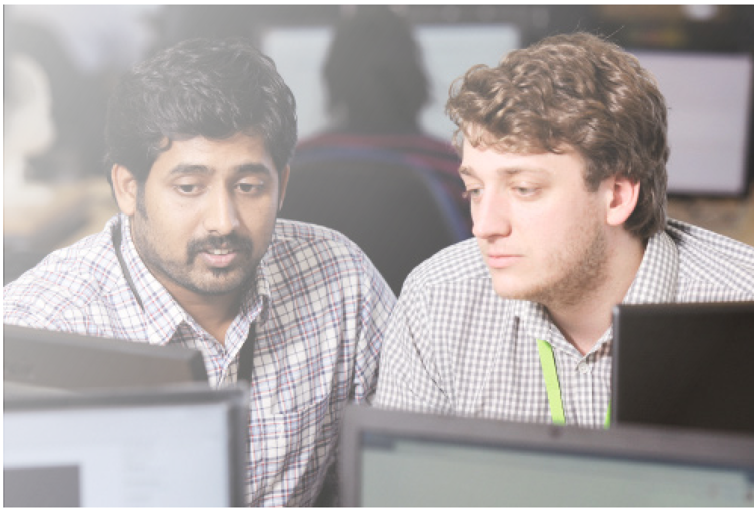
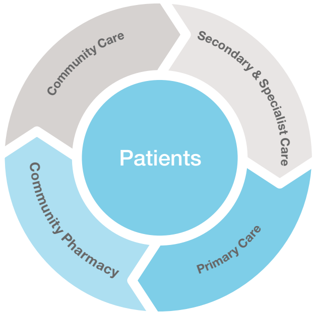


Supporting longer and healthier lives

EMIS Group plc
Annual report and accounts 2013

EMIS Group is the UK leader in connected healthcare software and services. Its solutions are widely used across every major UK healthcare setting from primary and community care, to high street pharmacies, secondary care and specialist services.

Through integration and interoperability, EMIS Group helps clinicians share vital information, facilitating better, more efficient healthcare and supporting longer and healthier lives.



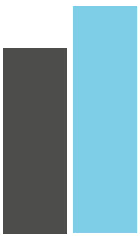
Read more about our key markets on p4

Read more about our strategy on p8

Financial highlights

Total revenue

£105.5m



+22%

2012	£86.3m
2011	£73.2m
2010	£62.4m

Adjusted operating profit[1]

£26.1m

+14%

2012	£22.8m
2011	£20.8m
2010	£17.6m

Recurring revenue

£81.4m

+17%

2012	£69.4m
2011	£61.1m
2010	£50.8m

"EMIS Group has had an exceptionally productive year with the accelerated roll-out of EMIS Web for GPs, the acquisitions and integration of Digital Healthcare and Ascribe delivering our strategic platform for integrated care, strong organic revenue growth and a high level of profitability maintained."

Chris Spencer
Chief Executive Officer

Operational highlights

- **Overall results in line with expectations:**
  - Positive contribution from 2013 acquisitions
  - Net debt reduced from pro forma £18.7m, as announced at the time of acquisition of Ascribe, to £13.5m
- **Primary & Community Care**
  - UK primary care software market leading position maintained with market share of 53.0% (5,232 GP practices) (2012: 51.2% (5,113 GP practices))
  - Doubling of GP practices live with EMIS Web to 3,327 (2012: 1,635)
  - Community Child and Mental Health (CCMH) focus showing results in contract wins and an unprecedented level of bid activity
- **Community Pharmacy**
  - High street pharmacy numbers increased to 4,781 community pharmacies, 35.3% of the UK market (2012: 4,595 pharmacies, 34.8%)
  - Medicines Manager developed, piloted and ready for launch
- **Secondary & Specialist Care**
  - Acquisitions deliver strategic platform for integrated care with Ascribe providing substantial UK presence in PAS, A&E, Pharmacy and Mental Health, and Digital Healthcare being England's market leader for diabetic eye screening software and services
  - Post acquisition, Ascribe secured several significant contracts and Digital Healthcare now rolling out upgraded eye screening software

1. Excludes exceptional items, capitalisation and amortisation of development costs and amortisation of acquired intangibles. For EPS calculations also adjusts for the related tax and non-controlling interest impact.

2. Stated after deduction of capitalised development costs.

Strategic report

Governance

Financial statements

See more online
www.emis-online.com

Adjusted EPS[1]

34.0p

+11%

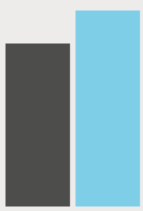
2012	30.8p
2011	27.7p
2010	21.8p

Cash generated from operations[2]

£32.6m

+19%

2012	£27.4m
2011	£27.1m
2010	£20.2m

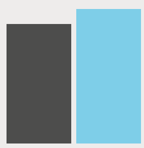


Total dividend for the year

16.0p

+13%

2012	14.2p
2011	12.4p
2010	11.2p



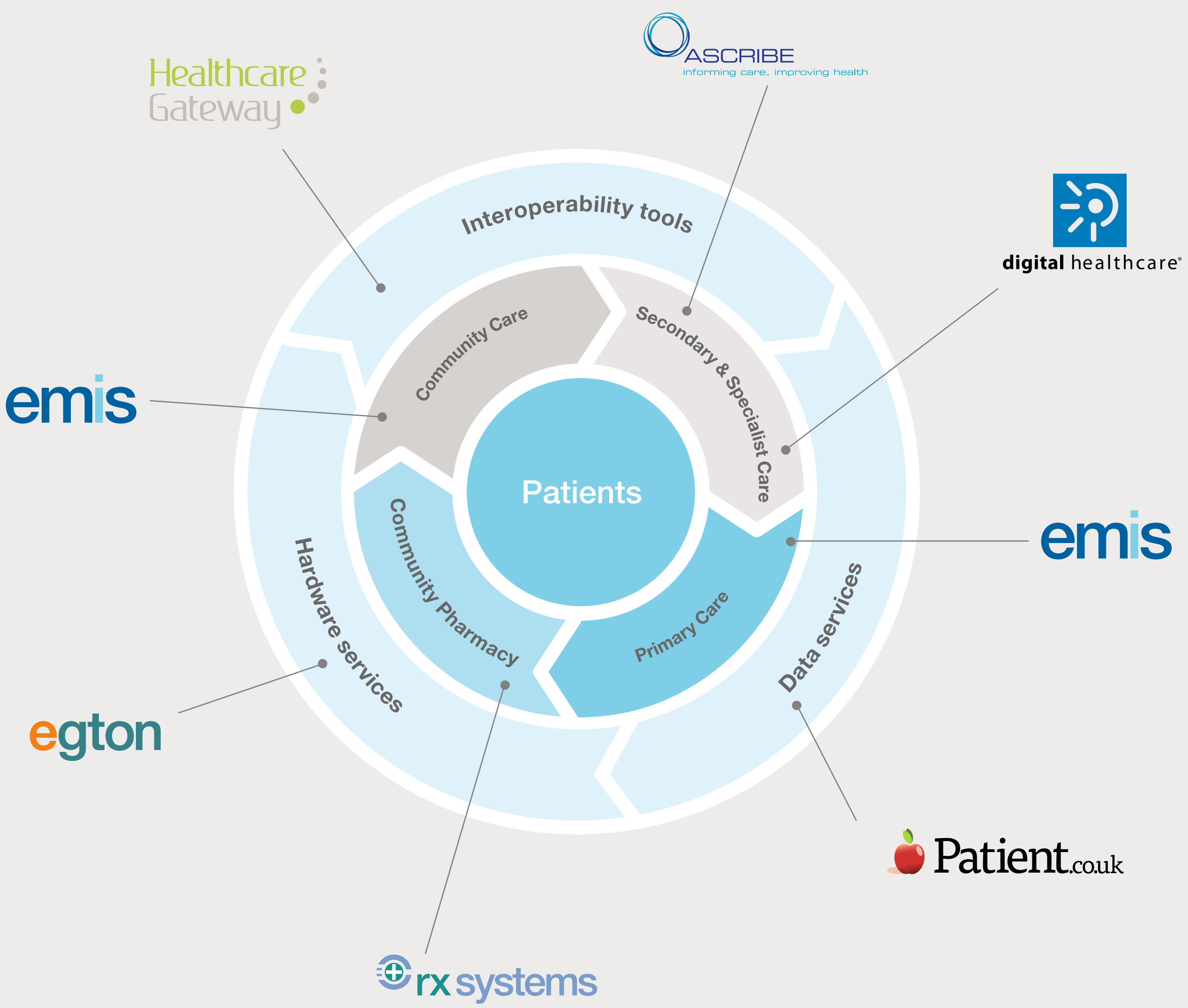
At a glance

Patient care is at the heart of everything we do.

Emis Group

We work in every major healthcare setting across the UK – from GP surgeries to high street pharmacies, community care, hospitals and specialist services – as well as having a growing international presence.

Primary Care



Read more about our markets overleaf

The Group, through its subsidiaries EMIS, Rx Systems, Digital Healthcare and Ascribe, is a major provider of healthcare software, information technology, and related services in the UK.

The Group occupies a unique position, holding a strong market position in every major area of UK healthcare IT.

Primary and Community

EMIS remains the UK GP software clear market leader with a market share of 53.0% (5,232 GP Practices) (2012: 51.2% (5,113 GP Practices)) and also has a growing presence in community, child and mental health (CCMH, where the procurements are led by clinical commissioning groups (CCGs)).

Egton specialises in the supply of ICT infrastructure, application software, hosting and value added services to healthcare and other public and private sector organisations.

Patient.co.uk is the UK's leading independent health information and healthcare transactional site.

"EMIS Web is intuitive and easy to use." See pages 13 and 15 for case studies.

Community Pharmacy

Rx Systems provides healthcare IT, software, and services to 35.3% (2012: 34.8%) of UK high street pharmacies.

"We can now see the full list of the patients' repeat medication held on the GP system." See page 14 for case study.

Secondary and Specialist Care

Ascribe has substantial market share in hospital Patient Administration Systems (PAS), Pharmacies and Accident and Emergency departments as well as in mental health settings when the procurements are led by the acute sector. Ascribe also has international reach with 18% of its recurring revenue derived from Australasia.

Digital Healthcare provides solutions and services to manage and support systematic population-based eye screening programmes. In England and Wales, it has a market share in excess of 80% as well as significant international presence.

"Ascribe has helped us gain trust-wide engagement." See page 16 for case study

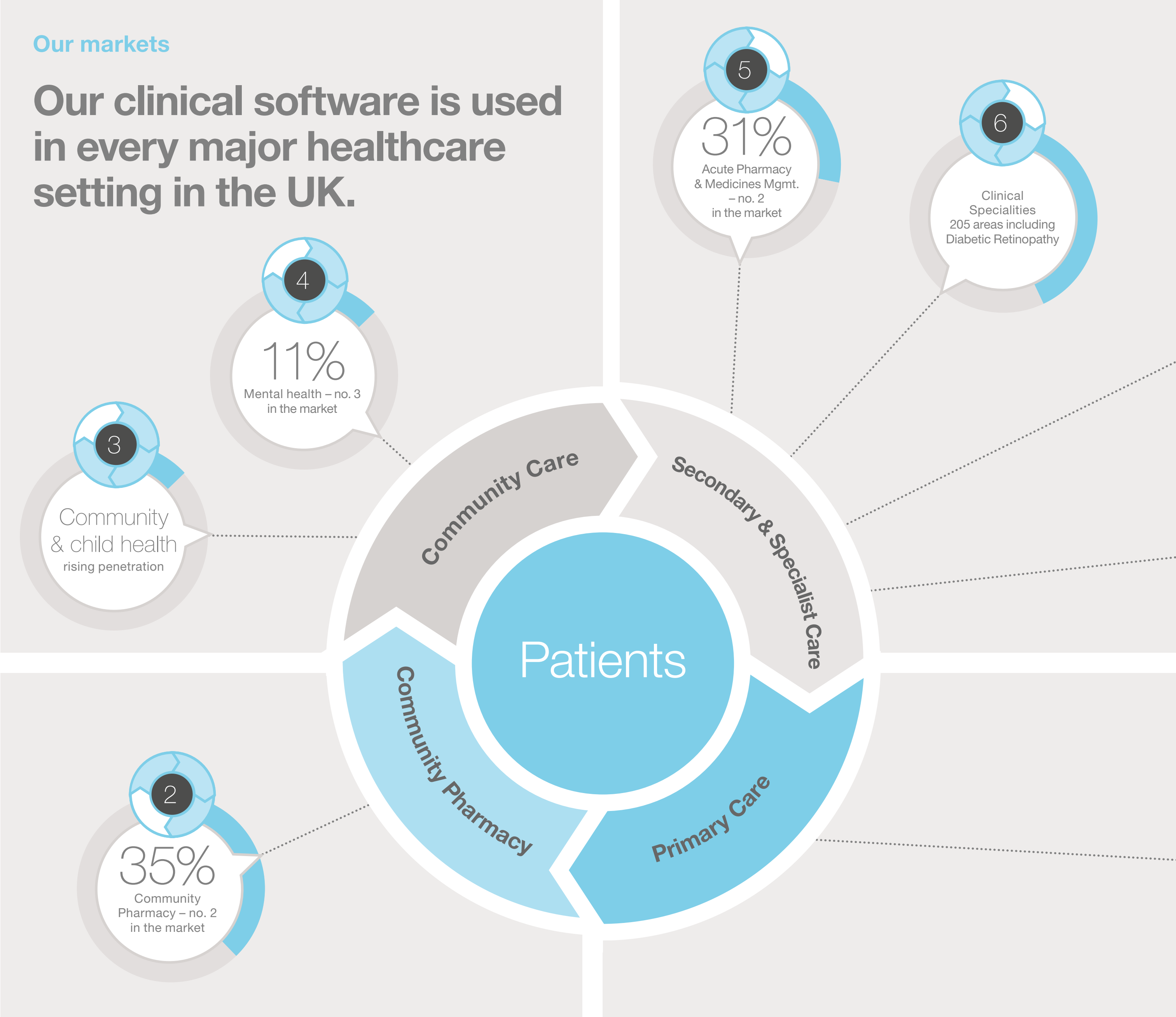
Interoperability

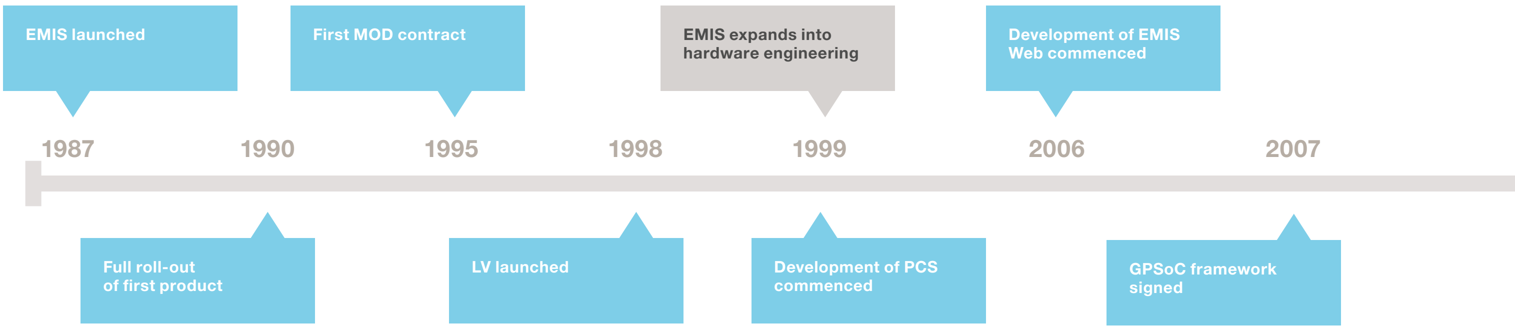
Healthcare Gateway, the Group's joint venture, now gives access to virtually all UK primary care and community health records via the medical interoperability gateway (MIG).

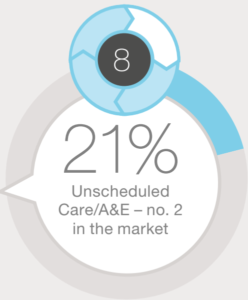
The Health Application Platform (HAP) from Ascribe gives access to EMIS Group and third party health records in secondary care.

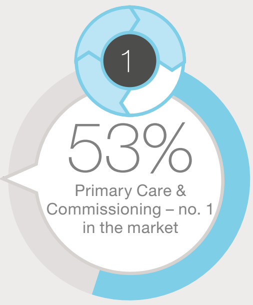
Our markets

Our clinical software is used in every major healthcare setting in the UK.









Market Penetration

1. **Primary Care and Commissioning**
   53% penetration, number one in the market
2. **Community Pharmacy**
   35% penetration, number two in the market
3. **Community & Child Health**
   Rising penetration
4. **Mental Health**
   11% penetration, number three in the market
5. **Acute Pharmacy & Medicines Management**
   31% penetration, number two in the market
6. **Clinical Specialities**
   205 unique areas including Diabetic Retinopathy, 80% penetration, number one in the market
7. **PAS/EPR**
   Rising penetration
8. **Unscheduled Care/A&E**
   21% penetration, number two in the market

2008
- Management buy-out

2010
- Admission to AIM
- EMIS expands into Community Pharmacy
- Accreditation of EMIS Web

2011
- Controlled roll-out of EMIS Web

2012
- Accelerated roll-out of EMIS Web
- EMIS expands further into Community Care
- Re-launch of Patient.co.uk

2013
- EMIS expands further into Secondary and Specialist Care

Chairman's statement

Delivering integrated care.

Mike O'Leary
Chairman

"We made substantial progress towards our vision of supporting longer and healthier lives."

2013 was a year of considerable achievement for the Group. We made substantial progress towards our vision of supporting longer and healthier lives for everyone by providing integrated, excellent and innovative healthcare IT for patients and those involved in their care.

Roll-out of EMIS Web to GPs

The roll-out to GP practices of EMIS Web, our transformational healthcare IT system, was maintained throughout the year. 74% of EMIS's total GP estate in England and Wales is now live and hosted by us in EMIS Web. The remaining practices have all either placed an order or are in the EMIS Web familiarisation service. We recognise that this considerable achievement is due to the talent and exceptional effort of our employees.

The Group expands into the Secondary & Specialist sectors

On 5 August 2013, the Group acquired Digital Healthcare, England's leading provider of diabetic eye screening and other ophthalmology-related solutions. As well as a strong position in a profitable specialist niche market, adjacent to EMIS Group's presence in Primary Care, Community Pharmacy and Secondary systems, Digital Healthcare also provides the Group with opportunities for hosting and delivering fully managed ophthalmology-related services.

Ascribe joined the Group in September 2013. Ascribe is a well-established UK based healthcare software and IT services provider, principally focused on Hospital Pharmacy, A&E, Mental Health and Patient Administration Systems (PAS)/Electronic Patient Records (EPR), with a high level of penetration into NHS secondary care organisations. Ascribe's suite of solutions and its HAP facilitate significant cross-selling opportunities and growth through interoperability and integration with EMIS Group's primary, CCMH, community pharmacy and specialist solutions. Ascribe represented a rare opportunity to acquire a significant market position in several areas strategically adjacent to, but not overlapping with, EMIS Group's core offerings.

Strategy

Digital Healthcare and Ascribe formed part of our significant investment during the year towards our mission of establishing a complete integrated platform and product portfolio to help fulfil our vision. We also spent considerable time in further developing, refining and sharing our structure, strategy, mission and vision within the enlarged Group. Further information on the Group's achievements in 2013 and its key strategic priorities for 2014 is given on pages 8 to 11 of the strategic report.

Our culture | Ethical & caring | Healthcare focused

Key management changes

The EMIS Group Board has seen a number of changes in the year. Phillip Woodrow, our former Chief Financial Officer, retired from the Board on 11 January 2013 after a planned handover to Peter Southby. On 4 February 2013 Andy McKeon was appointed as a new Non-executive Director after a long and distinguished career in the Department of Health and NHS. On 21 March 2013 Sean Riddell retired from his Executive role but remained as a Non-executive Director. At the same time, Chris Spencer, who had joined the Board as Joint Chief Executive on 4 February 2013, became Interim Chief Executive. Chris was appointed permanent Chief Executive Officer on 3 July 2013. David Stables, the Group's former Director of Development Strategy, retired on 30 September 2013.

Dividend

In line with the Group's dividend policy, the Board is recommending a final dividend of 8.0p per share, which, together with the interim dividend of 8.0p, provides a total dividend for the year of 16.0p. Subject to approval by the shareholders at the AGM on 30 April 2014, the final dividend will be paid on 2 May 2014 to shareholders on the register on 11 April 2014.

Outlook

Our progress this year would not have been possible without the continuing commitment of our dedicated employees. The Board is confident it has the right strategy and structure, people and skills to deliver its mission of integrating and optimising the products and other assets now comprised within the expanded Group and to fulfil its vision of supporting longer and healthier lives for everyone.

Mike O'Leary
Chairman
19 March 2014

Our governance principles

Leadership

The Board is committed to providing entrepreneurial leadership, setting the ethical standards and adding value from its engagement with all stakeholders.

Read more on p25

Effectiveness

The Board is composed of an appropriate balance of experienced individuals who share a common vision in relation to the strategic aims of the Group.

Read more on p26

Accountability

The Board is responsible for ensuring the Group works within a framework of effective internal controls which enables risk to be identified and managed.

Read more on p26

Engagement

The Board is committed to dialogue with shareholders and other stakeholders to ensure all views are considered and a mutual understanding of the strategic aims of the Group is developed.

Read more on p27

Integrated

Patient & carer centred

Trusted

Our strategy

An exceptionally productive year.

