Independent auditor's report

to the members of EMIS Group plc

1. Our opinion is unmodified

We have audited the financial statements of EMIS Group plc ("the Company") for the year ended 31 December 2019 which comprise the Group statement of comprehensive income, the Group and parent company balance sheets, the Group and parent company statements of cash flows, the Group and parent company statements of changes in equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality: Group financial statements as a whole	£1.6m (2018: £1.4m) 4.9% (2018:5.1%) of Group profit before tax and exceptional items (defined as reorganisation costs and service level reporting charges)	
Coverage	91% (2018: 96%) of Group profit before tax and exceptional items	
Key audit matters		**vs 2018**
Recurring risks	Valuation of financial liability in respect of a put option over a non controlling interest in Dovetail Digital	◀▶
New risk	Revenue recognition	**New**

Independent auditor's report continued

to the members of EMIS Group plc

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, are shown in the table below.

	The risk	Our response
Valuation of financial liability in respect of a put option over a non controlling interest in Dovetail Digital **Group and Parent Company** *(£2.7m; 2018: £2.4m)* *Refer to page 51 (Audit Committee Report), page 87 (accounting policy) and page 101 (financial disclosures)*	**Subjective valuation** The Group acquired Dovetail Digital in 2018. As part of the acquisition, there is a put option in place over the remaining non-controlling interest and a financial liability has been recognised for the expected future payments under the put option which are dependent on the entity achieving future profits. The effect of this matter is that as part of our risk assessment, we determined that the liability in relation to the put option following the acquisition of Dovetail Digital includes a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (notes 2 and 26) disclose the sensitivity estimated by the Group.	Our procedures included: • **Methodology choice:** Assessing whether the Group's valuation of the put option was performed in accordance with relevant accounting standards and acceptable valuation practice; • **Evaluating assumptions:** Challenging the revenue and cost forecasts and discount rate assumptions that are used by the Group to determine the value of the financial liability in respect of the put option, using our knowledge of the business and industry; • **Sensitivity analysis:** Assessing the sensitivity of the valuation of the liability to changes in key assumptions; and • **Assessing transparency:** Considering the adequacy of the Group's disclosures, including sensitivity analysis, in respect of the assumptions inherent in the valuation of financial liability in respect of the put option.
Revenue recognition *(£159.5m; 2018: £149.7m)* *Refer to page 84 (accounting policy) and page 90 (financial disclosures)*	**Processing error** Revenue consists of fees earned on the sale of software and associated services. There are a high number of contracts and transactions and the process of recording accrued and deferred revenue is manual in nature. The effect of this matter is that we have to spend a significant proportion of audit effort on this balance which is the most material number in the Consolidated Income Statement, and therefore we have recorded as a new key audit matter.	Our procedures included: • **Tests of detail:** Using computer assisted audit techniques to analyse the entire population of material revenue streams to focus on unexpected revenue transactions or transactions with unusual attributes and assessed whether these postings were appropriate; • **Expectation vs outcome:** For customers with bespoke contracts, obtaining these contracts and forming an expectation of the revenue to be recognised in the period, comparing this to the actual; • **Tests of details:** Assessing the appropriateness of deferred and accrued income at the year end with reference to the prior year and our knowledge of the billing pattern of each revenue stream; and • **Assessing transparency:** Considering the adequacy of the Group's disclosures, in respect of the revenue recognition policies and revenue streams.

In the prior year we had recoverability of parent Company's investment in subsidiaries as a Key Audit Matter in the parent Company. We continue to perform procedures over the recoverability of parent Company investments but we have changed the parent Company Key Audit Matter to the valuation of the put option over a non controlling interest in Dovetail Digital as this is where we spent a higher proportion of audit effort.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1.6m (2018: £1.4m), determined with reference to a benchmark of profit before tax, normalised to exclude exceptional items (defined as reorganisation costs in FY19 and service level reporting charges in FY18), of which it represents 4.9% (2018: 5.1%). The Group team performed procedures on the items excluded from normalised Group profit before tax.

Materiality for the parent Company financial statements as a whole was set at £1.2m (2018: £1.05m), determined with reference to a benchmark of parent Company net assets, of which it represents 1.3% (2018: 1.0%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.08m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

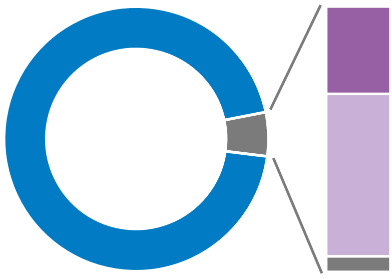
Of the Group's 19 (2018: 21) reporting components. we subjected 9 (2018: 12) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite. The percentages for Group profit before tax were calculated based on the total profits and losses that made up Group profit before tax. The Group team approved the component materialities which ranged from £1.36m to £0.02m, having regard to the mix of size and risk profile of the Group across the components.

The work on all components subject to full scope audits for Group purposes, including the audit of the parent Company, was performed by the Group team.

Profit before tax and exceptional items
£32.4m (2018: £27.5m)

Group materiality
£1.6m (2018: £1.4m)



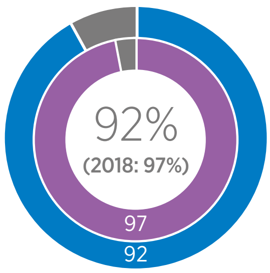
£1.6m
Whole financial statements materiality (2018: £1.4m)

£1.36m
Range of materiality at 9 components (£1.36m-£0.02m) (2018: £1.05m to £0.04m)

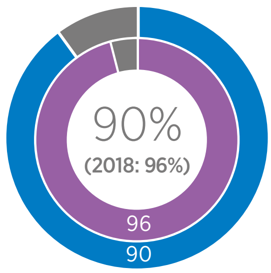
£0.08m
Misstatements reported to the audit committee (2018: £0.07m)

- Profit before tax and exceptional items
- Group materiality

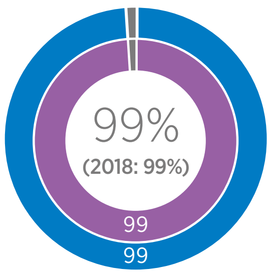
GROUP REVENUE



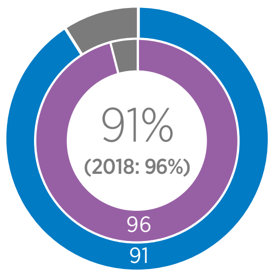
GROUP PROFIT BEFORE TAX



GROUP TOTAL ASSETS



GROUP PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS



- Full scope for group audit purposes 2019
- Full scope for group audit purposes 2018
- Residual components

Independent auditor's report continued

to the members of EMIS Group plc

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement page 71 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

5. We have nothing to report on the other information in the annual report continued

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 72, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Hugh Harvie (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

17 March 2020

Group statement of comprehensive income

for the year ended 31 December 2019

	Notes	2019 £'000	2018[6] £'000
Continuing operations			
Revenue	5	**159,507**	149,710
Costs:			
Changes in inventories		**(607)**	(369)
Cost of goods and services		**(14,800)**	(13,867)
Staff costs[1]	10	**(67,519)**	(63,722)
Other operating expenses[2]		**(27,599)**	(21,942)
Depreciation of property, plant and equipment		**(6,822)**	(5,535)
Amortisation of intangible assets	15	**(15,333)**	(16,595)
Adjusted operating profit		**39,273**	35,890
Development costs capitalised	10, 15	**7,363**	5,782
Amortisation of intangible assets[3]	15	**(14,449)**	(15,649)
Reorganisation costs[4]		**(5,360)**	–
Service level reporting credit[5]		**–**	1,657
Operating profit	7	**26,827**	27,680
Finance income	8	**97**	64
Finance costs	9	**(595)**	(244)
Share of result of joint venture and associate	18, 19	**742**	615
Profit before taxation		**27,071**	28,115
Income tax expense	11	**(5,022)**	(5,355)
Profit for the period from continuing operations		**22,049**	22,760
Profit from discontinued operation, net of tax	6	**476**	862
Profit for the period		**22,525**	23,622
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**(182)**	(40)
Other comprehensive income		**(182)**	(40)
Total comprehensive income for the year		**22,343**	23,582
Attributable to:			
– Equity holders of the parent		**22,476**	22,670
– Non-controlling interest in subsidiary company		**(133)**	912
Total comprehensive income for the year		**22,343**	23,582

Earnings per share attributable to equity holders of the parent		**Pence**	Pence
Basic	12	**36.0**	36.1
Basic diluted	12	**35.8**	36.0
Basic - continuing operations	12	**35.3**	34.7
Basic diluted - continuing operations	12	**35.1**	34.6
Adjusted	12	**51.4**	45.1
Adjusted diluted	12	**51.1**	45.0

1 Including exceptional reorganisation costs of £4,160,000 (2018: £nil).

2 Including exceptional reorganisation costs of £1,200,000 (2018: £nil), and an exceptional service level reporting credit of £nil (2018: £1,657,000).

3 Excluding amortisation of computer software used internally of £884,000 (2018: £946,000).

4 The reorganisation costs in 2019 relate to redundancy and restructuring costs, including property exit costs.

5 The service level reporting credit relates to a provision release of £1,657,000 in 2018 in respect of the 2017 NHS Digital reporting issue.

6 The Group statement of comprehensive income (and related notes) for 2018 has been re-presented to show the results of the Specialist & Care business as a discontinued operation, following its disposal on 2 April 2019.

The notes on pages 82 to 106 are an integral part of these consolidated financial statements.

Group and parent company balance sheets

as at 31 December 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Non-current assets					
Goodwill	14	**47,969**	51,958	**—**	—
Other intangible assets	15	**34,376**	44,849	**2,211**	2,953
Property, plant and equipment	16	**18,399**	21,000	**—**	—
Investments	17	**—**	—	**96,813**	109,555
Amounts owed by subsidiary companies		**—**	—	**13,726**	—
Investment in joint venture and associate	18, 19	**345**	113	**—**	—
		101,089	117,920	**112,750**	112,508
Current assets					
Inventories		**657**	1,264	**—**	—
Trade and other receivables	20	**33,047**	36,223	**6,047**	3,336
Property asset held for sale		**2,475**	—	**—**	—
Cash and cash equivalents		**31,099**	15,620	**20,852**	790
Amounts owed by subsidiary companies		**—**	—	**—**	17,324
		67,278	53,107	**26,899**	21,450
Total assets		**168,367**	171,027	**139,649**	133,958
Current liabilities					
Trade and other payables	22	**(23,437)**	(24,958)	**(1,297)**	(936)
Deferred income		**(28,820)**	(34,170)	**—**	—
Current tax liabilities		**(2,323)**	(29)	**—**	—
Other financial liability	26	**(480)**	(1,012)	**(480)**	(1,012)
Lease liabilities		**(640)**	—	**—**	—
Amounts owed to subsidiary companies		**—**	—	**(38,252)**	(14,050)
		(55,700)	(60,169)	**(40,029)**	(15,998)
Non-current liabilities					
Deferred tax liability	25	**(1,467)**	(4,293)	**—**	—
Other financial liabilities	26	**(3,708)**	(3,906)	**(3,708)**	(3,906)
Lease liabilities		**(3,294)**	—	**—**	—
		(8,469)	(8,199)	**(3,708)**	(3,906)
Total liabilities		**(64,169)**	(68,368)	**(43,737)**	(19,904)
Net assets		**104,198**	102,659	**95,912**	114,054
Equity					
Ordinary share capital	27	**633**	633	**633**	633
Share premium	27	**51,045**	51,045	**51,045**	51,045
Own shares held in trust		**(5,021)**	(1,913)	**—**	—
Retained earnings		**57,118**	51,884	**43,703**	61,563
Other reserve		**147**	611	**531**	813
Equity attributable to owners of the parent		**103,922**	102,260	**95,912**	114,054
Non-controlling interest		**276**	399	**—**	—
Total equity		**104,198**	102,659	**95,912**	114,054

The notes on pages 82 to 106 are an integral part of these consolidated financial statements.

