Kainos Group plc

Kainos Group plc “Kainos” or the “Group”

Full year results for the year ended 31 March 2021

Kainos Group plc (KNOS), a leading IT provider, operating through two specialist business divisions, Digital Services and its Workday Practice, is pleased to announce its results for the year ended 31 March 2021.

Financial highlights

	2021	2020	Change
Revenue	£234.7m	£178.8m	+31%
Statutory profit before tax	£50.3m	£23.2m	+117%
Adjusted pre-tax profit[1]	£57.1m	£25.5m	+124%
Cash[2]	£80.9m	£40.8m	+98%
Bookings	£258.8m	£243.6m	+6%
Software as a Service (SaaS) bookings	£41.8m	£30.5m	+37%
Backlog[3]	£206.2m	£180.0m	+15%
Adjusted diluted earnings per share[1] (note 7)	36.8p	16.6p	+122%
Diluted earnings per share	32.1p	15.1p	+113%
Total dividend[4]	28.2p	3.5p	+706%

Operational highlights

We have delivered a very strong business performance, reflecting strong sector demand, the ongoing trust and support of our customers and the dedication of our people. We have recorded our 11th consecutive year of growth, with strong financial metrics.

- Revenue growth of 31% (28% organic) to £234.7 million (2020: £178.8 million).
- Adjusted pre-tax profit increased 124% to £57.1 million (2020: £25.5 million).
- Bookings up 6% to £258.8 million (2020: £243.6 million).
- Contracted backlog growth of 15% to £206.2 million (2020: £180.0 million).
- Highly cash generative with cash conversion[5] of 112% (2020: 97%) and period-end net cash of £80.9 million (2020: £40.8 million).

We continue to deliver on our ambition to be a responsible business.

- Customer approval rating[6] remains high at 98% (2020: 97%).

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[1] Adjusted measures are based on reported statutory profit numbers excluding the effect of share-based payments and acquisition-related expenses. Reconciliations between the reported and adjusted measures are included in the Financial Review.

[2] Cash includes treasury deposits of £18.0 million.

[3] The value of contracted revenue that has yet to be recognised.

[4] Total dividend for FY21 includes a special dividend of 6.7p per share (paid Sept 2020), interim dividend 6.4p per share (paid Dec 20)and proposed final dividend of 15.1p per share.

[5] Cash generated by operations as a percentage of EBITDA (calculated as being adjusted pre-tax profit add back depreciation, finance income and finance expense).

[6] Data from all completed customer surveys in the year. There are five possible designations: ‘Poor’, ‘Satisfactory’, ‘Good’, ‘Very Good’ or ‘Excellent’; the rating reflects the percentage of customers that rate our performance ‘Good’ or better.

- Strong recruitment has increased our staff numbers to 2,024 (2020: 1,715), with employee retention increasing to 92% (2020: 90%).
- We have made significant progress in our climate action programme, achieving carbon neutrality for the year.

Both of our operating divisions have delivered an excellent performance.

- Within Digital Services, we continue to support significant ongoing digital transformation programmes across the public sector, healthcare and in the commercial sector. This has driven very strong revenue growth of 32% to £161.6 million (2020: £122.5 million).
- Our Workday Practice continues to be the leading European Workday specialist and we are building strongly in North America. We have recorded very strong revenue growth of 30% (18% organic) to £73.1 million (2020: £56.3 million). Within this, Smart revenues increased by 27% to £24.2 million (2020: £19.1 million).

Our focus on revenue diversification has ensured that we have built a robust and well-balanced business.

- Overall, our revenues are: 45% Public Sector, 35% Commercial, 20% Healthcare.
- International revenues are up 48% to £59.0 million (2020: £39.9 million).
- Commercial revenues are up 29% to £81.1 million (2020: £63.1 million).
- Healthcare revenues are up 106% to £48.1 million (2020: £23.3 million).
- SaaS and software-related revenues are up 27% to £31.6 million (2020: £24.9 million).

Commenting on the results, CEO Brendan Mooney said:

"For the past 15 months we have been physically distant from our colleagues and customers, but we have worked seamlessly together to deliver critical systems.

Our work has included supporting the NHS response to Covid-19 and ensuring that our government and commercial clients continued to provide essential services to citizens, customers and employees.

Since 2010 we have been helping our customers drive digital transformation. That trend has continued through the pandemic and we have once again delivered a strong business performance.

We have maintained our high levels of customer satisfaction and employee engagement; at the same time delivering record levels of sales, revenue, adjusted pre-tax profit and cash.

We marked significant milestones through the year. We now have over 500 customers and we employ over 2,000 talented colleagues; and we have made significant progress in our climate action programme, achieving carbon neutrality for the year.

Our performance has only been possible because of the trust and support of our customers and the talents and hard work of our colleagues. Once again, we have a deep sense of gratitude towards our people and our clients."

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About Kainos Group plc

We are a UK-headquartered IT provider, operating through two specialist business divisions, Digital Services and our Workday Practice.

Our Digital Services division develops and supports custom digital service platforms for public sector, commercial and healthcare customers. Our solutions transform the delivery of these services, ensuring they are secure, accessible and cost effective, and that they provide better outcomes for users.

Our Workday Practice is focused on the deployment of Workday Inc's Finance, HR and Planning software to leading organisations across the public, commercial and healthcare sectors. We are one of Workday's most respected partners, experienced in complex deployment and integrations and trusted by our customers to launch, test, expand and safeguard their Workday systems. We are also the leader in automated testing of customers' unique Workday configurations.

Our people are central to our success. We employ more than 2,000 people across 12 offices in Europe and North America.

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

For further information, please visit www.kainos.com

Kainos at a glance

We are a UK-headquartered IT provider, operating through two specialist business divisions, Digital Services and our Workday Practice.

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

FY21 revenue: £161.6 million, 69% of Group total, 5-year growth: 24% CAGR.

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

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

In the commercial sector, customers trust us to provide digital transformation that evolves their services, delivers efficiencies, increases their capabilities and future-proofs their businesses.