1 Continued investment

Achievements in 2013

- EMIS Web for GPs roll-out – ensuring delivery at scale
- CCMH product development and sales specialists – getting ready for market opportunities
- Community pharmacy development of next generation software – preparing for growth
- Strategy development and management – focussing and strengthening the senior management team
- Staff recruitment, training and development – maintaining the foundations of the business

2 Growth

Achievements in 2013

- Strong organic revenue growth – especially in primary care
- Acquisition of Multepos Computer Systems – extending the product platform in community pharmacy
- Digital Healthcare acquisition – extending the product platform in specialist care
- Ascribe acquisition – extending the product platform in secondary care
- Rapid organic growth of online visitors – preparing for the accelerated uptake of transactional services

3 Product development

Achievements in 2013

- EMIS Web mobile for primary care & commissioning – developed, tested and released
- EMIS Web cross organisational appointments and tasks – developed, tested and released
- Medicines Manager for community pharmacy – developed and piloted ready for release
- Online patient services – enhanced content and functionality
- UK's first Patient Access App launched

"We can access and update an employee's occupational health file **safely, securely and in real-time**. EMIS Web was the solution. The process is **quicker, safer and more accurate than paper records**."

Andrea Hildred
Business Manager for the Occupational Health Service, Leeds General Infirmary and St. James' University Hospital

"This urgent care project has been for me the most significant IT event for the last 10 years. It is **improving clinical care and patient safety**, and saving time."

Dr. Bhupinder Kohli
Newham CCG

Our year in 2013

January

- MIG to connect GP patient records across NHS
- Online services for patients made simpler to use

February

- New software delivers iPad consultations for GPs
- EMIS opens Scottish office

March

- First GP appointment booking app launched
- EMIS Web becomes most widely used GP system

April

- EMIS EPR Viewer helps half a million patients benefit in Bristol through record sharing project
- Launch of community pharmacy and GP integration pilot

May

- Egton Surgery installs EMIS Web
- EMIS shortlisted in Military and Civilian Health Partnership awards

June

- EMIS chosen for London and South community and mental health framework
- Integration developed between Rx Systems ProScript and patient.co.uk

July

- EMIS Web roll-out continues apace
- Egton integrating clinical devices with EMIS Web

August

- EMIS welcomes interoperability milestone as all major GP systems suppliers agree to provide data to the MIG
- EMIS Group acquires Digital Healthcare

September

- 40% increase in patients registering for EMIS online services since 2012
- EMIS Group acquires Ascribe

October

- 3,000 practices now using EMIS Web
- Doncaster awards Ascribe ten-year contract for PAS system

November

- Three quarters of English iSoft GP practices have moved to EMIS Web
- Egton move 1,500 practice staff 'disruption free' to Windows 7

December

- Patient.co.uk crowned the most popular health and wellbeing website

Over ***4 million*** consultations recorded weekly in **EMIS Web**

47 million retinal images managed

33,621 appointments booked by patients online via **Patient Access** in a week

Over ***10 million*** documents stored electronically for a single **NHS Trust**

Our strategy

Integrated, excellent and innovative.

Vision

To support longer & healthier lives for everyone by providing integrated, excellent and innovative healthcare IT for patients and those involved in their care.

Mission

To help fulfil our Vision by maximising the effect of what we now have through joining it up and making it super-efficient.

1 Strategic Objectives (3 years+)

2 Operating Principles

3 2014 Priorities

> Our innovative and integrated technologies enable clinicians from across different healthcare sectors to provide better, faster and more efficient patient care.

Focus the vision

Maximise

Maximise the return on our resources by:

- Joining them up
- Making them super-efficient

Transform

Become an integrated healthcare IT company

Deliver

Deliver planned returns to customers, investors and other stakeholders

Ensure accountability

Transparency

Clear and universal (internal/external) understanding of our strategy

Growth

Retain & grow profitable market share in each division through:

- Optimal specification, development and delivery of integrated, innovative software
- Strategic business development
- Alignment & integration of every division

Organise, communicate and deliver

Focus

- Divisional restructure & integration
- Deliver KPIs – including financial performance
- People, communication, engagement and development
- Strategic customer and stakeholder engagement
- Group product integration
- Enterprise and commissioning products
- Operational efficiencies
- Optimise software specification and development

Principal risks and uncertainties

Management of risk.

The Board has overall responsibility for ensuring risk is appropriately managed across the Group. The Group maintains risk registers for each area of the business which are consolidated to form the Group risk register. A summary of the consolidated register is submitted to the Board at each meeting for review. The risks are rated as to their likelihood of occurring and potential impact. Each risk is assigned to an appropriate individual and all mitigation and action plans are recorded.

The table below shows the principal risks and uncertainties identified in 2013. These risks are not intended to be an extensive analysis of all risk that may arise in the ordinary course of business or otherwise.

The principal financial risks are disclosed in note 4 to the financial statements.

Risk	Description	Mitigation
Healthcare structure and procurement changes	The Group needs to ensure that it is not disadvantaged by changes in healthcare structure and procurement and that its strategy closely matches government policy. Relevant aspects include: › Replacement of PCTs by CCGs › The single system policy adopted by a few CCGs › Renegotiation of the GPSoC Framework › Practice mergers	› Detailed analysis of the impacts undertaken › Development of clear market and product strategy, vision and values › Review and realignment of business structure › Continuing close engagement with NHS at both strategic and tactical levels › Roll-out of EMIS Web for GPs › Renegotiation of GP Systems of Choice (GPSoc) Framework Lot 1 advanced (intended conclusion 31 March 2014) › Discussions commenced regarding GPSoC Lots 2 and 3 and the renewal of the GP system framework for Northern Ireland › Further development of the interoperability agenda › Close monitoring of competitor activity and commercial impacts
Integration	The Group must ensure products and acquisitions are integrated for: › Stakeholders to realise the benefits › The Group to progress its strategy in line with government policy	› Board level responsibility for product and acquisition integration › Product and acquisition alignment plans established and regularly monitored › Regular communication across the Group to ensure alignment at all levels
Software development and hosting	The Group needs to ensure the development, hosting and roll-out of new and existing products deliver customers' expectations of timeliness, functionality, service and stability.	› Identification of synergies across Group wide resources › Each market area reviewed and separate mitigation plans put in place. Ring fenced resources established › Detailed project plans developed and business cases approved › Proactive monitoring of service levels and error rates › Hosting environment and processes regularly reviewed › Disaster recovery plans in place › Next Generation ProScript in course of development › Review of development processes
Recruitment and retention	The Group needs to recruit and retain the right people with the right skills to ensure timely delivery.	› Recruitment of budgeted resource › Senior management strengthened › Outsourcing used where appropriate › Succession plans reviewed

Chief Executive's statement

Transforming healthcare.

Chris Spencer
Chief Executive Officer

"We facilitate integrated care across the whole "healthcare economy": primary, community, child and mental health, community pharmacy, secondary and specialist care."

EMIS Group has had an exceptionally productive year with the accelerated roll-out of EMIS Web for GPs, the acquisitions and integration of Digital Healthcare and Ascribe (delivering a strategic platform for integrated care), strong organic revenue growth and a high level of profitability maintained.

As the Group moves towards the effective completion of the roll-out of EMIS Web to GPs in England it sees substantial medium and long term growth opportunities especially related to health record sharing across the Group's own product suite and with third party products. The Medical Interoperability Gateway ("MIG"), from the Group's joint venture Healthcare Gateway Limited ("HGL"), now gives access to virtually all UK primary care and community health records. The Health Application Platform ("HAP") from Ascribe gives access to EMIS Group and third party health records in secondary care. The MIG and the HAP, coupled with other products and tools, like the Group's Medicine Manager for community pharmacy, increasingly facilitate integrated care across the whole "healthcare economy": primary, community, child and mental health ("CCMH"), community pharmacy, secondary and specialist care.

Health Minister, Jeremy Hunt, speaking at Cambridge Health Network on 5 February 2014 described certain things as "absolute givens": that the NHS will become totally dependent on personal and population level electronic health records and that patients will take charge of their own "health destinies". EMIS Group is closely aligned in facilitating those trends in healthcare: first, as custodian of not only the cradle-to-grave GP record but also of millions of the more episodic records created in CCMH, community pharmacy, secondary and other settings; second through Patient Access, the Group's patient transactional service made available through patient.co.uk which is already used by millions of patients and clinicians every month.

Operational Review

The Group, through its subsidiaries EMIS, Rx Systems, Digital Healthcare and Ascribe, is a major provider of healthcare software, information technology and related services in the UK. The Group is unique in holding a strong market position in every major area of UK healthcare IT.

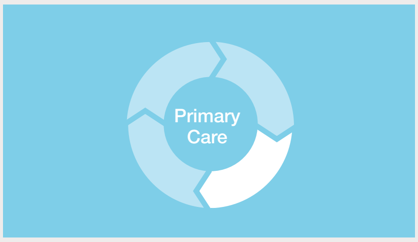
Primary & Community Care

Primary Care

EMIS remains the clear UK GP software market leader and grew its market share during 2013 to 53.0% (5,232 GP practices) (2012: 51.2% (5,113 GP practices)). The primary care user base remains loyal and 76% of EMIS's English GP practices have used an EMIS system for over 10 years. This growth and loyalty is in the face of practice consolidation, competitor activity, the alternative single system choices of a small number of clinical commissioning groups (CCGs) and the risk of churn created by the estate-wide migration from older EMIS products to EMIS Web for GPs (the Group's transformational healthcare IT system).

Primary Care and Commissioning

Improving Group practice performance with EMIS Web



Yvonne Waddingham, practice manager at the Pelham Medical Group reports improved practice performance since moving to EMIS Web. "EMIS Web is essential to us in bringing all the information and work processes together so that we can develop and improve services. We certainly expect to make economies of scale, improve clinical governance and streamline care as we share templates and protocols among all of the staff."

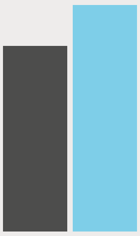
"Our new patients will be able to book appointments and order repeat prescriptions online as well as viewing their medical records, via Patient Access. All of these online services are very popular with our existing patients."

Yvonne also likes EMIS Web's search and reports, which help her to run large-scale data reports with just a few clicks of the mouse. "There's no comparison with the previous IT system. It was difficult to access data and the GPs found the system rather cluttered. EMIS Web is intuitive and easy to use. All of the information that you need flows to you."

Chief Executive’s statement continued

Total revenue

£105.5m



+22%

2012	£86.3m
2011	£73.2m
2010	£62.4m

Operational Review continued

Primary & Community Care continued

Primary Care continued

Renegotiation of the expanded English GP Systems of Choice (GPSoC) Framework continues with intended conclusion of Lot 1 by 31 March 2014. Until then, the previous framework has been deemed to remain in place to secure vital continuity of service. Discussions have begun regarding GPSoC Lots 2 and 3 and the renewal of the GP system framework for Northern Ireland.

Following the phased withdrawal of CSC’s iSoft product from the UK primary care market, 269 former iSoft practices migrated to EMIS in England during the year. The Group ultimately expects to win around three-quarters of the former iSoft English estate and approximately two-thirds of the total iSoft estate of 492 practices. A number of the iSoft sites are in Wales where NHS Wales began rolling out a centrally hosted IT service to its GPs with EMIS Web customer acceptance testing being concluded in March 2013 and the first EMIS Web practice going live in June.

EMIS Web GP

Throughout the year, the primary care division maintained the roll-out to GP practices of EMIS Web. At the end of 2013 there were 3,327 live EMIS Web practices in England and Wales (representing 74% of EMIS’s total GP estate in those countries and an increase of 1,692 practices during the year). The remaining 1,196 practices have all either placed an order or are in the EMIS Web familiarisation service.

EMIS Web mobile was completed, tested and released in early 2013 enabling GPs, and others in CCMH and other integrated care settings, to access the core elements of EMIS Web on a tablet device when working away from their clinical base.

EMIS Web Community Child and Mental Health

EMIS has a growing presence in CCMH where the procurements are led by CCGs. An experienced Director of CCMH joined the Group in June 2013, further strengthening and focussing the CCMH team following additional investment in development, product, support and sales specialists. CCMH and integrated care functionality relating to cross-organisational tasks was released in May 2013 and cross-organisational appointments were released in July. EMIS Web is now used in at least 205 clinical settings beyond primary care.

In Camden, the North London CCG is using data-sharing to help clinicians integrate care across primary, community, secondary and specialist care. Subject to patient consent at the point of care, clinicians have a secure view of vital medical information held in GP records, using EMIS Web in key clinical areas including community: diabetes, chronic kidney disease, geriatrics, heart failure, chronic obstructive pulmonary disease and memory service. Using EMIS Web’s search and reports facility,

Community Pharmacy

Pioneering integration between pharmacies and GPs

“We can now see the full list of the patient’s repeat medication that is held on the GP system, which makes it easier for us to respond to patient requests.” Jignesh Patel, Pharmacist, Rohpharm pharmacy in Plaistow, East London.

Technology is key to integrating repeat prescribing between GP surgeries and community pharmacies. A pilot project in East London is delivering promising results to enable direct electronic communication between EMIS’ GP software and Rx Systems’ ProScript system - rather than via the Spine.

The results of the pilot are encouraging - including clearer communication, more informed patient care and even reduced drugs wastage.

There is huge potential for further integration between GP and pharmacy systems. For example, giving pharmacists access to elements of the patient’s GP record - with consent - would enable the profession to play its fullest possible role in patient care, giving Clinical Commissioning Groups (CCGs) new options for creating efficient patient pathways.

Total dividend for the year

16.0p

+13%

2012	14.2p
2011	12.4p
2010	11.2p

Community, child and mental health care

Bringing community care into the 21st century

A community rehabilitation team in Cheshire is providing more coordinated care to vulnerable elderly patients. The team at the Cheshire and Wirral Partnership NHS Foundation Trust provide vital care to ensure that approximately 750 patients – mostly frail, elderly people aged over 65, who have suffered strokes or falls – remain independent in their own homes and avoid admission to hospital.

"I would highly recommend EMIS Web. It has totally changed the way we work – we are in the 21st Century now," said administration manager Mandi Harvey. "For the first time, all the information about patients' care is there in front of us."

The team used paper patient records before switching to EMIS Web. "Caseload management is much improved. We can now very easily see who is providing what for patients, and that means their care is much better coordinated and effective," said Kate Sharp, community rehabilitation team leader.

clinicians treating 1,407 patients in the diabetes service reduced the did not attend rate from 26 per cent in 2012 to 10 per cent in 2013. It is also helping them to triage care more effectively.

In London, in April EMIS signed the T30 framework to supply clinical information systems to 30 community and mental health trusts in London and the south. In Glasgow, EMIS implemented the first phase of a contract to share information on 240,000 children across a range of community services. As the second half of the year progressed, bid activity increased markedly and the Group secured new CCMH contracts for EMIS Web in:

- Bromley, replacing a Servelec RiO system, providing all community services to 350,000 local adults and children. The system will deliver a common patient record, shared with local GPs, and central functions such as appointment booking. Productivity is already up by 20 per cent along with improved clinical outcomes. For example, leg ulcer healing rates are down from 21 weeks to five;
- East London Urgent Care Centre, helping prevent unnecessary admissions to Newham Hospital A&E department, caring for over 70,000 patients a year. After only using EMIS Web for two months, the centre surpassed a target to refer no more than a quarter of patients to A&E by using two-way patient record sharing with local GPs.

Unprecedented tender activity continued throughout the second half and into 2014.

Patient.co.uk

Patient.co.uk, the Group's website that helps patients play a key part in their own care through access to clinically reviewed health and well-being information and the gateway for transactional healthcare services, saw a rapid growth in patient and clinical visitors during the period. In January 2013, the site had 5 million unique visitors and 11 million page impressions; by December, following further enhancements to the content and functionality of the site, this had risen to 11 million unique visitors and 21 million page impressions. The division also developed and released patient-focused apps including the UK's first Patient Access App launched on 13 March 2013 at the NHS Innovation Expo.

Community Pharmacy

Rx Systems provides healthcare IT, software, and services to 35.3% (2012: 34.8%) of UK high street pharmacies. ProScript, the Group's community pharmacy software, is the single most widely used dispensary management system in the UK. To complement and expand ProScript into pharmacy retail systems, Multepos Computer Systems Limited was acquired on 14 January 2013 for a net cash consideration of £0.7 million financed from the Group's existing cash resources. Multepos was quickly integrated within the first half of the year.

Rx Systems also had a successful year organically: growing its user base; creating, piloting and preparing for the formal launch of Medicine Manager, new functionality facilitating information flow between GP practices and community pharmacies, with pilot sites starting to go live in April 2013; and drawing up detailed plans for the development of its next generation integrated community pharmacy software.

Secondary & Specialist Care

On 5 August 2013, the Group acquired Digital Healthcare for a net cash consideration of £3.1m. Digital Healthcare is a leading provider of diabetic eye screening and other ophthalmology-related solutions. In England it has a market share of 80% and it also has a well-established international presence. As well as a strong position in a profitable specialist niche market, adjacent to EMIS Group's presence in primary care, CCMH, community pharmacy, secondary and specialist systems, Digital Healthcare also provides opportunities for hosting and delivering fully managed ophthalmology-related services.

Chief Executive's statement continued

Operational Review continued

Secondary & Specialist Care continued

On 16 September 2013, the Group acquired Ascribe for an initial enterprise value of £57.5m (with an associated placing of 4.4m new shares raising £26.3m net of expenses) and further cash payments contingent on performance of up to £3.0m. Ascribe is a well-established UK based healthcare software and IT services provider, principally focused on Hospital Pharmacy, A&E, Mental Health and Patient Administration Systems (PAS)/Electronic Patient Records (EPR), with a high level of penetration into NHS secondary care organisations. 70% of the UK NHS Acute Trusts and Boards use at least one Ascribe solution. Ascribe's suite of solutions and its HAP facilitate significant cross-selling opportunities and growth through interoperability and/or integration with EMIS Group's primary, CCMH, community pharmacy and specialist solutions. Ascribe also has international reach with 18% of its recurring revenue derived from Australasia.

The organisational and product integrations of both Digital Healthcare and Ascribe are progressing well. Since acquisition, Ascribe has secured several significant contracts to supply clinical IT solutions to major NHS hospital trusts, including Doncaster and Bassetlaw and South Devon. Digital Healthcare is also progressing well as the first supplier to widely roll-out upgraded diabetic eye screening software to deliver the new Common Pathway required by Public Health England as well as over 50 enhancements requested by clinicians. Both businesses operate similar business models to EMIS, with a high proportion of recurring revenues.

As stated at the time of their respective acquisitions, both businesses are expected to enhance earnings in the first full year of ownership in 2014. Specifically, the acquisition of Ascribe is expected to deliver £0.5m savings from synergies this year, with further potential future efficiencies and economies of scale.

Summary and Outlook

EMIS Group continues to trade in line with the Board's expectations, with continuing strong revenue visibility and improved profit performance in the second half of 2013 continuing into 2014, principally due to the ongoing growth in the EMIS Web GP estate. This momentum and the benefits of last year's acquisitions provide confidence that further progress will be achieved in the current year.

Secondary & Specialist Care

Introducing a fully integrated pharmacy solution

Secondary Care

The go-live of Ascribe's ePrescribing and Medicines Administration at East Lancashire Hospitals NHS Trust marks the final stage in the Trust's strategic partnership to implement a fully integrated Pharmacy solution. With Ascribe Web Pharmacy and eMedicines Management already in place, the move to ePrescribing is enabling a single workflow of information from the prescriber to the dispensary staff, using a single patient record, which eliminates the need to transcribe routine medications, and provides decision support to clinicians.

Neil Fletcher, Chief Pharmacist said: "Ascribe has helped us gain trust-wide engagement, as electronic prescribing is not just for the pharmacy department. The ePMA solution will deliver benefits including integrating with trust-wide systems, cost savings from drug spend, reduce time spent in the dispensary for more time at patient bedside, reduce errors of handwritten notes, and help to achieve a paperless status - all of which will ultimately help us deliver better patient care."

First for national diabetic eye screening programme

Specialist Care

Leading innovation across the sector, Digital Healthcare was the first to widely roll-out software to help clinicians to comply with new protocols for managing the early identification and treatment of patients at risk of sight-threatening diabetic retinopathy.

Dr John Hosker, Consultant Physician for Diabetes at Doncaster & Bassetlaw Hospitals' NHS Foundation Trust, is one of the first clinicians to adopt the new software to comply with the common pathway.

"We have been pleased to be early adopters of the OptoMize V4 software to support our local implementation of the new national common pathway for diabetes eye screening."

The common pathway reduces unnecessary referrals to hospital eye clinics – improving patient care and saving money. More patients remain within the eye screening environment so that clinicians can address the background risk factors - the root cause of diabetic eye disease. This is helping to prevent loss of sight among the 19,000 people with diabetes in our local Doncaster community.

A successful outcome to the GPSoC framework renegotiation and completing the roll-out of EMIS Web GP in England through 2014, remain two of the key objectives for the primary care division. Other high priority objectives for the Group include capitalising on the post National Programme re-letting of contracts in the CCMH and secondary markets, continuing to focus on the integration of Ascribe and Digital Healthcare with the Group (both at an organisational and product level) and optimising development delivery and other operational efficiencies. Meeting these objectives will deliver strong and sustainable growth during 2014 and beyond.

As financial and demographic factors continue to impact on the NHS, EMIS Group confidently expects to remain at the heart of healthcare IT while taking further and significant steps towards its strategic vision of integrated healthcare systems joining primary, community, secondary and specialist care.

Chris Spencer
Chief Executive Officer
19 March 2014

Financial review

Delivering strong organic growth in revenue and operating profit, complemented by positive contributions from the acquisitions made in the period.

Peter Southby
Chief Financial Officer

"Both acquisitions have performed well in their early months as part of the Group, with momentum building into the new financial year."

In the year ended 31 December 2013 the Group again delivered strong organic growth in revenue and operating profit, complemented by positive contributions from the acquisitions made in the period.

Adjusted operating profit for the year as set out in the table on page 18 was £26.1m (2012: £22.8m) while operating profit was £24.9m (2012: £24.1m).