The financial statements on pages 78 to 106 were approved by the Board of Directors and authorised for issue on 17 March 2020 and are signed on its behalf by:

Andy Thorburn
Chief Executive Officer

Peter Southby
Chief Financial Officer

Company number 06553923 (England and Wales)

Group and parent company statements of cash flows

for the year ended 31 December 2019

		Group		Company	
	Notes	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Adjusted cash generated from operations		**46,332**	54,469	**(617)**	(510)
Development costs capitalised		**7,363**	5,782	**—**	—
Cash cost of exceptional items		**(3,636)**	(10,378)	**—**	—
Cash generated from operations	31	**50,059**	49,873	**(617)**	(510)
Finance costs		**(186)**	(247)	**(125)**	(169)
Finance income		**93**	33	**259**	149
Tax paid		**(4,466)**	(5,830)	**—**	—
Net cash generated from/(used in) operating activities		**45,500**	43,829	**(483)**	(530)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(4,983)**	(6,205)	**—**	—
Proceeds from sale of property, plant and equipment		**151**	178	**—**	—
Development costs capitalised		**(7,363)**	(5,782)	**—**	—
Purchase of software		**(773)**	(780)	**—**	—
Increase/(decrease) in loan from subsidiary companies		**—**	—	**29,369**	(27,359)
Dividends received		**700**	600	**—**	54,959
Business combination		**—**	(1,402)	**—**	(1,851)
Acquisition of associate		**(190)**	—	**(190)**	—
Disposal of discontinued operation, net of cash disposed of	6	**6,203**	—	**13,665**	—
Net cash (used in)/generated from investing activities		**(6,255)**	(13,391)	**42,844**	25,749
Cash flows from financing activities					
Transactions in own shares held in trust		**(3,069)**	306	**—**	—
Payment of lease liabilities		**(940)**	—	**—**	—
Deferred contingent consideration		**(1,012)**	—	**(1,012)**	—
Dividends paid	13	**(18,745)**	(17,070)	**(18,745)**	(17,070)
Non-controlling interest dividend paid		**—**	(4,000)	**—**	—
Acquisition of non-controlling interest		**—**	(8,045)	**—**	(8,045)
(Increase)/decrease in loan to Employee Benefit Trust		**—**	—	**(2,542)**	9
Net cash used in financing activities		**(23,766)**	(28,809)	**(22,299)**	(25,106)
Net increase in cash and cash equivalents		**15,479**	1,629	**20,062**	113
Cash and cash equivalents at beginning of year		**15,620**	13,991	**790**	677
Cash and cash equivalents at end of year		**31,099**	15,620	**20,852**	790

The notes on pages 82 to 106 are an integral part of these consolidated financial statements.

Group and parent company statements of changes in equity

for the year ended 31 December 2019

Group	Share capital £'000	Share premium £'000	Own shares held in trust £'000	Retained earnings £'000	Other reserve £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2018	633	51,045	(2,293)	51,289	2,057	5,283	108,014
Profit for the year	—	—	—	22,710	—	912	23,622
Changes in ownership interest							
Non-controlling interest acquisition	—	—	—	(5,842)	—	(2,203)	(8,045)
Acquisition of subsidiary with non-controlling interest	—	—	—	—	—	407	407
Transactions with owners							
Share acquisitions less sales	—	—	380	—	—	—	380
Share-based payments	—	—	—	766	—	—	766
Deferred tax in relation to share-based payments	—	—	—	31	—	—	31
Dividends paid (note 13)	—	—	—	(17,070)	—	(4,000)	(21,070)
Option over non-controlling interest (note 26)	—	—	—	—	(2,406)	—	(2,406)
Contingent acquisition consideration	—	—	—	—	1,000	—	1,000
Other comprehensive income							
Currency translation differences	—	—	—	—	(40)	—	(40)
At 31 December 2018	633	51,045	(1,913)	51,884	611	399	102,659
Adjustment on initial application of IFRS 16	—	—	—	(125)	—	—	(125)
Profit for the year	—	—	—	22,658	—	(133)	22,525
Transactions with owners							
Share acquisitions less sales	—	—	(3,108)	—	—	10	(3,098)
Share-based payments	—	—	—	1,290	—	—	1,290
Deferred tax in relation to share-based payments	—	—	—	156	—	—	156
Dividends paid (note 13)	—	—	—	(18,745)	—	—	(18,745)
Option over non-controlling interest (note 26)	—	—	—	—	(282)	—	(282)
Other comprehensive income							
Currency translation differences	—	—	—	—	(182)	—	(182)
At 31 December 2019	**633**	**51,045**	**(5,021)**	**57,118**	**147**	**276**	**104,198**

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserve £'000	Total equity £'000
At 1 January 2018	633	51,045	24,067	2,219	77,964
Profit for the year	—	—	53,800	—	53,800
Transactions with owners					
Share-based payments	—	—	766	—	766
Dividends paid (note 13)	—	—	(17,070)	—	(17,070)
Option over non-controlling interest (note 26)	—	—	—	(2,406)	(2,406)
Contingent acquisition consideration	—	—	—	1,000	1,000
At 31 December 2018	633	51,045	61,563	813	114,054
Loss for the year	—	—	(405)	—	(405)
Transactions with owners					
Share-based payments	—	—	1,290	—	1,290
Dividends paid (note 13)	—	—	(18,745)	—	(18,745)
Option over non-controlling interest (note 26)	—	—	—	(282)	(282)
At 31 December 2019	**633**	**51,045**	**43,703**	**531**	**95,912**

The notes on pages 82 to 106 are an integral part of these consolidated financial statements.

Notes to the financial statements

for the year ended 31 December 2019

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all periods presented.

1.1 Basis of preparation

The financial statements of the Group and Parent company have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, interpretations issued by the IFRS Interpretations Committee and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

For the Group statement of comprehensive income, in addition to the results presented in accordance with IFRS, the Board has also disclosed information on what it regards as the underlying performance of the business. Further details on these alternative performance measures (APMs) are provided on page 22.

The Group is profitable and it is anticipated that this will continue. There is a high and continuing level of recurring revenue and high cash conversion.

The Directors have prepared cash flow forecasts covering a period of more than twelve months from the date of approval of these financial statements. These forecasts, including consideration of reasonably possible downside scenarios linked to the principal risks and uncertainties set out in the strategic report, show that the Group will continue to operate within the facility in place (see note 23). Based on this assessment the Directors have a reasonable expectation that the Group and Company have adequate resources to continue existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and judgements that affect the reported amounts of assets and liabilities and of revenues and expenses. It also requires management to exercise its judgement in the application of accounting policies. The critical accounting judgements and key sources of estimation uncertainty in the 2019 financial statements are set out in note 2.

The financial statements are presented in sterling, which is also the functional currency of the parent company. The financial statements are presented in round thousands.

1.2 Parent company statement of comprehensive income

As permitted by Section 408 of the Companies Act 2006, the parent company has not presented its own statement of comprehensive income. The loss of the parent company for the year was £405,000 (2018: profit of £53,800,000).

1.3 Changes in accounting policy and disclosure

(a) New and amended standards adopted by the Group

The Group has adopted the following new standards, amendments or interpretations in these financial statements:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9: Prepayments Features with Negative Compensation
- Annual Improvements to IFRS Standards 2015-2017 Cycle

With the exception of IFRS 16, none of these have had a material impact on the financial statements. Further details are set out below.

IFRS 16 Leases

The Group has adopted IFRS 16 Leases from 1 January 2019, replacing IAS 17, using the modified retrospective approach. The cumulative effect of initial application is recognised in retained earnings at 1 January 2019 and accordingly comparative information presented for 2018 has not been restated.

IFRS 16 has introduced a single on-balance sheet accounting model for lessees. As a result the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets, and lease liabilities representing its obligation to make lease payments. The Group is not a lessor. The Group presents lease liabilities on the face of the Group balance sheet. The carrying amounts of right-of-use assets are set out below.

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Balance as at 1 January 2019	2,541	78	912	3,531
Balance as at 31 December 2019	**2,671**	**46**	**854**	**3,571**

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019 £'000
Right-of-use assets presented in property, plant and equipment (note 16)	3,531
Deferred lease incentives derecognised	128
Lease liabilities	(3,784)
Retained earnings	(125)

1. Summary of significant accounting policies continued

1.3 Changes in accounting policy and disclosure continued

(a) New and amended standards adopted by the Group continued

IFRS 16 Leases continued

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at an incremental borrowing rate which reflects the characteristics of the underlying lease, at 1 January 2019. The weighted average rate applied is 5.0%. Right-of-use assets are measured at either their carrying amount as if IFRS 16 has been applied since the commencement date or an amount equal to the lease liability. This approach has been applied for all leases unless the lease term is twelve months or fewer or the underlying asset has a low value (less than £4,000). For leases of low value assets, the Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The table below reconciles the Group's operating lease commitment at 31 December 2018, under IAS 17, to the lease liability initially recognised under IFRS 16.

	1 January 2019 £'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	5,734
Discounted using the incremental borrowing rate at 1 January 2019	4,824
– Recognition exemption for leases of low value assets	(10)
– Recognition exemption for leases with less than twelve months of lease term at transition	(1,030)
Lease liabilities recognised as at 1 January 2019	3,784

In relation to those leases under IFRS 16, the Group now recognises depreciation and interest costs, instead of an operating lease expense. During the period ended 31 December 2019, this amounted to £886,000 of depreciation charges and £181,000 of interest costs from these leases. Had IAS 17 continued to be applied, the overall impact on the Group statement of comprehensive income would not have been materially different.

