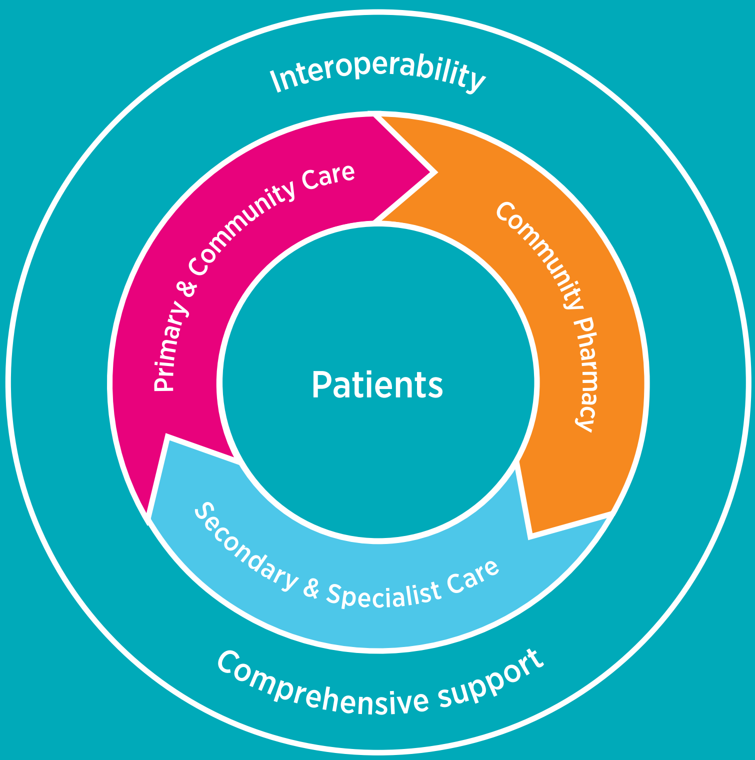
Connecting IT across every major healthcare sector

EMIS Group plc
Annual report and accounts 2014

emis group plc

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



At a glance
> Page 02

Strategic report

Governance

Financial statements

Further information and investor updates can be found on our website at **www.emis-online.com**

Highlights of our year

Strong performance for the year with a focus on delivering sustained growth.

Operational highlights

- Financial performance in line with expectations
- Product integration underway and already starting to be delivered to the market
- First integrated contract win in Gibraltar
- 11% organic revenue growth and positive contribution from acquisitions

Primary & Community Care

- Market-leading position in UK primary care maintained with 53.1% market share (2013: 53.0%)
- GPSoC framework agreement (Lots 1 and 2) secured
- 4,261 EMIS Web GP practices now live (2013: 3,327)
- Momentum continues in Community, Children and Mental Health (CCMH): contract wins in excess of £14m, strong pipeline, implementations progressing well and market share growth from 3% to 8%

Community Pharmacy

- Maintained significant user base, with 35.7% share of the market (2013: 35.3%)
- Ongoing development of next generation community pharmacy software to address existing and "supermarket" users
- Rolling out innovative integrated products connecting GPs, pharmacists and patients

Secondary & Specialist Care

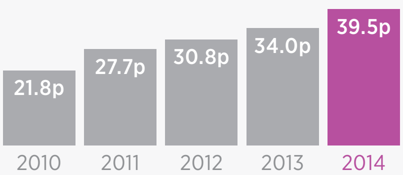
- Major contract wins secured in hospitals, strong order book and pipeline of further opportunities, notably pan-Wales A&E
- Acquired Indigo 4, providing clinical and administrative messaging and order communications solutions
- Development and roll-out of upgraded diabetic retinopathy software in England complete
- Acquired Medical Imaging, providing diabetic retinopathy service provision capability and significant market share

Operational review
> Page 16

Financial highlights

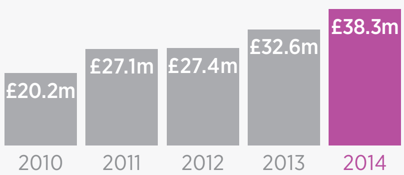
Adjusted EPS[1]

39.5p +16%



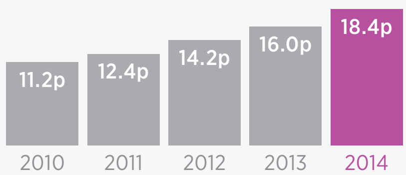
Cash generated from operations[2]

£38.3m +17%



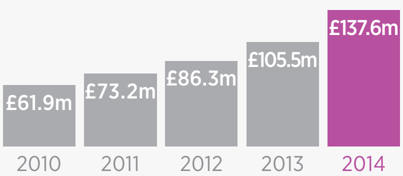
Total dividend for the year

18.4p +15%



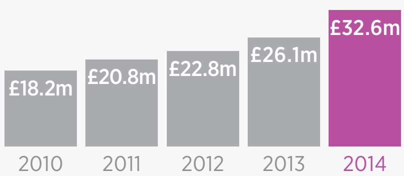
Total revenue

£137.6m +30%



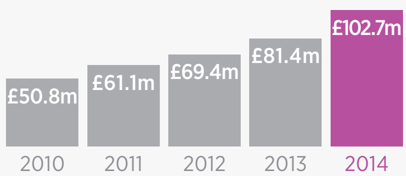
Adjusted operating profit[1]

£32.6m +25%



Recurring revenue

£102.7m +26%



1. Excludes release of contingent acquisition consideration, 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.

At a glance

Helping clinicians share vital information to facilitate better, more efficient healthcare.

Who we are and what we do

EMIS Group is the UK leader in connected healthcare software and services. Our solutions are widely used across every major UK healthcare setting from primary & community care, to high street pharmacies, secondary care and specialist services. We link up different healthcare sectors through integrated and interoperable technology that makes patient information available where it's needed, when it's needed. We help clinicians provide better, more efficient healthcare. This is how we support longer, healthier lives.

EMIS Group serves the following healthcare settings:

Primary & Community Care, under the EMIS brand, the UK leader in clinical IT systems for GPs and commissioners. EMIS Group products, including the flagship EMIS Web, hold over 40 million patient records and are used by nearly 6,000 healthcare organisations, including community-based teams. EMIS' Patient website is the UK's leading independent provider of patient-centric medical and wellbeing information and related transactional services.

Secondary & Specialist Care, under the Ascribe and Digital Healthcare brands. Ascribe is a leading software provider to 81% of the UK's NHS Acute Trusts and Boards, focused primarily on hospital pharmacy, A&E (holding over 30 million patient records), mental health, order communications and patient administration systems. Digital Healthcare is England's leading provider of diabetic eye screening and other ophthalmology-related services and solutions.

Community Pharmacy, under the Rx Systems brand, the UK's single most used integrated community pharmacy and retail system.

These markets are also supported, under the Egton brand, by the provision of specialist ICT infrastructure, software, hardware and engineering services.

Our strategy
> Page 10

> Providing access anywhere, at any time.

Primary & Community Care

EMIS Group is the UK GP software market leader providing primary care clinical systems.