Revenue

Group revenue from continuing operations increased by 22% to £105.5m (2012: £86.3m), including revenue from acquisitions during the year of £9.0m.

The 12% organic growth in the year was driven by a strong performance in the Primary and Community Care business due to the roll-out of the EMIS Web product, with the size of the estate doubling during the course of the year.

Performance in the Community Pharmacy business benefited from continued gains in the estate and from the cross-selling of additional services, including Electronic Point-of-Sale systems delivered by the Multepos acquisition completed in January 2013. The comparative figures for this segment include £1.6m one-off revenue associated with the roll-out of Electronic Prescription Service (EPOS) which has effectively been replaced by new, recurring revenues in 2013.

Secondary and Specialist Care reflects the post-acquisition results of the Digital Healthcare and Ascribe businesses from August and September respectively. Both acquisitions have performed well in their early months as part of the Group, with momentum building into the new financial year.

Revenue mix

Group recurring revenue, principally licensing, maintenance & software support, hosting and other support services was £81.4m (2012: £69.4m). This represented 77% of total revenue and provides a strong platform for the business to continue to invest with confidence in developing future products and services.

Key drivers of revenue growth within the Group included the following:

- hosting, which increased to £14.3m (2012: £9.0m), as a result of the further market penetration of the EMIS Web product;
- training, consultancy and implementation, which increased to £12.1m (2012: £6.5m), with EMIS Web roll-out related revenue in Primary Care complemented by new revenues in the Secondary sector;
- maintenance & software support, driven by incremental revenues from the acquisitions completed in the year to £17.7m (2012: £13.4m);
- licences, which increased to £40.0m (2012: £38.2m), due principally to growth in the Primary Care and Community Pharmacy estates;
- an increase in hardware revenues to £6.9m (2012: £5.2m), with growth in the provision of hardware by Egton to the Group's customers; and
- other support services, where the reduction in EPS roll-out revenue was offset by growth in EPS support and new revenues from the acquisitions, resulting in total revenues of £14.5m (2012: £14.1m).

Financial review continued

Selected financial extracts (rounded)	2013 Primary & Community Care £m	2013 Community Pharmacy £m	2013 Secondary & Specialist Care £m	2013 Total £m	2012 Primary & Community Care £m	2012 Community Pharmacy £m	2012 Total £m
Revenue	80.0	17.0	8.5	105.5	69.8	16.5	86.3
Segmental operating profit	23.6	3.0	0.3	26.9	22.5	3.0	25.5
Development costs capitalised	(5.3)	–	(0.8)	(6.1)	(5.3)	–	(5.3)
Amortisation of intangibles[1]	3.9	0.9	1.3	6.1	2.7	0.8	3.5
Adjusted segmental operating profit	22.2	3.9	0.8	26.9	19.9	3.8	23.7
Group expenses				(0.8)			(0.9)
Adjusted operating profit[2]				26.1			22.8

	2013 Pence	2012 Pence
EPS – reported	32.6	32.5
EPS – adjusted	34.0	30.8

1. Includes amortisation of development costs and acquired intangibles.

2. Adjusted to exclude exceptional transaction costs of £1.1m (2012: £0.4m).

Profitability

Adjusted operating profit increased by 14% to £26.1m (2012: £22.8m), including £0.9m from acquisitions in the year. The Primary and Community Care business was the key driver behind the 10% organic growth in the year, principally due to the continued successful roll-out of the hosted EMIS Web GP product.

As expected, staff costs continued to rise with average staff numbers (excluding acquisitions) increasing to 1,239 (2012: 1,116). This was a result of the recruitment undertaken in 2012. By contrast, in 2013, headcount (excluding acquisitions) remained broadly unchanged. Including acquired businesses, the Group employed 1,574 staff at the year-end (2012: 1,236).

Adjusted operating profit included the benefit of £0.3m (2012: £nil) of Research & Development tax credits under the "Above The Line" arrangements in effect from 1 April 2013. In previous periods tax credits in this area have been recognised as a component of the income tax charge.

After accounting for the capitalisation and amortisation of development costs, the amortisation of acquired intangibles and exceptional transaction costs of £1.1m, operating profit was £24.9m (2012: £24.1m), an increase of 3%.

Taxation

The tax charge for the year of £4.7m is after taking into account a reduction in the provision for deferred tax of £1.0m arising from a lowering of the future rate of corporation tax from 23% to 20%.

Earnings per share ("EPS")

Adjusted basic and diluted EPS increased by 11% to 34.0p (2012: 30.8p and 30.7p respectively). The statutory basic and diluted EPS from continuing operations were both 32.6p (2012: 32.5p).

Dividend

Subject to shareholder approval at the Annual General Meeting on 30 April 2014, the Board proposes an increase in the final dividend to 8.0p (2012: 7.1p) per ordinary share payable on 2 May 2014 to shareholders on the register at the close of business on 11 April 2014. This would make a total dividend of 16.0p (2012: 14.2p) per ordinary share for 2013, 13% higher than prior year, reflecting the Board's commitment to increasing the dividend and its confidence in the Group's future prospects.

Cash flow

The principal movements in net debt were as follows:

	2013 £m	2012 £m
Cash from operations:		
Cash generated from operations	**38.7**	32.7
Less: internal development costs capitalised	**(6.1)**	(5.3)
Net cash generated from operations	**32.6**	27.4
Business combinations	**(57.5)**	(0.8)
Placing proceeds	**26.3**	–
Net capital expenditure	**(8.7)**	(12.8)
Transactions in own shares	**0.6**	(1.8)
Tax	**(5.1)**	(4.6)
Dividends	**(9.1)**	(7.7)
Other	**(0.3)**	–
	(53.8)	(27.7)
Change in net debt in the year	**(21.2)**	(0.3)
Net (debt)/cash at end of year	**(13.5)**	7.7

Cash flow

Net cash generated from operations was 19% higher than the previous year at £32.6m (2012: £27.4m) reflecting a stronger working capital performance and growth in the business. The Group typically has a seasonal cash flow profile, with stronger inflows in the first half reflecting the timing of annual licence renewals.

The Group completed three acquisitions in the year (Multepos, Digital Healthcare and Ascribe) for net cash consideration of £57.5m. The Ascribe acquisition was part funded by a placing of 4.4m shares in September 2013 at £6.15 per share which raised a net £26.3m after expenses.

Net capital expenditure reduced to £8.7m (2012: £12.8m), comprised primarily of investment in hosting assets, computer equipment and additional freehold premises in central Leeds for warehousing, engineering services and hosting.

The Group's Employee Benefit Trust received £0.6m (2012: net expenditure of £1.8m) for shares transferred in connection with the Group's share schemes. After tax and dividends, the total net cash outflow of £21.2m resulted in a year-end net debt of £13.5m (2012: net cash of £7.7m), comprised of cash of £4.2m and bank debt of £17.7m. At 31 December 2013, the Group had available bank debt facilities of £33.0m, including a £16.0m Revolving Credit Facility committed until 2017 of which £15.0m was undrawn.

Peter Southby
Chief Financial Officer
19 March 2014

Corporate social responsibility

Linking people, partners and communities.

Highlights

- Introduction of a Company pension
- Over 1,100 online health and safety training sessions completed
- Work commenced on reduction of carbon footprint

Building on our corporate social responsibility (CSR) framework, we continue to be committed to a comprehensive CSR policy, covering the key areas of:

Employees | Community | Environment | Health and Safety | Ethical business practices

Employees

Training

All employees are encouraged to take part in training sessions to aid their personal development. Throughout 2013, our leadership essentials programme continued with a further 52 managers from across the Group taking part in the scheme. The core skills taught as part of the course are helping to increase communication, performance management and encourage coaching and feedback between employees. A further 44 employees are expected to take part in the programme during 2014.

Management training courses were also run for 71 managers and team leaders throughout the period covering social media, disciplinary, grievance and appeal hearings policies and procedures. In addition to in-house training, employees are encouraged to undertake external technical and project management courses where appropriate.

Our apprenticeship scheme encourages learning in the working environment while continuing with relevant qualifications. We currently have six apprentices working alongside experienced staff to gain a wide range of skills.

Share incentive scheme

During 2013 we again offered free shares to all qualifying employees. 805 employees took up the offer while the Share Incentive Plan continues to be offered to all employees with over 12 months' service.

Pension scheme

With effect from 1 January 2014, all eligible jobholders within EMIS were automatically enrolled into our pension scheme. A total of 1,023 employees were enrolled in the first month with the contribution rates offered higher than the minimum requirements. Employees have the opportunity to increase their contributions from entry into the scheme and the Company will automatically increase minimum contribution rates each year to ensure all legislative requirements are met.

All EMIS employees were invited to attend pension presentations to help increase awareness and knowledge of the Government's auto-enrolment legislation and to aid employees' understanding of what the pension changes would mean to them. A communications programme and pensions portal was also rolled out. Work has commenced on auto-enrolment across the rest of the Group.

Staff benefits

We offer discounted gym membership, travel cards and a range of other benefits and we continue to be committed to offering employees flexible working hours in a comfortable working environment. In 2014 we plan to increase our benefits package with the introduction of a cycle to work scheme, the buying and selling of holiday and shopping vouchers.

Community

We encourage our staff to engage in a number of activities to raise money for local and national charities. We continue to support a wide range of charities, the majority suggested by staff themselves.

Some of the activities we took part in throughout the period were:

- the Leeds 10k Corporate Challenge raising money for Diabetes UK;
- the Charity Red Nose Day dressing in 80's costumes;

- the Yorkshire 10k in aid of Cystic Fibrosis and we also provided water for all the competitors; and
- sponsoring a local community fun day and a local football club.

We continue to work successfully with Business in the Community (BITC), participating in their Give and Gain day – the UK's only national day of employee volunteering. This year the project involved working at an activity farm, regenerating the paths and garden. BITC also invited us to take part in Dragon's Den, where A-level business students from a local school built a fictional company and attempted to sell it to the dragons.

We have developed a relationship with Young Enterprise, providing support for a project which involves students running their own fictional company for a year. Some of our senior managers presented ideas to students on how they could improve their selling techniques, choose and research products and provided an insight into how businesses are started and run.

We will continue our work with BITC to extend our involvement in the community. We are now working with a local primary school, joining the Right to Read programme and are supporting the school for the 2014 Give and Gain Day.

Environment

We continued our commitment to the minimisation of waste and reduction of energy consumption.

We have registered for ISO 14001 Environmental Management and this standard will be applied across the Group. Final accreditation is expected in late 2014. We continue to work wherever possible with partners and service providers who are also ISO 14001 accredited and have been placed in the BITC environmental index for the region as a significant improver over performance in 2012.

Waste recycling continues to be a priority, with 9,182kg of cardboard being disposed of in 2013 in an environmentally responsible fashion. Recycling paper waste saved the equivalent of 185 trees. We also disposed of 12.94 tonnes of IT waste, all of which was recycled by our service providers who are ISO14001 accredited.

We continue to promote a purchasing policy that gives preference to those products and services which cause minimal harm to the environment. When conducting supplier reviews, we ensure all suppliers adhere, where possible, to recommended environmental policy regulations.

Carbon reduction

We take our impact on the environment seriously. To minimise our carbon emissions we have started to measure our carbon footprint, enabling us to put processes in place to reduce our impact on the environment across the Group.

To support our work to reduce carbon emissions, we continue to choose eco-friendly fleet cars. Working with our fleet service adviser, our average CO_2 emissions rate has been measured at 119g/km. This is defined as low compared to the target of 130g/km by 2015 set by the European Commission, which we have therefore already achieved in 2013.

We continued to work with the West Yorkshire Travel Plan Network, helping to minimise our contribution to business travel throughout the local area. This partnership will continue throughout 2014, supported by the introduction of a cycle2work scheme.

Health and safety

Training

We are committed to the promotion of a positive safety culture and have well established systems and policies in place to support this. Mandatory health and safety training was provided to all employees, starting on the induction course and then targeted as appropriate. Over 1,100 online training courses were completed by employees throughout the year.

Fleet

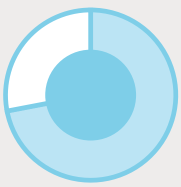
Working with our insurers, we have reduced the number of minor fleet accidents during the year and all Company vehicle users now undertake online training.

Ethical business practices

Our policies detail the standards expected throughout the Group, including free and fair competition, the prohibition of bribery, honest and fair dealing with suppliers, and ensuring that the welfare of workers and employment conditions within the supply chain meet or exceed internationally recognised standards.

We have a statement of ethics and whistleblowing policy in place to ensure ethical business practice across the Group, with all employees completing a training session on the Bribery Act as part of their induction programme.

Employee diversity



- Male 72%
- Female 28%

Board of Directors

Extensive experience across the healthcare industry.

Mike O'Leary (age 61) A, R, N(c)
Non-executive Chairman

Mike was appointed to the Board of EMIS in March 2011. He has twenty years of main board experience in a public company environment, including both FTSE100 and FTSE250. He has broad experience of running global operations, and a strong background in the IT industry as well as intimate association with the UK and international healthcare sectors. Mike is currently a non-executive director of Headlam Group plc. He was formerly Chairman of Digital Healthcare Limited. He was also formerly Chief Executive of Marlborough Stirling plc, Chief Executive of Huon Corporation and an executive director of Misys plc. At Misys, amongst other things, Mike ran the group's US healthcare division in North Carolina which supplied software and services to over 70,000 primary care physicians in North America. He was also responsible for their UK based healthcare business which sold PAS and pathology departmental systems.

Chris Spencer (age 57)
Chief Executive Officer

Chris joined EMIS in 1999 and, until 2013, was EMIS's Chief Administrative Officer including roles as Group Counsel and Company Secretary. He has been a member of EMIS's senior management strategy forum since 1999.

Immediately prior to joining EMIS, he was a General Manager and Head of IT for Markgraaf Patents Limited. A qualified solicitor, Chris was also, in 1985, a founder shareholder and director of Solicitec Limited, a software house which was acquired by Lexis Nexis in 2006.

He is an Associate of the Chartered Institute of Patent Agents, a member of the Law Society of England & Wales, a member of the Society for Computers & Law and a Fellow of the Chartered Management Institute.

Peter Southby (age 40)
Chief Financial Officer

Peter joined EMIS in October 2012 and has nearly 20 years of experience in finance, most recently as Finance Director of ENER-G plc and, before that, with Augean plc. At Augean, he was part of the executive team that led a number of corporate transactions including fundraising and acquisitions. Peter has built relationships and offered strategic advice across multiple industry sectors with a particular focus on support services.

Before Augean, Peter held senior financial positions at White Young Green plc and at Leeds United plc. He started his career with Arthur Andersen whilst studying at Oxford University, where he obtained a first class degree. Peter is a Fellow of the Institute of Chartered Accountants in England and Wales.

> The Board is confident it has the right strategy and structure, people and skills to deliver its mission.

Andy McKeon (age 58) A, R(c), N
Non-executive Director

Andy joined EMIS on 4 February 2013. Andy joined the Audit Commission in September 2003 as a Managing Director with responsibility for all the Commission's work on Health.

Prior to joining the Audit Commission, Andy was a Departmental Board member at the Department of Health. As Director General of Policy and Planning he had oversight of the Department's agenda for the reform and improvement of health and social care.

He is also Interim Chief Executive of the Nuffield Trust, a Non-Executive Director at the National Institute of Health and Clinical Excellence and an Adjunct Professor in the Centre for Health Policy at Imperial College London.

Andy is a graduate of Cambridge University.

Sean Riddell (age 49)
Non-executive Director

Sean has 20 years' experience of IT within the healthcare sector, all gained with the Group. Sean joined EMIS in 1989 and he has had significant involvement in the Group's pioneering initiatives, such as enabling GP appointments to be booked via the internet or mobile phone, the secure viewing of a patient's medical records over the internet and the growth of www.patient.co.uk.

Sean was initially appointed to the EMIS Board in 1999 and became Managing Director of EMIS in September 2006. He was appointed Managing Director of EMIS Group upon its incorporation in April 2008 and served as Chief Executive Officer from floatation until March 2013. With effect from 21 March 2013 Sean became a Non-executive Director.

Sean worked for Provident Financial Group as a Business Information Analyst prior to joining EMIS and has a degree in Psychology.

Robin Taylor (age 62) A(c), R, N
Non-executive Director

Robin joined EMIS Group as Senior independent Non-executive Director and Chair of the Audit Committee on 1 March 2010 as part of the preparations for flotation, bringing many years' experience as a plc director. Robin is currently an independent Non-executive Director of Fusionex International plc and Phoenix IT Group plc. He was formerly Chief Financial Officer of main market publicly listed companies Intec Telecom Systems plc ("Intec"), ITNET PLC and JBA Holdings plc. Prior to that, Robin held a variety of financial and general management roles in both Europe and North America.

Robin is a member of the Institute of Chartered Accountants of Scotland.

Senior management

Group Strategic Board:

Back left to right: Dr Shaun O'Hanlon – Chief Medical Officer; Phil Webb – Chief Technology Officer; Ian Taylor – Managing Director, Community Pharmacy; Peter Southby – Chief Financial Officer; Matt Murphy – Managing Director, Primary Care (including CCMH and Online).
Front left to right: Stephen Critchlow – Executive Chairman, Secondary Care; Steve Butcher – Group Marketing Director; Chris Spencer – Chief Executive Officer.

Group Commercial Board:

Back left to right: Stephen Wilcock – Managing Director, Engineering and Hardware; Stephen Critchlow; Ben Foster – Director Online; Steve Butcher; Matt Murphy.
Front left to right: Kevin McDonnell – Managing Director, Ophthalmology; Chris Spencer; Martin Bell – Director CCMH; Ian Taylor.

Corporate governance

EMIS Group plc ("the Company" or "the parent company") and its subsidiaries (together "the Group") are committed to high standards of corporate governance and the Board acknowledges the importance of the principles set out in the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 and in September 2012 ("the Code").

Although the Code is not mandatory for companies admitted to AIM, the Company continues to establish a framework by adopting and implementing policies and procedures designed to comply with the Code as far as reasonably practicable and appropriate for a company of this size and complexity. The report below sets out how the principles in the Code have been applied during the year under review.

Board composition

At the start of the year the Board of EMIS Group ("the Board") consisted of Michael (Mike) O'Leary, Non-executive Chairman; Sean Riddell, Chief Executive; Peter Southby, Chief Financial Officer; Phillip Woodrow, Executive Director; Dr David Stables, Director of Development Strategy; and Robin Taylor, Senior Non-executive Director, whom the Board considers to be independent as defined in the Code.

Phillip Woodrow stepped down as Finance Director and Peter Southby was appointed as Chief Financial Officer on 1 October 2012. Phillip Woodrow continued as an Executive Director to allow for a suitable handover period and then retired from the Board on 11 January 2013.

Sean Riddell resigned as Chief Executive on 4 February 2013 and became Joint Chief Executive. On 21 March 2013 he became a Non-executive Director. He was not considered independent on appointment but the Board was of the view that his continuing involvement allowed for a smooth transition and the retention of his extensive sector knowledge.

Christopher (Chris) Spencer became Joint Chief Executive on 4 February 2013 and became Chief Executive on an interim basis on 21 March 2013. Chris Spencer was appointed permanent Chief Executive on 3 July 2013.

Andy McKeon was appointed as a Non-executive Director on 4 February 2013. On appointment he met the Code requirements for independence. Appointments of Non-executive Directors are for specific terms and subject to statutory provisions relating to the removal of a Director.

David Stables retired from his role as Director of Development Strategy on 20 September 2013.

Following review during the year the Board considers the current balance of skills and experience to be appropriate for the business.

All Directors are subject to election or re-election by the shareholders at each annual general meeting. The Nomination Committee considers that the individuals subject for election or re-election continue to be effective and demonstrate commitment to the role.

The Role of the Board

The Board is responsible to shareholders for the overall strategy and direction of the Group. It has a schedule of matters reserved to it including, but not limited to;

- Strategy and long-term objectives;
- Financial statements and accounting policies and practices;
- Capital structure;
- Internal controls and risk management;
- Acquisitions and disposals;
- Major capital expenditure;
- Legal and insurance issues;
- Board structure and the appointment of advisers.

In some areas responsibility is delegated to Committees of the Board within clearly defined terms of reference. The terms of reference for the Board can be found at www.emis-online.com/investors.

The Board undertakes a formal strategic review once a year.

The Chairman is responsible for the leadership and effectiveness of the Board. The process for the appointment of new Directors is rigorous and transparent and further information is contained in the report of the Nomination Committee. On his appointment, Mike O'Leary met the Code requirements for independence. The Chairman is responsible for setting the Board agenda and ensuring adequate time is available for discussion of each item. The Chairman promotes open debate which allows constructive challenge where appropriate. The Chairman also ensured that a dialogue was maintained with major shareholders on governance matters.

There have been no changes to his other significant commitments during the year which have any impact on his ability to perform his duties for the Company.

The roles of the Chairman and Chief Executive are separate and defined in writing. This provides a clear division of responsibilities between the running of the Board and the Executive responsibility of running the business. No Executive Director holds any Non-executive role in a FTSE 100 company nor the chairmanship of such a company.

Once the strategic and financial objectives of the Company have been set by the Board it is the role of the Chief Executive to ensure that, through the day-to-day management of the Group's business, they are achieved within defined authority limits. The Chief Executive was the main contact with the shareholders and major customers during the period under review.

Comprehensive Board packs are provided which are distributed in sufficient time to enable their review and consideration in advance of the meeting. Management accounts are distributed on a monthly basis and the risk register is reviewed at each meeting. When appropriate, a key senior manager is invited to attend and present an update on their area of the business. Board meetings are also held at the operating companies. As a key part of their role the Non-executive Directors constructively challenge the Executive team and also play a key role in developing proposals on strategy. This allows the Board to develop a broad understanding of the business.

Corporate governance continued

The Role of the Board continued

The Senior Non-executive Director is available for shareholders to consult and the Chairman and Senior Non-executive Director met without the Executives during the year. The Non-executive Directors meet without the Chairman as deemed appropriate on other occasions.