(b) Adopted IFRS not yet applied

A number of new standards, amendments or interpretations have been issued but are not mandatory for the year ended 31 December 2019 and consequently have not been applied by the Group in these financial statements. These standards are not expected to have a material impact on the Group's results.

- IFRS 17 Insurance Contracts
- Amendments to References to the Conceptual Framework in IFRS Standards (effective date 1 January 2020)
- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material (effective date 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

1.4 Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December 2019.

Subsidiaries

Subsidiaries are entities over which the Company has power, to which the Company has exposure or rights to variable returns and where the Company has an ability to use its power to affect those returns. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets on an acquisition-by-acquisition basis.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the separable identifiable net assets acquired and liabilities incurred or assumed at the acquisition date is recorded as purchased goodwill. Provision is made for any impairment. Accounting policies previously applied by acquired subsidiaries are changed as necessary to comply with accounting policies adopted by the Group.

Intra-Group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

In the parent company balance sheet, investments in subsidiaries are recorded at cost and are tested for impairment when there is objective evidence of impairment. Any such impairment losses are recognised in the income statement in the period they occur.

The EMIS Group plc Employee Benefit Trust is treated as a separate legal entity within the Group consolidation.

Notes to the financial statements continued

for the year ended 31 December 2019

1. Summary of significant accounting policies continued

1.4 Basis of consolidation continued

Joint ventures and associates

A joint venture is a contractual arrangement whereby the Group and other parties undertake economic activities that are subject to "joint control", which means that the strategic financial and operating policy decisions relating to the relevant activities require the unanimous consent of the parties sharing control. An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in joint ventures and associates are recognised in the Group financial statements using the equity method of accounting and initially carried on the balance sheet at cost, including any transaction costs. The carrying value of investments (including any goodwill) is tested for impairment when there is objective evidence of impairment and is stated net of any impairment loss. The Group's share of post-acquisition profits or losses is recognised in the Group statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in reserves. Where necessary, adjustments are made to bring the accounting policies used into line with those used by the Group.

1.5 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the main Board.

1.6 Revenue recognition

Revenue is recognised at the fair value of the right to the consideration received or receivable for goods sold and services provided in the normal course of business during the year. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when (or as) control of goods or services passes to the customer in accordance with when distinct performance obligations are met, and at the amount to which the Group expects to be entitled. Specific criteria in respect of the Group's revenue categories are described below:

- Revenue from subscription fees that contain a right to access software (non-perpetual licences), maintenance and software support and other support services is recognised on a straight-line basis as performance obligations are met over the period of supply. Software fees that form part of long-term software installation contracts (principally within Acute Care) are spread over the implementation phase of these contracts (in line with the period over which the service is provided). Advertising revenues generated in the Patient business are recognised as advertisements are displayed.
- Revenue from training, consultancy and system implementations, and revenue from granting a right of use of software (perpetual licences), is recognised at the point in time that delivery to a customer has occurred with no significant vendor obligations remaining and where the collection of the resulting receivable is considered probable. For long-term software installation contracts (principally within Acute Care), revenue is recognised according to the stage of completion which is measured based on delivery of certain milestones with observable acceptance criteria.
- In determining whether a right of use or a right of access to software has been granted the Group considers whether the contract requires, or the customer reasonably expects that the Group will undertake activities that significantly affect the software to which the customer has rights, whether those activities would impact the customer, and whether those activities would result in a transfer of a service to the customer as they occur. If all these criteria are met, the Group deems there to have been a grant of a right of access to software and revenue is therefore recognised over the period of supply.
- Revenue from hardware sales is recognised at the point in time when ownership passes.

Where invoices are raised in advance of the performance obligations being satisfied, these are recorded on the balance sheet as deferred income. This deferred income relates predominantly to services which are recognised on a straight-line basis over the period of supply. These services are typically invoiced at the beginning of the provision of service and the associated revenue is recognised over this period. These are captured within current liabilities on the basis that they are expected to be recognised in revenue over the next twelve months.

Where Group recognition criteria have been met but no invoice to the customer has been raised at the reporting date, revenue is recognised and included as accrued income, within trade and other receivables.

1.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary compared with the fair value at the date of acquisition of the identifiable net assets acquired. Goodwill does not have a finite life and is not subject to amortisation. It is reviewed annually for impairment and whenever there is an indication that there may be impairment.

Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination and which represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.

(b) Computer software developed for external sale

Expenditure on software development is capitalised as an intangible asset if it meets the recognition criteria set out in IAS 38 Intangible Assets, requiring it to be probable that the expenditure will generate future economic benefits and can be measured reliably. To meet these criteria, it is necessary to be able to demonstrate, among other things, the technical feasibility of completing the intangible asset so that it will be available for use or sale.

1. Summary of significant accounting policies continued

1.7 Intangible assets continued

(b) Computer software developed for external sale continued

The costs incurred in the development stage for substantially new or enhanced products are assessed against the IAS 38 criteria and considered for recognition as an asset when they meet those criteria. These costs are generally incurred in developing the detailed product design, software configuration and interfaces, in the coding of software, in its integration with hardware, and in its testing.

Development expenditure directed towards incremental improvements in existing products, remedial work and other maintenance activity does not qualify for recognition as an intangible asset.

Where a product is technically feasible, production and sales are intended, a market exists and sufficient resources are available to complete the project, development costs (only direct employee costs) are capitalised and subsequently amortised on a straight-line basis over the estimated useful life, reflecting the pattern of the expected future economic benefits. Where these conditions are not met, development expenditure is recognised as an expense in the period in which it is incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. The estimated useful life for development expenditure is generally between four and six years, based on the anticipated conditions in the market from which economic benefits are expected to be derived for each unique software product.

Development expenditure is capitalised in accordance with the criteria of IAS 38 and for this reason is not regarded as a realised loss.

(c) Other intangible assets

Intangible assets acquired in a business combination are initially recognised at their fair value. Other intangible assets are initially recognised at cost. Intangible assets are subsequently stated at this value less accumulated amortisation and any accumulated impairment losses.

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of the asset, as shown below:

Computer software used internally	4–6 years
Computer software acquired on business combinations	4–8 years
Customer relationships	10–15 years

1.8 Property, plant and equipment

Property, plant and equipment acquired with subsidiary companies are recognised at fair value at the date of acquisition. Other additions are recognised at purchase cost. Depreciation is provided on all property, plant and equipment, other than freehold land, to write assets down to their residual value on a straight-line basis over their estimated useful lives at the following annual rates:

Freehold property	2%
Leasehold property	Life of lease
Computer equipment	16.67–33%
Fixtures, fittings and equipment	25%
Motor vehicles	20%

1.9 Impairment of property, plant and equipment and intangible assets excluding goodwill

At each year end, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised whenever the carrying amount of an asset, or its cash-generating unit, exceeds the asset's recoverable amount. Impairment losses are recognised as an expense in the Group statement of comprehensive income.

The recoverable amount of assets is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

1.10 Taxation

The taxation expense charged in the Group statement of comprehensive income represents the sum of the current tax expense and the deferred tax expense.

The current tax payable is based on the taxable profit for the year. Taxable profit differs from accounting profit as reported in the Group statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group liability for current tax is measured using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the financial statements continued

for the year ended 31 December 2019

1. Summary of significant accounting policies continued

1.10 Taxation continued

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based upon tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the Group statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax relates to income tax levied by the same tax authorities on either:

- the same taxable entity; or
- different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realise and settle them simultaneously in each future period when the deferred tax assets and liabilities are expected to be realised or settled.

1.11 Share-based payments

The Group operates both equity-settled and cash-settled share schemes for certain employees. The cost of share-based payments is initially measured at fair value at the date of grant, factoring in the impact of any market-based performance conditions. Non-market-based and service-based vesting conditions are not taken into account when estimating fair value, but are factors in determining the number of share options that will eventually vest. The fair values are measured using the Black Scholes and Monte Carlo models. After initial measurement, fair values in relation to equity-settled schemes are not remeasured. Fair values in relation to cash-settled schemes are remeasured each reporting date and on settlement.

The cost of share-based payments is recognised in the Group statement of comprehensive income on a straight-line basis over the vesting period with the corresponding amount credited to equity or liabilities for equity-settled or cash-settled schemes respectively, based on an estimate of the number of shares that will eventually vest. The estimate of the level of vesting is reviewed annually and the charge is adjusted accordingly in respect of non-market-based vesting conditions.

1.12 Retirement benefit costs

Contributions payable by the Group during the period into its defined contribution pension plans are recognised in the Group statement of comprehensive income. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1.13 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are taken directly to the translation reserve. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve is reclassified to the statement of comprehensive income as part of the gain or loss on disposal.

1.14 Exceptional items

Exceptional items are items of income and expense which are material and, due to their nature or size, are presented separately on the face of the income statement in order to provide a better understanding of the Group's financial performance. Exceptional items are excluded from the Group's alternative performance measures (APMs), as defined on page 22.

1.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

1.16 Own shares held in trust

The shares in the Company held by the EMIS Group plc Employee Benefit Trust are treated as treasury shares, stated at weighted average cost and presented as a reduction of shareholders' equity (see note 27). Gains and losses on transactions in the Company's own shares are taken directly to equity.

1.17 Financial instruments

Financial assets and financial liabilities are recognised in the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

Trade receivables

Trade receivables are amounts due from customers for goods sold and services provided in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses. A provision for expected credit losses is established using the simplified approach under IFRS 9. Specific provisions are made against high-risk trade receivable balances, where balances are in dispute or where doubt exists about the customer's ability to pay.

1. Summary of significant accounting policies continued

1.17 Financial instruments continued

(a) Financial assets continued

Investments

Investments in subsidiaries, joint ventures and associates are recorded at cost in the Company balance sheet. They are tested for impairment when there is objective evidence of impairment. Any impairment losses are recognised in the income statement in the period they occur.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and at bank, and bank overdrafts. There are no bank deposits with maturity dates of more than one month.

Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

(b) Financial liabilities

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, where this is different to the initial recognition value.

Bank borrowings

Bank loans are recorded initially at their fair value, net of issue costs. Issue costs are charged to the Group statement of comprehensive income over the term of the instrument at a constant rate on the carrying amount. Such instruments are subsequently carried at their amortised cost.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of the consideration received.

Contingent acquisition consideration

Consideration payable as part of the acquisition cost of a business combination is recognised at estimated fair value at the acquisition date. Subsequent changes in the measurement of cash-settled consideration are recognised in the statement of comprehensive income. Equity-settled consideration is not remeasured and subsequent settlement is accounted for in equity.

Put option arrangements

The potential cash payments related to put options issued by the Group over the non-controlling interest of subsidiary companies acquired are measured at estimated fair value and accounted for as financial liabilities. Subsequent to initial recognition, any changes to the carrying amount of non-controlling interest put option liabilities are recognised through equity.

1.18 Dividends

Interim dividends are recognised as distributions in the accounts when paid. Final dividends are recognised in the accounts in the year in which they are approved by shareholders.