EMIS Web, our flagship product, uses the latest technologies to help GPs manage every aspect of providing the best possible care to their patients. It enables GPs to share data with other healthcare professionals involved in their patients' care, so everyone has the complete picture. This leads to improved patient treatment times and outcomes.

Community, Children's and Mental Health

With EMIS Web, healthcare professionals working in community, children's and mental health can easily access records and share patient data electronically.

It's more efficient for the organisation and provides a better experience for the patient.

It can use automatic recall schedules to invite children for vaccinations or make it easier to create care plans across different community settings. EMIS mobile allows true mobile working online or offline at the point of care.

Patient

Patient is the Group's website that helps patients play a key part in making decisions about their own healthcare through high quality information, support and transactional services. It also supports health professionals in clinical decision making and through provision of high quality, accurate and up to date reference material.

Egton

Egton specialises in supplying ICT infrastructure, hosting and supporting services such as automated arrivals, bespoke websites and healthcare and other public and private sector organisations.

NUMBER ONE IN THE MARKET, 53% PENETRATION

4,261 LIVE PRACTICES IN ENGLAND AND WALES LIVE WITH EMIS WEB

£14M+ IN VALUE OF WINS FOR CCMH

17M MONTHLY VISITORS TO PATIENT IN DECEMBER 2014

0.5M+ VISITORS MONTHLY TO EGTON DESIGNED GP WEBSITES

Operational review
> Page 16

At a glance continued

Linking pharmacy to the wider healthcare network.

Community Pharmacy

EMIS Group software is used by community pharmacies across the UK for managing and dispensing patients' medications.

ProScript is the most widely used system in the pharmacy software market. It efficiently manages the dispensing process and handles standard tasks such as labelling and endorsing, patient records, ordering and stock control.

Pharmacies using ProScript and GPs using EMIS Web are improving patient outcomes by working together to deliver "joined-up" services. Pharmacy Access allows pharmacies to view a summarised patient record and order repeat prescriptions direct from the GP.

This means pharmacists can view the patient GP record, helping to improve patient care by spotting any issues with medication before it becomes a bigger problem for the patient.

Operational review
> Page 16

36% PENETRATION,
NUMBER TWO IN THE MARKET

153 MILLION PRESCRIPTIONS
WRITTEN BY ENGLISH GPs USING EMIS WEB ARE DISPENSED BY AN RX SYSTEMS PHARMACY EACH YEAR

NEXT GENERATION
PRODUCT IN DEVELOPMENT

> "Everyone involved will have the information they need at the click of a button."

Secondary Care and Specialist Care

EMIS Group software is used by NHS Trusts in a wide range of secondary and specialist care settings. Our range of clinical systems offer clinicians and managers solutions to manage the day to day running of these healthcare settings, including the recording of essential patient data and business intelligence reporting.

Our systems are used to manage hospital pharmacy and prescribing; unscheduled care and electronic patient records (including patient administration systems), and electronic messaging and order communications.

The Group's secondary care product range has an international user base, with customers in Australasia, Malaysia and Hong Kong.

Specialist care

EMIS Group provides IT systems for specialist care settings, offering expert and invaluable solutions to niche markets with specific requirements, such as image management and storage for the ophthalmology market. The Group also provides screening services to patients across 12 diabetic eye screening programmes.

OVER 81% OF ACUTE TRUSTS USE AN ASCRIBE SOLUTION

18% PENETRATION IN A&E. NUMBER TWO IN THE MARKET IN ENGLAND

EVERY 5 SECONDS A PATIENT IS TREATED IN AN A&E DEPARTMENT USING AN ASCRIBE SYSTEM

11 MILLION DIABETIC RETINOPATHY IMAGES TAKEN IN THE YEAR

Operational review
> Page 16

Chairman's statement

Mike O'Leary, Chairman

> **Delivering integrated, excellent and innovative healthcare IT for patients and all those involved in their care.**

2014 was a strong year with a focus on strategy. The roll-out programme for EMIS Web for GPs in England was almost complete at the year end, and the expansion into Community, Children's and Mental Health (CCMH) continued. Development of the next generation community pharmacy software progressed well and the significant work on Group product integration was clearly demonstrated by the launch and start of the roll-out of innovative integrated products connecting GPs, pharmacists, secondary care clinicians and patients.

Following on from the acquisition of Ascribe in 2013, the addition of Indigo 4 on 16 July 2014 brought an extensive customer base in the secondary care sector. Its products, already used by over 150 NHS Trusts, Clinical Commissioning Groups (CCGs) and private organisations, extend our existing proprietary capabilities in the requesting, messaging, translation and delivery of electronic clinical and administrative data across primary & secondary care.

The acquisition of Medical Imaging (UK) Limited and MIDRSS Limited (together "Medical Imaging"), was completed on 22 December 2014. Medical Imaging is the leading provider of services delivering diabetic eye screening and ophthalmology imaging to the NHS in England and has a growing presence assisting Ireland's national health service, the HSE. The acquisition is in line with EMIS Group's strategy of providing cross-organisational healthcare systems and further enhances its position in diabetic eye screening.

Changes to the Board

The range of experience of our Non-executive Directors continued to provide valuable support to the Executive Directors ensuring they continued to develop an ambitious strategy and that strategy was delivered effectively. On 9 May 2014, Kevin Boyd joined the Board as a Non-executive Director. As a finance director of a FTSE 250 business, he has proved to be a valuable addition to the Board.

On 30 January 2015, Sean Riddell stepped down from his role as Non-executive Director. Sean was instrumental in the growth and achievements of the business both as an Executive and Non-executive Director and the Board thanks him for his significant contribution, over many years.

Corporate governance

The Board remains committed to high standards of corporate governance and adding value by ensuring that strong ethical standards are maintained. There is a framework of effective internal controls and dialogue with all stakeholders is encouraged to gain the most value from engagement with a wide variety of stakeholders. Further information on corporate governance can be found on page 30.

> **We remain uniquely placed to continue to help provide faster, better and cheaper healthcare through connecting software and services, which in turn supports longer and healthier lives.**

Dividend

Subject to approval by shareholders at the AGM on 29 April 2015, the Board is recommending a final dividend of 9.2p per ordinary share payable on 1 May 2015 to shareholders on the register at the close of business on 10 April 2015. The total dividend for the year is 18.4p.

Our brand

During 2015 we will re-brand a number of our existing businesses as EMIS Health. We provide integrated systems to help deliver better, faster patient care more efficiently and operating under one brand will underline that. We will also launch the new brand EMIS Care. Under the EMIS Care brand we will provide technical and administrative assistance to clinicians.

Our people

The achievements over the last year would not have been possible without the excellent performance of our people. The business has worked hard to improve cross-Group collaboration, to encourage communication and to develop a deeper understanding of strategy. We remain dedicated to supporting our employees by investment and creating opportunities. Their commitment means that we remain uniquely placed to continue to help provide faster, better and cheaper healthcare through connecting software and services, which in turn supports longer and healthier lives.