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

We deliver services to over 140 clients, including HM Land Registry, the Department for Environment, Food and Rural Affairs ('Defra'), NHS Digital, Concardis (Germany) and New Day (UK).

Workday Practice

Our Workday Practice is closely linked to Workday Inc's software suite, which includes cloud-based software for Human Capital Management ("HCM"), Financial Management and Planning, enabling enterprises to organise their staff efficiently and support their financial reporting requirements.

Workday Services

FY21 revenue: £49.0 million, 21% of Group total, 5-year growth: 49% CAGR.

In our Workday Services business, we provide consulting, project management, integration and post-deployment services for Workday's software suite. We work with clients globally and have an exceptional relationship with Workday.

With over 100 international clients, we are proud to work with Kion Group (Germany), ASOS plc (UK), Takeaway.com (Netherlands), Match.com (USA), Raiffeisen Bank (Switzerland) and LKAB (Sweden).

Smart

FY21 revenue: £24.2 million, 10% of Group total, 5-year growth: 51% CAGR.

Smart is our proprietary software tool. It allows Workday customers to automatically test and verify that their unique Workday configuration is operating effectively, both during implementation and in live operation. Smart is the leading automated testing platform specifically designed for Workday and is implemented as a cloud-based Software as a Service ("SaaS") solution, on a subscription basis.

Over 240 clients use Smart, including Salesforce (USA), Whole Foods (USA), Xero (New Zealand), Netflix (USA), CapitalOne (USA), Blackberry (Canada), Primark (Ireland) and The Met (USA).

FY21 key statistics

People

- *Number of staff and contractors*: 2,024 (2020: 1,715).
- *Employee retention*: 92% (2020: 90%).
- *People by region*: UK & Ireland (75%), Central Europe (18%), North America (7%).
- *Offices*: (12) Amsterdam, Atlanta, Belfast, Birmingham, Copenhagen, Denver, Derry, Gdansk, Hamburg, Indianapolis, London and Toronto.

Customers

- *Active customers*: 546 (2020: 465).
- *Customers rating our service as good or better*: 98% (2020: 97%).
- *Revenue from existing customers*: 85% (2020: 87%).

Financial

- *Revenue*: £234.7 million (2020: £178.8 million).
- *Adjusted profit*: £57.1 million (2020: £25.5 million).
- *Bookings*: £258.8 million (2020: £243.6 million).
- *Contracted sales backlog*: £206.2 million (2020: £180.0 million).
- *Revenue by sector*: Public 45% (2020: 52%), Commercial 35% (2020: 35%), Healthcare 20% (2020: 13%).
- *Revenue by region*: UK & Ireland 75% (2020: 78%), North America 16% (2020: 12%), Central Europe 8% (2020: 10%), Rest of World 1% (2020: 0%).

CEO Statement

Living and working through a pandemic

When reflecting on the past 15 months, words cannot adequately describe the remarkable way that everyone in Kainos has responded to the personal and professional challenges of living and working through a global pandemic.

The work that our teams have delivered in supporting the NHS response to Covid-19 has been truly inspirational. As has been our support for our government and commercial clients, ensuring that they could continue to provide critical services to citizens, customers and colleagues in an incredibly difficult environment.

Our people have supported our customers superbly, while learning to adapt to working from home and juggling the additional care requirements imposed by the various lockdown measures. This too has been inspirational.

We owe a special thanks to the colleagues we asked to go on furlough in the early weeks of the pandemic. Their flexibility and support amidst all the uncertainty provided us with the time to make the right, considered, long-term decisions for everyone. We were delighted to welcome back all those colleagues during the summer of 2020; at the same time we repaid all the funds that we received under the UK Government Job Retention Scheme.

A strong business performance

The pandemic has also demonstrated how important it is for organisations to invest in their digital capabilities, both internally and externally. Our customers have responded and continue to prioritise their critical digital projects and place their trust in us to help deliver these ambitious projects.

This trust, coupled with the talents and hard work of our people, has once again generated a strong set of financial results, with revenue increasing to £234.7 million, and adjusted pre-tax profit increasing to £57.1 million. Our confidence in our business is reflected in our high levels of recruitment – our total workforce is now 2,024 people, an increase of 309 over the course of the year.

While we take great satisfaction in our financial results, we also recognise that our trading includes savings that we consider non-recurring in nature – reduced travel, training and marketing expenses. We expect that elements of this expenditure will return to more typical levels in the future.

In our Digital Services division, we continue to deliver significant programmes in partnership with the UK government and with leading commercial and healthcare clients. As always, our growth is a result of demand from both existing and new clients, such as the Welsh Government, DVSA and Big Society Capital. Internationally, our patience has been rewarded as we have signed our first small projects for clients in both Canada and Switzerland.

Our Workday Practice continues to help forward-thinking organisations such as EMC Insurance, Warner Music and Blackberry deploy Workday's innovative Software-as-a-Service (SaaS) platform to support their people and finance requirements. We remain the leading European partner within the Workday ecosystem and continue to make significant progress in both Canada and the US.

Our early-stage investments have also made good progress. We have signed major projects within our Data and Artificial Intelligence practice; our Adaptive Planning acquisitions achieved global recognition from Workday; our Workday Extend team has established itself as one of the leading partners globally; and our Intelligent Automation practice launched and secured its first projects, all within a year. The pace of their progress highlights the long-term growth opportunities in each of these areas.

Widening our responsibilities

Whilst we have become used to working physically distant from our colleagues and our customers, there is also a greater sense of unity and shared responsibility towards our communities and our environment.

In response, we have increased the pace of our climate action. We are proud to report that we are carbon-neutral for the year and are on track to achieve carbon net-zero by 2025.

Equally, we are proud to have increased our support for colleagues and their allies through our LGBTQ+, ethnic diversity, women and neurodiverse employee network groups. While we acknowledge our progress, it is more important to recognise that there is still much to do to improve diversity within Kainos and in the wider technology industry. We are committed to continued progress.