2. Critical accounting judgements and key sources of estimation uncertainty

In preparing the 2019 financial statements no significant judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations, that could have a material effect on the amounts recognised in the financial statements.

The source of estimation uncertainty at 31 December 2019 that has a significant risk of resulting in a material change to the carrying value of assets within the next year is with regard to the valuation of the put option liability relating to the acquisition of Dovetail Digital Limited. A further source of estimation uncertainty is with regard to capitalised development costs.

Dovetail put option liability

On 31 October 2018 the Group acquired 90% of the share capital of Dovetail Digital Limited (Dovetail), a leading early stage UK technology business specialising in blockchain software for the healthcare market.

A financial liability of £2,688,000 has been recognised for the put option in place over the 10% of share capital not owned by the Group. The value at which the liability could potentially be settled ranges from £nil to £40,000,000 based on the Dovetail operating profit. For every 1% increase in the relevant year operating profit there will be a 1% increase in the financial liability. The put option is exercisable in 2026 (provided the Group has not exercised the related call option between 2023 and 2025), on an exercise price based on a multiple of operating profit for the preceding year. The estimate of the put liability is therefore dependent on the future financial performance of Dovetail, specifically future revenues and costs. Judgement has been exercised in recognising a non-controlling interest, with the Group having applied the present-access method, on the basis that the non-controlling shareholders continue to have present access to the returns associated with their underlying ownership interests.

Carrying amount of computer software developed for external sale

Computer software developed for external sale is a significant intangible asset, with a net book value of £14,422,000 at 31 December 2019 (with the largest carrying values relating to the Group's EMIS-X and ProScript Connect products). Estimates are required with regard to when to commence the amortisation of capitalised development costs and also the period of time over which economic benefits are generated from it. If the useful economic life of all computer software developed for external sale was reduced by one year the current year amortisation charge would increase by £1,502,000. Products/software development projects are unique, with eligibility for capitalisation separately considered for each. Typically amortisation commences when the software has been installed and is available for use, and the asset is then amortised over the period for which software is expected to be used by the customers and markets it serves.

The following is no longer considered to be a key source of estimation uncertainty.

Notes to the financial statements continued

for the year ended 31 December 2019

2. Critical accounting judgements and key sources of estimation uncertainty continued

Business combinations

On 31 October 2018 the Group acquired 90% of the share capital of Dovetail Digital Limited, a leading early stage UK technology business specialising in blockchain software for the healthcare market. Estimates are required with regard to determining, and allocating, the fair value of consideration. This is no longer considered to be a source of estimation uncertainty that could result in a material charge to the fair value of consideration as this was dealt with in the 2018 Annual Report and Accounts and there have been no subsequent revisions to the acquisition accounting.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to financial risks including credit risk, liquidity risk, interest rate risk and price risk. The Group manages these risks through a risk management programme that seeks to minimise potential adverse effects on the Group's performance.

Exposure to financial risks is monitored by the finance team under policies approved by the Board and audit committee. An assessment of the risks is provided to the Board at regular intervals and is discussed to ensure that the risk mitigation procedures are compliant with Group policy and that any new risks are appropriately managed.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables, which are stated net of allowances for any estimated irrecoverable amounts. However, this risk is mitigated by payment being received in advance for a significant proportion of goods and services provided.

There is some concentration of risk, as the Group trades extensively with various parties within the National Health Service. However, the Group has longstanding relationships with these parties, which, in addition to the normal credit management processes, assist management in controlling its credit risk.

Credit risk also arises on cash and cash equivalents placed with the Group's banks. The Group monitors the financial standing of any institution with which it deposits cash and has a formal treasury policy in place covering the maximum amount of cash to be placed with any one institution and their minimum credit rating.

Liquidity risk

Management controls and monitors the Group's cash flow on a regular basis, including forecasting future cash flows, to ensure that it has sufficient financial resources to meet the obligations of the Group as they fall due.

Details of the Group's borrowings and the maturity profile of the Group's financial liabilities are disclosed in notes 23 and 24.

Interest rate risk

The Group has limited exposure to interest rate risk with no borrowings at 31 December 2019. The Group has an undrawn £30,000,000 credit facility in place, further details of which are disclosed in note 23.

The Group's current assets include cash and cash equivalents at the year end amounting to £31,099,000, on which interest received is subject to fluctuations in market rates.

Price risk

As a significant proportion of the Group's revenues are secured under framework agreements or other long-term contracts, it has only limited exposure to price risk other than at the point of renegotiation of these frameworks or contracts. Where these negotiations are material, the Group, including the Board, is fully engaged with the process in order to secure the best possible outcome.

3.2 Capital risk management

The Group defines the capital that it manages as the Group's total equity, including non-controlling interests.

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to investors and benefits for other stakeholders and to maintain an appropriate capital structure to reduce the cost of capital;
- to provide an adequate return to shareholders based on the level of risk assumed;
- to have financial resources available to allow the Group to invest in areas that may deliver future benefits and returns to shareholders and other stakeholders; and
- to maintain financial resources sufficient to mitigate against risks and unforeseen events.

The Group is profitable and has high cash conversion with no indebtedness. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

The Group's reserves include:

Own shares held in trust – an Employee Benefit Trust holds shares in the Company to facilitate share-based emolument payments and the Group's Share Incentive Plan.

Other reserve – comprises a translation reserve of foreign exchange differences from the translation of the financial statements of overseas operations, other reserves related to merger reliefs taken under UK law, equity-settled contingent acquisition consideration, and a put option over the purchase of non-controlling interest.

4. Operating segments

IFRS 8 Operating Segments provides for segmental information disclosure on the basis of information reported internally to the chief operating decision-maker for decision-making purposes. The Group considers that this role is performed by the main Board.

As previously announced, the Directors have revised the segmental information in 2019 to represent better the Group's structure, activities and the markets being served. The Group has two operating and reportable segments, both involved with the supply and support of connected healthcare software and systems:

- EMIS Health; and
- EMIS Enterprise.

Each operating segment is assessed by the Board based on an adjusted measure of operating profit, as defined on page 22. Group operating expenses, finance income and costs, cash and cash equivalents, and current and deferred tax are not allocated to segments, as income tax, Group and financing activities are not segment specific.

The previously reported Specialist & Care operating segment has been classified as a discontinued operation following its sale on 2 April 2019 (see note 6) and therefore the information presented below relates to continuing operations only. The previously reported Patient operating segment is now included within the EMIS Enterprise operating segment.

Segmental information

	2019			2018		
	EMIS Health £'000	**EMIS Enterprise £'000**	**Total £'000**	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Segmental result						
Revenue	**100,858**	**58,649**	**159,507**	99,302	50,408	149,710
Segmental operating profit as reported internally	**23,268**	**17,511**	**40,779**	25,197	12,784	37,981
Development costs capitalised	**6,216**	**1,147**	**7,363**	2,968	2,814	5,782
Amortisation of development costs	**(5,500)**	**(1,632)**	**(7,132)**	(7,287)	(2,160)	(9,447)
Amortisation of acquired intangible assets	**(3,813)**	**(3,504)**	**(7,317)**	(3,348)	(2,854)	(6,202)
Reorganisation costs	**(4,135)**	**(1,225)**	**(5,360)**	—	—	—
Service level reporting credit	**—**	**—**	**—**	1,657	—	1,657
Segmental operating profit	**16,036**	**12,297**	**28,333**	19,187	10,584	29,771
Group operating expenses			**(1,506)**			(2,091)
Operating profit			**26,827**			27,680
Net finance costs			**(498)**			(180)
Share of result of joint venture			**742**			615
Profit before taxation			**27,071**			28,115
Segmental assets and liabilities						
Segmental assets as reported internally	**40,719**	**13,169**	**53,888**	39,869	13,083	52,952
Goodwill and other intangible assets	**53,646**	**28,699**	**82,345**	56,793	32,749	89,542
	94,365	**41,868**	**136,233**	96,662	45,832	142,494
Group assets			**690**			559
Investment in joint venture and associate			**345**			113
Group cash and cash equivalents			**31,099**			15,620
Total assets			**168,367**			158,786
Segmental liabilities as reported internally	**33,758**	**25,319**	**59,077**	35,394	23,369	58,763
Group liabilities			**5,092**			5,257
Total liabilities			**64,169**			64,020
Other segmental information						
Purchase of property, plant and equipment	**4,422**	**475**	**4,897**	4,285	441	4,726
Depreciation of property, plant and equipment	**6,160**	**662**	**6,822**	5,018	517	5,535
Purchase of computer software used internally	**569**	**204**	**773**	538	242	780
Amortisation of computer software used internally	**619**	**265**	**884**	653	293	946

Notes to the financial statements continued

for the year ended 31 December 2019

4. Operating segments continued

Segmental information continued

As at 31 December 2018 there were segmental assets of £12,241,000 and segmental liabilities of £4,348,000 attributable to discontinued operations.

Revenue excludes intra-Group transactions on normal commercial terms from the EMIS Health segment to the EMIS Enterprise segment totalling £4,442,000 (2018: £4,856,000).

Revenue of £98,994,000 (2018: £99,414,000) is derived from the NHS and related bodies.

Revenue of £5,022,000 (2018: £8,427,000) is derived from customers outside the UK. Non-current assets held outside the UK total £1,079,000 (2018: £923,000).