Mike O'Leary
Chairman
18 March 2015

Corporate governance
> Page 30

EMIS Health

During 2015, we will launch a new brand: EMIS Health. This will bring together our businesses working in Primary & Community Care (EMIS), Secondary Care (Ascribe and Indigo 4), Community Pharmacy (Rx Systems), and Specialist Services (Digital Healthcare).

Behind the scenes we've been working hard to integrate them – from teams and processes, to products and services. By re-branding we can demonstrate how we are joining them up to help our customers – in every health sector – to deliver the NHS vision of integrated care.

EMIS Health will provide every health sector with innovative technologies, from market-leading clinical management systems to health analytics tools – combined with unrivalled customer support.

Egton and Patient will retain their separate brands as the Group's providers of specialist ICT infrastructure, software, hardware and engineering services, and online patient-centric services respectively.

EMIS Care

In December 2014 we acquired Medical Imaging, our specialist provider of grading and assessment services to support diabetic eye screening programmes. During 2015, we will also launch EMIS Care. EMIS Care will be the arm of EMIS Group that provides technical and administrative assistance to clinicians.

Creating the EMIS Care brand will enable the Group to leverage the brand equity in the EMIS name and provide a distinction between the two arms of the business.

The EMIS Care brand will provide expert healthcare support services to clinicians helping them deliver faster, better and cheaper healthcare for everyone.

Chief Executive Officer's introduction and business model

Establishing closer integration of healthcare systems.

Chris Spencer, Chief Executive Officer

"The NHS' Five-Year Forward View strategy document expressly states its commitment to fully interoperable electronic health records so that patients' records are largely paperless, available to clinicians wherever treatment is provided, and can be accessed by patients. As custodians of well over 40 million such records, across every major area of healthcare, we remain uniquely placed to help provide faster, better and cheaper healthcare through connected software and services."

Vision

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

- Reducing emergency admissions
- Reducing health inequalities
- Improving management of long-term conditions
- Optimised medications
- Supporting patients and clinicians
- Access anywhere, at any time
- Continuing IT hardware and support
- Measuring performance against targets
- Improving efficiency

Strategic objectives (3 years +)

1. Maximise the return on our resources by joining them up and making them super-efficient.
2. Deliver on our integrated product strategy to facilitate the use of clinical information.
3. Listen to customers and citizens and deliver what they need.
4. Become an integrated health and social care IT and services company.
5. Deliver planned returns to customers, investors and other stakeholders.

Operating principles

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

Retain and grow profitable market share through:

↓

Optimal specification development and delivery of integrated innovative software

↓

Strategic business development

↓

Alignment and integration of every division

Our key differentiators: why EMIS Group?

We're joining up healthcare. Through innovative IT, we're giving more and more healthcare professionals access to the information they need to provide better, faster and cheaper patient care.

We're unique. Our national reach includes clinical software used in every major healthcare setting – from GP surgeries to high street pharmacies, community, hospitals and specialist services.

We're clinically focused. We enable clinicians to provide safe and efficient care – helping patients live longer, healthier lives. Our technology is used by more clinicians in the UK than any other provider and we have a significant and growing international presence.

We care about what we do. Our clinically led design teams work with our customers to develop systems. That's why we consistently meet the needs of individuals – whether a district nurse or an A&E consultant.

We're pioneering. We've won awards for our innovation and excellence and invested in not-for-profit research that is openly available to all. We're always looking at future technologies to make sure we develop ground-breaking services that benefit patients and clinicians.

We've got strength in numbers. Our clinical systems are used by over 10,000 healthcare organisations across the UK.

Our strategy

Strong focus on strategic matters especially relating to delivery of integrated care.

2014 priorities	Achievements in 2014	2015 priorities
1 **Divisional restructure and integration**	• Group management restructure designed and implemented at divisional, central and standard-setting levels. • Group marketing proposition developed and promoted joining up healthcare across all our sectors. • Focus on promoting EMIS as "not only a GP system supplier" with specific success in the CCMH space. • Group elevator pitch developed. • Detailed procurement portfolio of materials developed. • Migration of the Rx Systems engineering team into the Egton division. All engineering staff transferred within the year.	• **Integrate departments across EMIS Group.**
2 **Deliver KPIs including financial performance**	• Improved Group budgeting process with Group year-end results in line with both external expectations and internal budget despite variations in performance across the segments. • Clear, consistent, and contextually relevant KPIs agreed with each Group Executive Board (GXB) member. Each KPI linked with the Group 'Strategy On a Page'. • All English GP estate installed or ordered EMIS Web.	• **Deliver financial performance.**
3 **People: communication engagement and development**	• Regular town hall briefings introduced, enabling sharing of business priorities and strategic plans with all employees. Participation encouraging and feedback positive. • Updated, expanded and maintained succession matrix at GXB level to ensure succession for senior management. • Leadership development continued in 2014 with leaders at all levels participating in a Leadership Essentials programme. • Introduced flexible approach to employee benefits including variable options giving more choice around pensions, holidays and life insurance. • To recognise the importance of people, communication, engagement and development strategy, a human resources director appointed to the GXB specifically to lead our people strategy.	• **People: communication engagement and development.**
4 **Strategic customer and stakeholder engagement**	• GPSoC successful procurements in Lots 1 and 2. Lot 3 underway. • Secured first enterprise primary care customer. • Engaged in procurement with first "supermarket" pharmacy customer. • Doubled the number of 100% EMIS CCGs/Healthboards (all GP practices using EMIS Web). • Integrated sales standards board established with representation from each division. • EMIS Group Pioneer (pan-healthcare) economies identified and engagement begun. • Relationships developed with five patient advocacy charities (eg Diabetes UK, Macmillan).	• **Strategic customer and stakeholder engagement.**

2014 priorities	Achievements in 2014	2015 priorities
5 **Group product integration**	• Primary Care (EMIS Web) Community and Children's and Secondary Care Mental Health product roadmap aligned. • EMIS Group products now sharing appropriate information with each other to enable offering of new or enhanced services. Examples include growth of Pharmacy Access into Community Pharmacy space. • Primary Care (EMIS Web) Community and Children's and Secondary Care Mental Health teams merged with three combined contract wins.	• **Create a "one system brand and product strategy".**
6 **Enterprise and commissioning products**	• Created and began the release of solutions to meet CCG commissioning and enterprise/federated primary care needs. • EMIS Health Analytics Service established to provide BI services and products across the Group. Work well advanced on solutions for GP, CCMH and Pharmacy divisions.	• **Demonstrate improved clinical outcomes through EMIS Group systems.**
7 **Operational efficiencies**	• See pharmacy division engineering migration (above). • Infrastructure integration plan developed and implementation begun for pan Group ICT systems. • Group procurement function sourcing of hardware and software effectively rolled out across the various businesses driving cost saving opportunities through economies of scale.	• **Development of new Patient Online Services.**
8 **Optimise software specification and development**	• Primary & Community Care and CCMH development process reviewed and agile processes implemented ensuring timely delivery of GPSoC contractual obligations. • Public Health England update developed and implemented in whole of English diabetic retinopathy estate. • Medicine Manager/EHR (England) available for roll-out to pharmacy estate. • Community Pharmacy next generation product development progressing to schedule. • Created EMIS Group network of clinicians who either design and/or use Group systems to promote excellence in use of current functionality and inform current and future service and product developments.	• **Become a clinical services provider.**

Our Culture

Ethical and caring

Healthcare focused

Integrated

Patient and carer centred

Trusted

Strategy in action

EMIS Group delivers.