Board changes

In January, we welcomed Rosaleen Blair, CBE as a Non-Executive Director. Rosaleen is the Founder and Chair of Alexander Mann Solutions (AMS), a pioneer in the global workforce solutions industry with 4,500 employees operating in 90 countries.

Our AGM later this year will mark the completion of Chris Cowan's term on our Board. Chris was appointed a Non-Executive Director in 2015 and over the past six years has been instrumental in establishing Kainos as a leading public company.

Our Executive Director, Paul Gannon, will also complete his term on our Board and will not be standing for re-election at the AGM. Paul will continue to act as a key member of the Executive Team. Having joined Kainos in 1998, Paul has contributed to our success from being a small, private company through to our life as an international public company.

We are incredibly grateful for the energy, insight and guidance that both Chris and Paul have brought to the business during their time on our Board.

A strong outlook

Our digital transformation market has been growing strongly for over a decade, with the pandemic accelerating the need for organisations to invest in their digital capabilities. Our leading position within the Digital Transformation and Workday markets allow us to look confidently to the future.

Our confidence is strengthened with the progress of our early-stage investments, which are already contributing significant additional revenue streams. Similarly, our international expansion is increasing our market size – this is an established trend within our Workday Practice but we have also recorded success within our Digital Services division, undertaking projects in Germany, Switzerland and Canada.

The pandemic has demonstrated that our sector is resilient, but it has also demonstrated that the future is unpredictable. Notwithstanding our confidence, challenges remain. Countries and customers are exiting lockdown at different speeds and with varying degrees of success. The effects of the pandemic will linger for many years and we need to remain vigilant.

More immediately, our thoughts are with our customers and our colleagues. Distributed and remote working is now established as a productive and effective way to support our customers. Our colleagues prefer a blend of office-based and home-based working.

We have no unique insight as to what a 'return to normal' will mean but we believe that by responding to the feedback of our people and our customers, we will be able to design an approach that works for everyone.

A sense of gratitude

The number of lives that we touch as an organisation is vast. In the past year, 60 million people have used a system or service that we have delivered.

However, we think most often of the stakeholders that are closest to us – our people, our customers, our communities and our shareholders.

A review of the past year cannot be complete without recognising the support, confidence and trust that everyone has placed in Kainos.

It has been inspirational; and in return has inspired a deep sense of gratitude within Kainos.

Brendan Mooney

Our Strategy

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 careers.

As part of our 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.

People

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.

We will add to our existing talented workforce by recruiting high calibre people from school, college and industry; and we will continue to invest in developing their skills and careers and we will continue to strive to be a great employer.

Customers

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.

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.

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.

Markets

Digital Services

Our focus is to:

- continue to grow within the Public Sector and Healthcare, being engaged in ambitious transformation projects across UK Government and the NHS;
- repeat our digital transformation success within the UK commercial sector, with a bias towards financial services; and
- 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 Practice client base.

Workday Practice

Our focus is to:

- continue to grow in our existing, established markets as Workday continues to expand within these markets;
- gain market share, replacing incumbent providers to existing Workday customers through a reputation for higher service levels;
- expand internationally, opening offices in countries with large and growing numbers of Workday customers; and
- extend Smart and develop other products within the Workday ecosystem, where our blend of software skills and Workday experience makes us uniquely positioned.

New opportunities

Our focus is to:

- continue to invest in our Data and Artificial Intelligence practice, building capability and creating an international, high growth business;
- support the early progress of our Intelligent Automation practice, ensuring the foundations are in place to create a significant long-term business; and
- through our new business ideas process, identify and promote ideas that have the potential to become sizeable revenue streams in the future.

Operational review

Our people

We are clear that our success is driven by the ability, energy and expertise of the people in Kainos; this past year has further underlined that belief.

Over the course of the year, our headcount has grown by 309 to 2,024 people (2020: 1,715). Of our colleagues, 15% are contractors (2020: 9%). By region, UK & Ireland increased to 1,541 people (+283), Central Europe reduced to 341 people (-10) and North America increased to 142 people (+36).

Our employee engagement levels remain high and in the past year 92% of our colleagues made the choice to stay and develop their career in Kainos (2020: 90%). Once again, our people have voted us into the Top 100 in the Sunday Times 'Best Companies to Work For' survey and we continue to receive high approval ratings on Glassdoor, the online career community.

The commitment of the people in Kainos through the pandemic has been remarkable. In recognition of this, we implemented two £1,000 'thank-you' payments to employees during the year, for a total of £3.2 million.

Our customers

We believe that by delivering consistently to our customers we build long-term relationships. This is a perspective shared by our customers, who continue to have a very positive view of our performance – 98% of respondents to our customer surveys rated our service as 'good or above' (2020: 97%).

Existing customers continue to trust us to deliver their most challenging projects and this is reflected in our revenues, with 85% of revenues coming from our existing clients (2020: 87%). We have also gained new customers during the year, and we now work with 546 customers (2020: 465).

From a sector perspective we have a well-diversified business, with 45% of our revenues from public sector customers (2020: 52%), 35% from commercial organisations (2020: 35%) and 20% from healthcare customers (2020: 13%).

Our international client base has also expanded and as a result our international revenues have grown by 48% to £59.0 million (2020: £39.9 million). Regionally, UK & Ireland accounts for 75% of our business (2020: 78%), North America for 16% (2020: 12%), Central Europe for 8% (2020: 10%), with the rest of the world representing 1% (2020: 0%).

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.

Revenues grew by 32% to £161.6 million (2020: £122.5 million), while our bookings reduced 7% to £157.7 million (2020: £169.3 million), as the pandemic disrupted the normal contracting cycle, with some contracts being signed after the close of our financial year. As a result, our backlog decreased by 3% to £119.4 million (2020: £123.5 million).

Public sector

Our public sector customers have remained committed to their digital transformation programmes and these have continued at pace. We have been impressed by how large departments have been able to switch from an office-based environment to working effectively from home.

Revenues increased by 18% to £102.2 million (2020: £86.4 million).