5. Revenue

Revenue is analysed as follows:

	2019			2018		
	EMIS Health £'000	EMIS Enterprise £'000	Total £'000	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Software and software licences	**37,449**	**29,104**	**66,553**	36,889	25,227	62,116
Maintenance and software support	**30,391**	**8,924**	**39,315**	31,190	8,606	39,796
Other support services	**6,973**	**10,412**	**17,385**	6,213	10,668	16,881
Training, consultancy and implementation	**8,829**	**6,814**	**15,643**	8,333	3,333	11,666
Hosting	**13,448**	**232**	**13,680**	11,723	185	11,908
Hardware	**3,768**	**3,163**	**6,931**	4,954	2,389	7,343
	100,858	**58,649**	**159,507**	99,302	50,408	149,710

6. Discontinued operation

Following the disposal of the Specialist & Care business on 2 April 2019, it has been treated as a discontinued operation. The comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations. The results of the discontinued operation are as follows:

	2019 £'000	2018 £'000
Revenue	**5,180**	20,360
Costs	**(5,011)**	(19,305)
Results from operating activities	**169**	1,055
Income tax	**(32)**	(193)
Results from operating activities, net of tax	**137**	862
Gain on sale of discontinued operation	**728**	—
Disposal-related costs	**(389)**	—
Profit from discontinued operation, net of tax	**476**	862
Earnings per share		
Basic	**0.8p**	1.4p
Diluted	**0.8p**	1.4p
Cash flows from discontinued operations		
Net cash generated from operating activities	**1,628**	2,591
Net cash used in investing activities	**(45)**	(571)
Net increase in cash and cash equivalents	**1,583**	2,020

6. Discontinued operation continued

The effect of the disposal on the financial position and cash flow of the Group is shown below:

	2019 £'000
Goodwill	3,989
Other intangible assets	3,111
Property, plant and equipment	2,298
Trade and other receivables	5,848
Cash and cash equivalents	7,462
Trade and other payables	(7,968)
Current tax liabilities	(63)
Lease liabilities	(820)
Deferred tax liabilities	(531)
Net assets disposed of	**13,326**
Initial consideration received, settled in cash	14,054
Cash and cash equivalents disposed of	(7,462)
Directly attributable fees	(389)
Net cash inflow	**6,203**

7. Operating profit

	2019 £'000	2018 £'000
The following have been included in arriving at operating profit:		
Research and development expenditure	**20,697**	18,674
Development expenditure capitalised:		
– Software for external sale	**(7,363)**	(5,782)
– Software used internally	**—**	(137)
Depreciation of property, plant and equipment:		
– Depreciation of owned assets	**5,936**	6,259
– Depreciation of leased assets	**886**	—
Amortisation of intangible assets:		
– Computer software used internally	**884**	946
– Computer software developed for external sale	**7,132**	9,447
– Arising on business combinations	**7,317**	6,202
Exceptional reorganisation costs:		
- Staff costs	**4,160**	—
- Impairment loss	**254**	—
- Other property costs	**946**	—
Exceptional service level reporting credit	**—**	(1,657)
Operating lease rentals:		
– Land and buildings	**473**	905
– Plant, machinery and motor vehicles	**337**	908

The total research and development cost shown above of £20,697,000 (2018: £18,674,000) principally relates to relevant staff and directly related costs. Software development costs amounting to £7,363,000 (2018: £5,782,000) have been capitalised in accordance with the criteria set out in IAS 38.

The exceptional reorganisation costs relate to the business reorganisation into two segments, undertaken and completed during 2019.

Total fees payable by the Group during the year to KPMG LLP in respect of the audit and other services provided were as follows:

	2019 £'000	2018 £'000
Audit of these financial statements	**39**	49
Amounts payable to the Company's auditor and associated companies in respect of:		
– Audit of the financial statements of subsidiaries of the Company	**153**	143
– All other services (including interim review)	**19**	18
	211	210

Notes to the financial statements continued

for the year ended 31 December 2019

8. Finance income

	2019 £'000	2018 £'000
Bank interest	**97**	33
Foreign currency gain	**—**	31
	97	64

9. Finance costs

	2019 £'000	2018 £'000
Interest payable and bank fees	**150**	161
Interest on lease liabilities	**181**	—
Amortisation of bank loan issue costs	**96**	83
Foreign exchange loss	**168**	—
	595	244

10. Employees

The average monthly number of people (including Directors) employed by the Group during the year was as follows:

	2019 Number	2018 Number
Management and administration	**138**	246
Software support and development	**1,037**	1,042
Sales, maintenance and training	**369**	447
Others	**122**	289
	1,666	2,024
Relating to continuing operations	**1,575**	1,667
Relating to discontinued operation	**91**	357
	1,666	2,024

Staff costs were:

	2019 £'000	2018 £'000
Wages and salaries	**66,650**	68,805
Social security costs	**6,792**	7,021
Pension costs – defined contribution plans	**2,652**	3,256
Share Incentive Plan (note 28)	**93**	78
Share option expense (note 28)	**1,290**	766
	77,477	79,926
Dealt with as follows:		
Charged in Group statement of comprehensive income:		
- continuing operations	**67,519**	63,722
- discontinued operation	**2,595**	10,285
Capitalised in the development of software for external sale	**7,363**	5,782
Capitalised in respect of computer software used internally	**—**	137
	77,477	79,926

11. Income tax expense

	2019 £'000	2018 £'000
Income tax:		
– UK current year tax charge	**7,305**	7,827
– Overseas current year tax charge	**199**	37
– Adjustment in respect of prior years	**(370)**	609
Total current tax	**7,134**	8,473
Deferred tax:		
– UK current year	**(2,456)**	(2,655)
– Adjustment in respect of prior years	**344**	(463)
Total deferred tax	**(2,112)**	(3,118)
Total tax charge in Group statement of comprehensive income	**5,022**	5,355
Factors affecting the tax charge for the year		
Profit before taxation	**27,071**	28,115
Taxation at the average UK corporation tax rate of 19% (2018: 19%)	**5,143**	5,342
Tax effects of:		
– Expenses not allowable in determining taxable profit	**31**	31
– Adjustment in respect of prior years	**(26)**	146
– Joint venture reported net of tax	**(141)**	(117)
– Effect of overseas tax rates	**15**	(7)
– Deferred tax rate change	**—**	(40)
Tax charge for the year	**5,022**	5,355

The total current year tax charge includes a credit of £1,018,000 (2018: charge of £315,000) in respect of exceptional items.

The UK government announced that the planned UK corporation tax main rate reduction from 19% to 17% from 1 April 2020 will not take place as planned. Deferred tax balances have been calculated at 17%, being the rate substantively enacted at the balance sheet date. The impact of re-calculating at a 19% rate would be to increase the deferred tax liability by £234,000.

12. Earnings per share (EPS)

The calculation of basic and diluted EPS is based on the following earnings and numbers of shares:

Earnings	2019 £'000	2018 £'000
Profit for the period	**22,525**	23,622
Total comprehensive income attributable to non-controlling interest	**133**	(912)
Basic earnings attributable to equity holders	**22,658**	22,710
Profit from discontinued operation, net of tax	**(476)**	(862)
Basic earnings from continuing operations attributable to equity holders	**22,182**	21,848
Reorganisation costs	**5,360**	—
Service level reporting credit	**—**	(1,657)
Development costs capitalised	**(7,363)**	(5,782)
Amortisation of development costs and acquired intangible assets	**14,449**	15,649
Tax and non-controlling interest effect of above items	**(2,319)**	(1,624)
Adjusted earnings attributable to equity holders	**32,309**	28,434

Weighted average number of ordinary shares	2019 Number '000	2018 Number '000
Total shares in issue	**63,311**	63,311
Shares held by Employee Benefit Trust	**(425)**	(320)
For basic EPS calculations	**62,886**	62,991
Effect of potentially dilutive share options	**378**	140
For diluted EPS calculations	**63,264**	63,131

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12. Earnings per share (EPS) continued

EPS	2019 Pence	2018 Pence
Basic	**36.0**	36.1
Basic diluted	**35.8**	36.0
Basic - continuing operations	**35.3**	34.7
Basic diluted - continuing operations	**35.1**	34.6
Adjusted	**51.4**	45.1
Adjusted diluted	**51.1**	45.0

13. Dividends

	2019 £'000	2018 £'000
Final dividend for the year ended 31 December 2017 of 12.9p	**—**	8,124
Interim dividend for the year ended 31 December 2018 of 14.2p	**—**	8,946
Final dividend for the year ended 31 December 2018 of 14.2p	**8,950**	—
Interim dividend for the year ended 31 December 2019 of 15.6p	**9,795**	—
	18,745	17,070

A final dividend for the year ended 31 December 2019 of 15.6p amounting to approximately £9,798,000 will be proposed at the Annual General Meeting on 6 May 2020. If approved, this dividend will be paid on 11 May 2020 to shareholders on the register on 14 April 2020. The dividend is not accounted for as a liability in these financial statements and will be accounted for as an appropriation of distributable reserves in the year ending 31 December 2020.

14. Goodwill

Group	EMIS Health £'000	EMIS Enterprise £'000	Discontinued Operation £'000	Total Group £'000
Cost				
At 1 January 2018	41,810	20,720	8,605	71,135
Acquisition of business	—	1,622	—	1,622
At 31 December 2018	41,810	22,342	8,605	72,757
Disposal of business	—	—	(8,605)	(8,605)
At 31 December 2019	**41,810**	**22,342**	**—**	**64,152**
Accumulated impairment losses				
At 1 January 2018 and 31 December 2018	**8,825**	**7,358**	**4,616**	**20,799**
Disposal of business	—	—	(4,616)	(4,616)
At 31 December 2019	**8,825**	**7,358**	**—**	**16,183**
Net book value				
At 31 December 2019	**32,985**	**14,984**	**—**	**47,969**
At 31 December 2018	32,985	14,984	3,989	51,958
At 1 January 2018	32,985	13,362	3,989	50,336

Impairment tests for goodwill

Goodwill relates predominantly to the value of synergies arising from business combinations and the experience of staff within acquired businesses. Goodwill is allocated to the Group's cash-generating units (CGUs) that are expected to benefit from that combination based on the relative carrying values of other acquired intangible assets.

Following the reorganisation of the Group into two new segments (see note 4) and the disposal of the Specialist & Care business (see note 6) the Group has revised its CGU determination in order to better represent the Group's structure.

14. Goodwill continued

The carrying amount of goodwill is allocated to CGUs as follows:

	2019 £'000	2018 £'000
Primary, Community & Egton	**21,857**	21,857
Acute NHS	**11,128**	11,128
EMIS Health	**32,985**	32,985
Community Pharmacy	**6,756**	6,756
Acute Medicines Management	**6,606**	6,606
Dovetail	**1,622**	1,622
EMIS Enterprise	**14,984**	14,984
Discontinued operation	—	3,989
	47,969	51,958

Each allocation of goodwill is tested annually for impairment and, to confirm whether an impairment of the goodwill is necessary, management compares the carrying value to the value in use.

The value in use for each allocation of goodwill has been calculated using pre-tax cash flows from internal budgets for the year ending 31 December 2020 to forecast pre-tax cash flows from each CGU (with the key budget assumptions being in relation to revenue growth). These cash flows have then been extrapolated for a further four years assuming average annual growth rates of 3.5% (2018: 3.5%) until 31 December 2024 and then 1% into perpetuity (2018: 1%) for all CGUs except Dovetail, which is based on management forecasts of annual double digit growth to 2024 followed by 1% growth into perpetuity. The pre-tax cash flows have been discounted back to 31 December 2019 using a discount rate of between 10.1% and 13.1% (2018: 10.1% to 11.1%). The exercise has confirmed that there has been no impairment in any CGU.

The key assumptions underpinning the forecasts in the value in use calculation are revenue growth and operating margins. Sensitivity analysis has been performed on the key assumptions which indicated that no reasonably possible change to these would cause an impairment.

Management has determined the discount rates for each CGU by considering the specific risks relating to the relevant segment. Growth rates beyond the budget period are determined based on a prudent assessment of long-term growth rates.