Uniquely placed to help provide faster, better and cheaper healthcare.

UK FIRST:

EMIS integrates with Apple's HealthKit to provide a personal health profile

UK FIRST:

Pharmacists can view GP patient records to support safer dispensing, improving the care patients receive

EMIS Group will connect the whole health community in Gibraltar for better patient care - linking patient information across primary care, secondary care, community and mental health services

eHANDOVER SOLUTION WINS AWARD:

Mid Cheshire wins HSJ Award using Ascribe's eHandover solution to connect information between departments

NEW CONTRACTS ANNOUNCED:

In Bristol, EMIS Web will connect 1,000 community staff, providing more than 35 healthcare services

EMIS Group recognised in 10 AWARDS IN 2014

CONNECTING ACUTE PHARMACY AND HOSPITAL WARDS:

Providing better care to 91,000 patients per year at Middlemore Hospital, New Zealand

CONNECTING GPs AND A&E:

An urgent care centre in Newham is delivering faster care and beating local targets using EMIS Web

H A&E

CONNECTING PATIENTS WITH GPs:

3,322 practices are now enabling more patients than ever before to view their medical records online

CONNECTING GROUPS OF PRACTICES:

34 GP practices in central Manchester are sharing records to provide extended opening hours for patients

FASTER, BETTER PATIENT CARE:

EMIS Group first to roll out new software to manage early identification and treatment for diabetic retinopathy

RICHARD RED:
How EMIS Group is making integrated care a reality.

Follow Richard on his healthcare journey at: http://bit.ly/richardred

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. This is then reviewed by the Group Executive Board. A summary of the consolidated register is considered by the CEO and then 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 2014. 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 3 to the financial statements.

Audit Committee
> Page 35

Financial risks
> Page 70

Corporate governance
> Page 30

Identified risk	Link to strategic priorities on pages 10 and 11	Why is it important?	How did we mitigate the risk?
Healthcare structure and procurement changes	1, 2, 4, 5, 6, 8	The Group needs to ensure it is not disadvantaged by changes in healthcare structure and procurement and that its strategy closely matches government policy: • by close engagement with the NHS at both strategic and tactical levels, e.g direct or via industry groupings such as TechUK; • by working to ensure the Group is perceived not just as a GP supplier; • by providing a connected care offering; and • by analysing and proactively responding to NHS changes, e.g. GP federations the Five-year Forward View.	• GPSoC procurement successful in Lots 1 and 2 • Analysis of each Group market and competitor activity on a regular basis • Development of a clear market and product strategy • Review of selling strategy • Brand review and re-branding plan • Integrated sales board established to account manage pan-health economy procurement • Identifying key areas of focus for customer retention • Development of a strategic mental health solution • Development of next generation pharmacy software • Developing a strategy to provide clinical services

Identified risk	Link to strategic priorities on pages 10 and 11	Why is it important?	How did we mitigate the risk?
Integration	1, 2, 5, 7	The Group must ensure products and acquisitions are integrated in order to efficiently align technology and workflows. This leads to the realisation of the best clinical safety and financial outcomes: • by divisional restructure and integration; and • by Group product integration.	• Board level responsibility for product and acquisition integration with a plan and regular monitoring • Group standards and integration boards established to share and mandate best practice in, for example, development, support, implementation, clinical governance and product integration • All integrated implementations include clinical safety review • Integrated Group function teams being established to secure Group-wide synergies
Software development and hosting	2, 4, 5, 6, 7, 8	The Group needs to ensure the development, hosting and roll-out of new and existing products delivers customers' expectations: • by ensuring a strategy is in place to lead effective development prioritisation; and • by ensuring functionality, service and stability is delivered.	• Divisional business plans feed into development strategy • Identifying synergies across Group-wide resources • Group-wide scheduling processes • Ring-fenced teams established • Monitoring error rates and user feedback • Service levels set and monitored • Hosting environment and processes reviewed • Disaster recovery plans in place and reviewed • Review of development and innovation processes
Recruitment and retention	2, 3, 6, 8	The Group needs to recruit and retain the right people to ensure timely delivery to achieve financial returns: • by providing an environment for communication, engagement and development; and • by providing an environment for innovation.	• Recruitment of budgeted resource to deliver planned projects • Outsourcing where appropriate • Succession plan which is regularly reviewed • Recruitment of a Group Human Resources Director • Introduction of a wider range of benefits • Improving property and working environments, e.g. creation of a development hub in north Leeds and planned expanded new premises in Watford, Bolton and Cambridge in 2015 • creation of virtual innovation teams, e.g. for Apple HealthKit

1. Divisional restructure and integration
2. Deliver KPIs including financial performance
3. People: communication engagement and development
4. Strategic customer and stakeholder engagement
5. Group product integration
6. Enterprise and commissioning products
7. Operational efficiencies
8. Optimise software specification and development

Operational review

A strong and busy year.

Chief Executive's overview

EMIS Group has had a strong and busy year delivering results in line with expectations, with 30% revenue and 25% adjusted operating profit growth; including double digit organic growth increases in both key metrics.

Key achievements for the year included establishing closer integration of the Group's cross-healthcare products and services, concluding major contracts for GP Systems of Choice (GPSoC) Lots 1 and 2, largely completing the roll-out of EMIS Web for GPs in England while securing opportunities elsewhere including Northern Ireland. We have also achieved organic revenue growth and increased visibility across the business, delivering high levels of profitability and cash generation in line with our expectations, and further strengthening our already solid balance sheet. In September 2014 the Group also announced its first international whole healthcare economy contract, to deliver a fully integrated electronic patient record for Gibraltar. This £11m contract, spanning primary, community and secondary care, clearly demonstrates the importance of the work being undertaken to link and integrate all of the Group's products.

Ascribe and Digital Healthcare, acquired during the second half of 2013, made positive contributions to the Group's results, with the 2014 acquisitions (Indigo 4 and Medical Imaging) expected to provide further opportunity for growth in Secondary & Specialist Care and to enhance earnings in 2015.

Market share grew across the Group in Primary Care & Commissioning, CCMH, Community Pharmacy and Secondary & Specialist Care.

Group strategy

The Group, through its Primary & Community Care, Community Pharmacy and Secondary & Specialist Care divisions, is a major provider of healthcare software, information technology and related services in the UK. The Group holds a strong market position in every major area of UK healthcare IT making it uniquely placed to help integrate care across every major UK healthcare setting.