Within central government, we continue to consolidate a leading position with our key customers, delivering several high-profile digital programmes including the Passport Application service for the Home Office and an EU Exit Imports programme for Defra. We have also added new customers such as the National Crime Agency to deliver new crime intelligence services using data science and artificial intelligence.

Commercial sector

The early stages of the pandemic saw some of our commercial sector clients pause or reduce some of their programmes. By the end of the summer, however, customer confidence had returned, and our performance returned to pre-pandemic activity levels.

Over the year, our revenues increased 3% to £15.7 million (2020: £15.3 million). We have continued to assist our established customers such as New Ireland Assurance, Concardis and Early Disease Detection Research Project (EDDRP) as they increase investment in digital transformation.

We have also recorded further international successes and have been appointed to deliver projects for clients in Canada and Switzerland. While these are small engagements, we are optimistic that we will be awarded further projects during the course of next year.

Healthcare sector

Our healthcare revenues increased by 111% to £43.7 million (2020: £20.7 million).

We continue to enjoy strong partnerships with NHS Digital and NHS X, and we have been heavily involved in supporting their response to the challenges of Covid-19. This includes the Isolation Note service from NHS Digital, NHS Home Testing and managing the successful delivery of Health and Social Care Northern Ireland's track and trace system.

While the pandemic response continues to command much of the attention of the NHS, increasingly the focus is turning to broader healthcare provision and how technology can support its ambitious digital plans. In this regard, we are delighted to be named on the recently announced £800 million Digital Capability for Health framework.

Digital Services outlook

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

The digitisation pressures and opportunities within the commercial sector are similar, and therefore the growth prospects for us are substantial. Our progress, notwithstanding the impacts of Covid-19, give us confidence that we will deliver significant growth in the years ahead.

We are similarly optimistic about the international opportunity. Our initial focus is primarily on commercial customers in Canada, Germany and Switzerland, where we already have established delivery teams, sales expertise and a Workday Practice client base.

Workday Practice performance

Having first engaged with Workday Inc. in 2011, we are now one of their most experienced partners. We are the only specialist Workday partner headquartered in the UK and one of only 36 partners globally, accredited to implement Workday's innovative SaaS platform.

Revenue for the period grew by 30% to £73.1 million (2020: £56.3 million) and backlog for the division increased by 53% to £86.7 million (2020: £56.5 million). Bookings increased 36% to £101.0 million (2020: £74.3 million), with a very strong performance in the second half of our year.

The number of accredited Workday consultants at Kainos increased by 9% to 416 (2020: 380).

Workday Services

Within Europe, we continue to consolidate our position as the leading Workday partner. This leadership position is the result of high satisfaction levels within our customer base, coupled with our geographic expansion and consolidation within the partner ecosystem.

Our international growth started in Europe in 2015 when we opened our office in Amsterdam. We now have staff based across 13 European countries. Having entered the North American market in 2018, we now have 142 people based in the US and Canada (2020: 106 people).

There is an established trend of larger partners buying smaller organisations[7], and we anticipate further transactions in the future. The reduction in the number of partners provides further growth opportunity.

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

Revenue for the year grew by 32% to £49.0 million (2020: £37.2 million); backlog increased by 62% to £34.9 million (2020: £21.5 million); and despite slower decision-making by some of our clients at the start of the pandemic, bookings for the year increased 36% to £59.8 million (2020: £43.9 million).

Workday Adaptive Planning

In June 2018, Workday Inc. acquired Adaptive Insights for $1.6 billion. Adaptive Insight's Business Planning Cloud (now called Workday Adaptive Planning) is a leading cloud-based platform that allows organisations to modernise their business planning, by providing budgeting, forecasting, reporting and analytics capability. At the time of their acquisition, Adaptive Insights had over 4,700 customers worldwide.

In our 2020 financial year, we completed the acquisition of three leading Adaptive Insights consulting organisations: Formulate (UK, 16 people), Implexa (Germany, 5 people) and IntuitiveTEK (USA, 38 people), creating one of the largest Adaptive Insights practices globally. By acquiring these businesses, we have strengthened our capabilities to sell, deliver and support Adaptive Planning implementations.

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[7] *Recent transactions include the Ataraxis acquisition by HR Path (2018). In 2019 Alight acquired the Workday-related business elements of Wipro, for a reported $110 million (350 consultants). In 2020, Accenture acquired US-focused Sierra-Cedar (275 consultants) and Cognizant completed the acquisition of Collaborative Solutions (c.1,000 consultants).*

In both 2020 and 2021, Workday named IntuitiveTek as Global Solution Provider of the Year, with Formulate confirmed as EMEA Solution Provider of the Year.

In total, the acquisitions contributed revenue of £7.8 million (2020: £1.1 million) during the year.

Smart

Kainos has developed four Smart modules: HCM, Security, Financials and Payroll. Smart is used by over 240 global customers, including Capital One, Cardinal Health and General Dynamics to automatically verify their Workday configurations.

Smart bookings increased 43% to £37.8 million (2020: £26.4 million). This strong sales performance resulted in revenue increasing 27% to £24.2 million (2020: £19.1 million), of which £21.0 million relates to SaaS subscriptions (2020: £15.4 million); the Annual Recurring Revenue at 31 March 2021 was £25.7 million (2020: £21.0 million), an increase of 23% and backlog increased 48% to £51.8 million (2020: £35.0 million).

Workday Extend

Workday Inc. has a Platform-as-a-Service offering known as Workday Extend, (previously Workday Cloud Platform) which became generally available to customers in May 2020. Kainos has been part of the Extend early adopter programme since 2017. While Workday Extend is at an early stage it may offer new growth opportunities, such as additional product ideas for Kainos or specialised development services to other Workday customers and partners.

Workday Practice outlook

Our strong performance, despite the challenges of the pandemic, provides further evidence of the strength of the Workday market. With Workday's main competitors, Oracle and SAP, soon to mark 50 years in the ERP market, we believe that Workday's more innovative product suite can continue to gain significant market share for many years to come. This is reflected in Workday's bold goal of achieving $10 billion revenue in the next five years, up from c.$4 billion today.