15. Other intangible assets

Group	Computer software used internally £'000	Computer software developed for external sale £'000	Computer software acquired on business combinations £'000	Customer relationships £'000	Total £'000
Cost					
At 1 January 2018	6,245	44,953	36,320	36,304	123,822
Additions	780	5,782	—	—	6,562
Acquisition of business	—	—	5,032	—	5,032
At 31 December 2018	7,025	50,735	41,352	36,304	135,416
Additions	773	7,363	—	—	8,136
Disposal of business	—	—	(1,011)	(5,320)	(6,331)
At 31 December 2019	**7,798**	**58,098**	**40,341**	**30,984**	**137,221**
Accumulated amortisation and impairment					
At 1 January 2018	3,337	27,097	23,629	19,251	73,314
Charged in period - continuing	946	9,447	3,621	2,581	16,595
Charged in period - discontinued	—	—	126	532	658
At 31 December 2018	4,283	36,544	27,376	22,364	90,567
Charged in period - continuing	884	7,132	4,589	2,728	15,333
Charged in period - discontinued	—	—	32	133	165
Disposal of business	—	—	(716)	(2,504)	(3,220)
At 31 December 2019	**5,167**	**43,676**	**31,281**	**22,721**	**102,845**
Net book value					
At 31 December 2019	**2,631**	**14,422**	**9,060**	**8,263**	**34,376**
At 31 December 2018	2,742	14,191	13,976	13,940	44,849
At 1 January 2018	2,908	17,856	12,691	17,053	50,508

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15. Other intangible assets continued

The accounting policy for intangible assets is set out in note 1.7. The remaining average amortisation period for software developed for external sale is four years. At 31 December 2019 software acquired on business combinations had a remaining amortisation period of two years for Ascribe and four years for Dovetail Digital Limited. Customer relationships have a remaining amortisation period of four years with the exception of Indigo 4 Systems (five years).

Company intangible assets comprise computer software developed for external sale with a cost of £3,729,000 (2018: £3,729,000; 2017: £3,729,000) and accumulated amortisation of £1,518,000 (2018: £776,000; 2017: £164,000).

16. Property, plant and equipment

Group	Land and buildings £'000	Computer equipment £'000	Fixtures. fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2018	11,885	42,786	6,584	939	62,194
Additions	213	4,168	792	124	5,297
Acquisition of business	—	8	—	—	8
Disposals	—	(47)	(2)	(734)	(783)
Effect of movements in exchange rates	—	(27)	2	2	(23)
At 31 December 2018	12,098	46,888	7,376	331	66,693
Recognition of right-of-use asset on initial application of IFRS 16 (note 1.3(a))	2,859	—	78	912	3,849
Adjusted balance as at 1 January 2019	14,957	46,888	7,454	1,243	70,542
Additions	1,915	3,018	1,383	468	6,784
Disposals	(2,697)	(32,986)	(4,643)	(211)	(40,537)
Reclassification to asset held for sale	(3,204)	—	(540)	—	(3,744)
Effect of movements in exchange rates	(155)	(26)	(1)	—	(182)
At 31 December 2019	**10,816**	**16,894**	**3,653**	**1,500**	**32,863**
Accumulated depreciation and impairment					
At 1 January 2018	1,877	34,862	2,922	496	40,157
Charged in period – continuing	341	4,191	853	150	5,535
Charged in period – discontinued	—	151	499	74	724
Acquisition of business	—	—	—	—	—
On disposals	—	(46)	(1)	(677)	(724)
Effect of movements in exchange rates	—	1	—	—	1
At 31 December 2018	2,218	39,159	4,273	43	45,693
Recognition of right-of-use asset on initial application of IFRS 16 (note 1.3(a))	318	—	—	—	318
Adjusted balance as at 1 January 2019	2,536	39,159	4,273	43	46,011
Charged in period – continuing	725	4,712	827	558	6,822
Charged in period – discontinued	—	37	124	18	179
On disposals	(1,248)	(32,349)	(3,392)	(544)	(37,533)
Impairment loss	254	—	—	—	254
Reclassification to asset held for sale	(762)	—	(507)	—	(1,269)
Effect of movements in exchange rates	5	(4)	(1)	—	—
At 31 December 2019	**1,510**	**11,555**	**1,324**	**75**	**14,464**
Net book value					
At 31 December 2019	**9,306**	**5,339**	**2,329**	**1,425**	**18,399**
At 31 December 2018	9,880	7,729	3,103	288	21,000
At 1 January 2018	10,008	7,924	3,662	443	22,037

At 31 December 2019, the net carrying amount of assets held for sale was £2,475,000 (2018: nil).

17. Investments

Company	£'000
At 1 January 2018	67,404
Acquisition of business	5,363
Acquisition of non-controlling interest	8,045
Capital contribution	28,743
At 31 December 2018	109,555
Disposal of investment in subsidiary	(12,932)
Acquisition of investment (see note 19)	190
At 31 December 2019	**96,813**

The undertakings whose results and financial position are consolidated within the Group financial statements at 31 December 2019 are as follows:

	Country of incorporation	% of issued ordinary shares held
ASC Computer Software (NZ) Limited	New Zealand	100
ASC Computer Software PTY Limited	Australia	100
Ascribe Group Limited	England & Wales	100[2]
Ascribe Holdings Limited	England & Wales	100
Ascribe Limited	England & Wales	100
Ascribe Limited (Kenya)[1]	Kenya	100
Digital Healthcare Limited (disposed of on 2 April 2019)	England & Wales	100[2]
Dovetail Digital Limited	England & Wales	90[2]
Egton Limited[1]	England & Wales	100[2]
Egton Medical Information Systems Limited	England & Wales	100[2]
EMIS Health Community Pharmacy Limited[1]	England & Wales	100[2]
EMIS Health India Private Limited	India	100[2]
EMIS Health Limited[1]	England & Wales	100[2]
Footman Walker Associates Limited[1]	England & Wales	100
Healthcare Gateway Limited	England & Wales	50
Indigo 4 Systems Limited[1] (dissolved 8 January 2019)	England & Wales	100
Medical Imaging UK Limited (disposed of on 2 April 2019)	England & Wales	100[2]
MIDRSS Limited (disposed of on 2 April 2019)	Republic of Ireland	100[2]
Patient Platform Limited	England & Wales	100[2]
Protechnic Exeter Limited[1]	England & Wales	100
Rx Systems Limited	England & Wales	100[2]
Scroll Bidco Limited	England & Wales	100

1 Dormant.

2 Held directly by EMIS Group plc.

The above subsidiary undertakings which are not dormant are engaged in providing software and support services to the healthcare market, with the exception of Ascribe Group Limited, Scroll Bidco Limited and Ascribe Holdings Limited which are all holding companies.

All undertakings incorporated in England, with the exception of Healthcare Gateway Limited, have a Registered Office of Fulford Grange, Micklefield Lane, Rawdon, Leeds LS19 6BA. The Registered Office of Healthcare Gateway Limited is Unit 3 Rawdon Park, Green Lane, Leeds LS19 7BA.

Other Registered Offices are as follows: ASC Computer Software (NZ) Limited, Suite 6035, 17b Farnham Street, Parnell, Auckland 1052, New Zealand; ASC Computer Software PTY Limited, Level 22, 567 Collins Street, Melbourne, Victoria, Australia 3000; Ascribe Limited (Kenya), PO Box 40296 – 00100, Nairobi, Kenya; and EMIS Health India Private Limited, Unit No. A1, Level 3, Shriram The Gateway SEZ, No. 16, G.S.T. Road, Perungalathur, Chennai-600 063, India.

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for the year ended 31 December 2019

18. Investment in joint venture

Healthcare Gateway Limited (HGL) is a joint venture with In Practice Systems Limited. Its purpose is to enable the sharing of patient data via a medical interoperability gateway.

The Group has a 50% interest in the ordinary share capital of HGL, acquired on formation for £1. The venture was initially funded by loans from each joint venture party and at 31 December 2019 the Group was owed £nil (2018: £34,000).

Aggregate amounts relating to HGL are as follows:

	2019 £'000	2018 £'000
Revenues	4,153	3,628
Profit before taxation	1,829	1,518
Profit after taxation	1,483	1,231
Current assets	1,489	2,484
Current liabilities	(1,330)	(2,257)
Net assets	159	227
Group's interest in net assets of investee at beginning of year	113	98
Share of total comprehensive income	742	615
Dividends received	(700)	(600)
Group's interest in net assets of investee at end of year	155	113

19. Investment in associate

On 20 May 2019 EMIS Group plc acquired a 10% shareholding in Adheradata Limited (Adhera), a privately owned organisation offering a complete dispensing business management solution. The acquisition is in line with the Group's strategy of identifying sustainable long-term market opportunities delivering connected healthcare systems. The acquisition of Adhera has been accounted for as an associate because the Group has determined that it has significant influence due to meaningful representation on its board of directors.

The following table analyses the carrying amount and share of profit of Adhera:

	2019 £'000	2018 £'000
Carrying amount of investment in associate	190	–
Share of profit from continuing operations	–	–

20. Trade and other receivables

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables and other receivables	17,960	19,683	122	–
Accrued income	9,608	10,418	–	–
Prepayments	5,479	6,122	533	486
Loan to Employee Benefit Trust	–	–	5,392	2,850
	33,047	36,223	6,047	3,336

Prepayments include unamortised bank fees of £84,000 (2018: £138,000). The loan to the Employee Benefit Trust is non-interest bearing and is repayable on demand.

21. Credit quality of financial assets

The amounts of the maximum exposure to credit risk at the reporting date are as follows:

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Trade receivables and other receivables	**17,960**	19,683	**122**	—
Cash at bank	**31,099**	15,620	**20,852**	790
	49,059	35,303	**20,974**	790

No collateral security is held.

Trade receivables and other receivables

Reporting date balances fall within the following categories:

	Group	
	2019 £'000	2018 £'000
UK governmental health bodies	**7,821**	11,873
Community pharmacies and associated wholesalers	**4,316**	3,981
Other third party receivables	**5,823**	3,829
	17,960	19,683

Trade and other receivables are mainly due one month following the date of the invoice. At the reporting date the aged analysis of trade and other receivables is as follows:

	Group	
	2019 £'000	2018 £'000
December	**13,604**	13,147
November	**1,946**	4,360
October and earlier	**3,053**	3,438
Gross carrying amount	**18,603**	20,945
Impairment provision	**(643)**	(1,262)
Net carrying amount	**17,960**	19,683

During the year a provision for impairment of £341,000 was created (2018: £624,000), utilisation of the provision amounted to £865,000 (2018: £59,000) and £95,000 (2018: £nil) of provision was disposed of.

