

Directors' report

The section contains the remaining matters on which the Directors are required to report each year.

General information and principal activities

EMIS Group plc ("the Company" or "the parent company") is an AIM-quoted company. The Company is the parent of a number of trading subsidiary companies. The principal trading subsidiaries are:

- Egton Medical Information Systems Limited and Ascribe Limited, trading under the EMIS Health and Egton brands;
- Rx Systems Limited trading as EMIS Health Community Pharmacy; and
- Patient Platform Limited, carrying on the business of Patient.info and Patient Access.

EMIS Group is the UK leader in connected healthcare software and systems. Its solutions are widely used across every major UK healthcare setting. EMIS Group's aim is to join up healthcare through innovative technology, helping healthcare professionals to deliver better, more efficient healthcare to the UK population, supporting longer and healthier lives.

EMIS Group has two core business segments: EMIS Health and EMIS Enterprise.

EMIS Health is a supplier of innovative integrated care technology to the NHS market, including primary, community, acute and social care.

EMIS Enterprise is focussed on growth in the B2B technology sector within the healthcare market, including management of medicines, partner businesses, patient-facing services and UK healthcare blockchain.

EMIS Group's brands include:

- EMIS Health, supplying innovative and essential technology to 10,000 healthcare organisations, in the number one or number two market positions in each of its major markets;
- Patient, the UK's leading independent provider of patient-centric medical and wellbeing information and related transactional services; and
- Egton, providing specialist ICT infrastructure, hardware and engineering services, and non-clinical software into health and social care.

The Company is incorporated in England and Wales and domiciled in the UK, Company number 06553923. The address of its Registered Office is Fulford Grange, Mickelfield Lane, Rawdon, Leeds LS19 6BA.

Capital allocation policy

EMIS Group seeks to deliver high-quality visible earnings, future earnings growth and strong cash returns. The Board has adopted a clear capital allocation policy:

- Reinvestment for growth – we invest in the infrastructure, technology and intellectual capital to drive growth in our core markets, through constant product innovation and integration. At the current time, this is demonstrated by significant investment in the major EMIS-X and Patient technology platforms.
- Regular returns to shareholders – we pay a regular dividend to shareholders, representing typically 40% to 50% of underlying adjusted earnings and have increased the proposed full year dividend for 2019 by 10%.
- Acquisition – we supplement our organic growth by acquiring companies with promising technologies and in markets adjacent to, and consistent with, our current capabilities.

- Balance sheet leverage and return of excess capital – we will maintain an appropriate balance sheet, consistent with our investment requirements and mindful of the preferences of all our shareholders and our customers. While we are prepared to take on additional debt if circumstances warrant, we aim to return excess capital to shareholders when appropriate.

Dividends

Subject to shareholder approval at the AGM on 6 May 2020, the Board proposes paying a final dividend of 15.6p per ordinary share (2019: 14.2p) on 11 May 2020 to shareholders on the register at the close of business on 14 April 2020. This would make a total dividend of 31.2p per ordinary share for 2019 (2018: 28.4p).

Directors

The Directors of the Company who served during the year ended 31 December 2019 and subsequently are as follows:

Mike O'Leary

Chair

Patrick De Smedt¹

Independent Non-executive Director and Chair designate

Andy Thorburn

Chief Executive Officer

Peter Southby

Chief Financial Officer

Robin Taylor²

Senior Independent Non-executive Director

Kevin Boyd

Independent Non-executive Director

Andy McKeon³

Senior Independent Non-executive Director

Jen Byrne⁴

Independent Non-executive Director

David Sides⁵

Independent Non-executive Director

1 Patrick De Smedt was appointed to the Board on 1 January 2020.

2 Robin Taylor retired from the Board on 8 May 2019.

3 Andy McKeon became the Senior Independent Director on 8 May 2019.

4 Jen Byrne was appointed to the Board on 8 May 2019.

5 David Sides resigned from the Board on 22 August 2019.

Re-election of Directors

Directors are subject to annual re-election in line with best practice. Jen Byrne and Patrick De Smedt will stand for election at the AGM on 6 May 2020. Mike O'Leary will not be standing for re-election as he will retire at the AGM on 6 May 2020.

Details of Directors' remuneration and interests in the share capital of the Company are given in the annual report on remuneration on pages 63 to 67. Details of Directors' service agreements are included in the remuneration policy on the Group's website. No Director has had any material interest in any contract of significance with the Company or any of its subsidiaries during the year under review.

Substantial interests in shares

The Company has been notified of the following substantial interests in 3% or more in its ordinary shares:

	31 December 2019 %	29 February 2020 %
Liontrust Asset Management	11.01	11.07
Octopus Investments	7.72	7.74
M&G Investment Management	6.23	6.17
Invesco	4.92	4.83
Evenlode Investment	4.56	4.56
Heronbridge Investment Management	4.07	4.13
NFU Mutual	3.97	3.28
MN Services	3.57	3.57
Primestone Capital	3.26	3.26
Acadian Asset Management	3.41	3.06

Research and development

Research and development expenditure in the year amounted to £20.7m (2018: £18.7m) of which £7.4m (2018: £5.8m) was capitalised.