Additional information that demonstrates the skills, experience and knowledge of the Directors is shown in the biographies of the Directors on pages 22 and 23.

The Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are complied with. The Directors all have access to the Group's key advisers. There is a procedure for the Directors to take independent professional advice at the Company's expense, if required in the performance of their duties, and appropriate insurance cover is in place in respect of legal action against the Directors. The Company has adopted a share dealing code for Directors and senior employees.

The number of Board and Committee meetings attended by each of the Directors during the year are shown on page 27.

Board effectiveness

The Board has extensive operational experience and Chris Spencer, Sean Riddell and Mike O'Leary have detailed knowledge of the healthcare IT sector. The knowledge of the healthcare sector was further strengthened with the appointment of Andy McKeon on 4 February 2013.

An internal assessment of the performance of the Board and its individual Directors was conducted by the Chairman through individual meetings.

He considered Board membership, processes for setting the strategy of the Company, monitoring business performance, corporate governance and the effectiveness of the Executive Directors, Non-executive Directors and the Board's Committees. The process also gave consideration to environmental, social and governance issues as appropriate. The training needs of all Directors were considered as part of this process.

During the first quarter of 2014 KPMG conducted an external evaluation of the Board. This considered Board leadership, decision making and Board relationships. The Board will consider the outputs and implement recommendations as appropriate.

When considering Board membership, factors including the balance of skills, experience, knowledge of the Company and its diversity, including gender, were taken into account.

New Directors receive a comprehensive pack of information, attend a tailored induction programme and meet senior managers. All Directors are encouraged to attend other relevant training courses and events.

Board Committees

The Board has three formally established Committees, with clearly defined written terms which are reviewed annually by the Board. Membership is as shown in the table on page 27. The terms of reference of the Committees are available on the Company's website. The role and work of the Committees is outlined in the individual reports of the Committees set out on pages 28 to 31.

Audit Committee

Robin Taylor was Chairman of the Audit Committee for the period under review. The Committee is responsible for overseeing the external financial reporting obligations and associated announcements, considering risk management, internal controls procedures and the work of the external auditor. The Committee met three times during the year. Full details of the work of the Committee is set out in the Audit Committee report on pages 28 and 29.

Remuneration Committee

Robin Taylor was Chairman of the Remuneration Committee until 4 February 2014. On his appointment to the Board on 4 February 2013, Andy McKeon became Chairman of the Remuneration Committee. The Committee met twice during the year. The Committee is responsible for establishing a formal and transparent procedure for developing policy on Executive remuneration and for setting the remuneration of individual Directors. Full details of the work of the Committee, the Directors' remuneration and remuneration policy are set out in the Directors' remuneration report on pages 31 to 43.

Nomination Committee

The Nomination Committee is chaired by Mike O'Leary. The Committee is responsible for leading the Board appointments process and for considering the size, structure and composition of the Board and has met twice in the year. Full details of the work of the Committee are set out in the Nomination Committee report on page 30.

Internal control and risk management

The Board is responsible for the Group's system of internal controls, including reviewing the effectiveness of these controls and the processes in place for risk management. The processes and procedures in place are designed to manage rather than eliminate risk and can therefore only provide a reasonable and not an absolute assurance against material misstatements or losses.

Executive Directors of each Group Company have a close involvement with all day-to-day operations and also meet with staff on a regular basis to identify and review business risks, the controls needed to minimise those risks and the effectiveness of controls in place. Business risks are monitored and updated on a regular basis. Further information on the system of risk management is in the Strategic Report on page 12. Insurance is in place where appropriate.

Other key controls which contribute to the overall management of the Group include a formal schedule of matters reserved to the Board for decision and during the year under review a Group Operational Board headed up by the Chief Executive and Chief Financial Officer and comprising senior managers within the Group has met on a monthly basis. During the period under review, as well as reviewing the operational performance of the principal businesses of the Group's activities, the Group Operational Board reviewed strategic issues, progress with integration and reviewed the risk register.

The Board conducts an annual strategic review at which the senior managers of the principal operating businesses present and current and future strategy is considered. The Board also approves all acquisition proposals and the Company has a process for the review of those proposals against strategic objectives and defined investment appraisal criteria before they are considered by the Board.

Each principal business in the Group has an appropriate finance function with high quality professionals that report into the operational head and through the Group Financial Controller into the Chief Financial Officer.

The Group has extensive quality assurance processes by virtue of its internal quality assurance department which audits all non-financial processes and procedures. There are clearly defined roles, responsibilities and limits on authority in place. There are clearly defined policies on segregation of duties. The Group has five current ISO registrations including ISO27001 – Information Security.

During the year the Board, independently and through the Audit Committee, has reviewed and is satisfied with the adequacy of the Group's internal financial controls. These include a comprehensive annual budgetary process which are reviewed through the management structure and which is considered and approved by the Board. The actual results are monitored against budget at each Board meeting and forecasts are revisited on a rolling basis.

Financial policies and approval procedures are in place which cover a number of key areas such as credit control and expenditure authorisation. A comprehensive monthly financial reporting system is in place which covers, amongst other things, operating results, cash flow, assets and liabilities and comparisons against budgets. These are reviewed regularly and, where appropriate, amended financial policies and approval procedures are put in place.

The Board also receives regular updates on property, pension, insurance, litigation, human resources, corporate social responsibility and health and safety matters.

Through all the processes above areas for enhancement are identified and action plans to ensure delivery are put in place. Delivery to plan is then monitored by the Board, the management and the Audit Committee.

There is currently no internal audit function as to date this has not been considered necessary at this stage of the Company's development. The Group has extensive quality assurance processes and other functions within the Company that provide assurance and advice covering specialist areas. This is reviewed on an annual basis against the current factors relevant to the Company's activities, markets or other areas of the external environment that may, or may be expected to increase, the risks faced by the Company.

Investor relations

An extensive programme of meetings with analysts and institutional shareholders are held following the interim and preliminary results announcements. There is regular dialogue with individual institutional shareholders throughout the year to discuss strategy, performance and governance and to obtain feedback. These are usually attended by the Chief Executive and Chief Financial Officers.

Feedback from these meetings and regular market updates prepared by the Company's broker are presented to the Board to ensure they have an understanding of shareholders' views. The Chairman and the Senior Non-executive Director are available to shareholders to discuss strategy and governance issues and any views are communicated to the Board as a whole.

In accordance with AIM Rule 26, there is an investors section on the Company's website, www.emis-online.com/investors, which is kept up to date.

Annual General Meeting (AGM)

At the AGM, separate resolutions will be proposed for each substantially different issue. Proxy votes are disclosed by means of an announcement on the London Stock Exchange and via the Group's website. All Directors are available to answer questions at the AGM. The annual report, financial statements and related papers are placed on the Group's website and posted to shareholders where they have requested a paper copy.

Fig 1 Board and Committee meetings

	Full Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings in period	12	3	2	2
Attendance:				
Executive Directors				
Chris Spencer	10/11	–	–	–
Peter Southby	12/12	–	–	–
Sean Riddell	10/12	–	–	–
Dr David Stables	7/9	–	–	–
Non-executive Directors				
Mike O'Leary	12/12	3	2	2
Robin Taylor	12/12	3	2	2
Andrew McKeon (appointed 4 February 2013)	11/11	3	2	2

Report of the Audit Committee

Membership

- Robin Taylor (Chairman)
- Andy McKeon
- Mike O'Leary

The Role of the Audit Committee

The role of the Audit Committee is to monitor the integrity of the financial statements, to review the Company's internal control and risk management systems and to review the effectiveness of any internal audit function.

In addition the Audit Committee makes recommendations in relation to the appointment and reviews the independence and objectivity of the external auditor; develops the policy on the provision of non-audit services and reports to the Board on how it discharges its responsibilities. The terms of reference are on the Company's website.

Members

The Audit Committee is chaired by Robin Taylor. Robin is a member of the Institute of Chartered Accountants of Scotland and was Chief Financial Officer of several main market listed companies. He is therefore considered by the Board to have relevant financial experience. Robin's biography is included on page 23.

Other members of the Committee are Andy McKeon and the Chairman, Mike O'Leary, who was considered independent on his appointment as Chairman. The Chief Executive Officer, Chief Financial Officer and senior representatives of the external auditor attend by invitation to ensure that all relevant information is available to the Committee.

Frequency of meetings

There have been three meetings during the year which are scheduled around the timetable for issue of the interim and full year financial statements. The Audit Committee meets in March and September to review the work and findings of the external auditor and to consider the financial statements before publication. It also meets prior to the year end to consider audit strategy. The Audit Committee reports to the Board on a regular basis. The Audit Committee meets with the external auditor, without management, to discuss matters relating to its remit and any issues relating to the audit. The Chair of the Audit Committee also meets with the external auditor and with the Chief Financial Officer regularly outside the formal meetings to ensure that any areas for discussion are dealt with on a timely basis.

Review of activity

In discharging its responsibilities as outlined in the terms of reference the Committee's activities have principally been focused in the areas outlined below.

Risk management and internal control

- Reviewed the Group risk assessment process and concluded that it is appropriate and operating effectively. The Committee considered that the primary business risks are being captured and reported to the Board and that the risk disclosures in the financial statements are appropriate;
- Reviewed the scope and the audit plan for the year-end audits;
- Considered the effectiveness of internal controls and risk management systems. The Committee noted that the control environment is continuing to develop, as set out in the Corporate Governance Report, with internal reporting and financial management in particular having improved during the year. While it recognised that the Group's internal IT systems needed to keep pace with the growth in the business, this is understood to be a priority for management in the coming year and had not materially weakened the system of internal control;
- Reviewed the effectiveness of the current compliance with the Bribery Act. There were no areas of non-compliance reported to the Committee during the year and the Committee was satisfied with current procedures, including the training on the Bribery Act given to all employees as part of the induction process. Compliance with the induction training is monitored by the Committee;
- Reviewed the effectiveness of the current procedures for the prevention of fraud. There were no reported incidents of fraud during the year. The Committee reviewed the measures in place for the prevention and detection of fraud including extensive internal quality assurance processes and the system of internal financial controls as set out in the Corporate Governance Report;
- Reviewed the whistleblowing policy to ensure arrangements are in place for the proportionate and independent investigation of such matters. The Committee reviewed compliance activity in relation to this policy;

- Considered the need for an internal audit function and concluded that it was not necessary at this stage of the Company's development for the period under review. However, it proposed that an internal audit function should be established during the coming year to reflect the increasing complexity and growth of the Group.

External audit and appointment of external auditor

- In line with the revised Code's recommendations on audit tendering, the external audit contract was put out to tender in 2013. The Audit Committee oversaw the process and ensured all tendering firms had access to all necessary information and individuals during the tendering process. Five firms made tender submissions and four were subsequently invited to present to the Chair of the Audit Committee, the Chief Financial Officer and Group financial controller. Baker Tilly UK Audit LLP, the Group's previous external auditor, did not make a tender submission. KPMG LLP were selected and appointed on 3 July 2013. Following appointment they conducted an assessment of the inherent risks impacting the financial report and their findings were presented to the Committee in the proposed audit strategy for the year ending 2013.
- Reviewed the formal engagement terms, performance, objectivity and independence of the auditor, including the extent of non-audit work undertaken. The Committee received a formal letter of independence from the external auditor. The Committee considers any material non-audit related work carried out by KPMG, the Group's external auditor, and mandates the engagement of other external advisers where it considers that a conflict may be perceived to arise. During the year non-audit services obtained from the external auditor included a significant due diligence assignment in connection with the Ascribe acquisition. In selecting an external adviser for this work, the Audit Committee considered that, of the options available, KPMG's due diligence team had the best experience for this assignment and that the integrity of the audit would not be compromised. The auditor's remuneration for audit and other services is set out in note 7 to the financial statements.

Externally published information

- Review of the full year 2012 and 2013 results including the annual report and accounts, preliminary results statement and the report from the external auditor;
- Review of the 2013 interim results statement;
- Consideration of the appropriateness of accounting policies and the critical accounting estimates and judgements. To do this the Committee considered information provided by the Chief Financial Officer and reports from the external auditor setting out their views on the accounting treatments and judgements in the financial statements;
- Undertaken a review of the going concern assumption when considering the issue of preliminary and interim statements, including considering internal financial projections, sensitivities and reports from the external auditor.

Effectiveness review

- Conducted a review of the effectiveness of the Committee;
- Assessed the effectiveness of the external audit process, by reviewing amongst other things, whether the auditor has met the agreed audit plan and considering the robustness and perceptiveness of the auditor in its handling of key accounting and audit judgements identified.

2013 financial statements

In finalising the 2013 financial statements, the significant judgements considered by the Committee and discussed with the external auditor were as follows:

Acquisition accounting

The Committee reviewed the key assumptions made in accounting for the acquisitions completed during the year. This included a review of:

- the methodology for valuing and determining useful lives for the intangible assets identified, which was facilitated by the report of an external expert;
- accounting policy alignments, fair value determination and the treatment of consideration, in particular of contingent consideration, where the Committee concluded that the treatment was consistent with its knowledge of expected business performance;
- disclosure of the acquisitions in the financial statements.

The Committee discussed the outcomes with the external auditor and concluded that the acquisition accounting was appropriate.

Revenue recognition

The Audit Committee considered the Group's revenue recognition policies in the context of the added complexity following the acquisitions in the second half of the year. It concluded that the Group's existing approach remained appropriate and that this was adequately explained in an updated and expanded revenue recognition accounting policy note, consistent with the requirements of IAS18. The external auditor performed substantive analytical testing in this area and reported their findings to the Committee.

Development costs

The process to capture capitalised development costs was reviewed. It was noted that while the current approach was considered to be adequate, it was anticipated that internal IT system enhancements would facilitate an improvement in internal reporting in this area during the coming year. Balances carried forward in respect of development costs were considered for possible impairment and the Committee concluded that the carrying values and amortisation periods were appropriate. The accounting policy for development costs was updated to take account of the acquisitions during the year.

Significant contract renegotiation and going concern

The Committee considered the going concern assumption in the context of a significant contract renegotiation taking place at the time of the completion of the year end accounts (GPSoC-R). Given the status of the negotiations and the Group's financial position and projections, the Committee considered that it was appropriate to continue to apply the going concern basis.

External audit appointment and re-appointment of Auditor

The Committee has recommended to the Board that a resolution to appoint KPMG LLP as external auditor be put to the shareholders at the AGM.

Report of the Nomination Committee

Membership

- Mike O'Leary (Chairman)
- Andy McKeon
- Robin Taylor

Membership

The Nomination Committee is chaired by Mike O'Leary. The Committee is responsible for leading the Board appointment process and for considering the size, structure and composition of the Board.

The Committee has formally met twice during the year. The Committee has terms of reference which are regularly reviewed and are published on the Group's website.

Review of activity during the year

- The Committee oversaw the appointment of the Chief Executive Officer following the decision of Sean Riddell to retire from his Executive role in February 2013. This included the appointment of Chris Spencer as interim and then permanent Chief Executive Officer and Sean Riddell as a Non-executive Director to ensure a smooth transition and the retention of sector knowledge. The appointment of the Chief Executive Officer was externally facilitated by Korn Ferry.
- The Committee also oversaw the appointment of Andy McKeon as a Non-executive Director which was externally facilitated by Odgers Berndtson.

In both cases advisers were chosen by a competitive process giving regard to their understanding of the market in which we operate and the requirements of the role. The candidates were selected against objective criteria and following consideration of the capabilities and existing skills balance of the Board. Long-lists of candidates were prepared which gave due consideration to diversity including gender. The appointments were made following interviews by the external facilitators, then the Committee and obtaining external references. Shortlisted candidates were then finally interviewed by the remainder of the Board. The Board will always seek to appoint on merit and following consideration of the balance of skills, knowledge and experience appropriate for the business.

The Committee considered the proposed:

- re-election of David Stables and Sean Riddell as Directors at the AGM on 30 April 2013 in compliance with the Code and, after due consideration, recommended their re-appointment to the Board;
- election of Chris Spencer, Andy McKeon and Peter Southby as Directors at the AGM on 30 April 2013 in compliance with the Code and, after due consideration, recommended their appointment to the Board.
- re-appointment of Robin Taylor as Senior Non-executive Director with effect from 1 March 2014 and , after due consideration, recommended his re-appointment to the Board.
- re-appointment of Mike O'Leary as Non-executive Chairman with effect from 17 March 2014 and, after due consideration, recommended his re-appointment to the Board.
- re-election of all of the members of the Board at the AGM on the 30 April 2014 in line with the articles of association and, after due consideration, recommended their re-appointment to the Board.

  In all cases the Directors who were subject to election or re-election were not present and did not vote when proposals regarding their own position were discussed. The Committee gave due regard to the performance of the individuals and their ability to continue to contribute to the Board going forward.

  Non-executive Directors are appointed by a letter of engagement and details of their terms and those of the Executive Directors are given on page 37.
- The Committee considered succession planning for the Board and senior managers within the Group. This was also considered by the full board.

Report of the Remuneration Committee

Membership

- Andy McKeon (Chairman)
- Robin Taylor
- Mike O'Leary

Remuneration report

This report summarises the work of the Remuneration Committee during the year.

As the Company is quoted on AIM, it is not required to comply with the UK Listing Authority Rules or the UK Corporate Governance Code, however, the Committee intends to adopt a number of the key reporting requirements and the main area of focus for the Committee during the period under review has been the development of a comprehensive remuneration policy.

As stated in the Chief Executive's statement EMIS Group had an exceptionally productive year, with the accelerated roll-out of EMIS Web for GPs, the acquisitions and integration of Multepos, Digital Healthcare and Ascribe, strong organic revenue growth and a high level of profitability maintained. In addition there were a number of key management changes.

Against this background the Committee has;

- Reviewed the remuneration packages (including pension) of the Executive Directors with the aim of recognising best practice; aligning with shareholder objectives and encouraging behaviours to maintain the long term success of the business. The Committee retained Kepler Associates as independent remuneration consultants to advise on appropriate Executive remuneration packages for the size and complexity of the Group. The current level of Executive Director shareholding in the Company was also considered. Major shareholders were consulted throughout the process.
- Reviewed reward structures across the rest of the Group and restructured where appropriate to ensure alignment across the wider Group.
- Reviewed and approved all awards made under the Company Share Option Plan (CSOP), the Unapproved Share Option Scheme (USOS) and the Long-term Incentive Plan (LTIP). The Committee also approved the performance measures set for the USOS and the LTIP. Major shareholders were consulted where appropriate.
- Reviewed and approved all bonus payments made to the Executive management and to the wider senior management group.

The Committee has clearly defined terms of reference which are reviewed annually by the Board. These are available on the website at www.emis-online.com/investors.

The Remuneration report will be presented at the Annual General Meeting on 30 April 2014 by way of an advisory vote.

Directors' Remuneration Policy

The remuneration policy aims to ensure that members of the Board and Executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the Group. The policy outlined on pages 32 to 38 will apply from 30 April 2014.

Directors' remuneration report
Directors' Remuneration Policy continued

Policy Table

The Policy table below summarises the key components of remuneration for Executive Directors:

Element	Operation	Opportunity	Performance metrics
Base salary			
To recognise the individual's skills and experience and provide a competitive base reward to attract and retain Executive Directors.	Base salaries are reviewed annually, taking into account the individual's performance, responsibility, skills and experience; Group performance and market conditions; salary levels for similar roles at relevant comparators (including companies of a similar size and sector); pay levels and salary increases across wider employee population. Any changes take effect from 1 January.	Any increase will typically be in line with those awarded to the wider employee population. The Committee has discretion to award higher increases in circumstances that it considers appropriate, such as a material change in complexity of the business or responsibility of the role. Details of salary changes will be disclosed in the Annual Report for the relevant year.	None
Pension			
To provide a market competitive retirement benefit.	The Company makes contributions to the private pension schemes of the Executive Directors.	Executive Directors receive a contribution of up to 15% of salary.	None
Share Incentive Plan (SIP)			
	Open to all UK tax resident employees of participating Group companies with at least one year's service. Executive Directors are eligible to participate. The plan is an HMRC approved plan that allows an employee to purchase shares using gross pay. If an employee agrees to purchase shares, the Company matches purchased shares with an award of matching shares which are subject to continued employment for 3 years. Dividends accrue on purchased shares and matching shares.	Participants can purchase shares up to the prevailing HMRC approved limit at the time employees are invited to participate (up to £1,500 in 2013). The Company currently offers to match purchases made through the plan at the rate of 1 free matching share for every 3 shares purchased.	None

Policy table continued

Element	Operation	Opportunity	Performance metrics
Benefits			
To provide market competitive benefits.	Benefits may include, but are not limited to, a car or car allowance, life insurance, medical cover and income protection. In certain circumstances, the Committee may also approve the provision of additional allowances relating to the relocation of an Executive Director and other expatriate benefits to perform his or her role.	Benefits vary by role and individual circumstances and are reviewed periodically. Benefits in respect of the year under review are disclosed in the Annual Report. It is not anticipated that the cost of benefits will exceed this level in the financial years over which this policy will apply. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums).	None
Annual bonus			
	Performance measures, targets and weightings are set by the Committee at the start of the year. At the end of each year, the Committee determines the extent to which targets have been achieved. Bonus payments are delivered entirely in cash and are not subject to claw back.	For Executive Directors, the maximum annual bonus opportunity is 100% of base salary. For threshold performance, no bonus is payable. For target performance, the bonus pays out at 50% of maximum.	Performance is assessed on an annual basis, using a combination of the Group's main KPIs for the year. Measures may include financial and non-financial metrics as well as the achievement of personal objectives. The performance measure currently applied is Group adjusted profit, however the Committee has the discretion to adjust the performance measures and weightings to ensure that they continue to be linked to the delivery of Company strategy. The range of performance required under each measure is calibrated with reference to the Group's internal budgets. Any individual element is based on the strength of the Executive's personal performance over the course of the year. The Committee has the discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards, to ensure that payments accurately reflect business performance over the performance period, e.g. in the event of unforeseen circumstances outside of management control.