Cash at bank

The Group's cash is held with a number of different banks. The Moody's long-term credit ratings of those banks and the respective balances held are as follows:

	Group	
	2019 £'000	2018 £'000
Aa3	**1,830**	1,702
A1	**14,864**	12,306
A3	**13,281**	21
Baa1	**811**	—
Baa2	**313**	1,584
Baa3	**—**	7
	31,099	15,620

22. Trade and other payables

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Trade payables	**4,380**	2,388	**135**	64
Accrued expenses	**13,160**	14,604	**1,162**	872
Other tax and social security	**5,897**	7,966	**—**	—
	23,437	24,958	**1,297**	936

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23. Borrowings

At 31 December 2019, the Group had available undrawn bank facilities of £30,000,000 committed until June 2021, reducing to £15,000,000 for the twelve-month period ending 30 June 2022. An accordion arrangement is in place to increase the quantum up to £60,000,000, reducing to £30,000,000 for the twelve-month period ending 30 June 2022. Unamortised bank fees of £84,000 (2018: £138,000) have been presented within prepayments in trade and other receivables. The financial covenants in place for these facilities are adjusted EBITA interest cover and net debt to adjusted EBITDA leverage. All covenants were comfortably met during the year and are projected to be met for the remaining period of the facilities.

24. Liquidity risk

The following are the contractual maturities of the Group's financial liabilities, including estimated interest payments:

	Carrying amount £'000	Contractual cash flow £'000	Less than 1 year £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
At 31 December 2019						
Trade and other payables due within one year	**23,437**	**23,437**	**23,437**	**—**	**—**	**—**
Contingent acquisition consideration	**1,500**	**1,500**	**480**	**1,020**	**—**	**—**
Option over non-controlling interest	**2,688**	**5,854**	**—**	**—**	**—**	**5,854**
Lease Liabilities	**3,934**	**5,418**	**870**	**678**	**1,230**	**2,640**
	31,559	**36,209**	**24,787**	**1,698**	**1,230**	**8,494**
At 31 December 2018						
Trade and other payables due within one year	24,958	24,958	24,958	—	—	—
Contingent acquisition consideration	2,512	2,512	1,012	480	1,020	—
Option over non-controlling interest	2,406	5,926	—	—	—	5,926
	29,876	33,396	25,970	480	1,020	5,926

25. Deferred tax

Group	Property, plant and equipment £'000	Intangible assets £'000	Other temporary differences £'000	Total £'000
At 1 January 2018	929	(8,070)	407	(6,734)
Credited to statement of comprehensive income	50	3,153	90	3,293
Credited to equity	—	—	31	31
Acquisition of business	—	(884)	—	(884)
Effect of movements in exchange rates	—	—	1	1
At 31 December 2018	979	(5,801)	529	(4,293)
Credited to statement of comprehensive income - continuing operations	160	1,750	202	2,112
Credited to statement of comprehensive income - discontinued operation	—	31	—	31
Credited to equity	—	—	156	156
Disposal of discontinued operation	(18)	549	—	531
Effect of movements in exchange rates	—	—	(4)	(4)
At 31 December 2019	**1,121**	**(3,471)**	**883**	**(1,467)**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (before offset) for financial reporting purposes:

	2019 £'000	2018 £'000
Deferred tax liabilities	**(3,471)**	(5,801)
Deferred tax assets	**2,004**	1,508
	(1,467)	(4,293)

26. Other financial liabilities

Company and Group	2019 £'000	2018 £'000
Current		
Contingent acquisition consideration	**480**	1,012
Total	**480**	1,012
Non-current		
Contingent acquisition consideration	**1,020**	1,500
Option over non-controlling interest	**2,688**	2,406
Total	**3,708**	3,906

The current and non-current contingent consideration liabilities are both cash-settled liabilities arising from the prior year acquisition of Dovetail Lab, payable upon the achievement of specified revenue targets. The possible minimum and maximum undiscounted amounts of contingent consideration payable in cash are £nil and £1,500,000 respectively. Estimated fair value has been measured based on the future amounts payable, as the impact of discounting is not significant. During the year a payment of £1,012,000 was made, and a liability of £480,000 was reclassified from non-current to current.

A non-current financial liability of £2,688,000 (2018: £2,406,000) has been recognised in relation to a put option in place over the 10% of Dovetail Lab's share capital not currently owned by EMIS Group plc. The put option has been measured at the present value of expected future cash flows and is exercisable in 2026 (provided the Group has not exercised the related call option between 2023 and 2025), on an exercise price based on a multiple of operating profit for the preceding year. The expected future payment has been discounted to present value using a risk-adjusted discount rate that reflects the expected maturity profile of the consideration being discounted. The significant unobservable inputs are future operating profit and the risk-adjusted discount rate. The carrying value would increase/(decrease) if expected future operating profits were higher/(lower), or if the risk-adjusted discount rate were lower/(higher). The movement in the liability in the year relates primarily to the unwinding of discounting.

27. Share capital and share premium

	Ordinary shares of 1p each		Share premium
Company and Group	Number	£'000	£'000
At 1 January 2018, 31 December 2018 and 31 December 2019	**63,311,396**	**633**	**51,045**

All issued shares are fully paid. At 31 December 2019 the EMIS Group plc Employee Benefit Trust held 512,231 shares in the Company (2018: 290,084 shares).

During the year the Employee Benefit Trust purchased 309,647 shares, representing 0.5% of the issued share capital of the Company, in relation to the exercise of employee share options.

During the year the Employee Benefit Trust disposed of 87,500 shares, representing 0.1% of the issued share capital of the Company, for total consideration of £462,000.

The maximum number of shares held by the Employee Benefit Trust during the year was 536,337, representing 0.8% of the issued share capital of the Company.

Notes to the financial statements continued

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28. Share-based payments

At 31 December 2019 outstanding awards to subscribe for ordinary shares of 1p each in the Company, granted in accordance with the rules of the EMIS Group share option schemes and the EMIS Group LTIP, were as follows:

Date of grant	At 1 January 2018	Granted	Lapsed	Exercised	At 1 January 2019	Granted	Lapsed	Exercised	**At 31 December 2019**
2011 Share Option Plan									
18 October 2013	5,715	—	(2,286)	(3,429)	—	—	—	—	**—**
15 October 2014	7,458	—	—	(1,356)	6,102	—	—	(6,102)	**—**
28 April 2015	30,794	—	(30,794)	—	—	—	—	—	**—**
27 April 2016	31,159	—	(8,240)	—	22,919	—	(22,919)	—	**—**
21 April 2017	70,890	—	(19,182)	—	51,708	—	(14,178)	—	**37,530**
20 April 2018	—	106,359	—	—	106,359	—	(39,555)	—	**66,804**
24 April 2019	—	—	—	—	—	83,500	(12,692)	—	**70,808**
	146,016	106,359	(60,502)	(4,785)	187,088	83,500	(89,344)	(6,102)	**175,142**
Weighted average exercise price	896p	853p	900p	679p	876p	1,122p	947p	656p	**972p**
Unapproved Option Scheme									
27 April 2016	2,317	—	(772)	—	1,545	—	(1,545)	—	**—**
	2,317	—	(772)	—	1,545	—	(1,545)	—	**—**
Weighted average exercise price	970p	—	970p	—	970p	—	970p	—	**—**
EMIS Group LTIP									
1 May 2014	14,590	—	—	(14,590)	—	—	—	—	**—**
28 April 2015	135,498	—	(135,498)	—	—	—	—	—	**—**
27 April 2016	141,890	—	(4,254)	—	137,636	—	(137,636)	—	**—**
21 April 2017	174,615	—	(4,685)	—	169,930	—	(39,465)	—	**130,465**
1 May 2017	44,518	—	—	—	44,518	—	—	—	**44,518**
4 September 2017	21,953	—	—	—	21,953	—	—	—	**21,953**
20 April 2018	—	294,119	(9,076)	—	285,043	—	(52,772)	—	**232,271**
6 November 2018	—	162,861	—	—	162,861	—	(5,866)	—	**156,995**
3 April 2019	—	—	—	—	—	22,643	—	—	**22,643**
24 April 2019	—	—	—	—	—	335,733	(31,557)	—	**304,176**
24 June 2019	—	—	—	—	—	439,781	—	—	**439,781**
9 September 2019	—	—	—	—	—	21,061	—	—	**21,061**
	533,064	456,980	(153,513)	(14,590)	821,941	819,218	(267,296)	—	**1,373,863**
Weighted average exercise price	0p	0p	0p	0p	0p	0p	0p	0p	**0p**

The number of vested options which had not been exercised at 31 December 2019 was nil (2018: 6,102). The weighted average share price at the date of exercise for share options exercised in 2019 was £10.84 (2018: £8.77).

The parent company operates share option schemes (the HMRC-approved EMIS Group plc 2011 Share Option Plan and the EMIS Group plc Unapproved Option Scheme) and an LTIP scheme. Tranches of options have been granted at market value to senior members of management under the 2011 Share Option Plan and the Unapproved Option Scheme, and at nil-cost under the LTIP scheme. Performance conditions apply to all outstanding awards.

Options are conditional on the employee completing three years' service, other than in certain limited circumstances. The Group has no legal or constructive obligation to repurchase or settle any of the options for cash.

The key assumptions used in the valuations are shown on page 103. The fair values of options are determined using the Black Scholes model, with the impact of any market based performance conditions determined using a Monte Carlo simulation.

	2011 Share Option Plan						
Grant date	18 Oct 2013	15 Oct 2014	28 April 2015	27 April 2016	21 April 2017	20 April 2018	24 April 2019
Exercise period	Oct 2016–Oct 2018	Oct 2017–Oct 2019	April 2018–April 2020	April 2019–April 2021	April 2020–April 2022	April 2021–April 2022	April 2022–April 2023
Share price at grant date	656p	737p	901p	970p	899p	853p	1,122p
Exercise price	656p	737p	901p	970p	899p	853p	1,122p
Expected volatility	35%	35%	26%	30%	30%	33%	25%
Expected life (years)	3	3	3	3	3	3	3
Risk-free rate	1.40%	2.37%	2.37%	2.37%	2.37%	2.62%	0.82%
Expected dividend yield	2.20%	2.33%	2.03%	2.19%	2.73%	3.05%	2.66%
Fair value per option	141p	164p	152p	190p	164p	175p	158p

	Unapproved Option Scheme
Grant date	27 April 2016
Exercise period	April 2019–April 2021
Share price at grant date	970p
Exercise price	970p
Expected volatility	30%
Expected life (years)	3
Risk-free rate	2.37%
Expected dividend yield	2.19%
Fair value per option	190p

	EMIS Group LTIP												
Grant date	1 May 2014	28 April 2015	27 April 2016	21 April 2017	1 May 2017	4 Sept 2017	20 April 2018	6 Nov 2018	3 April 2019	24 April 2019	24 June 2019	24 June 2019	9 Sept 2019
Exercise period	May 2017–May 2024	April 2018–April 2025	April 2019–April 2026	April 2020–April 2027	May 2020–May 2027	May 2020–May 2027	May 2021–May 2028	May 2021–May 2028	April 2021–April 2028	April 2022–April 2029	June 2023–June 2029	June 2024–June 2029	April 2022–April 2029
Share price at grant date	635p	908p	970p	899p	934p	914p	853p	909p	1,082p	1,122p	1,208p	1,208p	1,122p
Exercise price	0p	0p	0p	0p	0p	0p	0p	0p	0p	0p	0p	0p	0p
Expected volatility	35%	26%	30%	30%	30%	30%	33%	33%	25%	25%	24%	24%	24%
Expected life (years)	3	3	3	3	3	3	3	2.5	2	3	4	5	2.5
Risk-free rate	2.37%	2.37%	2.37%	2.37%	2.37%	2.37%	2.62%	2.62%	2.62%	0.82%	0.60%	0.63%	0.33%
Expected dividend yield	2.52%	2.03%	2.19%	2.71%	2.71%	2.69%	3.05%	2.98%	2.75%	2.66%	2.47%	2.47%	2.66%
Fair value per option	589p	854p	908p	836p	836p	843p	779p	831p	1,024p	1,036p	1,095p	1,068p	1,046p

The expected volatility assumption is based on statistical analysis of the historical volatility of the Company's share price.