The management team maintained a strong focus on its stated strategy throughout the year especially relating to the delivery of integrated care. Group strategic priorities for 2014 included:

- **Strategic customer engagement.** The GP Systems of Choice (GPSoC) framework procurement was successfully completed for Lots 1 and 2 and Lot 3 is well underway. The Group began to work with primary care customers that used new (enterprise) funding models. The Group continued to engage in the consolidation of the market place at a local level with a doubling of 100% EMIS Clinical Commissioning Groups (CCGs)/Health Boards where all the GP practices use EMIS Web to 38 by the year end. Procurement engagement began with the Group's first "supermarket" pharmacy customer. EMIS Group Pioneer (pan-healthcare) economies were identified and engagement began. Relationships were developed with five patient advocacy charities (including Diabetes UK and Macmillan).
- **Divisional restructuring/integration.** The Group management structure was re-designed and all management positions have now been filled including Duane Lawrence, the Managing Director of Secondary Care, Steve Butcher, the Group Director of Marketing, and Nicola Cliffe, the Group Human Resources Director. The Group's marketing proposition was further developed and promoted around joining up healthcare across all its sectors with a special focus on promoting EMIS as "not only a GP system supplier", with particular success in the CCMH space. The Primary Care (EMIS Web) Community and Children's and the Secondary Care Mental Health teams were merged and secured three combined contract wins. The Community Pharmacy engineering team was integrated into the Egton (engineering) division.
- **Group product integration.** An integrated product roadmap has been developed and implementation has begun. Initial outcomes were demonstrated at an investor day on 3 June 2014 showing a fully integrated suite of cross-Group products, which enables the Group to offer new or enhanced services: examples include the growth of Pharmacy Access into the Community Pharmacy space. The Primary Care (EMIS Web) Community and Children's and the Secondary Care Mental Health product roadmaps were aligned. This ongoing integration will be further emphasised in 2015 by the use of the holistic EMIS Health divisional branding.
- **Optimisation of software specification and development.** Primary & Community Care ran a comprehensive training programme in agile development methodologies to improve quality and throughput. In Community Pharmacy a medicine manager/electronic health record viewer was completed and began to be rolled out in England. Development of the Community Pharmacy next generation product addressing the supermarket segment also continued to plan. In Secondary Care a new development director was appointed and in Specialist Care a Public Health England update was developed and implemented across the whole of the English diabetic retinopathy estate. Across the Group, premises were refurbished in north Leeds for specific use as a development delivery hub and there was growth in the development teams in Bolton, Sheffield, Glasgow and Chennai.
- **Enterprise/federated and commissioning products.** Solutions to meet CCG and enterprise/federated primary care needs were created and released. A Group Health Analytics Service was established to provide health intelligence services and products with advanced solutions for the Group's markets.

> **“The Group holds a strong market position in every major area of UK healthcare IT.”**

Operational review

Primary & Community Care

Primary Care

The Group’s primary care market share rose slightly to 53.1% (5,138 GP practices) (31 December 2013: 53.0% (5,232 GP practices)). The primary care user base continues to be loyal and 78% of the Group’s English GP practices have used an EMIS system for over ten years.

The procurements of Lots 1 and 2 of the English GPSoC and of the Northern Ireland GP frameworks all reached a successful conclusion during 2014 and the procurement of Lot 3 GPSoC is progressing as expected.

EMIS Web GP

The roll-out programme for GPs in England was almost complete at the end of the year and all the Group’s practices in Wales are scheduled to have transitioned to EMIS Web by the end of 2015. At the period end, there were 4,261 live EMIS Web GP practices, an increase of 934 compared with 3,327 at 31 December 2013. In Northern Ireland, practices will have the option to upgrade to EMIS Web from the latter part of 2015.

EMIS Web CCMH

The CCMH team was expanded, especially in relation to sales and implementation specialists from within and outside the Group, as it both won contracts and began to implement them. Additional functionality was released relating to cross-organisational tasks and appointments and data migration tools for transfers from Servelec RiO to EMIS Web.

The Group’s significant pipeline for its integrated offering to both the south and, increasingly, the north, led to contract wins totalling over £14m in value including:

- Blackpool;
- Southport and Ormskirk;
- North Somerset;
- Sirona (South Gloucestershire);
- Bristol;
- Glasgow;
- South Tyneside;
- First Community;
- Leeds (occupational health);
- St Andrew’s (physical health); and
- Gibraltar.

By the end of the year the Group’s CCMH market share was 8% compared with 3% at 31 December 2013.

Primary & Community Care

Clinicians are providing better, more efficient care to patients with cystic fibrosis (CF) at Leeds Teaching Hospitals NHS Trust. Doctors at the Trust say they are responding more quickly to clinical problems, carrying out fewer duplicate tests and can capture more detailed data for reporting. They have dramatically reduced the time taken to send discharge summaries to GPs, from 34 days to less than 48 hours.

The Leeds General Infirmary and St James’s University Hospital are two hubs for the Yorkshire region’s specialist adult and paediatric CF centres, with multidisciplinary teams made up of nurses, dieticians, physiotherapists, social workers, psychologists, admin staff and doctors. They are now able to easily record treatment decisions, assess clinical and prescribing trends, and securely share records for 620 patients a year using EMIS Web.

“Going paperless with EMIS Web has had an overwhelmingly positive impact on patient care,” said Dr Daniel Peckham, lead clinician at the adult unit. “In a survey of staff, over 90% said they were able to spot clinical deterioration of patients earlier than with a paper-based system. We are now able to provide more responsive care to patients. The number of completed annual blood tests has increased substantially from 43% to 92%, and we can monitor subtle changes in health outcomes using speedy, automated audits.”

Operational review continued

Community Pharmacy

Ben Eaton BSc MRPharmS, manager of Dean and Smedley Pharmacy, Swadlincote, recently found the Constant Connect service from Rx Systems invaluable to the smooth running of the pharmacy.

Pharmacies use an N3 connection to receive prescriptions electronically. If the N3 connection goes down, pharmacies are left unable to process prescriptions, keeping patients waiting or risking them going to another pharmacy. The Constant Connect service keeps pharmacies connected by defaulting to 3G if broadband is unavailable.

Ben explains: "We made the decision to install Constant Connect at all five of our pharmacies that receive prescriptions electronically. Two weeks ago we were happily dispensing electronically without any issues, but when we tried to access other websites a block appeared on the screen telling us that we were on a 3G connection. In effect we had been dispensing without any disruption at all: our N3 line had failed but due to the seamless switch to 3G we hadn't even realised. Rx Systems dialled in and sorted the N3, had we not had 3G we would not have been able to process any electronic prescriptions for at least two hours. This proved that Constant Connect is a must-have bit of kit."

Primary & Community Care continued

Patient

Patient.co.uk (Patient) is the Group's online portal helping patients proactively manage their own care by using clinically reviewed health and well-being information. Patient continued to grow its patient and clinical user base to 17 million unique monthly visitors at the year end compared with 11 million at the end of 2013.

Further patient-focused apps were launched and included mobile versions of the Patient medical content, the Patient Access gateway, tools relating to irritable bowel syndrome, sleep, weight, depression and migraine, a diabetes microsite and an innovative Patient Health Record (capable of sitting alongside the clinical record in EMIS Web) the latter linking to Apple's HealthKit.