Directors' remuneration report continued
Directors' Remuneration Policy continued

Policy table continued

Element	Operation	Opportunity	Performance metrics
Long Term Incentive Plan (LTIP)			
To drive sustained long-term business performance, aid retention and align the interests of Executive Directors with shareholders.	Awards of shares or nil cost options vest subject to the achievement of pre-defined performance conditions over a 3-year period. At the start of each performance period, the Committee reviews award levels and performance conditions to ensure they remain appropriate and sets performance targets which it considers to be appropriately stretching. Dividend payments do not accrue. LTIP awards are subject to claw back. The LTIP will be delivered through the Company's existing USOS and CSOP arrangements. The CSOP is subject to HMRC approval and limits.	The LTIP provides for annual awards of performance shares of up to 100% of salary. Threshold performance will result in 25% of maximum vesting, rising on a straight line to full vesting for maximum levels of performance.	Awards vest subject to continued employment and Company performance. The performance measure is currently growth in EPS, however the Committee has the discretion to adjust the performance measures and weightings to ensure that they continue to be linked to the delivery of Company strategy. Awards under the LTIP have a performance period of at least 3 years and a minimum vesting period of 3 years. As under the annual bonus, the Committee has the discretion to adjust the formulaic LTIP outcomes to ensure that payments accurately reflect business performance over the performance period, e.g. in the event of unforeseen circumstances outside of management control.

Notes to the policy table

Performance measurement selection

The aim of the annual bonus plan is to reward key Executives over and above base salary for the achievement of business objectives. The bonus criteria are selected annually to reflect the Group's main KPIs for the year and are designed to encourage continuous performance improvement for the Group. Group financial performance targets relating to the annual bonus plan are set from the Company's annual budget, which is reviewed and signed off by the Company's Board prior to the start of each financial year. Adjusted profit is currently used as a key performance indicator for the annual bonus plan because it is a clear measure of the underlying financial performance of the Group.

LTIP awards currently vest based on EPS growth over 3 years. EPS has been selected as it is a key measure of long-term performance for the Group and is closely aligned with the Group's strategic plans and with the profit attributable to shareholders. For the LTIP, performance measures and targets are reviewed by the Committee ahead of each grant and must be considered by the Committee to be challenging but achievable.

Targets applying to the bonus and LTIP are reviewed regularly, based on a number of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.

Remuneration policy for other employees

The approach to annual salary reviews is consistent across the Group, with consideration given to individual performance, skills, experience and responsibility, Group performance and market conditions and salary levels for similar roles in relevant comparators. Opportunities and specific performance conditions vary by organisational level with business area-specific metrics incorporated where appropriate. A senior management group of approximately 25 individuals are eligible to participate in the LTIP. Performance conditions are consistent for all participants, while award sizes vary by organisational level. Specific cash incentives are also in place to motivate, reward and retain staff below Board level. All UK-based employees are eligible to participate in the Company's SIP scheme on the same terms.

Notes to the policy table continued

Shareholding guidelines

The Committee continues to recognise the importance of Executive Directors aligning their interests with shareholders through building up a significant shareholding in the Company. Shareholding guidelines are in place that require Executive Directors to acquire a holding, equivalent to 300% of base salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer. A Director would only be able to dispose of shares if it did not take the holding below the relevant minimum retention value or if the disposal was to meet a tax liability created by the vesting of a share award.

Shares granted under the LTIP must be held for two years from their vesting date, subject to any sale to meet a tax liability. Shares held during the retention period are also subject to a claw back provision.

Remuneration Policy for the Chairman and Non-executive Directors

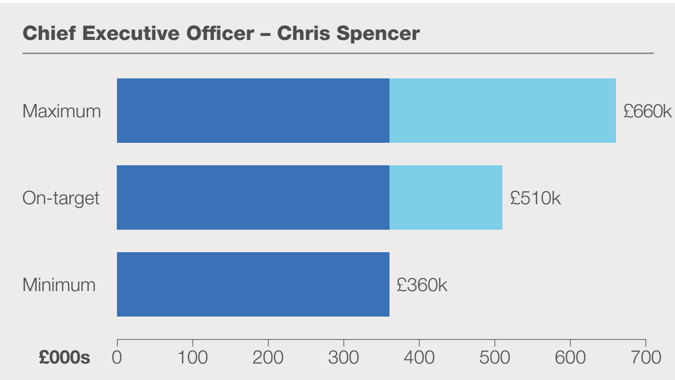
The Board determines the remuneration policy and level of fees for the Non-executive Directors, within the limits set out in the Articles of Association. The Remuneration Committee recommends the remuneration policy and level of fees for the Chairman of the Board.

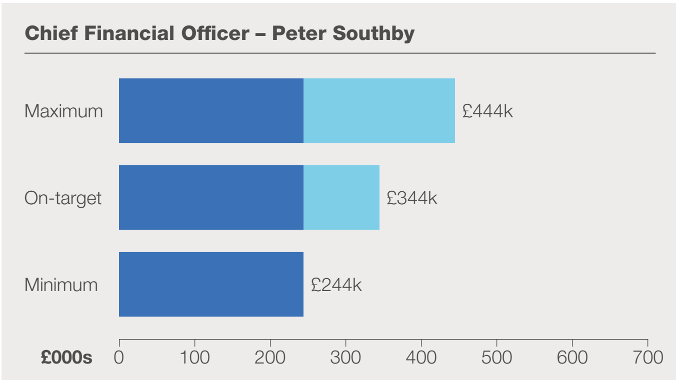
The Policy Table below summarises the key components of remuneration for the Chairman and Non-executive Directors.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Fees			
To reflect market competitive rates for the role, as well as individual performance and contribution.	Chairman and Non-executive Directors receive a basic fee for their respective roles. Additional fees are paid to Non-executive Directors for additional services such as chairing a Board Committee, etc. Fees are reviewed annually with reference to information provided by remuneration surveys, the extent of the duties performed, time commitment, and the size and complexity of the Company. Fee levels are benchmarked against sector comparators and FTSE-listed companies of similar size and complexity.	Fee increases are applied in line with the outcome of the annual review. Fees for the year commencing 1 January 2014 are set out in the Annual Report on Remuneration. There is no prescribed maximum fee. It is expected that increases to Non-executive Director fee levels will be in line with salaried employees over the life of the policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-executive Director role, the Board has discretion to make an appropriate adjustment to the fee level.	None

Pay scenario charts

The graphs below provide estimates of the potential future reward opportunity for each of the two current Executive Directors, and the potential split between different elements of remuneration under three different scenarios; "Minimum", "Target" and "Maximum" performance.





— Basic salary and benefits
— Bonus

Directors' remuneration report continued
Directors' Remuneration Policy continued

Remuneration Policy for the Chairman and Non-executive Directors continued

Assumptions underlying each element of pay are provided in the table below. Potential reward opportunities illustrated above are based on the remuneration policy, applied to the base salary as at 1 January 2014. It should be noted that LTIP awards granted in a year normally vest on the third anniversary of the date of grant, and the projected value of LTIP amounts excludes the impact of share price movement over the vesting period. No share scheme awards are expected to vest for either Director during 2014. Actual pay delivered, however, will be influenced by these factors.

	Component	'Minimum'	'On-target'	'Maximum'
Fixed	Base Salary	Latest known salary		
	Pension	Contribution rate applied to latest known salary		
	Other benefits	Benefits as provided in the single figure table on page 39		
Annual bonus		No bonus payable	50%	100%
USOS		No LTIP vesting	25%	100%

Approach to recruitment remuneration

In the cases of hiring or appointing a new Executive Director, the Committee may make use of any or all of the existing components of remuneration, as follows:

Component	Approach	Maximum value
Base salary	The base salaries of new appointees will be determined by reference to the individual's role and responsibilities, experience and skills, relevant market data, internal relativities and their current basic salary. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a period of years subject to their development in the role	Not applicable.
Pension	New appointees will be eligible to receive a pension contribution in line with existing policy	
SIP	New appointees will be eligible to participate in the Company's HMRC-approved all-employee share scheme, in line with the Policy	
Benefits	New appointees will be eligible to receive benefits in line with the Policy	
Annual bonus	The annual bonus described in the Policy Table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored to the Executive	Up to 100% of salary p.a.
LTIP	New appointees will be eligible for awards under the LTIP which will normally be on the same terms as other Executive Directors, as described in the Policy Table	

In determining appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that the pay arrangements are in the best interests of the Group and its shareholders.

In addition to the above elements of remuneration, the Committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, to replace incentive arrangements forfeited on leaving a previous employer. Such 'buyout awards' would have a fair value no higher than that of the awards forfeited. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining.

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Committee will be consistent with the Policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements.

In the case of hiring or appointing a new Non-executive Director, the Committee will follow the Policy as set out in the table on page 36 onwards. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for additional services, such as chairing a Board Committee.

External appointments

It is the Board's policy to allow Executive Directors to take up one Non-executive position on the boards of other companies, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. No such positions were taken and so no such fees were paid during the financial year. Executive Directors' contracts are available to view at the Company's Registered Office.

Service contracts

The Executive Directors are employed under contracts of employment with the Group. The principal terms of the Executive Directors' service contracts are as follows:

			Notice period	
Executive Director	Position	Effective date of contract	From Company	From Director
Chris Spencer	Chief Executive Officer	3 July 2013	12 months	12 months
Peter Southby	Chief Financial Officer	1 October 2012	12 months	12 months

Non-executive Directors

Letters of appointment are provided to the Chairman and Non-executive Directors. Non-executive Directors have letters of appointment effective for a period of three years and are subject to annual re-election at the AGM. Non-executive Directors' letters of appointment are available to view at the Company's Registered Office.

Directors' letters of appointment and the unexpired period of their appointments (where appropriate after extension by re-election) are set out below:

Non-executive Director	Date of first appointment	Unexpired term as at 31 March 2014	Date of last Appointment Last reappointment at AGM	Notice Period
Mike O'Leary	17 March 2011	2 years 11 months	17 March 2014 24 May 2011	Six months
Sean Riddell	21 March 2013	—	21 March 2013 30 April 2013	Three months
Robin Taylor	1 March 2010	2 years 11 months	1 March 2014 24 April 2012	Six months
Andy McKeon	1 February 2013	1 year 10 months	1 February 2013 30 April 2013	Six months

Exit payment policy

The Company's Policy is to limit any payment made to a departing Director to contractual arrangements and to honour any pre-established commitments. As part of this process, the Committee will take into consideration the Executive Director's duty to mitigate their loss.

The table below summarises how the awards under the bonus and LTIP are typically treated in different leaver scenarios and a change of control. Whilst the Committee retains overall discretion on determining 'good leaver' status, it typically defines a 'good leaver' in circumstances such as retirement with the consent of the Company, ill health, disability, death, redundancy, or any other reason as the Committee decides. Final treatment is subject to the Committee's discretion.

Directors' remuneration report continued
Directors' Remuneration Policy continued

Exit payment policy continued

Reason for leaving	Timing of vesting	Treatment of awards
Annual bonus		
'Good leaver'.	Paid at the same time as continuing employees.	Eligible for an award to the extent that performance targets are satisfied and the award is pro-rated for the proportion of the financial year served.
'Bad leaver'.	No annual bonus payable.	Not applicable.
Change of control.	Paid immediately on the effective date of change of control.	Eligible for an award to the extent that performance targets are satisfied up to the change of control and the award is pro-rated for the proportion of the financial year served to the effective date of change of control.
LTIP		
'Good leaver'.	Continue until the normal vesting date or vest immediately at the discretion of the Committee. In the event of death of a participant, the award would vest immediately.	Outstanding awards vest to the extent the performance conditions are satisfied and the awards are pro-rated to reflect the length of the vesting period served unless the Board decides otherwise. In the event of the death of a participant during the performance period, the award would vest in full.
'Bad leaver'.	Outstanding awards are forfeited.	Not applicable.
Change of control.	Vest immediately on the effective date of change of control.	Outstanding awards vest subject to the satisfaction of performance conditions as at the effective date of change of control, and the award is pro-rated for the proportion of the vesting period served to the effective date of change of control unless the Board decides otherwise.

Consideration of conditions elsewhere in the Company

In making remuneration decisions, the Committee also considers the pay and employment conditions elsewhere in the Company. In particular, the Committee considers the range of base pay increases across the Company as a factor in determining the base salary increases for Executive Directors. Further, the Committee regularly reviews information with regard to bonus payments and share awards made to senior management. In particular, the Committee reviews the remuneration structure and pay proposals, and approves the structure and targets for their bonus plans. It also oversees any major changes in employee benefit structures.

The Committee does not specifically consult with employees over the effectiveness and appropriateness of the remuneration Policy and framework, although as members of the Board the Committee receives updates from the Executive Directors on their discussions and consultations with employees.

Consideration of shareholder views

The Committee is sensitive to the views of shareholders and engages regularly with its investors following results announcements. The Committee welcomes shareholder feedback on any issue related to Directors' remuneration, including feedback received from the AGM, and regularly reviews Directors' remuneration to take into account any feedback it receives.

Directors' remuneration report continued
Annual Report on Remuneration

The following section provides details of how the Group's remuneration policy was implemented during the financial year ending 31 December 2013.

Remuneration Committee membership in 2013

The Committee met twice formally during the year under review. Attendance by individual Committee members at meetings is detailed below.

Committee member	Member throughout 2013	Number of meetings attended
Andy McKeon	Appointed 4 February 2013	2
Robin Taylor	Yes	2
Mike O'Leary	Yes	2

During the year, the Committee sought internal support from the Chief Executive Officer and Chief Financial Officer who attended Committee meetings by invitation from the Chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers. The Chief Executive Officer and Chief Financial Officer were not present for any discussions that related directly to their own remuneration. The Company Secretary attended each meeting as Secretary to the Committee.

Independent Advice

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. To this end, for the year under review, the Committee continued to retain the services of Kepler Associates as the principal external advisers to the Committee. The Committee evaluates the support provided by its advisers on a regular basis and has satisfied itself that the Kepler team provides independent remuneration advice to the Committee and does not have any connections with the Group that may impair its independence. Kepler Associates is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. During the year, Kepler Associates provided independent advice on a wide range of remuneration matters including current market practice, benchmarking of Executive pay and incentive design and provides no other services to the Company.

Summary of shareholder voting at the 2013 AGM

There was no vote on the remuneration report at the AGM in 2013. The results of the advisory vote on the remuneration report at the 2014 AGM will be published on the website after the meeting and reported in the relevant Annual Report on Remuneration.

Single total figure of remuneration for Executive Directors

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2013 and the prior year:

	Chris Spencer (£000)[1]		Peter Southby (£000)[1]		Sean Riddell (£000)[1]		Phillip Woodrow (£000)[1]		David Stables (£000)[1]	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Base salary	**274**	—	**175**	44	**42**	179	**—**	112	**65**	157
Taxable benefits[2]	**14**	—	**13**	3	**—**	9	**—**	—	**22**	27
Pension[3]	**17**	—	**21**	4	**4**	18	**—**	78	**7**	19
Annual bonus[4]	**—**	—	**63**	15	**—**	—	**—**	—	**—**	—
Share schemes[5]	**1**	—	**—**	—	**—**	—	**—**	—	**—**	—
Other[6]	**—**	—	**—**	—	**162**	—	**—**	—	**—**	—
Total	**306**	—	**272**	66	**208**	206	**—**	190	**94**	203

1. Chris Spencer became the permanent Chief Executive Officer on 3 July 2013, having been appointed as Joint Chief Executive Officer on 3 February 2013 and becoming interim Chief Executive Officer on 21 March 2013 on which date Sean Riddell stepped down from his Executive role to become a Non-executive Director. Peter Southby was appointed as Chief Financial Officer with effect from 1 October 2012, replacing Phillip Woodrow who resigned from the Board on 11 January 2013 having remained on the Board as an Executive Director for a handover period. David Stables retired on 30 September 2013.

2. Taxable benefits consist primarily of company car or car allowance and life insurance. Chris Spencer and Peter Southby are each entitled to a car allowance of £15,000 p.a.

3. Pension: During the year, the Executive Directors received differing individual employer contributions. For 2014 this has been standardised at 15% of base salary.

4. Annual bonus: This is the total bonus earned in respect of performance during the relevant year. Annual bonuses are received in cash. Chris Spencer waived the bonus to which he was entitled in 2013. Further details of annual bonus awards for 2014 can be found in the report of the Remuneration Committee on page 40 and 41.

5. No long-term incentive awards vested in relation to a performance period ending in the year. For Chris Spencer, the amount shown relates to free and matching shares awarded under the SIP.

6. Other: This relates to a payment made in recognition of Sean Riddell's past performance and change of role in the year.

Directors' remuneration report continued
Annual Report on Remuneration continued

Single total figure of remuneration for Non-executive Directors

The table below sets out a single figure for the total remuneration received by each Non-executive Director for the year ended 31 December 2013 and the prior year:

	Base fee £'000		Committee chairmanship fees £'000		Total £'000	
Non-executive Director[1]	**2013**	2012	**2013**	2012	**2013**	2012
Mike O'Leary	**63**	63	**—**	—	**63**	63
Sean Riddell[1]	**26**	—	**—**	—	**26**	—
Robin Taylor	**35**	35	**5**	—	**40**	35
Andy McKeon[1]	**31**	—	**5**	—	**36**	—

1. Sean Riddell stepped down from his Executive role to become a Non-executive Director on 21 March 2013. Andy McKeon was appointed as Non-executive Director on 4 February 2013.

Incentive outcomes for the year ended 31 December 2013

During the year ended 31 December 2013, Executive Directors were eligible to receive a bonus of up to 100% of salary for the Chief Executive Officer and 80% of salary for the Chief Financial Officer, depending on the level of Group adjusted profit achieved. Target performance was calibrated to deliver a bonus of 50% of maximum, with no payment for below threshold performance. Bonuses are paid entirely in cash and are not subject to clawback. Performance in relation to Group adjusted profit was in line with target but the Remuneration Committee took into account the impact of acquisitions and other unforeseen factors and limited the award to annual bonus awards of 45% of salary and 36% of salary which were offered to the Chief Executive Officer and Chief Financial Officer respectively. The Chief Executive Officer waived his bonus.

Corporate targets set by the Committee require Executive Directors to deliver significant stretch performance. Given the close link between performance measures and the Group's longer-term strategy, these targets remain commercially sensitive and will not be published until such time that the Committee is confident there will be no adverse impact on the Company of such disclosure. At this time the Committee believes that disclosure of targets within 3 years is appropriate.

Long-term incentive awards vesting

No long-term incentive awards vested in relation to a performance period ending in the year.

Scheme interests awarded in 2013

2013 USOS awards

In October 2013, Peter Southby was granted the following regular award under the USOS:

Executive Director	Date of grant	Awards made during the year	Market price at date of award	Exercise price	Normal vesting date	Face value at date of award
Peter Southby	18 October 2013	8,500	656p	656p	July 2016	£56,000

The award vests based on the Total Shareholder Return (TSR) delivered over a three year period to a date which is three months after the preliminary announcement of the results for the 2015 financial year.

An additional one-off USOS award was made to Peter Southby on 2 May 2013 in relation to his recruitment:

Executive Director	Date of grant	Awards made during the year	Market price at date of award	Exercise price[1]	Normal vesting date	Face value at date of award[2]
Peter Southby	2 May 2013	50,000	730p	710p	July 2015–July 2017	£355,000

1. The exercise price is the average middle market price of a share over the period of 3 months prior to the date of grant.

The award vests based on the TSR delivered over periods of three, four and five years to dates which are three months after the preliminary announcement of the results for the 2014, 2015 and 2016 financial years respectively.

Scheme interests awarded in 2013 continued

2013 CSOP awards

During the year under review, the following CSOP awards were made to the Executive Directors:

Executive Director	Date of grant	Awards made during the year	Market price at date of award	Normal vesting date	Face value at date of award[1]
Chris Spencer	2 May 2013	1,369	730p	May 2016	£10,000
	18 October 2013	1,524	656p	October 2016	£10,000
Peter Southby	2 May 2013	1,369	730p	May 2016	£10,000
	18 October 2013	1,524	656p	October 2016	£10,000

Face value is calculated using share price at grant date.

There were no performance conditions attached to the CSOP awards. In the future, it is intended that any CSOP awards will be made under the LTIP (see policy table above) with performance conditions.

2013 SIP awards

During the year under review, the Executive Directors were awarded matching and free shares under the SIP. The value of these was less than £1,000 each. There were no performance conditions attached to the SIP awards.

Ad hoc payments

Sean Riddell was Chief Executive Officer until 21 March 2013 when he stepped down to become a Non-executive Director in the Company and Chris Spencer took over as interim Chief Executive Officer. Sean received a payment of £162,000 in recognition of his past performance and change of role in the year. This included contractual entitlements of salary, car allowance and a pension.

Payments to past Directors

There were no payments to past Directors for the year ended 31 December 2013.