In addition, we believe that we can outpace this rapid market growth by continuing our international expansion and by replacing other Workday partners in engagements where they are under-serving their customer.

For Smart and other products that we develop, our growth will be powered by the increase in Workday clients and by higher penetration of our products into the Workday client base.

New business ideas, innovation and research

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

Including our product investment, our research and development expenditure for the year amounted to £4.2 million (2020: £3.9 million), which was wholly expensed in the year.

New business ideas

We take the view that our people, who are often deeply engaged with our customers, are best placed to identify new ideas. To support them, we have created a process that is made up of two phases, "Identify and Develop" and "New Business Investment".

Identify and develop

When someone has an idea, which can range from a novel approach to solving customer problems to a potential partnership or a new business offering, we support the investigation of the idea. This includes exploring different aspects of the concept while making an informed judgement of its early commercial potential. The identification phase is typically an investment of up to 20 days, with some external expenditure.

New business investment

Ideas that show real potential progress to the investment stage, where the idea is presented to a panel composed of experienced Kainos leaders and external entrepreneurs. Ideas that pass this evaluation are given a formal investment package, typically composed of development time, specialist recruitment and external expenditure.

Our most recent graduate from this process is our Intelligent Automation practice, launched in June 2020. Now a team of 12 people, including externally recruited experts, have seen us undertake small, focused engagements for existing and new clients. For example, we have provided the Information Commissioner's Office (ICO) with a solution to automate their transaction entry process, allowing officers to focus on the more complex. This will also allow the current team of 30 officers handle the expected increase in transactions, rising from 400 to 700 daily transactions.

We have every belief that our Intelligent Automation practice will follow the success of our Data and Artificial Intelligence practice, which will reach 100 people during this year.

External ideas

In addition to internally sourced ideas, we nurture relationships with a broad network of entrepreneurial start-ups. We mentor and support their leadership teams, to help increase the success prospects for their business, but also with the aspiration of being able to develop joint commercial opportunities.

Close-to-customer innovation

Technology continues to develop at pace and we look to continuously improve our delivery approach for our customers. These improvements reflect our most recent experience in delivering projects, as well as using the improvements in the platforms from Workday, Microsoft, AWS and other partners.

Within Digital Services, our continued investment makes us leaders in cloud native software and data engineering, delivering technology, practices and principles that enable our customers to achieve long-term success with digital and data transformation. We continue to develop our service design capabilities, leading on human centred design, design thinking, user research and lean product development.

Workday Inc frequently releases software and functionality updates for their platform and we ensure that these latest developments are reflected in our delivery approach and methodology. We also assess new modules, particularly Workday Extend, which allows customers to add unique functionality to their Workday system.

Innovation services

To support innovation across the organisation we have invested in a dedicated Innovation Services team. The team's activities include providing foresight, research into emerging technology, interpreting developing trends and market insights, and supporting the development of innovative ideas across the business.

Current areas of foresight and investigation include quantum computing, ambient computing, fog and distributed systems for Internet of Things and smart environments and places, and research into the advances in machine learning and AI, such as reinforcement learning.

The team is also responsible for our relationships with academic research partners and leading industry organisations, such as the Turing Institute, Digital Catapult, the Confederation of British Industry and the Institution of Engineering and Technology as well as working with our strategic partners on further-from-market technology and research.

Financial review

2021 was a year of strong financial performance despite the challenges presented by Covid-19. Kainos achieved revenue of £234.7 million (2020: £178.8 million), representing an increase of 31%. Digital Services revenue grew 32% to £161.6 million (2020: £122.5 million), reflecting customers continuing to prioritise digital transformation programmes in the NHS and public sector. Workday Practice revenue grew by 30% (18% organic) to £73.1 million (2020: £56.3 million) which was driven by 32% growth in Workday Services to £49.0 million (2020: £37.2 million) and 27% growth in Smart to £24.2 million (2020: £19.1 million). The Workday Practice continues to benefit from its international scale and ability to secure new consulting contracts across our geographies.

Overall gross margin was 50.4% (2020: 47.0%). Digital Services margins increased to 44.6% (2020: 39.9%) mainly due to an increase in utilisation and partly to a reduction in holidays taken by staff and reduced travel costs. The margin has benefited from some savings in the period that are considered non-recurring in nature. Workday Practice margins increased to 63.3% (2020: 62.3%), also driven mainly by an increase in utilisation.

Operating expenses

Operating expenses for the period increased by 15% to £68.2 million (2020: £59.3 million). Despite revenue increasing by 31%, the growth in operating expenses has been lower due to reduced expenditure on costs such as training, recruitment, facilities and travel during the pandemic lockdown. Some of these savings are non-recurring in nature. The timeframe for the rephasing of these costs is dependent on the speed with which life returns to normal post the pandemic.

At 31 March 2020, in light of the significant economic uncertainty caused by the Covid-19 pandemic, the Group considered there was increased credit risk notably in respect of clients in vulnerable sectors and an impairment loss of £1.8 million was recognised. For the current period, the impact of Covid-19 continues to be a significant consideration in the calculation of the lifetime expected credit loss. Overall, the results for the year ended 31 March 2021 reflect an impairment credit in relation to trade receivables of £0.3 million. At 31 March 2021 the carrying value of the loss allowance on trade receivables is £1.6 million (2020: £1.8 million).

Investment in product development increased to £4.2 million (2020: £3.9 million). All product development costs were expensed in the period. Research and Development Expenditure Credit (RDEC) grants recognised in the period totalled £3.6 million (2020: £1.9 million).

Alternative performance measures

The business is managed and measured on a day-to-day basis using underlying results. The Directors believe that the ‘adjusted profit before tax’ and the ‘adjusted diluted and basic earnings per share’ measures presented are more representative of the underlying performance of the Group and enable comparability between periods.