Patient, now a UK registered trademark, also provides a gateway to Patient Access, the Group's transactional healthcare services portal. After completion of the Lot 1 GPSoC procurement, a process began to select providers to deliver paid-for patient-facing services. That selection has now been made and the Group expects to begin monetisation of Patient Access in 2015.

Hardware and engineering

Throughout the year the Group's engineers continued to upgrade NHS operating systems to Windows 7. In June 2014 the Group completed the £1.2m purchase of the intellectual property rights in the automated arrivals software used in the existing primary care estate of circa 1,800 systems, facilitating entry into both the secondary & community care markets. The business also continued to work towards the Group mission of joining up products and organisations and delivering even greater efficiencies including migration and full integration of the Community Pharmacy division's implementation engineers.

Community Pharmacy

The Group provides healthcare IT, software, and services to UK high street pharmacies. The division had another successful year maintaining its significant market share at 35.7% (31 December 2013: 35.3%) and launching a suite of integrated products enabling direct connections between pharmacists, GPs and patients including direct electronic transmission of prescriptions along with an electronic patient record and an app for patients to order repeat prescriptions.

This is aligned with the all-party supported view that for pharmacists to be able to help decrease pressures on traditional primary care services (whether A&E or GPs) they need to see the patient's prescription history and their medication record. Rowlands Pharmacy had deployed the app to all of its 500 English pharmacies by the end of 2014.

Secondary & Specialist Care

Facing new targets for the distribution of GP letters, Hinchingbrooke Health Care NHS Trust required a solution to speed up the process of physically preparing and posting letters to GPs following appointments from A&E. Handling over 1,000 patients per day in these departments alone, the Trust also faced the added pressure of a £75 "fine" per document, should Government targets not be met.

The Correspondence Hub solution, provided by Ascribe, acts as a centralised hub where information from multiple systems can be collated. Using the GP's email address and a set of templates, an electronic GP letter can be automatically produced and emailed, saving significant time and cost. The letters are generated and received from A&E, Inpatient and Outpatient systems, Electronic Discharge Summary, Medisoft, Endoscopy and more.

"The GP letters solution has been a fantastic piece of work that has quickly enabled us to meet our targets – all information can now be submitted within 24 hours."

"The solution has improved communication with GPs and enhanced information flow, contributing towards patient safety by improving the quality and speed of patient data between hospitals and GP surgeries." Gordon Greaves, Associate Director of IT Hinchingbrooke Health Care NHS Trust."

While ProScript, the Group's community pharmacy software, remains the single most widely used dispensary management system in the UK, the division also started to develop its next generation pharmacy product, aimed at both independent and supermarket users, ready for piloting later in 2015.

Secondary & Specialist Care

Secondary Care

The organisational and product integrations of both Digital Healthcare and Ascribe continue to progress as expected. Both businesses performed satisfactorily and enhanced Group earnings in the period.

Ascribe, the Group's secondary care business, principally focused on hospital pharmacy, A&E and patient administration systems (PAS), took longer than anticipated to secure certain contracts which delayed the recognition of some revenues into 2015. However, the strong order book and pipeline are encouraging for further progress in 2015.

In 2014, as well as implementing previously secured contracts with major NHS hospital trusts, including Doncaster & Bassetlaw and South Devon, the division signed further significant contracts in both the UK (such as Birmingham & Solihull) and abroad (including Barwon, Australia).

Furthermore, during the year, the Group was appointed preferred bidder and shortly afterwards was granted a formal agreement with NHS Wales to provide a clinical solution to manage Unscheduled Care across the whole of Wales. This enables the six health boards within NHS Wales to call off and deploy EMIS Group's clinical information and management solution, Symphony, into their emergency department and minor injuries units. Two of the six health boards also signed deployment orders at the same time as the head agreement was signed. The maximum value of the framework agreement is approximately £7.6m over the seven year initial term of the contract.

Indigo 4, a leading supplier of clinical and administrative messaging and order communications solutions to healthcare organisations, was acquired in July 2014 for net consideration of £3.8m. The business has performed well since acquisition, is expected to be earnings enhancing in the first full year of ownership, and furthers the Group's strategy of providing comprehensively connected healthcare systems through a complete set of platform-neutral communication and data translation tools. These extend the Group's pre-existing capabilities in the requesting, messaging, translation and delivery of electronic clinical and administrative data across both primary & secondary care.

Operational review continued

Secondary & Specialist Care continued

Specialist Care

Digital Healthcare, the Group's leading provider of diabetic eye screening and other ophthalmology-related solutions, grew its already considerable market share to 82% (2013: 80%), won its first two hosting contracts in Kent and Wales, and completed the roll-out to its entire English estate of upgraded diabetic retinopathy software to comply with the Common Pathway requirements of Public Health England.

On 22 December 2014 the Group acquired Medical Imaging (UK) Limited and MIDRSS Limited (Medical Imaging), together a leading provider of services delivering diabetic eye screening and ophthalmology imaging to the NHS in England and with a growing presence assisting Ireland's national health service. The acquisition furthers the strategic opportunity that the Group identified when acquiring Digital Healthcare in the provision of a full end-to-end managed diabetic retinopathy screening service. The initial purchase consideration, net of cash acquired, was £6.5m. Over 90% of its revenues are of a recurring nature. It has 63% of the outsourced English market (14% of the total market), and provides screening services to over 500,000 patients across twelve diabetic eye screening programmes. It is also expected to be earnings enhancing in its first full year.

Summary and outlook

EMIS Group continues to trade well and in line with Board expectations. There is ongoing, all-party, acceptance that integrated care is a key part of the solution to the social, demographic and financial challenges of the NHS. This, supported further by strong revenue visibility across all parts of the expanded Group and a robust order book and contract pipeline, gives the Board considerable confidence in further sustained growth.

The Group continues increasingly to engage in substantial procurements in Community Pharmacy as well as the re-tendering of former national programme contracts in CCMH and Secondary Care. The Group is also preparing for growth opportunities in Primary Care, Commissioning and Online. These will begin to arise in 2015 with the potential to monetise patient transactional services and in 2016 as the former national programme primary care contracts let to a competitor come to an end. Overall, the Group has many opportunities for growth during 2015 and beyond.

Baroness Hanham, chair of NHS Monitor, stated on 22 January 2015: "Integrated care has to be the future. Not only because it means that people can have more tailored and individual plans for their care, it should mean that they do not need to attend hospital for check-up or treatments so frequently." With this and other recent public endorsements for integrated care, the Board remains entirely focused on delivering EMIS Group's strategic vision of connected healthcare systems facilitating faster, better, more cost-effective care.

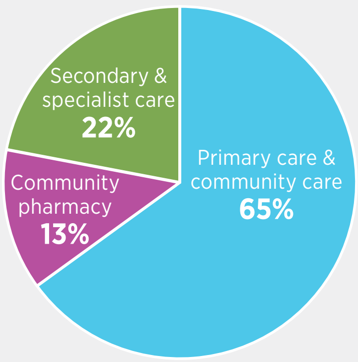
Chris Spencer
Chief Executive Officer
18 March 2015

Financial review

Strong performance for the year.