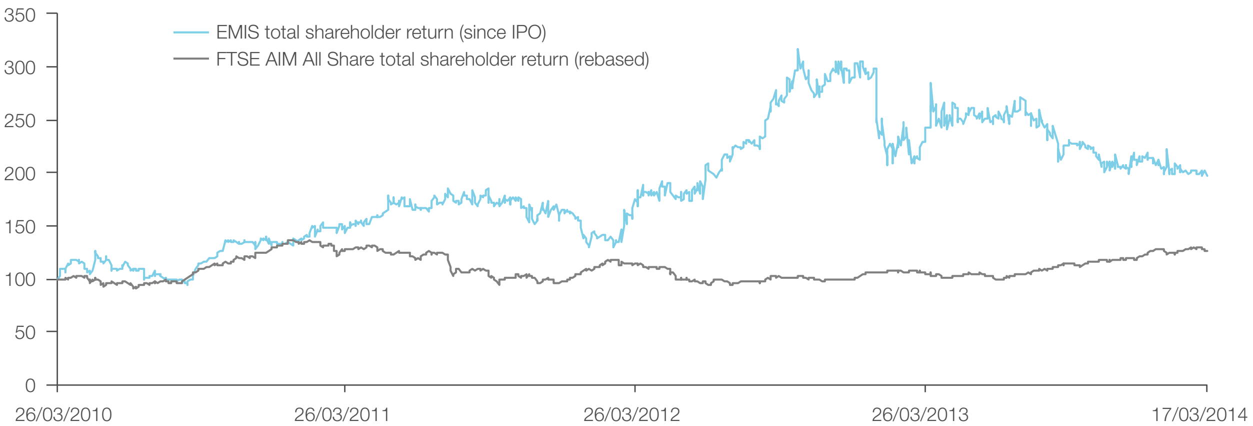
Relative importance of spend on pay

The table below shows the Company's expenditure on shareholder distributions (including dividends) and total employee pay expenditure for the financial years ending 31 December 2012 and 31 December 2013.

	Total employee expenditure	Distributions to shareholders
2013	**£48.6m**	**£10.1m**
2012	£38.1m	£8.2m
% change	27%	22%

Directors' remuneration report continued
Annual Report on Remuneration continued

TSR Performance



Source: Thomson Reuters Datastream.

The graph above compares the value of £100 invested in EMIS Group plc shares, including re-invested dividends, with the FTSE Aim index since the 26 March 2010 which is the date of admission to trading on AIM. This index was selected because it is considered to be the most appropriate against which the total shareholder return of the Group should be measured.

Directors' interests

The interests of the Directors and their families in the ordinary shares of the Company as at 31 December 2013 were as follows:

Director	**Ordinary shares at 31 December 2013**	Ordinary shares at 31 December 2012
Chris Spencer[1]	**291,779**	291,664
Peter Southby[1]	**4,878**	—
Mike O'Leary	**1,000**	1,000
Sean Riddell[1]	**7,092,605**	8,292,605
Robin Taylor	**1,800**	1,800
Andy McKeon[1]	**1,626**	—
David Stables[1]	**4,049,436**	4,422,724
Phillip Woodrow	**2,937,301**	2,938,751

1. Chris Spencer became the permanent Chief Executive Officer on 3 July 2013, having been appointed as Joint Chief Executive Officer on 4 February 2013 and becoming interim Chief Executive Officer on 21 March 2013 on which date Sean Riddell stepped down from his Executive role to become a Non-executive Director. Peter Southby was appointed as Chief Financial Officer with effect from 1 October 2012, replacing Phillip Woodrow who resigned from the Board on 11 January 2013 having remained on the Board as an Executive Director for a handover period. Andy McKeon was appointed as Non-executive Director on 4 February 2013. David Stables was an Executive Director until 30 September 2013.

Implementation of remuneration policy for 2014

Base salary

Market positioning of base salary is approached on an individual basis, taking account of advice received from the Committee's independent advisors on the rates of salary for similar roles in selected groups of comparable companies and the individual performance and experience of each Executive.

The Committee approved the following base salary increases with effect from 1 January 2014. The increase in the base salary for Peter Southby was in recognition of development of the role after the first year following his appointment, when his initial salary on appointment was recognised to be at a low level in terms of market rates.

Executive Director	Base salary from 1 January 2013 to 31 December 2013	Base salary from 1 January 2014 to 31 December 2014	Percentage Increase
Chris Spencer	£300,000*	£300,000	0%
Peter Southby	£175,000	£200,000	14%

* Annual salary with effect from appointment as interim Chief Executive Officer on 21 March 2013.

Pension

For 2014, Executive Directors will receive a contribution of 15% of salary.

Annual bonus

The performance measure for the annual bonus for Executive Directors will be unchanged for the 2014 financial year and will operate on the same basis as in 2013. The bonus outcome will continue to be based on an adjusted profit measure. Proposed target levels have been set to be challenging relative to the 2014 business plan, although specific targets are deemed to be commercially sensitive and will not be published until such time that the Committee is confident there will be no adverse impact on the Company of such disclosure.

LTIP

For 2014, Executive Directors will be eligible to receive awards of performance shares up to 100% of salary, based on EPS growth over 3 years and vesting 3 years from the date of grant. Details of any awards in the 2014 financial year will be provided in next year's Annual Report on Remuneration. The LTIP will be delivered through the Company's existing USOS and CSOP schemes.

SIP

Executive Directors will be able to continue to participate in the SIP on the same basis as in the 2013 financial year.

Chairman and Non-executive Director fees

In 2014, the Board undertook a review of Non-Executive Director fees. Following consideration of actual and proposed salary increases across the Group, indicative fee increases at sector and appropriate FTSE comparators and the level of engagement of the Chairman in the Group, the Board determined that the maximum time requirement for the Chairman should be increased from 3.5 to 4.5 days a month and the fee from £65,000 to £80,000. There are no increases to other Non-executive Director fees for 2014. Fee levels will be subject to annual review going forward.

Directors' report

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2013.

This report contains certain statutory, regulatory and other information and incorporates, by reference to certain disclosures included earlier in this document.

General information and principal activities

EMIS Group plc ("the Company" or "the parent company") is an AIM quoted company. The Company is the parent of trading subsidiary companies (together "the Group"), the principal trading subsidiaries being Egton Medical Information Systems Limited ("EMIS"), Rx Systems Limited ("Rx Systems"), Ascribe Limited ("Ascribe") and Digital Healthcare Systems Limited ("Digital Healthcare").

The Company is incorporated in England and Wales and domiciled in the UK. The address of its Registered Office is Rawdon House, Green Lane, Yeadon, Leeds LS19 7BY.

The principal activity of the Group is the design of computer software for healthcare professionals, mainly general practitioners, community pharmacists, secondary and specialist care providers and other clinicians, together with the hosting, provision of specialist ICT infrastructure and support of computer systems for healthcare professionals and other related users. Further information on the principal activities of the Group is described on pages 2 to 5.

Dividends

The Directors remain committed to increasing the dividend. Subject to shareholder approval at the Annual General Meeting (AGM) on 30 April 2014, the Board proposes paying a final dividend of 8.0p per ordinary share (2012: 7.1p) on 2 May 2014 to shareholders on the register at the close of business on 11 April 2014. This would make a total dividend of 16.0p per ordinary share for 2013 (2012: 14.2p).

Directors and their interests

The Directors of the Company who served during the year ended 31 December 2013 are as follows:

- Michael (Mike) O'Leary
- Christopher (Chris) Spencer (appointed 4 February 2013)
- Peter Southby
- Sean Riddell
- Robin Taylor
- Andrew (Andy) McKeon (appointed 4 February 2013)
- Dr David Stables (retired 30 September 2013)
- Phillip Woodrow (retired 11 January 2013)

Biographies of the Directors can be found on pages 22 and 23. Further detail on the changes during the year can be found on page 7.

Directors are subject to annual re-election and details of Directors' remuneration, service agreements and interests in the share capital of the Company are given in the Directors' remuneration report on pages 31 to 43.

No Director has had any material interest in any contract of significance with the Company or any of its subsidiaries during the year under review. Mike O'Leary was formerly the Chairman of Digital Healthcare Limited of which he had an immaterial (less than 1%) shareholding.

Research and development

Research and development expenditure in the year amounted to £11.1m (2012: £9.1m) of which £6.1m (2012: £5.3m) was capitalised.

Share capital

As at 19 March 2014 and 31 December 2013, the Company had 63,311,396 (31 December 2012: 58,550,017) ordinary shares of one pence each in issue. The shares are traded on AIM, a market operated by the London Stock Exchange plc. The rights and obligations attached to the shares are set out in the Company's Articles of Association which are available on the Company's website.

During the year to 31 December 2013, the issued share capital was increased by a placing of 4,400,000 new ordinary shares of 1 pence each at a price of 615 pence per new ordinary share to fund part of the consideration due in relation to the acquisition of Ascribe Group Limited. A further 361,379 new ordinary shares were issued to certain vendors of the Ascribe business.

The Company has previously established an Employee Benefit Trust (EBT) to hold shares in the Company to facilitate share-based emolument payments and the Group Share Incentive Plan (SIP). As at 31 December 2013 the EBT held 446,960 ordinary shares of one pence each. The EBT has waived its right to dividends.

Details of ordinary shares under option in respect of the Company's share schemes are shown in note 27 to the financial statements.

The rules of the CSOP and USOS set out the consequences of a change of control. In relation to the CSOP, generally such rights will vest and become exercisable subject to satisfaction of any performance-related conditions. As regards the USOS, generally such rights will vest and become exercisable as the Board determines in its absolute discretion. Further information is given in the Remuneration Report on pages 31 to 43.

Directors' indemnities

As permitted by the Articles of Association, the officers of the Company and its subsidiaries would be indemnified in respect of proceedings which might be brought by a third party. No cover is provided for Directors and Officers in respect of any fraudulent or dishonest actions.

Employees

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

The Group encourages the involvement of its employees and employees are made aware of significant matters through regular updates from the Chief Executive Officer and divisional managing Directors, management meetings, informal briefings, team meetings and the Company's intranet, discussion forums and website.

During the year the SIP, in addition to the matching shares offered to employees, made an offer of free shares to all employees with at least one year service on 31 August 2013. Further details are contained in the Directors' remuneration report and note 27 to the financial statements.

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

Political donations

No political donations were made in 2013 (2012: £nil).

Going concern

The Group's activities and an outline of the developments taking place in relation to its products, services and marketplace are considered in the Strategic Report on pages 1 to 21. The revenue, trading results and cash flows are explained in the Financial review on pages 17 to 19.

Note 4 to the financial statements sets out the Group's financial risks and the management of capital risks.

The Group has structured bank debt of £3.0m repayable in March 2014 and a term loan repayable in quarterly instalments of £1m until June 2017. However, it is profitable and expects to continue to be so. It has significant cash resources, a high and continuing level of recurring revenue and also expects to continue to have high cash conversion for the foreseeable future.

The Directors considered the going concern assumption in the context of a significant contract renegotiation taking place at the time of completion of the year end accounts (GPSoC-R). Given the status of the negotiations and after careful enquiry and review of available financial information, including projections of profitability and cash flows for the two years to 31 December 2015, the Directors believe that the Group has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of the consolidated and Company financial statements.

Substantial interests in shares

As at 19 March 2014, the Company had been notified of the following substantial interests in 3% or more in its ordinary shares:

	Number of shares	% issued capital
Sean Riddell	7,092,605	11.20
Standard Life Investments	5,974,382	9.44
Schroders plc	3,566,194	5.63
Dr David Lindsay Stables[1]	3,480,936	5.50
Dr Peter Sowerby	3,448,082	5.45
Liontrust Investment Partners LLP	3,368,541	5.32
Investec Wealth & Investment Ltd	3,048,704	4.82
Phillip Woodrow	2,937,301	4.63
Gary Shuckford	2,528,500	3.99
Andrew Whitwam	2,237,008	3.53
NFU Mutual Insurance Society Ltd	2,193,520	3.46
Tony Jones	1,888,055	2.98

1. The shares indicated alongside Dr David Stables are held in trust and legally owned by the Dr P R Sowerby No. 2 Discretionary Settlement (as to 1,534,574) and by the trustees of the Dr P R Sowerby No. 4 Discretionary Settlement (as to 1,946,362). The trustees are Tony Jones, Dr David Stables and Rachel Stables.

AGM notice

The notice convening the AGM to be held on 30 April 2014, together with an explanation of the resolutions to be proposed at the meeting, is contained in a separate circular to shareholders and on the Company's website at www.emis-online.com/investors.

Auditor and statement as to disclosure of information to the auditor

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

The auditor, Baker Tilly UK Audit LLP, resigned on 2 July 2013 and KPMG LLP was appointed following a full tender process. KPMG LLP has indicated its willingness to be appointed and, in accordance with Section 489 of the Companies Act 2006, a resolution that they be appointed will be proposed at the AGM.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 25 to 27 of this annual report and accounts. The Corporate Governance Report forms part of this Directors' report and is incorporated into it by cross-reference.

By order of the Board

Caroline Farbridge
Company Secretary
19 March 2014

Statement of Directors' responsibilities

In respect of the Annual Report, strategic report and the Directors' report and the financial statements

The Directors are responsible for preparing the Annual Report, Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report
to the members of EMIS Group plc

We have audited the financial statements of EMIS Group Plc for the year ended 31 December 2013 set out on pages 48 to 74. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 46, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW
19 March 2014

Group statement of comprehensive income
for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Revenue	6	**105,542**	86,333
Costs:			
Changes in inventories		**174**	(179)
Cost of goods and services		**(11,954)**	(10,712)
Staff costs	10	**(42,522)**	(32,818)
Other operating expenses[1]		**(16,773)**	(12,560)
Depreciation of property, plant and equipment		**(3,286)**	(2,349)
Amortisation of intangible assets	15	**(6,236)**	(3,604)
Adjusted operating profit		**26,065**	22,820
Development costs capitalised		**6,098**	5,330
Exceptional transaction costs		**(1,144)**	(435)
Amortisation of intangible assets[2]		**(6,074)**	(3,604)
Operating profit	7	**24,945**	24,111
Finance income	8	**20**	54
Finance costs	9	**(262)**	(130)
Share of result of associate	18	**20**	(2)
Share of result of joint venture	18	**(88)**	26
Profit before taxation		**24,635**	24,059
Income tax expense	11	**(4,706)**	(4,625)
Profit for the year		**19,929**	19,434
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**(22)**	–
Other comprehensive income		**(22)**	–
Total comprehensive income for the year		**19,907**	19,434
Attributable to:			
– equity holders of the parent		**19,369**	18,932
– non-controlling interest in subsidiary company		**538**	502
Total comprehensive income for the year		**19,907**	19,434

Earnings per share attributable to equity holders of the parent		Pence	Pence
Basic	12	**32.6**	32.5
Diluted	12	**32.6**	32.5

1. Including contract asset depreciation of £3,241,000 (2012: £2,589,000) and exceptional transaction costs of £1,144,000 (2012: £435,000).
2. Excluding amortisation of computer software purchased externally of £162,000. In 2012 the equivalent amortisation of £56,000 was not excluded on materiality grounds.

The notes on pages 52 to 74 are an integral part of these consolidated financial statements.

Group and parent company balance sheets
as at 31 December 2013

	Notes	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
ASSETS					
Non-current assets					
Goodwill	14	**60,135**	21,951	**—**	—
Other intangible assets	15	**67,204**	30,838	**—**	—
Property, plant and equipment	16	**24,610**	22,144	**—**	—
Investments in subsidiaries	17	**—**	—	**71,241**	48,165
Investment in joint venture and associates	18	**2,760**	2,740	**—**	—
		154,709	77,673	**71,241**	48,165
Current assets					
Inventories	19	**1,431**	1,243	**—**	—
Trade and other receivables	20	**21,448**	15,188	**2,673**	3,616
Cash and cash equivalents		**4,167**	11,107	**—**	82
Amounts owed by subsidiary companies		**—**	—	**45,277**	—
		27,046	27,538	**47,950**	3,698
Total assets		**181,755**	105,211	**119,191**	51,863
LIABILITIES					
Current liabilities					
Trade and other payables	22	**(16,705)**	(12,426)	**(172)**	(60)
Current tax liabilities		**(2,341)**	(1,919)	**—**	—
Bank loans	23	**(7,902)**	(396)	**(7,902)**	(396)
Bank overdraft		**—**	—	**(4,558)**	—
Amounts owed to subsidiary companies		**—**	—	**(38,446)**	(22,044)
Contingent acquisition consideration		**(3,000)**	—	**(3,000)**	—
Deferred income		**(25,453)**	(15,857)	**—**	—
		(55,401)	(30,598)	**(54,078)**	(22,500)
Non-current liabilities					
Bank loans	23	**(9,756)**	(3,000)	**(9,756)**	(3,000)
Deferred tax liability	25	**(11,481)**	(7,548)	**—**	—
Contingent acquisition consideration		**(994)**	—	**(994)**	—
		(22,231)	(10,548)	**(10,750)**	(3,000)
Total liabilities		**(77,632)**	(41,146)	**(64,828)**	(25,500)
NET ASSETS		**104,123**	64,065	**54,363**	26,363
EQUITY					
Ordinary share capital	26	**633**	586	**633**	586
Share premium	26	**51,045**	24,767	**51,045**	24,767
Own shares held in trust		**(2,325)**	(2,877)	**—**	—
Retained earnings		**48,522**	38,076	**466**	1,010
Other reserve		**2,197**	—	**2,219**	—
Equity attributable to owners of the parent		**100,072**	60,552	**54,363**	26,363
Non-controlling interests		**4,051**	3,513	**—**	—
TOTAL EQUITY		**104,123**	64,065	**54,363**	26,363

The notes on pages 52 to 74 are an integral part of these consolidated financial statements.

The financial statements on pages 48 to 74 were approved by the Board of Directors and authorised for issue on 19 March 2014 and are signed on its behalf by:

Chris Spencer
Chief Executive Officer

Peter Southby
Chief Financial Officer

Group and parent company statements of cash flows
for the year ended 31 December 2013

	Notes	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Cash generated from operations	30	**38,725**	32,732	**(1,833)**	(1,206)
Finance costs		**(600)**	(114)	**(594)**	(100)
Finance income		**20**	54	**—**	—
Tax paid		**(5,073)**	(4,566)	**(277)**	180
Net cash generated from/(used in) operating activities		**33,072**	28,106	**(2,704)**	(1,126)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(8,403)**	(12,491)	**—**	—
Proceeds from sale of property, plant and equipment		**219**	245	**—**	—
Internally developed software		**(6,098)**	(5,330)	**—**	—
Purchase of software		**(524)**	(521)	**—**	—
(Increase)/decrease in loan from subsidiary company		**—**	—	**(27,917)**	12,934
Dividends received		**—**	—	**10,000**	—
Business combinations		**(57,534)**	(757)	**(16,860)**	(757)
Net cash (used in)/generated from investing activities		**(72,340)**	(18,854)	**(34,777)**	12,177
Cash flows from financing activities					
Share placing		**26,322**	—	**26,322**	—
Decrease/(increase) in loan to Employee Benefits Trust		**—**	—	**1,065**	(2,131)
Transactions in own shares held in trust		**552**	(1,816)	**—**	—
Bank loan repayments		**(2,400)**	(1,200)	**(2,400)**	(1,200)
Bank loans drawn down		**17,000**	—	**17,000**	—
Dividends paid		**(9,146)**	(7,735)	**(9,146)**	(7,735)
Net cash generated from/(used in) financing activities		**32,328**	(10,751)	**32,841**	(11,066)
Net decrease in cash and cash equivalents		**(6,940)**	(1,499)	**(4,640)**	(15)
Cash and cash equivalents at beginning of year		**11,107**	12,606	**82**	97
Cash and cash equivalents at end of year	31	**4,167**	11,107	**(4,558)**	82

The notes on pages 52 to 74 form an integral part of these consolidated financial statements.

Group and parent company statements of changes in equity
for the year ended 31 December 2013

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
Balance at 1 January 2012	586	24,767	(1,061)	26,789	—	3,011	54,092
Profit for the year	—	—	—	18,932	—	502	19,434
Transactions with owners							
Share acquisitions less sales	—	—	(1,816)	—	—	—	(1,816)
Share-based payments	—	—	—	90	—	—	90
Dividends paid (note 13)	—	—	—	(7,735)	—	—	(7,735)
Balance at 1 January 2013	586	24,767	(2,877)	38,076	—	3,513	64,065
Profit for the year	—	—	—	19,391	—	538	19,929
Transactions with owners							
Share placing	44	26,278	—	—	—	—	26,322
Shares issued	3	—	—	—	2,219	—	2,222
Share acquisitions less sales	—	—	552	—	—	—	552
Share-based payments	—	—	—	195	—	—	195
Deferred tax in relation to share-based payments	—	—	—	6	—	—	6
Dividends paid (note 13)	—	—	—	(9,146)	—	—	(9,146)
Other comprehensive income							
Currency translation differences	—	—	—	—	(22)	—	(22)
Balance at 31 December 2013	**633**	**51,045**	**(2,325)**	**48,522**	**2,197**	**4,051**	**104,123**

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserve £'000	Total equity £'000
Balance at 1 January 2012	586	24,767	9,890	—	35,243
Loss for the year	—	—	(1,235)	—	(1,235)
Transactions with owners					
Share-based payments	—	—	90	—	90
Dividends paid (note 13)	—	—	(7,735)	—	(7,735)
Balance at 1 January 2013	586	24,767	1,010	—	26,363
Profit for the year	—	—	8,407	—	8,407
Transactions with owners					
Share placing	44	26,278	—	—	26,322
Shares issued	3	—	—	2,219	2,222
Share-based payments	—	—	195	—	195
Dividends paid (note 13)	—	—	(9,146)	—	(9,146)
Balance at 31 December 2013	**633**	**51,045**	**466**	**2,219**	**54,363**

The notes on pages 52 to 74 are an integral part of these consolidated financial statements.

Notes to the financial statements
for the year ended 31 December 2013

1. General information

EMIS Group plc ("the Company" or "the parent company") is the parent company of subsidiary companies (together "the Group") whose activities consist of the design, development, supply and support of computer software and systems for healthcare professionals, across every major UK healthcare sector, from primary and community care, to high street pharmacies, secondary care and specialist services.

The Company is incorporated in England and Wales and domiciled in the UK. The address of its Registered Office is Rawdon House, Green Lane, Yeadon, Leeds LS19 7BY.

2. 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.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with 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. This presentation reflects the information which the Board uses to determine performance when making operating and strategic decisions for the business.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of critical accounting estimates and assumptions 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company or Group financial statements are disclosed in note 3.

2.1.1 Going concern

The Group's activities and an outline of the developments taking place in relation to its products, services and marketplace are considered in the Strategic Report on pages 1 to 21. The revenue, trading results and cash flows are explained in the Financial review on pages 17 to 19.