To arrive at adjusted results, adjustments made include acquisition expenses (including deferred consideration regarded as post acquisition remuneration), amortisation related to acquired intangible assets and share-based payments.

Adjusted pre-tax profit increased by 124% to £57.1 million (2020: £25.5 million). Profit before tax increased by 117% to £50.3 million (2020: £23.2 million).

The adjusted profit measures can be reconciled to the reported statutory numbers as follows:

	2021 (£000s)	2020 (£000s)
Statutory profit before tax	**50,341**	23,150
Share-based payments and related costs	4,513	2,100
Acquisition-related expenses, including amortisation of acquired intangible assets and deferred consideration	2,219	266
Adjusted profit before tax	**57,073**	25,516

	2021 (£000s)	2020 (£000s)
Statutory profit after tax	**39,601**	18,564
Share-based payments and related costs (net of associated taxes)	3,656	1,701
Acquisition-related expenses, including amortisation of acquired intangible assets and deferred consideration (net of associated taxes)	2,143	219
Adjusted profit after tax	**45,400**	20,484

Corporation tax charge

The effective tax rate for FY21 was 21% (2020: 20%), which is higher than the UK tax rate of 19% due to the Group's geographic mix of profits.

Financial position

The Group continues to have a strong financial position, with £80.9 million of cash and treasury deposits (2020: £40.8 million), no debt and net assets of £87.6 million (2020: £59.2 million). The combined underlying trade receivables and accrued income totalled £52.1 million (2020: £43.3 million).

Cash flow and cash conversion

The Group entered the period with a cash balance of £40.8 million and paid a special dividend of £8.2 million on 4 September 2020 and an interim dividend of £7.8 million on 18 December 2020.

Cash conversion, calculated by taking cash generated by operations as a percentage of EBITDA[8], continued to be strong at 112% (2020: 97%)

([8]) EBITDA is calculated as adjusted pre-tax profit add back depreciation, amortisation, finance income and finance expenses.

Dividend

As part of the Covid-19 related cost reduction measures, the Board elected not to declare a final dividend for the year ended 31 March 2020. In light of the Group's performance, during the period, and following the repayment of the monies originally claimed under the furlough schemes, a special dividend of 6.7 pence per share (£8.2 million) was approved by the Board and paid on 4 September 2020 to shareholders on the register at the close of business on 7 August 2020.

Consistent with the guidance set out in our 2015 IPO Prospectus, to date the Group has adopted a progressive dividend policy, maximising shareholder return alongside retaining sufficient funds to invest in long-term growth. Kainos has consistently been profitable and has generated a strong cash balance. The proposed final dividend, if approved by shareholders, will be 15.1p and payable on 29 October 2021 to all shareholders on the Register of Members on 1 October 2021, and with an ex-dividend date of 30 September 2021. This will make the total dividend (including the special dividend) for the year 28.2p (2020: 3.5p) which will represent a distribution of 76% of the adjusted profit after taxation for the year (2020: 21%).

Consolidated income statement for the year ended 31 March 2021

Continuing operations	Note	2021 (£000s)	2020 (£000s)
Revenue	2	**234,694**	178,778
Cost of sales	2	**(116,396)**	(94,817)
Gross profit	2	**118,298**	83,961
Operating expenses	3	**(68,232)**	(59,278)
Impairment gains and losses (including reversals of impairment losses) on trade receivables		**269**	(1,840)
Operating profit		**50,335**	22,843
Finance income		**84**	368
Finance expense		**(78)**	(61)
Profit before tax		**50,341**	23,150
Taxation on ordinary activities	5	**(10,740)**	(4,586)
Profit for the year		**39,601**	18,564

Earnings per share

Basic	7	**32.5p**	15.5p
Diluted	7	**32.1p**	15.1p

Consolidated statement of comprehensive income for the year ended 31 March 2021

	2021 (£000s)	2020 (£000s)
Profit for the year	**39,601**	18,564
Items that may be reclassified subsequently to profit or loss:		
Currency translation difference	**(1,132)**	577
Total comprehensive income for the year	**38,469**	19,141

Consolidated statement of financial position as at 31 March 2021

	Note	**2021 (£000s)**	2020 (£000s)
Non-current assets			
Goodwill		**3,121**	3,220
Other intangible assets		**3,288**	3,989
Property, plant and equipment		**10,287**	9,854
Right-of-use assets		**3,857**	4,468
Investments in financial assets		**1,225**	1,025
Deferred tax asset		**4,020**	1,559
		25,798	24,115
Current assets			
Trade and other receivables	8	**36,609**	29,269
Prepayments		**2,777**	2,368
Accrued income		**18,354**	16,883
Treasury deposits		**18,028**	-
Cash and cash equivalents		**62,896**	40,785
		138,664	89,305
Total assets		**164,462**	113,420
Current liabilities			
Trade creditors and accruals	9	**(35,976)**	(23,599)
Deferred income	9	**(21,985)**	(13,752)
Corporation tax	9	**(2,863)**	(2,145)
Lease liabilities	9	**(1,249)**	(1,619)
Other tax and social security	9	**(10,652)**	(8,157)
		(72,725)	(49,272)
Non-current liabilities			
Other provisions		**(1,735)**	(2,528)
Lease liabilities		**(2,394)**	(2,466)
		(4,129)	(4,994)
Total liabilities		**(76,854)**	(54,266)
Net assets		**87,608**	59,154
Equity			
Share capital		**614**	610
Share premium account		**5,737**	5,446
Capital reserve		**662**	664
Share-based payment reserve		**9,083**	5,610
Translation reserve		**(477)**	655
Retained earnings		**71,989**	46,169
Total equity		**87,608**	59,154

These financial statements were approved by the Board of Directors and authorised for issue on 21 May 2021. They were signed on its behalf by:

Richard McCann
Director
21 May 2021

Consolidated statement of changes in equity for the year ended 31 March 2021

	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 2019	605	3,596	665	3,895	(210)	39,616	48,167
Profit for the year	-	-	-	-	-	18,564	18,564
Other comprehensive income	-	-	-	-	577	-	577
Total comprehensive income for the year	-	-	-	-	577	18,564	19,141
Share-based payment expense	-	-	-	1,715	-	-	1,715
Adjustments in respect of prior periods	-	-	-	-	288	(288)	-
Current tax for equity-settled share-based payments	-	-	-	-	-	541	541
Deferred tax for equity-settled share-based payments	-	-	-	-	-	(117)	(117)
Issue of share capital	5	1,850	(1)	-	-	-	1,854
Dividends	-	-	-	-	-	(12,147)	(12,147)
Balance at 31 March 2020	**610**	**5,446**	**664**	**5,610**	**655**	**46,169**	**59,154**
Profit for the year	-	-	-	-	-	39,601	39,601
Other comprehensive income	-	-	-	-	(1,132)	-	(1,132)
Total comprehensive income for the year	-	-	-	-	(1,132)	39,601	38,469
Share-based payment expense	-	-	-	3,473	-	-	3,473
Current tax for equity-settled share-based payments	-	-	-	-	-	441	441
Deferred tax for equity-settled share-based payments	-	-	-	-	-	1,804	1,804
Issue of share capital	4	291	(2)	-	-	-	293
Dividends	-	-	-	-	-	(16,026)	(16,026)
Balance at 31 March 2021	**614**	**5,737**	**662**	**9,083**	**(477)**	**71,989**	**87,608**

Consolidated statement of cash flows for the year ended 31 March 2021

	2021 (£000s)	2020 (£000s)
Net cash from operating activities	**59,941**	24,231
Investing activities		
Interest received	**84**	368
Purchases of property, plant and equipment	**(1,468)**	(8,186)
Investment in financial assets	**(200)**	-
Amounts placed on treasury deposit	**(18,028)**	-
Acquisition of subsidiaries	**-**	(4,464)
Net cash used in investing activities	**(19,612)**	(12,282)
Financing activities		
Dividends paid	**(16,026)**	(12,147)
Interest paid	**(78)**	(61)
Repayment of lease liabilities	**(1,763)**	(1,716)
Proceeds on issue of shares	**293**	253
Net cash used in financing activities	**(17,574)**	(13,671)
Net increase/(decrease) in cash and cash equivalents	**22,755**	(1,722)
Cash and cash equivalents at beginning of year	**40,785**	42,488
Effects of foreign exchange rate changes	**(644)**	19
Cash and cash equivalents at end of year	**62,896**	40,785

	2021 (£000s)	2020 (£000s)
Profit for the year	**39,601**	18,564
Adjustments for:		
Finance income	**(84)**	(368)
Finance expense	**78**	61
Income tax expense	**10,740**	4,586
Share-based payment expense	**4,513**	2,100
Depreciation of property, plant and equipment	**921**	1,310
Depreciation of right-of-use assets	**1,786**	1,884
Amortisation of intangible assets	**383**	56
Loss on disposal of property, plant and equipment	**114**	-
Deferred consideration settled by shares	**760**	-
(Decrease)/increase in provisions	**(793)**	243
Operating cash flows before movements in working capital	**58,019**	28,436
Increase in trade and other receivables	**(9,262)**	(3,612)
Increase in trade and other payables	**18,397**	2,749
Cash generated by operations	**67,154**	27,573
Income taxes paid	**(7,213)**	(3,342)
Net cash from operating activities	**59,941**	24,231

Notes to the consolidated financial information

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 financial statements are presented in Pounds Sterling and rounded to the nearest thousand. The consolidated financial statements consolidate those of the Company and its subsidiaries (together "Kainos", or "the Group").

The financial information set out in this document does not constitute full statutory financial statements but has been derived from the Group financial statements for the year ended 31 March 2021. The financial information does not constitute statutory accounts within the meaning of sections 435(1) and (2) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards ("IFRS").

This financial information was authorised for issue by the Directors on 21 May 2021.

2. Segment reporting

All of the Group's revenue during the year to 31 March 2021 was derived from continuing operations. Kainos is structured into two operating divisions: Digital Services and the Workday Practice.

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

2021 ***12 months to 31 March***	**Digital Services (£000s)**	**Workday Practice (£000s)**	**Consolidated (£000s)**
Revenue	**161,572**	**73,122**	**234,694**
Cost of sales	**(89,578)**	**(26,818)**	**(116,396)**
Gross profit	**71,994**	**46,304**	**118,298**
Direct expenses[9]	**(16,419)**	**(27,366)**	**(43,785)**
Contribution	**55,575**	**18,938**	**74,513**
Central overheads[9]			**(17,446)**
Finance income/expense			**6**
Adjusted pre-tax profit			**57,073**

2020 ***12 months to 31 March***	**Digital Services (£000s)**	**Workday Practice (£000s)**	**Consolidated (£000s)**
Revenue	122,500	56,278	178,778
Cost of sales	(73,580)	(21,237)	(94,817)
Gross profit	48,920	35,041	83,961
Direct expenses[9]	(15,158)	(23,053)	(38,211)
Contribution	33,762	11,988	45,750
Central overheads[9]			(20,541)
Finance income/expense			307
Adjusted pre-tax profit			25,516

Reconciliation of adjusted pre-tax profit to profit before tax:

	2021 (£000s)	2020 (£000s)
Adjusted pre-tax profit	**57,073**	25,516
Share-based payments	**(4,513)**	(2,100)
Acquisition related expenses including amortisation of acquired intangible assets and deferred consideration	**(2,219)**	(266)
Profit before tax	**50,341**	23,150

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

	2021 (£000s)	2020 (£000s)
United Kingdom & Ireland	**175,710**	138,906
North America	**38,099**	21,530
Central Europe	**19,631**	17,490
Rest of world	**1,254**	852
	234,694	178,788

(9) Direct expenses plus central overheads less share-based payments and acquisition related expenses equals the sum of operating expenses plus impairment gains & losses.