Peter Southby, Chief Financial Officer

Revenue



In the year ended 31 December 2014 the Group maintained its track record of double-digit organic growth in revenue and operating profit, complemented by positive contributions from acquisitions in Secondary & Specialist Care.

Adjusted operating profit for the year as set out on page 22, was £32.6m (2013: £26.1m) with reported operating profit at £29.1m (2013: £24.9m).

Revenue

Group revenue increased by 30% to £137.6m (2013: £105.5m), including revenue from acquisitions completed during the year of £1.6m, and revenue from the 2013 acquisitions in Secondary & Specialist Care of £28.0m (2013: £8.5m).

The 11% organic growth in the year was principally due to a strong performance in the Primary & Community Care business, driven by the increased penetration of the EMIS Web product in England and Wales, together with development of newer revenue streams such as CCMH.

Performance in the Community Pharmacy business was again robust, with continued gains in the estate and further cross-selling of additional services delivered alongside significant investment in software development.

The Secondary & Specialist Care segment includes the post-acquisition results of the Indigo 4 business from July 2014, and full year contributions from Digital Healthcare and Ascribe, both acquired in the second half of 2013. In 2015 the segment will also include Medical Imaging, the results of which are not material to the year under review as the business was only acquired in December 2014. The timing of revenues in Ascribe, in particular, is less predictable than for other areas of the Group and, as a result of the later than anticipated securing of certain contracts, the recognition of some revenues was delayed into 2015. The performance of the business overall has nonetheless been in line with expectations, with a strong order book and pipeline providing good prospects for further progress in 2015.

Revenue mix

Group recurring revenue, principally licences, maintenance and software support, hosting and other support services, was £102.7m (2013: £81.4m), 75% of total revenue. The high level of recurring revenue and strong order book at the start of 2015 provide a strong platform for the business to continue to invest with confidence in developing future products and services.

Financial review continued

Selected financial extracts (rounded)	2014 Primary & Community Care £m	2014 Community Pharmacy £m	2014 Secondary & Specialist Care £m	2014 Total £m	2013 Primary & Community Care £m	2013 Community Pharmacy £m	2013 Secondary & Specialist Care £m	2013 Total £m
Revenue	**89.7**	**18.4**	**29.5**	**137.6**	80.0	17.0	8.5	105.5
Adjusted segmental operating profit	**26.4**	**3.9**	**3.4**	**33.7**	22.2	3.9	0.8	26.9
Group expenses				**(1.1)**				(0.8)
Adjusted operating profit[1]				**32.6**				26.1
Adjusted operating margin	**29.5%**	**21.0%**	**11.6%**	**23.7%**	27.7%	22.8%	9.7%	24.7%
Development costs capitalised	**4.0**	**0.8**	**1.8**	**6.6**	5.3	–	0.8	6.1
Amortisation of development costs	**(4.3)**	**–**	**(0.4)**	**(4.7)**	(1.8)	–	(0.1)	(1.9)
Amortisation of acquired intangible assets	**(1.1)**	**(0.7)**	**(4.4)**	**(6.2)**	(2.1)	(0.9)	(1.2)	(4.2)

1. Excludes release of contingent acquisition consideration, exceptional items, capitalisation and amortisation of development costs and amortisation of acquired intangible assets.

Revenue mix continued

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

- licences, which increased to £43.8m (2013: £40.0m), due principally to growth in Primary Care & Community and to a full period benefit from the 2013 Secondary & Specialist Care acquisitions;
- maintenance and software support, driven significantly higher to £33.4m (2013: £17.7m) by incremental revenues from acquisitions and by a higher allocation to this revenue stream under the new GPSoC contract in effect from 1 April 2014;
- hosting, which remained broadly steady at £14.0m (2013: £14.3m), as a result of the further market penetration of the EMIS Web product, offset by the lower allocation to this revenue stream under the new GPSoC contract;
- training, consultancy and implementation, which increased to £16.9m (2013: £12.1m), with new revenues in Secondary & Specialist Care exceeding the reduction in EMIS Web roll-out related revenue in Primary Care;
- an increase in hardware revenues to £7.9m (2013: £6.9m), with growth in the provision of hardware by Egton to the Group's customers; and
- other support services, where new revenues from the acquisitions and a significant increase in project engineering activity resulted in total revenues of £21.6m (2013: £14.5m).

Profitability

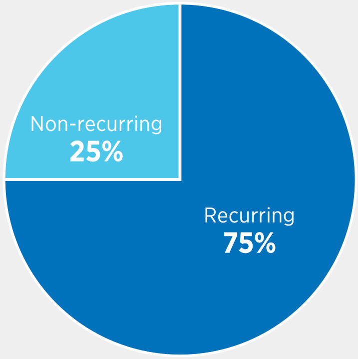
Adjusted operating profit increased by 25% to £32.6m (2013: £26.1m), including £0.4m from acquisitions completed in the year and £3.1m from the 2013 acquisitions in Secondary & Specialist Care (2013: £0.8m). The Primary & Community Care business was the key driver behind the 16% organic profit growth in the year, principally due to the continued successful roll-out and further penetration of the hosted EMIS Web GP product and to development of new revenue streams.

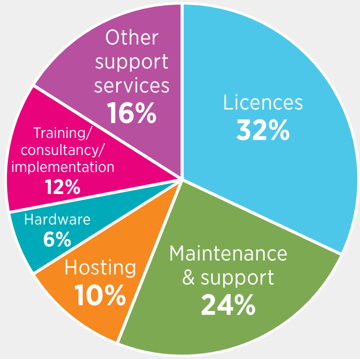
The organic operating margin improved to 27.0% (2013: 26.0%) with the increase in staff and other costs more than outweighed by the revenue growth. The overall Group adjusted operating margin reduced from 24.7% to 23.7% with the mix impact of the lower margin acquired businesses in Secondary & Specialist Care.

Group staff costs increased with staff numbers at the year end increasing to 1,841 (2013: 1,574), including 221 from businesses acquired in the year. The average headcount increased to 1,611 (2013: 1,356).

In 2013, the Group provided for the full potential contingent consideration of £4.0m relating to the Ascribe acquisition. This contingent consideration was finalised during the year at £2.3m and paid in early 2015, with the release of the excess provision of £1.7m split between the statement of comprehensive income and a reduction in goodwill on the balance sheet. After accounting for the resulting £0.9m credit to comprehensive income, the capitalisation and amortisation of development costs, the amortisation of acquired intangibles and for £1.1m of exceptional transaction costs in the prior year, operating profit was £29.1m (2013: £24.9m), an increase of 17%.

Revenue analysis





Taxation

The tax charge for the year of £5.7m included a credit relating to prior years of £0.2m. The current year tax charge of £5.9m represents an effective rate of 21.5% on profit before tax and the (non-taxable) contingent consideration release. The tax charge has increased by £1.0m compared to 2013, the prior year charge having been lower because of a £1.0m reduction in the provision for deferred tax arising from the confirmation of a lower future rate of corporation tax.