Note 4 to the financial statements sets out the Group's financial risks and the management of capital risks.

The Group has structured bank debt of £3.0m repayable in March 2014 and a term loan repayable in quarterly instalments of £1m until June 2017. However, it is profitable and expects to continue to be so. It has significant cash resources, a high and continuing level of recurring revenue and also expects to continue to have high cash conversion for the foreseeable future.

The Directors considered the going concern assumption in the context of a significant contract renegotiation taking place at the time of completion of the year end accounts (GPSoC-R). Given the status of the negotiations and after careful enquiry and review of available financial information, including projections of profitability and cash flows for the two years to 31 December 2015, the Directors believe that the Group has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of the consolidated and Company financial statements.

2.2 Parent company statement of comprehensive income

As permitted by Section 408 Companies Act 2006, the parent company has not presented its own statement of comprehensive income. The profit of the parent company for the year was £8,407,000 (2012: loss of £1,235,000).

2.3 Changes in accounting policy and disclosure

(a) New and amended standards adopted by the Group

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). The amendment has had no material impact on the Group.

IFRS 10 Consolidated Financial Statements (2011). As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investee.

2. Summary of significant accounting policies continued

2.3 Changes in accounting policy and disclosure continued

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

IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion for its investees at 1 January 2013, and concluded that the new standard had not caused a material change to its previous accounting treatment.

IFRS 11 Joint Arrangements. This standard has not had any effect on the Group's accounting for joint ventures.

IFRS 12 Disclosure of Interest in Other Entities. The Group has considered the requirements of this standard and has, where material, made appropriate changes to disclosures.

IFRS 13 Fair Value Measurement. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures where relevant.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1). As a result of the amendments to IAS 1, the Group has amended the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would not be. Comparative information has been re-presented accordingly.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.4 Basis of consolidation

The Group Financial Statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December 2013. Subsidiaries are entities that the Company has power over, exposure or rights to variable returns and an ability to use its power to affect those returns. Intra-group transactions, including sales, profits, receivables and payables, have been eliminated on the Group consolidation. Investments in subsidiaries are carried at cost less any impairment loss in the Financial Statements of the Company.

Subsidiaries

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.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. Accounting policies previously applied by acquired subsidiaries are changed as necessary to comply with accounting policies adopted by the Group.

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.

Associates and joint ventures

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in financial and operating policy decisions.

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.

Investments in associates and joint ventures are recognised in the Group financial statements using the equity method of accounting and initially carried in the balance sheet at cost. 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. Unrealised gains and losses on Group transactions with the associates are eliminated to the extent of the Group's interest in the associate. Where necessary, adjustments are made to bring the accounting policies used into line with those used by the Group.

Notes to the financial statements continued
for the year ended 31 December 2013

2. Summary of significant accounting policies continued

2.5 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 and geographical segments, has been identified as the parent company Board of Directors.

2.6 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 the amount can be reliably measured and when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities, as described below:

- Revenue from licences, maintenance & software support and other support services is recognised on a straight line basis over the period of supply. Licence fees forming part of long-term software installation contracts (principally within the Secondary & Specialist Care segment), are spread over the implementation phase of these contracts, according to the hours worked on the implementation, to best represent the period over which our vendor obligations are satisfied.
- Revenue from hosting services, principally under the General Practitioner Systems of Choice (GPSoC) contract, is recognised as follows:

  – Provision of infrastructure and hardware – in line with the anticipated life of the related assets as capitalised within property, plant and equipment.

  – Other services are recognised over the period of supply or when delivered as appropriate.
- Revenue from hardware sales is recognised when ownership passes.
- Revenue from training, consultancy and system implementations is recognised when delivery to a customer has occurred with no significant vendor obligations remaining and where the collection of the resulting receivable is considered probable. In instances where a significant vendor obligation exists, revenue recognition is delayed until the obligation has been satisfied. For long-term software installation contracts (principally within the Secondary & Specialist Care segment), revenue is recognised according to the stage of completion.

Invoices raised in advance of the provision of services to customers are recorded on the balance sheet as deferred income, within current liabilities.

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 an accrued income, within trade and other receivables.

2.7 Operating profit

Operating profit is defined as the profit before finance income, finance costs, share of results of associate and joint venture and income tax expense.

2.8 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 internally

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.

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.

2. Summary of significant accounting policies continued

2.8 Intangible assets continued

(b) Computer software developed internally continued

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 (including 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 between four and eight years, based on the anticipated conditions in the market from which economic benefits are expected to be derived for each unique software product.

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 purchased externally	4-6 years
Computer software acquired on business combinations	4-8 years
Customer relationships acquired on business combinations	10-15 years

2.9 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 estimated residual value over their estimated useful lives at the following annual rates:

Freehold property	2% straight-line
Leasehold property	over life of lease (between 20% and 33% straight-line)
Computer equipment	25%–33% straight-line
Fixtures, fittings and equipment	25% reducing balance
Motor vehicles	20% straight-line

2.10 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.

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.

Notes to the financial statements continued
for the year ended 31 December 2013

2. Summary of significant accounting policies continued

2.11 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 tax currently 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.

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 significant deferred tax assets and liabilities are expected to be realised or settled.

2.12 Leasing

Operating lease annual rentals are charged in the Group statement of comprehensive income on a straight-line basis over the term of each lease.

2.13 Share Incentive Plan

The fair value of free shares allocated to members of the share incentive plan (see note 27) is accounted for within staff costs.

2.14 Retirement benefit costs

The costs charged in the financial statements represent contributions payable by the Group during the period into publicly or privately administered defined contribution pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2.15 Functional and presentational currency

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.

2.16 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.

2.17 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.

2. Summary of significant accounting policies continued

2.18 Own shares held in trust

The shares in the Company held by The EMIS Group plc Employee Benefits Trust are treated as treasury shares, stated at weighted average cost and presented as a reduction of shareholders' equity (see note 26). Gains and losses on transactions in the Company's own shares are taken directly to equity.

2.19 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 impairment. A provision for impairment of trade receivables is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate.

Investments

Investments in subsidiaries, associates and joint ventures 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. There are no bank deposits with maturity dates of more than three months.

(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.

Bank and other borrowings

Bank and other 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.

2.20 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.

3. Critical accounting estimates and judgements

Accounting estimates and judgements are made and continually evaluated based on past experience together with expectations relating to future events that are believed to be reasonable at the present time. Due to the inherent uncertainty involved in making these estimates and judgements, actual outcomes could be different. The critical estimates, assumptions and judgements made in arriving at the amounts recognised in the Group financial statements that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are as follows:

Development costs

The key areas of judgement are in determining whether the expenditure meets the criteria for capitalisation and the useful life over which this expenditure is amortised. Expenditure is only capitalised if it meets the criteria set out in IAS 38 'Intangible Assets', details are set out in note 2.8(b). Useful lives are based on management estimates of the period over which assets are expected generate revenue. These estimates are reviewed periodically for continued appropriateness. Changes to estimates can result in variations in carrying values and amounts charged to the Group statement of comprehensive income from period to period.

Revenue recognition

The key area of judgement in respect of recognising revenue is the timing of recognition, specifically in relation to deferral of revenues that are invoiced and paid in advance of services being provided. Details are set out in note 2.6.

Business combinations

The recognition of business combinations requires the excess of purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. Judgements and estimates are made in relation to the fair value allocation of the purchase price.

Notes to the financial statements continued
for the year ended 31 December 2013

4. Financial risk management

4.1 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 an effective risk management programme that seeks to minimise potential adverse effects on the Group's performance.

Exposure to financial risks is monitored by the finance/administration department under policies approved by the Board. 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 its large number of end users and in addition to the normal credit management processes, the nature of these relationships 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.

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.

A detailed analysis of Group debt together with the maturity profile is disclosed in notes 23 and 24.

Interest rate risk

The Company has exposure to interest rate risk in relation to its bank debt amounting to £17.7m. Details of the interest rates and repayment terms are disclosed in note 23. The Group's cash generation is sufficient to enable it to pay down the bank debt rapidly in the event of any significant adverse movement in interest rates.

The Group's current assets include cash and cash equivalents at the year end amounting to £4.2m, 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, such as for the GPSOC process concluding in 2014, the Group, including the Board, is fully engaged with the process in order to secure the best possible outcome.

4.2 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 optimal capital structure to reduce the cost of capital;
- to provide an adequate return to shareholders based on the level of risk undertaken;
- 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. 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 and other reserves related to merger reliefs taken under UK law.

5. 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 of Directors.

Following the acquisitions made in the year, the Group now has three operating segments, involved with the supply and support of software and related services, as set out below:

(a) Primary & Community Care (previously described as "EMIS");

(b) Community Pharmacy (previously described as "Rx" and including the acquired Multepos business); and

(c) Secondary & Specialist Care (including the acquired Ascribe and Digital Healthcare businesses).

5. Operating segments continued

Each operating segment is assessed by the Board based on a measure of adjusted operating profit. This measurement basis excludes exceptional costs, the effect of capitalisation and amortisation of development costs, and the amortisation of acquired intangible assets as the Board considers this to provide the best measure of underlying performance. Group operating expenses, finance income and costs, cash and cash equivalents and bank and other loans are not allocated to segments, as Group and financing activities are not segment-specific.

Segmental information

	2013				2012		
	Primary & Community Care £'000	Community Pharmacy £'000	Secondary & Specialist Care £'000	Total £'000	Primary & Community Care £'000	Community Pharmacy £'000	Total £'000
Segmental result							
Revenue	80,065	16,980	8,497	105,542	69,757	16,576	86,333
Segmental operating profit as reported internally	22,159	3,869	822	26,850	19,901	3,831	23,732
Development costs capitalised	5,271	22	805	6,098	5,330	—	5,330
Amortisation of development costs	(1,836)	—	(40)	(1,876)	(621)	—	(621)
Amortisation of acquired intangible assets	(2,076)	(851)	(1,271)	(4,198)	(2,132)	(851)	(2,983)
Segmental operating result	23,518	3,040	316	26,874	22,478	2,980	25,458
Group operating expenses				(785)			(912)
Exceptional transaction costs				(1,144)			(435)
Operating profit				24,945			24,111
Net finance costs				(242)			(76)
Share of result of associate				20			(2)
Share of result of joint venture				(88)			26
Profit before taxation				24,635			24,059
Segmental assets and liabilities							
Segmental assets as reported internally	36,261	2,327	8,873	47,461	35,624	2,917	38,541
Goodwill and other intangible assets	43,572	10,768	72,999	127,339	41,836	10,953	52,789
	79,833	13,095	81,872	174,800	77,460	13,870	91,330
Group assets				28			34
Investment in joint venture and associates				2,760			2,740
Group cash and cash equivalents				4,167			11,107
Total assets				181,755			105,211
Segmental liabilities as reported internally	(34,587)	(5,932)	(15,288)	(55,807)	(30,735)	(6,953)	(37,688)
Group liabilities				(4,167)			(62)
Group bank loans				(17,658)			(3,396)
Total liabilities				(77,632)			(41,146)
Other segmental information							
Capital expenditure	8,247	60	96	8,403	12,221	270	12,491
Depreciation of property, plant and equipment	6,186	203	138	6,527	4,790	148	4,938

Revenue excludes intra-group transactions on normal commercial terms from the Primary & Community Care segment to the Community Pharmacy segment totalling £3,073,000 (2012: £2,179,000).

Revenue of approximately £75,884,000 (2012: £60,201,000) is derived from the NHS and related bodies.

Revenue of £3,182,000 (2012: £2,948,000) is derived from customers outside the United Kingdom. Non-current assets held outside the UK total £29,000 (2012: £nil).

Exceptional transaction costs relate to professional fees incurred in the business acquisitions made during the year.

Notes to the financial statements continued
for the year ended 31 December 2013

6. Revenue

Revenue is analysed as follows:

	2013 £'000	2012 £'000
Licences	**40,000**	38,217
Maintenance and software support	**17,682**	13,352
Hosting	**14,281**	8,971
Hardware	**6,929**	5,184
Training, consultancy and implementation	**12,142**	6,540
Other support services	**14,508**	14,069
	105,542	86,333

7. Operating profit

	2013 £'000	2012 £'000
The following have been included in arriving at operating profit:		
Research and development expenditure	**11,136**	9,100
Development expenditure capitalised	**(6,098)**	(5,330)
Depreciation of property, plant and equipment		
– depreciation of owned assets	**6,527**	4,938
Amortisation of intangible assets		
– purchased computer software	**162**	56
– internally developed computer software	**1,876**	621
– arising on business combinations	**4,198**	2,927
Operating lease rentals		
– land and buildings	**407**	445
– plant and equipment	**38**	75

The total research and development cost shown above of £11,136,000 (2012: £9,100,000) consists of the direct salary and national insurance costs of relevant staff. Software development costs amounting to £6,098,000 (2012: £5,330,000) have been capitalised in accordance with the criteria set out in IAS 38.

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

	2013		2012
	KPMG £'000	Baker Tilly £'000	Baker Tilly £'000
Audit of these financial statements	**25**	**—**	18
Amounts payable to the Company's auditor and associated companies in respect of:			
– Audit of the financial statements of subsidiaries of the Company	**92**	**13**	48
– Tax compliance services	**41**	**13**	17
– Other tax advisory services	**38**	**—**	15
– All other services	**186**	**10**	32
	382	**36**	130

All other services relate primarily to due diligence costs in relation to the Ascribe acquisition.

8. Finance income

	2013 £'000	2012 £'000
Bank interest	**20**	45
Other interest	**—**	9
	20	54

9. Finance costs

	2013 £'000	2012 £'000
Bank loan interest	**229**	100
Exchange loss	**—**	14
Amortisation of bank loan issue costs	**33**	16
	262	130

10. Employees

	2013 Number	2012 Number
The average monthly number of people (including Directors) employed by the Group during the year was as follows:		
– management and administration	**113**	99
– software support and development	**730**	581
– sales, maintenance and training	**445**	388
– others	**68**	48
	1,356	1,116

	2013 £'000	2012 £'000
Staff costs for above people:		
– wages and salaries	**43,035**	33,870
– social security costs	**4,618**	3,465
– pension costs – defined contribution plans	**462**	398
– share incentive plan (note 27)	**310**	325
– share option expense (note 27)	**195**	90
	48,620	38,148
Dealt with as follows:		
– charged in Group statement of comprehensive income	**42,522**	32,818
– capitalised development costs	**6,098**	5,330
	48,620	38,148

Notes to the financial statements continued
for the year ended 31 December 2013

11. Income tax expense

	2013 £'000	2012 £'000
Income tax:		
– current tax charge	**6,147**	5,164
Total current tax	**6,147**	5,164
Deferred tax:		
– current period	**(1,441)**	(539)
Total deferred tax	**(1,441)**	(539)
Total tax charge in Group statement of comprehensive income	**4,706**	4,625
Factors affecting the tax charge for the year:		
Profit before taxation	**24,635**	24,059
Profit before taxation multiplied by the average domestic income tax rate in the UK of 23.25% (2012: 24.5%)	**5,728**	5,894
Tax effects of:		
– expenses not deductible for tax purposes	**60**	133
– research and development enhanced relief	**(139)**	(434)
– joint venture/associate reported net of tax	**17**	(6)
– deferred tax rate change	**(960)**	(962)
Tax charge for the year	**4,706**	4,625

In the UK, the Finance Act 2013, which was substantively enacted on 2 July 2013, included legislation reducing the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. The impact of these changes on the deferred tax balances of the Group is included in the tax charge.

The new research and development credit (RDEC) scheme was also substantively enacted on 2 July 2013. This allowed UK companies to adopt the RDEC on qualifying expenditure incurred since 1 April 2013, instead of the existing super-deduction rules. These financial statements assume that the election will be made and therefore an RDEC of £255,000 has been recognised in operating profit. Previously tax credits in this area have been recognised as a component of the income tax charge.

12. Earnings per share ("EPS")

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

Earnings	2013 £'000	2012 £'000
Basic earnings attributable to equity holders	**19,391**	18,932
Exceptional transaction costs	**1,144**	435
Development costs capitalised	**(6,098)**	(5,330)
Amortisation of development costs and acquired intangible assets	**6,074**	3,604
Tax and non-controlling interest effect of above items	**(287)**	249
Adjusted earnings attributable to equity holders	**20,224**	17,890

Weighted average number of ordinary shares	2013 Number '000	2012 Number '000
Total shares in issue	**59,946**	58,550
Held as own shares in Treasury by Employee Benefit Trust	**(506)**	(381)
For basic EPS calculations	**59,440**	58,169
Effect of potentially dilutive share options	**114**	79
For diluted EPS calculations	**59,554**	58,248

12. Earnings per share ("EPS") continued

Earnings per share	2013 Pence	2012 Pence
Basic	**32.6**	32.5
Adjusted	**34.0**	30.8
Basic diluted	**32.6**	32.5
Adjusted diluted	**34.0**	30.7

13. Dividends

	2013 £'000	2012 £'000
Final dividend for the year to 31 December 2011 of 6.2p	**—**	3,618
Interim dividend for the year to 31 December 2012 of 7.1p	**—**	4,117
Final dividend for the year to 31 December 2012 of 7.1p	**4,120**	—
Interim dividend for the year to 31 December 2013 of 8.0p	**5,026**	—
	9,146	7,735

A final dividend for the year to 31 December 2013 of 8.0p amounting to approximately £5,030,000 will be proposed at the Annual General Meeting on 30 April 2014. If approved, this dividend will be paid on 2 May 2014 to shareholders on the register on 11 April 2014. The dividend is not accounted for as a liability in these financial statements and will be accounted for as an appropriation of revenue reserves in the year to 31 December 2014.

14. Goodwill

Group	£'000
Cost and net book value	
As at 1 January 2012 and 31 December 2012	21,951
Acquisition of businesses (note 32)	38,184
As at 31 December 2013	**60,135**

Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:

	2013 £'000	2012 £'000
EMIS	**15,853**	15,853
Rx Systems	**6,756**	6,098
Digital Healthcare	**2,470**	—
Ascribe	**35,056**	—
	60,135	21,951

Impairment tests for goodwill

Each allocation is tested annually for impairment and, to confirm that no impairment of the goodwill is necessary, management has compared the carrying value to the value in use. Goodwill generated on acquisitions in the year has not yet been tested for impairment, but will be tested at the next annual assessment date.

The value in use for each allocation of the existing goodwill has been calculated using internal Group budgets for the two years ending 31 December 2015 to forecast pre-tax cash flows from each CGU. These cash flows have then been extrapolated for a further three years assuming average annual growth rates of 3.5% for EMIS (2012: 3.5%) and 4.0% for Rx Systems (2012: 4.0%), until 31 December 2018 and then 1% for both EMIS and Rx Systems in perpetuity. The pre-tax cash flows for the five year period have been discounted back to 31 December 2013 using a discount factor of 9% in relation to EMIS (2012: 9%) and 13% for Rx Systems (2012: 13%). The exercise has confirmed that there has been no impairment. Sensitivity analysis has been performed on the assumptions and this continued to indicate that no impairment was required.

Notes to the financial statements continued
for the year ended 31 December 2013

15. Other intangible assets

Group	Computer software purchased externally £'000	Computer software developed internally £'000	Computer software acquired on business combinations £'000	Customer relationships £'000	Total £'000
Cost					
At 1 January 2012	—	10,709	8,797	18,864	38,370
Additions	521	5,330	—	—	5,851
At 31 December 2012	521	16,039	8,797	18,864	44,221
Additions	524	6,098	25,327	10,653	42,602
At 31 December 2013	**1,045**	**22,137**	**34,124**	**29,517**	**86,823**
Accumulated amortisation and impairment					
At 1 January 2012	—	158	5,202	4,419	9,779
Charged in year	56	621	1,558	1,369	3,604
At 31 December 2012	56	779	6,760	5,788	13,383
Charged in year	162	1,876	2,498	1,700	6,236
At 31 December 2013	**218**	**2,655**	**9,258**	**7,488**	**19,619**
Net book value					
At 31 December 2013	**827**	**19,482**	**24,866**	**22,029**	**67,204**
At 31 December 2012	465	15,260	2,037	13,076	30,838
At 1 January 2012	—	10,551	3,595	14,445	28,591

The accounting policy for intangible assets is set out in note 2.8. The remaining average amortisation period for software developed internally is five years (2012: six years). At 31 December 2013 software acquired had a remaining amortisation period of less than one year for both EMIS and Rx Systems. The amortisation period for software acquired during the year from the Ascribe and Digital Healthcare acquisitions is eight years. Customer relationships have a remaining amortisation period of ten years (2012: eleven years) for EMIS and seven years (2012: eight years) for Rx Systems. The amortisation period for software acquired during the year from the Ascribe and Digital Healthcare acquisitions is ten years.

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 2012	5,453	11,954	1,592	3,904	22,903
Additions	1,126	8,661	610	2,094	12,491
Disposals	—	(4)	—	(749)	(753)
At 31 December 2012	6,579	20,611	2,202	5,249	34,641
Additions	1,753	5,799	219	632	8,403
Acquisition of businesses	208	561	44	—	813
Disposals	—	(35)	(14)	(793)	(842)
Exchange differences	(4)	(12)	(4)	—	(20)
At 31 December 2013	**8,536**	**26,924**	**2,447**	**5,088**	**42,995**
Accumulated depreciation and impairment					
At 1 January 2012	307	6,170	667	923	8,067
Charged in year	205	3,526	217	990	4,938
On disposals	—	(1)	—	(507)	(508)
At 31 December 2012	512	9,695	884	1,406	12,497
Charged in year	266	4,847	260	1,154	6,527
On disposals	—	(35)	(14)	(574)	(623)
Exchange differences	(3)	(10)	(3)	—	(16)
At 31 December 2013	**775**	**14,497**	**1,127**	**1,986**	**18,385**
Net book value					
At 31 December 2013	**7,761**	**12,427**	**1,320**	**3,102**	**24,610**
At 31 December 2012	6,067	10,916	1,318	3,843	22,144
At 1 January 2012	5,146	5,784	925	2,981	14,836

Included within property, plant and equipment are assets ("contract assets") allocated to the data centre hosting services contract (see note 2.6 Revenue recognition for further details) with an original cost of £18,006,000 (2012: £12,693,000) and accumulated depreciation of £9,910,000 (2012: £6,669,000), including depreciation of £3,241,000 (2012: £2,589,000) charged in other operating expenses in the year. The net book value of these assets amounts to £8,096,000 (2012: £6,024,000).