The Company also operates an HMRC-approved Share Incentive Plan, which is open to all UK employees with at least six months' service. Those joining contribute a maximum of the lower of £1,800 a year or 10% of salary. These contributions are used to acquire shares in the Company at market price from the EMIS Group plc Employee Benefit Trust, which holds shares in the Company to satisfy Share Incentive Plan and other employee share scheme requirements.

For every three shares acquired by an employee the Company adds one free "matching" share. The matching shares, together with any free shares allocated to members under the scheme during the year had a value of £587,000 (2018: £78,000).

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for the year ended 31 December 2019

29. Leases

The Group leases property, office equipment and motor vehicles. Leases for vehicles typically run for a period of 4 years, property leases for between 2 and 15 years, and office equipment for between 5 and 6 years.

Some property leases contain extension options or break clauses exercisable by the Group and not by the lessors. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant change in circumstances.

The Group does not have any leases that were previously classified as a finance lease under IAS 17.

Right-of-use assets recognised on the Group balance sheet in respect of leases are as follows:

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
At 1 January 2019	2,541	78	912	3,531
Depreciation charge for the year	(360)	(32)	(494)	(886)
Disposal of business	(820)		—	(820)
Additions to right-of-use assets	1,419	—	468	1,887
Effect of movement in exchange rates	(141)	—	—	(141)
At 31 December 2019	**2,639**	**46**	**886**	**3,571**

Liabilities recognised on the Group balance sheet in respect of leases are as follows:

	£'000
At 1 January 2019	3,784
Additions in respect of new leases	1,887
Payments	(940)
Interest expense	181
Disposals of business	(820)
Effect of movement in exchange rates	(158)
At 31 December 2019	**3,934**

Amounts recognised in the statement of comprehensive income are set out below:

	Total £'000
2019 leases under IFRS 16	
Interest on lease liabilities	181
Expenses relating to short-term leases	804
Expenses relating to leases of low value	6
2018 operating leases under IAS 17	
Lease expense	1,813

	2019 £'000
Total cash outflow for leases	**1,750**

30. Capital commitments

At 31 December 2019 the Group had capital commitments principally in respect of computer equipment amounting to £277,000 (2018: £1,097,000).

31. Cash generated from operations

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Profit/(loss) before taxation	**27,071**	28,115	**(684)**	53,534
Finance income	**(97)**	(64)	**(259)**	(150)
Finance costs	**595**	244	**181**	171
Share of result of joint venture	**(742)**	(615)	**—**	—
Gain on sale of investment in subsidiary	**—**	—	**(732)**	—
Dividends received	**—**	—	**—**	(54,959)
Operating profit/(loss)	**26,827**	27,680	**(1,494)**	(1,404)
Operating profit of discontinued operation	**162**	1,060	**—**	—
Adjustment for non-cash items				
Amortisation of intangible assets	**15,498**	17,253	**742**	612
Depreciation of property, plant and equipment	**7,001**	6,259	**—**	—
Impairment loss on remeasurement of property asset held for sale	**254**	—	**—**	—
Loss/(Profit) on disposal of property, plant and equipment	**544**	(119)	**—**	—
Share-based payments	**1,290**	766	**—**	—
Release of provision	**—**	(1,657)	**—**	—
Operating cash flow before changes in working capital	**51,576**	51,242	**(752)**	(792)
Changes in working capital				
Decrease in inventory	**607**	369	**—**	—
(Increase)/decrease in trade and other receivables	**(316)**	2,199	**(226)**	(33)
Increase in trade and other payables	**2,623**	5,264	**361**	315
(Decrease)/Increase in deferred income	**(4,431)**	330	**—**	—
Decrease in provision	**—**	(9,531)	**—**	—
Cash generated from/(used in) operations	**50,059**	49,873	**(617)**	(510)

32. Pension commitments

Pension contributions of £2,652,000 (2018: £3,256,000) represent contributions paid on behalf of employees by the Group to various defined contribution schemes.

33. Related party transactions

Key management compensation

Key management includes Executive and Non-executive Directors and members of the Group Executive Team. The compensation paid or payable to key management for employee services is shown below:

Key management	**2019 £'000**	2018 £'000
Salaries and other short-term employee benefits	**3,895**	4,251
Share-based payments	**982**	472
Termination payments	**570**	—
Post-retirement benefits	**192**	169
	5,639	4,892

Directors' emoluments	**2019 £'000**	2018 £'000
Aggregate emoluments	**1,442**	1,692
Pension costs – defined contribution plans	**70**	70
	1,512	1,762

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33. Related party transactions continued

Key management compensation continued

Retirement benefits are accruing to two (2018: two) Directors under defined contribution personal pension schemes.

Highest paid Director	2019 £'000	2018 £'000
Aggregate emoluments	**684**	862
Pension costs – defined contribution plans	**60**	60
	744	922

The remuneration of the Directors of EMIS Group plc is set out in detail in the Directors' remuneration report on pages 63 to 67.

Other related party transactions

Transactions between the Group and:	2019 £'000	2018 £'000
Joint venture – Healthcare Gateway Limited		
Sales of goods and services in year	**140**	795
Amounts owed by related party at year end	**–**	34
Key management personnel		
Sale of motor vehicles at market value	**–**	2

Transactions between Company and subsidiaries

The Company enters into transactions with its subsidiary undertakings in respect of internal funding and the provision of certain services which are procured by the Company. Such services are recharged based on the utilisation by the subsidiary undertaking. The amounts outstanding from subsidiary undertakings to the Company at 31 December 2019 totalled £13,726,000 (2018: £17,324,000). Amounts owed by the Company at 31 December 2019 totalled £38,252,000 (2018: £14,050,000).

The Company and certain subsidiary undertakings have given guarantees in support of the Group's banking facility, a revolving credit facility of £25,000,000 and an overdraft facility of £5,000,000.

34. Subsequent event

On 9 March 2020 the Group completed the acquisition of Pinnacle Health Partnership LLP and Pinnacle Systems Management Ltd – owners and operators of the widely-used PharmOutcomes platform, a secure, web-based service management solution used by more than 11,000 community pharmacies to record and manage nationally and locally commissioned patient services such as flu vaccinations, the Community Pharmacist Consultation Service and hospital discharge referral management. It allows local and national level analysis and reporting on the effectiveness of commissioned services, helping to improve the evidence base for community pharmacy services.

EMIS Group is acquiring the business on a cash and debt free basis for £3,000,000 in cash with up to £4,000,000 of further consideration payable in cash on the attainment of certain performance targets in 2020 and 2021.

The Group is undertaking an exercise to establish the fair value of the net assets acquired, however due to the timing of the acquisition the results of this have not been included in these financial statements.

Five-year Group financial summary

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Revenue	**159,507**	170,070	160,354	158,712	155,898
Recurring revenue[1]	**124,969**	140,681	133,537	128,483	123,027
Reported operating profit	**26,827**	28,740	10,640	23,539	11,430
Adjusted operating profit[1]	**39,273**	37,608	37,406	38,753	36,553
Profit before tax	**27,071**	29,170	10,937	25,333	10,932
Earnings per share – basic	**36.0p**	36.1p	12.8p	30.4p	7.2p
Earnings per share – adjusted[1]	**51.4p**	47.4p	47.2p	49.4p	45.3p
Dividends payable to Company's shareholders in respect of year	**19,593**	17,896	16,245	14,705	13,307
Dividends per ordinary share	**31.2p**	28.4p	25.8p	23.4p	21.2p
Total equity	**104,198**	102,659	108,014	114,142	107,046
Reported cash generated from operations	**50,059**	49,873	48,834	43,657	42,711
Adjusted cash generated from operations[1]	**46,332**	54,469	49,652	41,073	36,528
Net cash/(debt)	**31,099**	15,620	13,991	(430)	(9,109)
Average number of employees	**1,666**	2,024	1,906	1,875	1,863

1 The Group's alternative performance measures (APMs) are defined on page 22.

Shareholder information

Internet
The Group's investor page can be found at www.emisgroupplc.com/investors. This site is regularly updated to provide information about the Group. In particular, the share price and all of the Group's press releases and announcements can be found on the site. The annual report and accounts will be published on www.emisgroupplc.com/investors/financial-reporting-and-presentations. The maintenance and integrity of the website is the responsibility of the Directors. The auditor does not consider these matters.

Registrar
Any enquiries concerning your shareholding should be addressed to the Company's registrar. The registrar should be notified promptly of any change in a shareholder's address or other details at Link Asset Services, The Registry, 34 Beckenham Road, Beckenham BR3 4TU, tel. 0371 664 0300; calls are charged at the standard geographic rate and will vary by provider. If you are outside the UK, please call +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. The registrar is open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales. The registrar's website is www.signalshares.com. This will give you access to your personal shareholding by means of your investor code which is printed on your share certificate or statement of holding.

Shareholder security
Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website. More detailed information can be found at www.moneyadviceservice.org.uk.

You can find out more information about investment scams, how to protect yourself and report any suspicious telephone calls to the Financial Conduct Authority (FCA) by visiting its website (www.fca.org.uk/scamsmart/resources) or contacting the FCA on 0800 111 6768.

Payment of dividends
Shareholders may find it more convenient to make arrangements to have dividends paid directly into their bank account. The advantages of this are that the dividend is credited to a shareholder's bank account on the payment date, there is no need to present cheques for payment and there is no risk of cheques being lost in the post. To set up a dividend mandate or to change an existing mandate, please contact Link Asset Services, whose details are opposite.

Share dealing services
The sale or purchase of shares must be done through a stockbroker or share dealing service provider. The London Stock Exchange provides a "Locate a broker" facility on its website which gives details of a number of companies offering share dealing services. For more information, please visit the private investors section at www.londonstockexchange.com. Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or to sell shares. Shareholders in any doubt about what action to take are recommended to seek financial advice from an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.

Share price information
The latest information on the share price is available at www.emisgroupplc.com/investors/shareholder-information.