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

Digital Services	2021 (£000s)	2020 (£000s)
Public	**102,180**	86,430
Commercial	**15,653**	15,341
Healthcare	**43,739**	20,729
	161,572	122,500
Workday Practice		
Public	**3,314**	5,925
Commercial	**65,428**	47,746
Healthcare	**4,380**	2,607
	73,122	56,278
Total	**234,694**	178,788

Revenue for the Workday Practice can also be analysed as follows:

	2021 (£000s)	2020 (£000s)
Workday Practice		
Workday Services	**48,972**	37,213
Smart	**24,150**	19,065
	73,122	56,278

3. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	2021 (£000s)	2020 (£000s)
Total staff costs	**125,962**	94,456
Government grants	**(2,193)**	26
Research and development costs	**4,162**	3,863
Research and Development Expenditure Credit	**(3,643)**	(1,866)
Depreciation of property, plant and equipment	**921**	1,310
Depreciation of right-of-use assets	**1,786**	1,884
Net foreign exchange (gain)/loss	**(128)**	509
Amortisation of acquired intangibles	**383**	56

The analysis of auditor's remuneration is as follows:

	2021 (£000s)	2020 (£000s)
Fees payable to the Group's auditor for the audit of the Group's annual accounts	**72**	65
Fees payable to the Group's auditor for the audit of subsidiaries	**38**	42
Total audit fees	**110**	107
Fees payable to the Group's auditor for other services to the Group:		
Review of interim report	**17**	20
Other audit related services	**-**	-
Total audit related fees	**127**	127
Non-audit fees	**-**	-
Total audit and non-audit fees	**127**	127
Total % of non-audit fees	**0%**	0%

4. Staff numbers

The average number of employees during the year was:

	2021 Number	2020 Number
Technical	**1,283**	1,189
Administration	**190**	163
Sales	**111**	72
	1,584	1,424

The number of employees at 31 March 2021 was:

	2021 Number	2020 Number
Technical	**1,399**	1,311
Administration	**206**	179
Sales	**120**	79
	1,725	1,569

5. Taxation on ordinary activities

	2021 (£000s)	2020 (£000s)
Corporation tax:		
Current year (UK)	**9,233**	3,917
Current year (overseas)	**2,433**	1,238
Adjustments in respect of prior years	**(47)**	(45)
	11,619	5,110
Deferred tax:	**(879)**	(524)
	10,740	4,586

UK corporation tax has been calculated at 19% (2020: 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 2021 was 21% (2020: 20%).

In the 2021 budget, the UK government announced that the main rate of corporation tax will increase to 25% from April 2023. As this increased rate was not substantially enacted at the balance sheet date it has not had an impact on deferred tax assets and liabilities. We do not consider that the future rate change will have a material impact on deferred tax balances.

The Group's tax charge can be reconciled to the profit in the income statement as follows:

	2021 (£000s)	2020 (£000s)
Profit before tax on continuing operations	**50,341**	23,150
Tax at the UK corporation tax rate of 19% (2020: 19%)	**9,565**	4,399
Non-deductible expenses	**544**	67
Non-taxable income	**(60)**	(9)
Effect of foreign exchange on consolidation	**(65)**	61
Effect of non-UK tax rates	**803**	64
Adjustments to tax charge in respect of prior years	**(47)**	14
Change in UK tax rates	**-**	(10)
Tax expense for the year	**10,740**	4,586

In addition to the amount charged to the statement of comprehensive income, the following amounts relating to tax have been recognised directly in equity.

	2021 (£000s)	2020 (£000s)
Current tax		
Permanent element of stock option deduction	**441**	541
Deferred tax		
Adjustments in respect of previous periods	**-**	10
Deferred tax on stock option	**1,804**	(127)
Total tax recognised directly in equity	**2,245**	424

6. Dividend

	2021 (£000s)	2020 (£000s)
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for 2021 of 6.4p per share	**7,831**	-
Special dividend paid September 2020 of 6.7p per share	**8,195**	-
Interim dividend for 2020 of 3.5p per share	**-**	4,252
Final dividend for 2019 of 6.5p per share	**-**	7,895
	16,026	12,147

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed final dividend, if approved by shareholders, will be 15.1p and payable on 29 October 2021 to all shareholders on the Register of Members on 1 October 2021, and with an ex-dividend date of 30 September 2021.

7. Earnings per share

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

	2021 (£000s)	2020 (£000s)
Profit for the year	**39,601**	18,564
	Thousands	Thousands
Weighted average number of ordinary shares for the purposes of basic earnings per share	**121,898**	120,112
Effect of dilutive potential ordinary shares from share options	**1,528**	2,957
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**123,426**	123,069
Basic earnings per share	**32.5p**	15.5p
Diluted earnings per share	**32.1p**	15.1p

Adjusted basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent company, excluding share-based payments (including associated taxes) and acquisition-related expenses by the weighted average number of ordinary shares in issue during the period.

	2021 (£000s)	2020 (£000s)
Profit for the year	**39,601**	18,564
Share-based payments (including associated taxes)	**3,656**	1,701
Acquisition-related expenses (including associated taxes)	**2,143**	219
Adjusted profit for the year	**45,400**	20,484
	Thousands	Thousands
Weighted average number of ordinary shares for the purposes of basic earnings per share	**121,898**	120,112
Effect of dilutive potential ordinary shares from share options	**1,528**	2,957
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**123,426**	123,069
Adjusted basic earnings per share	**37.2p**	17.1p
Adjusted diluted earnings per share	**36.8p**	16.6p

8. Trade and other receivables

	2021 (£000s)	2020 (£000s)
Trade receivables	**35,290**	28,294
Loss allowance	**(1,551)**	(1,840)
	33,739	26,454
Other receivables	**2,870**	2,815
	36,609	29,269

9. Trade and other payables

	2021 (£000s)	2020 (£000s)
Trade creditors and accruals	**35,976**	23,599
Lease liabilities	**1,249**	1,619
Deferred income	**21,985**	13,752
Corporation tax	**2,863**	2,145
Other tax and social security	**10,652**	8,157
	72,725	49,272