	Software Development	Ordinary Shares	100
Kainos Software Poland Spólka z.o.o*.	Poland	Software Development	Ordinary Shares	100
Kainos Trustees Limited*	Northern Ireland	Dormant	Ordinary Shares	100
Kainos Managers Limited*	Northern Ireland	Dormant	Ordinary Shares	100
Kainos Evolve Limited*	Northern Ireland	Software Development	Ordinary Shares	100
Kainos Worksmart Limited*	Northern Ireland	Software Development	Ordinary Shares	100
Kainos Worksmart Inc.*	USA	Software Development	Ordinary Shares	100

*Held by subsidiary

10. Trade and other debtors

	2015 £'000
Amounts falling due within one year:	
Amounts owed from Group undertakings	14,353
	14,353

Amounts owed from other Group companies are repayable on demand, unsecured and carry interest of 4 per cent per annum charged on the average outstanding loan balances.