Share capital

As at 31 December 2019 and 17 March 2020, the Company had 63,311,396 (31 December 2018: 63,311,396) ordinary shares of 1p each in issue. The shares are traded on AIM, a market operated by the London Stock Exchange. The rights and obligations attached to the shares are set out in the Company's Articles of Association which are available on the Company's website.

The Company has previously established an EBT to hold shares in the Company to facilitate share-based emolument payments and the Group SIP. As at 31 December 2019 the EBT held 512,231 (2018: 290,084) ordinary shares of 1p each. The EBT has waived its right to dividends.

Details of ordinary shares under option in respect of the Company's share schemes are shown in note 28 to the financial statements.

The rules of the LTIP and CSOP set out the consequences in the event of a change of control. Further information is given in the Directors' remuneration policy, which can be found on the Group's website.

Purchase of own shares

The Directors' authority to make purchases of the Company's shares on its behalf is given by resolution of the shareholders annually at the Company's AGM.

There were no share buybacks during the year. However in May 2019 the EMIS Group plc Employee Benefit Trust (the EBT) acquired 305,000 shares for a total consideration of £3.6m.

Directors' indemnities and liability insurance

As permitted by the Articles of Association, in accordance with Section 234 of the Companies Act 2006, the officers of the Company and its subsidiaries would be indemnified in respect of proceedings which might be brought by a third party. No cover is provided for Directors and officers in respect of any fraudulent or dishonest actions. The Company maintains Directors' and officers' liabilities insurance to provide appropriate cover for any legal action brought against its Directors.

Employees

The Group's policy is to ensure adequate provision for the welfare, health and safety of its employees and of other people who may be affected by its activities. The Group is committed to ensuring there are equal opportunities for all employees, irrespective of age, gender, ethnicity, race, religion, belief, sexual orientation, disability and marital status. All employees are treated fairly and equally.

The Group treats applications for employment from disabled persons equally with those of other applicants having regard to their ability, experience and the requirements of the job. Where existing employees become disabled, appropriate efforts are made to provide them with continuing suitable work within the Group and to provide retraining if necessary.

For further information on our people see pages 38 to 40.

Ethical business practices

The Group has a zero tolerance approach to bribery and corruption and is committed to ensuring that it has effective processes and procedures in place to counter the risk of bribery and corruption. A formal anti-bribery policy is in place and training for all employees is undertaken annually. The policy is reviewed on a regular basis by the audit committee.

The Group has a comprehensive code of ethics and standards of business conduct document, which provides instruction and guidance to employees on expected behaviour when dealing with a wide range of stakeholders.

The Group has a whistleblowing policy, which is reviewed annually by the audit committee, and an associated reporting hotline operated by an external provider.

All employees are required to acknowledge receipt of these three policies and to confirm that they have read and understood them.

Modern Slavery Act

The Group is committed to conducting business responsibly. It seeks to ensure that its supply chains operate to those same high standards, including in relation to employment practices, workplace conditions and, more specifically, the prevention of forced, bonded and trafficked labour. This is upheld through the Group's policies and processes, and is fully supported by the Board. The steps taken to help manage the risks outlined by the legislation are detailed in our modern slavery statement which is published annually on our website and can be found at www.emisgroupplc.com/investors/corporate-governance.

Directors' report continued

Political donations

No political donations were made in 2019 (2018: £nil).

Going concern

The Group's activities and an outline of the developments taking place in relation to its products, services and marketplace are considered in the strategic report on pages 2 to 41. A commentary on the revenue, trading results and cash flows is provided in the financial review on pages 34 to 37.

Note 3 to the financial statements sets out the Group's financial risks and the management of capital risks.

The Group is profitable and expects to continue to be so, with significant cash resources, a high and continuing level of recurring revenue and also high levels of cash conversion expected for the foreseeable future.

The Group has in place a £30m revolving credit facility with Barclays and Lloyds, with an accordion arrangement to increase it up to £60m if required, through to 30 June 2021. During the year the Group extended the Barclays share of the facility to 30 June 2022, comprising of a £15m revolving credit facility with an accordion arrangement to increase this to £30m.

The Directors considered the going concern assumption and after careful enquiry and review of available financial information, including detailed projections of profitability and cash flows for the next two years, the Directors believe that the Group has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of the consolidated and Company financial statements.

AGM notice

The notice convening the AGM to be held on 6 May 2020, together with an explanation of the resolutions to be proposed at the meeting, is contained in a separate circular to shareholders and on the Group's website at www.emisgroupplc.com/investors/annual-general-meeting.

Auditor and statement as to disclosure of information to the auditor

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. The Directors have individually confirmed that they have taken all reasonable steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

The auditor, KPMG LLP, has indicated its willingness to be re-appointed and, in accordance with Section 489 of the Companies Act 2006, a resolution for re-appointment will be proposed at the AGM.

Corporate governance

The Company's statement on corporate governance can be found on pages 45 to 50 of this annual report and accounts. The corporate governance statement forms part of this Directors' report and is incorporated into it by cross-reference.

By order of the Board

Christine Benson
Company Secretary

17 March 2020