17. Investments in subsidiaries

Company	£'000
Cost and net book value	
As at 1 January 2012 and 31 December 2012	48,165
Acquisition of businesses	23,076
As at 31 December 2013	**71,241**

Notes to the financial statements continued
for the year ended 31 December 2013

17. Investments in subsidiaries continued

Details of the principal subsidiary companies are as follows:

	Nature of operations	Country of registration and operation	% of issued ordinary shares held
Egton Medical Information Systems Limited (EMIS)	Primary & Community Care Software and Support Services	England	100*
Rx Systems Limited	Community Pharmacy Software and Support Services	England	78.9*
Digital Healthcare Limited	Secondary & Specialist Care Software and Support Services	England	100*
Digital Healthcare Inc.	Secondary & Specialist Care Software and Support Services	USA	100
Ascribe Group Limited	Holding company	England	100*
Scroll Bidco Limited	Holding company	England	100
Ascribe Limited	Secondary & Specialist Care Software and Support Services	England	100
Ascribe Holdings Limited	Holding company	England	100
ASC Computer Software PTY Limited	Secondary & Specialist Care Software and Support Services	Australia	100

* Held directly by EMIS Group plc.

All subsidiary undertakings are included in the consolidated financial statements of the Group.

18. Investment in associates and joint venture

Associates

Group	2013 £'000	2012 £'000
Associates		
As at 1 January	**2,740**	2,742
Share of result for year	**20**	(2)
As at 31 December	**2,760**	2,740

The results above relate to Pharmacy 2U Limited (P2U), an unlisted company incorporated in the UK in which the Group has a 20% ownership and voting interest. The principal activity of P2U is the operation of an internet mail order pharmacy.

Aggregate amounts relating to P2U are as follows:

	2013 £'000	2012 £'000
Non-current assets	**2,748**	2,843
Current assets	**3,697**	4,084
Current liabilities	**(3,014)**	(3,638)
Revenues	**16,589**	17,717
Profit/(loss) before taxation	**117**	(12)
Profit/(loss) after taxation	**100**	(10)

The Group's other associate in the year, Multepos Computer Systems Limited, became a full subsidiary of the Group on 14 January 2013 when the Group acquired the 75% of share capital which it did not already own. It subsequently hived up its trade, assets and liabilities into Rx Systems Limited.

Joint venture

Healthcare Gateway Limited (HGL) is a joint venture formed 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 has to date been funded by loans from each joint venture party and at 31 December 2013 the Group is owed £373,000 (2012: £291,000).

18. Investment in associates and joint venture continued

Aggregate amounts relating to HGL are as follows:

	2013 £'000	2012 £'000
Current assets	**562**	336
Current liabilities	**(1,012)**	(609)
Revenues	**404**	154
(Loss)/profit before taxation	**(231)**	71
(Loss)/profit after taxation	**(176)**	52
Share of (loss)/profit for year	**(88)**	26

The HGL liabilities consist principally of loans owing to the joint venture partners. In these consolidated accounts the Group's share of the losses to date has been set off in the consolidated balance sheet against the amount owing to the Group.

19. Inventories

Group	2013 £'000	2012 £'000
Finished goods	**1,431**	1,243

20. Trade and other receivables

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Trade and other receivables	**12,031**	10,415	**—**	—
Prepayments and accrued income	**9,417**	4,773	**17**	2
Loan to Employee Benefits Trust	**—**	—	**2,379**	3,444
Income tax	**—**	—	**277**	170
	21,448	15,188	**2,673**	3,616

21. Credit quality of financial assets

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

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Trade and other receivables	**12,031**	10,415	**—**	—
Cash at bank	**4,167**	11,107	**—**	82
	16,198	21,522	**—**	82

No collateral security is held.

Trade and other receivables

Reporting date balances fall within the following categories:

	Group	
	2013 £'000	2012 £'000
UK governmental health bodies	**6,577**	6,737
Group and independent high street pharmacies	**926**	1,746
Other third party receivables	**4,528**	1,932
	12,031	10,415

Notes to the financial statements continued
for the year ended 31 December 2013

21. Credit quality of financial assets continued

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:

	2013 £'000	2012 £'000
December	**7,280**	7,524
November	**2,050**	1,027
October and earlier	**2,701**	1,864
	12,031	10,415

Other than trivial amounts, no provision for impairment of trade receivables has been required.

Cash at bank

The Moody's long-term credit ratings and balances are as follows:

	Group	
	2013 £'000	2012 £'000
A2	**1,585**	10,555
A3	**268**	552
Aa2	**479**	—
Aa3	**190**	—
Baa2	**1,645**	—
	4,167	11,107

22. Trade and other payables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade payables	**6,808**	6,530	**—**	—
Accrued expenses	**5,561**	2,935	**172**	60
Other tax and social security	**4,336**	2,961	**—**	—
	16,705	12,426	**172**	60

23. Borrowings

Company and Group	2013 £'000	2012 £'000
Non-current		
Unsecured bank loans	**9,756**	—
Secured bank loans	**—**	3,000
	9,756	3,000
Current		
Unsecured bank loans	**7,902**	—
Secured bank loans	**—**	396
	7,902	396

23. Borrowings continued

On 13 September 2013 a new bank facility was established, consisting of a £16,000,000 term loan and a £16,000,000 revolving credit facility, both bearing an interest rate of 1.60% above LIBOR. At the same time the security over the outstanding mortgage loan of £3,000,000 was released, with the repayment date of 31 March 2014 unchanged. Interest on this loan is at 1.75% above LIBOR.

The £16,000,000 term loan is repayable by equal quarterly instalments of £1,000,000, with a final maturity date of 30 June 2017. The revolving credit facility is committed until 30 June 2017. At 31 December 2013 £15,000,000 of this facility was undrawn.

Arrangement fees of £370,000 are being amortised over the life of the new facilities.

The financial covenants in place for these facilities are: EBITA interest cover; net debt to adjusted EBITDA senior leverage; and cash flow to senior debt cash flow cover.

Excluding unamortised arrangement fees the non-current borrowings of £10,000,000 (2012: £3,000,000) are estimated to have a fair value of £10,004,000 (2012: £3,009,000), based on cash flows discounted using a rate based on the borrowing rate of 2.01% (2012: 2.08%).

The fair value of current borrowings approximates to their carrying amount, as the impact of discounting is not significant.

24. Liquidity risk

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

	Carrying amount £'000	Contractual cash flow £'000	Less than 1 year £'000	1–2 years £'000	2–3 years £'000	3–4 years £'000
At 31 December 2013						
Trade and other payables due within one year	16,705	(16,705)	(16,705)	—	—	—
External borrowings	17,658	(18,569)	(8,281)	(4,178)	(4,094)	(2,016)
Contingent acquisition consideration	3,994	(3,994)	(3,000)	—	—	(994)
	38,357	(39,268)	(27,986)	(4,178)	(4,094)	(3,010)
At 31 December 2012						
Trade and other payables due within one year	12,426	(12,426)	(12,426)	—	—	—
External borrowings	3,396	(3,487)	(470)	(3,017)	—	—
	15,822	**(15,913)**	**(12,896)**	**(3,017)**	**—**	**—**

25. Deferred tax

Group	Property plant and equipment £'000	Intangible assets £'000	Other temporary differences £'000	Total £'000
At 1 January 2012	(653)	(7,434)	—	(8,087)
Credited to statement of comprehensive income	91	448	—	539
At 31 December 2012	(562)	(6,986)	—	(7,548)
Credited to statement of comprehensive income	357	1,059	25	1,441
Credited to equity	—	—	6	6
Acquisition of businesses	131	(7,196)	1,687	(5,378)
Exchange differences	—	—	(2)	(2)
At 31 December 2013	**(74)**	**(13,123)**	**1,716**	**(11,481)**

Notes to the financial statements continued
for the year ended 31 December 2013

25. Deferred tax continued

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

	2013 £'000	2012 £'000
Deferred tax liabilities	**(13,594)**	(7,576)
Deferred tax assets	**2,113**	28
	(11,481)	(7,548)

26. Share capital and premium

	Ordinary shares of 1p each		Share premium
	Number	£'000	£'000
At 1 January and 31 December 2012	58,550,017	586	24,767
Shares issued in the year	4,761,379	47	28,497
At 31 December 2013	**63,311,396**	**633**	**53,264**

All issued shares are fully paid. Shares issued in the year relate to the acquisition of Ascribe Group Limited on 16 September 2013 and were issued at £6.15 per share. 4,400,000 shares were issued as a result of a vendor placing and 361,379 were issued as consideration to certain vendors of Ascribe. Costs of £738,000 relating to the placing have been charged to share premium. At 31 December 2013 the EMIS Group plc Employee Benefit Trust held 446,960 shares in the Company (2012: 529,130 shares).

27. Share-based payments

At 31 December 2013 outstanding awards to subscribe for ordinary shares of 1p each in the Company, granted in accordance with the rules of the EMIS share option schemes and the EMIS LTIP, were as follows:

Date of grant	At 1 January 2012	Granted	Lapsed	At 1 January 2013	Granted	Lapsed	At 31 December 2013
2011 Share Option Plan							
11 October 2011	66,225	—	(2,370)	63,855	—	(1,419)	**62,436**
1 October 2012	—	42,130		42,130	—	(2,461)	**39,669**
2 May 2013	—	—	—	—	5,476	—	**5,476**
18 October 2013	—	—	—	—	99,060	—	**99,060**
	66,225	42,130	(2,370)	105,985	104,536	(3,880)	**206,641**
Weighted average exercise price	528p	812p	528p	641p	660p	708p	**649p**
Unapproved Option Scheme							
11 October 2011	12,298	—	—	12,298	—	—	**12,298**
1 October 2012	—	65,500	—	65,500	—	(6,000)	**59,500**
18 October 2013	—	—	—	—	138,000	—	**138,000**
	12,298	65,500	—	77,798	138,000	(6,000)	**209,798**
Weighted average exercise price	528p	812p	—	767p	656p	812p	**693p**
EMIS LTIP							
29 June 2012	—	400,000	—	400,000	—	—	**400,000**
2 May 2013	—	—	—	—	50,000	—	**50,000**
	—	400,000	—	400,000	50,000	—	**450,000**
Weighted average exercise price	—	547p	—	547p	710p	—	**565p**

There were no share options exercisable at 31 December 2013.

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. Performance conditions apply to the 2012 and 2013 awards under the Unapproved Option Scheme and the EMIS LTIP.

27. Share-based payments continued

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 below. The fair values of options with performance conditions have been determined using the Monte Carlo Model. The fair values of options without performance conditions have been determined using the Black Scholes Model.

	Unapproved Option Scheme			LTIP	
Grant date	11 October 2011	1 October 2012	18 October 2013	29 June 2012	2 May 2013
Exercise period	October 2014 – October 2016	June 2015 – July 2016	July 2016 – October 2018	July 2015 – July 2017	July 2015 – July 2017
Share price at grant date	528p	812p	656p	547p	710p
Expected volatility	36%	30%	35%	30%	30%
Expected life (years)	3	3	3	4	3
Risk-free rate	2.75%	1.00%	1.40%	1.00%	1.00%
Expected dividend yield	2.35%	1.64%	2.20%	2.30%	1.90%
Fair value per option	109p	75p	89p	85p	177p

	2011 Share Option Plan			
Grant date	11 October 2011	1 October 2012	2 May 2013	18 October 2013
Exercise period	October 2014 – October 2016	October 2015 – October 2017	May 2016 – May 2018	October 2016 – October 2018
Share price at grant date	528p	812p	730p	656p
Expected volatility	36%	30%	35%	35%
Expected life (years)	3	3	3	3
Risk-free rate	2.75%	1.00%	1.40%	1.40%
Expected dividend yield	2.35%	1.64%	2.20%	2.20%
Fair value per option	109p	153p	157p	141p

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 one year's service. Those joining contribute a maximum of £1,500 a year, or 10% of salary, whichever is smaller, which is used to acquire shares in the Company at market price from the EMIS Group plc Employee Benefits 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 further free shares allocated to members under the scheme during the year, had a value of £310,000 (2012: £325,000).

28. Operating lease commitments

The future aggregate minimum lease commitments under non-cancellable operating leases are as follows:

Group	**2013 £'000**	2012 £'000
Land and buildings		
– due within one year	**607**	327
– due between one and five years	**1,174**	92
Plant, machinery and motor vehicles		
– due within one year	**26**	27
– due between one and five years	**46**	22
– due after five years	**8**	—
	1,861	468

Notes to the financial statements continued
for the year ended 31 December 2013

29. Capital commitments

At 31 December 2013 the Group had capital commitments in respect of motor vehicles amounting to £125,000 (2012: £41,000).

30. Cash generated from operations

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Profit/(loss) before taxation	**24,635**	24,059	**(1,942)**	(1,405)
Finance income	**(20)**	(54)	**—**	—
Finance costs	**262**	130	**12**	116
Share of result of associates	**(20)**	2	**—**	—
Share of result of joint venture	**88**	(26)	**—**	—
Operating profit/(loss)	**24,945**	24,111	**(1,930)**	(1,289)
Adjustment for non-cash items:				
Amortisation of intangible assets	**6,236**	3,604	**—**	—
Depreciation of property, plant and equipment	**6,527**	4,938	**—**	—
Share-based payments	**195**	90	**—**	90
Operating cash flow before changes in working capital	**37,903**	32,743	**(1,930)**	(1,199)
Changes in working capital:				
(Increase)/decrease in inventory	**(174)**	179	**—**	—
Decrease/(increase) in trade and other receivables	**1,132**	(3,191)	**(15)**	—
(Decrease)/increase in trade and other payables	**(177)**	3,282	**112**	(7)
Increase/(decrease) in deferred income	**41**	(281)	**—**	—
Cash generated from operations	**38,725**	32,732	**(1,833)**	(1,206)

31. Change in net (debt)/cash

Group	2012 £'000	Cash flow £'000	**2013 £'000**
Cash and cash equivalents	11,107	(6,940)	**4,167**
Bank loans due within one year	(396)	(7,506)	**(7,902)**
Bank loans due after one year	(3,000)	(6,756)	**(9,756)**
Net cash/(debt)	7,711	(21,202)	**(13,491)**

32. Business combinations

On 14 January 2013 the Group acquired the 75% of share capital of Multepos Computer Systems Limited (Multepos), which it did not already own, to enable further expansion of electronic point-of-sale services to the community pharmacy customer base. Multepos had not previously been consolidated as it was not material to the financial statements.

On 3 August 2013 the Group acquired 100% of the share capital Digital Healthcare Limited, a leading provider of diabetic eye screening software and services, giving the Group a strong position in a niche market adjacent to the Group's core presence in GP and community pharmacy systems.

On 16 September 2013 the Group completed the acquisition of 100% of the share capital of Ascribe Group Limited (Ascribe), a well-established software and IT services provider to the UK's secondary healthcare market, giving the Group a significant market position in several areas strategically adjacent to but not overlapping with its existing core offerings.

These acquisitions are consistent with EMIS Group's strategy of providing integrated cross-organisational healthcare systems.

32. Business combinations continued

The provisional fair values of the net assets acquired, consideration paid and goodwill arising on these transactions is shown in the table below.

Group	Multepos £'000	Digital Healthcare £'000	Ascribe £'000	Total £'000
Goodwill	658	2,470	35,056	38,184
Intangible assets acquired:				
– Computer software	—	1,011	24,316	25,327
– Customer relationships	—	1,711	8,942	10,653
Property, plant and equipment	3	22	788	813
Inventories	8	6	—	14
Trade and other receivables	61	754	7,198	8,013
Cash and cash equivalents	103	1,837	3,031	4,971
Trade and other payables	(67)	(852)	(3,404)	(4,323)
Deferred income	—	(1,525)	(8,030)	(9,555)
Deferred tax	—	(544)	(4,832)	(5,376)
Total net assets	766	4,890	63,065	68,721
Consideration:				
Cash consideration	766	4,890	56,849	62,505
New share capital issued to vendors	—	—	2,222	2,222
Contingent consideration	—	—	3,994	3,994
Total consideration	766	4,890	63,065	68,721
Cash and cash equivalent balances acquired	(103)	(1,837)	(3,031)	(4,971)
New share capital issued to vendors	—	—	(2,222)	(2,222)
Contingent consideration	—	—	(3,994)	(3,994)
Net proceeds from share placing	—	—	(26,322)	(26,322)
Net cash cost of acquisition	663	3,053	27,496	31,212

Goodwill relates principally to the experienced staff within the business.

Provisional fair values of assets and liabilities represent the best estimate of the fair values at the dates of acquisition. As permitted by IFRS 3 (Revised) 'Business Combinations', these provisional amounts can be amended for a period of up to 12 months following acquisition if subsequent information becomes available which changes the estimates of fair values at the dates of acquisition.

Since acquisition the contribution of the acquired businesses to Group revenue and Group adjusted operating profit has been: Multepos £730,000 and £102,000; Digital Healthcare £1,309,000 and £200,000; and Ascribe £7,188,000 and £622,000.

Had all acquisitions occurred on 1 January 2013 the revenue and adjusted operating profit for the year would have been: Multepos £762,000 and £107,000; Digital Healthcare £3,249,000 and £348,000; and Ascribe £24,927,000 and £3,037,000.

Contingent consideration for the Ascribe acquisition consists of payments of up to £3,000,000 contingent upon Ascribe achieving certain key operational and financial milestones in the 12 month period post acquisition. A further £994,000 is contingent on the realisation of a specific tax claim, to the extent that the Group is able to realise such claim for cash within an agreed timeframe.

Of the total Ascribe consideration, £40,400,000 was used to discharge all outstanding shareholder loan notes, preference shares and other entitlements and £4,600,000 was paid to clear external bank debt (net of certain working capital adjustments). The shareholder loan notes have been replaced with repayable on demand loan note instruments between the Company and the relevant Ascribe entities.

In relation to the acquisitions and their financing, costs of £1,144,000 have been expensed in the statement of comprehensive income, £738,000 of share placing costs have been charged to share premium and £370,000 of bank arrangement fees have been recorded on the balance sheet and are being amortised over the life of the Group's bank facilities.

Notes to the financial statements continued
for the year ended 31 December 2013

33. Pension commitments

Pension contributions of £462,000 (2012: £398,000) represent contributions to various defined contribution schemes operated by the Group. In 2014 the pension costs will reflect the obligation to auto-enrol eligible employees across the Group.

34. Related party transactions

Key management compensation

Key management includes Directors (Executive and Non-executive) of the parent and UK subsidiary companies, the Company secretary and certain departmental heads. The compensation paid or payable to key management for employee services is shown below:

	2013 £'000	2012 £'000
Salaries and other short-term employee benefits	2,966	2,137
Post retirement benefits	154	306
	3,120	2,443

Directors' emoluments	2013 £'000	2012 £'000
Aggregate emoluments	995	644
Pension costs – defined contribution plans	49	120
	1,044	764

Retirement benefits are accruing to two (2012: four) Directors under defined contribution personal pension schemes.

Highest paid Director	2013 £'000	2012 £'000
Aggregate emoluments	288	188
Pension costs – defined contribution plans	17	18
	305	206

Other related party transactions

Transactions between the Group and:	2013 £'000	2012 £'000
Associate – Pharmacy 2U Limited		
Sales of goods and services in year	29	31
Amounts owed at year end	—	—
Joint venture – Healthcare Gateway Limited		
Sales of goods and services in year	373	7
Amounts owed by related party at year end	373	291
Key management personnel		
Sale of motor vehicles at market value	—	34

Shareholder information

Internet

The Group operates a website which can be found at www.emis-online.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.emis-online.com/investors. 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: Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham BR3 4TU, tel: 0871 664 0300, lines are open 8.30am to 5.30pm Monday–Friday. The registrar's website is www.capitashareportal.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. A user ID and password will be sent to you once you have registered on the site.

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.moneymadeclear.org.uk.

Payment of dividends

Shareholders may find it more convenient to make arrangements to have dividends paid direct 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 Capita Registrars, our registrar, whose contact details appear on this page.

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.emis-online.com/investors.

Directors and Advisers

Directors

Executive

C M K Spencer – Chief Executive Officer
P J Southby – Chief Financial Officer

Non-executive

M K O'Leary – Chairman
R F Taylor – Non-executive Director
A J McKeon – Non-executive Director
S D Riddell – Non-executive Director

Company Secretary

C L Farbridge

Company number

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Group financial summary

	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Revenue	**105,542**	86,333	73,238	61,900
Adjusted operating profit[1]	**26,065**	22,820	20,769	18,223
Profit before tax	**24,635**	24,059	21,435	18,067
Earnings per share – basic	**32.6p**	32.5p	25.4p	19.8p
Earnings per share – adjusted[1]	**34.0p**	30.8p	27.7p	21.8p
Dividends paid to Company's shareholders	**10,056**	8,237	7,248	6,554
Dividends per ordinary share	**16.0p**	14.2p	12.4p	11.2p
Total equity	**104,123**	64,065	54,092	46,782
Cash generated from operations[2]	**32,627**	27,402	27,083	20,212
Net (debt)/cash	**(13,491)**	7,711	8,026	1,678
Average number of employees	**1,356**	1,116	898	791

1. Excludes exceptional items, capitalisation and amortisation of development costs and amortisation of acquired intangibles. EPS calculations also adjust for the related tax and non-controlling interest impact.

2. Stated after deduction of capitalised development costs.

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