Earnings per share (EPS)

Adjusted basic and diluted EPS increased by 16% to 39.5p and 39.4p respectively (2013: 34.0p for both measures). The statutory basic and diluted EPS were 35.3p and 35.2p respectively (2013: 32.6p for both measures).

Dividend

Subject to shareholder approval at the Annual General Meeting on 29 April 2015, the Board proposes an increase in the final dividend to 9.2p (2013: 8.0p) per ordinary share, payable on 1 May 2015 to shareholders on the register at the close of business on 10 April 2015. This would make a total dividend of 18.4p (2013: 16.0p) per ordinary share for 2014. This is 15% higher than in the prior year, reflecting the Board's commitment to increasing the dividend and its confidence in the Group's future prospects.

Cash flow and net debt

The principal movements in net debt were as follows:

	2014 £m	2013 £m
Cash from operations		
Cash generated from operations	**44.8**	38.7
Less: internal development costs capitalised	**(6.5)**	(6.1)
Net cash generated from operations	**38.3**	32.6
Business combinations	**(10.3)**	(57.5)
Placing proceeds	**—**	26.3
Net capital expenditure	**(8.3)**	(8.7)
Transactions in own shares	**(1.5)**	0.6
Tax	**(5.2)**	(5.1)
Dividends	**(10.8)**	(9.1)
Other	**(0.5)**	(0.3)
	(36.6)	(53.8)
Change in net debt in the year	**1.7**	(21.2)
Net debt at end of year	**(11.8)**	(13.5)

Net cash generated from operations was 17% higher than the previous year at £38.3m (2013: £32.6m), the increase follows the growth in the business, partly offset by a £2.7m net outflow in working capital, reflecting the timing of Research and Development tax credits and contract receipts. 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 two acquisitions in the year (Indigo 4 and Medical Imaging) for net cash consideration paid in 2014 of £10.3m. Further amounts of up to £3.0m may become payable in 2015 and 2016 in respect of the Medical Imaging acquisition, and these have been fully provided for. As noted above, £2.3m of contingent consideration in respect of the 2013 Ascribe acquisition has been paid in early 2015.

Net capital expenditure excluding capitalised development costs reduced to £8.3m (2013: £8.7m), comprised primarily of investment in computer equipment (including hosting assets), refurbishment costs, motor vehicles and the purchase of the software used in the Group's GP arrivals screens.

The Group's Employee Benefit Trust acquired £2.0m of shares during the year and received £0.5m (2013: £0.6m) for shares transferred in connection with the Group's share schemes. After tax and dividends, the total net cash inflow of £1.7m resulted in a year-end net debt position of £11.8m (2013: £13.5m), comprised of cash of £6.9m and bank debt of £18.8m. At 31 December 2014, the Group had available bank facilities of £26.0m committed until 2017.

Peter Southby
Chief Financial Officer
18 March 2015

Corporate social responsibility

Supporting our people and their communities.

Summary

- Introduction of Company pension scheme
- 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
- Environment
- Community
- Health and safety
- Ethical business practices

Employees

Training

All employees are encouraged to take part in training sessions to aid their personal development. Throughout 2014, our leadership essentials programme continued with a further 41 managers from across the Group receiving training. The core skills taught as part of the course are helping to increase communication, performance management and encourage coaching and feedback. Over 160 managers have now undertaken this programme.

Management training courses were also run for managers and team leaders in selected departments throughout the period covering disciplinary, grievance and appeal hearings, sickness management, capability procedure, probationary periods, immigration and references checks. In addition to in-house training, employees are encouraged to undertake external technical and project management courses where appropriate.

Egton runs an apprenticeship scheme which encourages learning in the working environment while continuing with relevant qualifications. Since 2012, Egton has had twelve apprentices, a number of whom have gained their qualifications in either Level 3 advanced apprenticeship in IT and hardware or Level 2 intermediate apprenticeship in business administration. Several have successfully secured full time employment with Egton. We currently have five apprentices studying for their qualifications and hope to recruit a further four in 2015. All of our apprentices are treated and valued as key members of the workplace. Work has commenced on reviewing how apprentices could add value across other areas of the Group. This has allowed us to build a business relationship with a number of local schools and also involves attending careers fairs, mock interviews and assisting where possible with the ICT programme within the school.

Pension scheme

With effect from 1 January 2014, all eligible employees within EMIS were automatically enrolled into our pension scheme. A total of 1,117 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. Only 8% of employees have opted out of the pension scheme. Rx staff were auto-enrolled in July 2014 with those already in the existing Rx pension scheme transferring into the EMIS Group scheme in January 2015. Work has commenced on auto-enrolment across the rest of the Group.

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 were also rolled out.

Staff benefits

We offer discounted gym membership, travel cards and a range of other benefits and continue to be committed to offering employees flexible working hours in a comfortable working environment. In 2014 we increased our benefits package to include a cycle to work scheme, the buying and selling of holiday, shopping vouchers, Bupa Healthcare and buying IT equipment at discounted rates. All employees are offered life insurance. In October 2014, the benefits portal was opened up to Rx employees and plans are in place to extend these benefits across the Group.

1,117 EMPLOYEES WERE ENROLLED INTO THE PENSION SCHEME IN THE FIRST MONTH

Corporate social responsibility continued

Nicola Cliffe – Human Resources Director

To recognise the importance of people, communication, engagement and development strategy, a Human Resources Director was appointed to the Group Executive Board specifically to lead our people strategy.

Employees continued

Share incentive scheme

The Share Incentive Plan continues to be offered to all employees with over twelve months' service. In total 826 employees from across the Group now participate.

Employee diversity

	Male	Female
EMIS Group Board	100%	–
Senior management	84%	16%
Other employees	63%	37%

Community

Community engagement continues to be important across the Group. We encourage staff to get involved with local and national charities and we undertook a wide range of activities during the year.

Some of these were:

- Tour de Yorkshire – Staff from Ascribe and EMIS cycled part of the Tour de France route raising money for Alzheimer's.
- Total Warrior – Egton staff challenged themselves to a gruelling course over 30 punishing obstacles for Weston Park Hospital Cancer Charity.
- Shoebox Appeal – 100 boxes were made up by staff to distribute to children in need.
- National Charity Days - Money was raised for the MacMillian Coffee Morning, Children in Need and staff wore a hat for Brain Tumour research.

We continue to work successfully with Business in the Community (BITC), participating in its Give and Gain day – the UK's only national day of employee volunteering.

This year our largest number of volunteers yet from three of our businesses went out to improve and renovate local parks and play areas.

During the year we established a relationship with a local school and cleared land to build a forest school to provide a safe outside learning environment. Volunteers also went into the school under the "Right to Read" scheme and we intend to develop this relationship in the coming year.

We continue to have a relationship with Young Enterprise, which culminated in EMIS presenting the prize for best entrepreneur in the region and this has generated interest in coming to us for work experience.

We also work with the local community sponsoring the community fun day and local school football and other sports teams.

Environment

We continue to be committed to the reduction of waste and energy consumption across the Group.

During the year a significant amount of work was undertaken across the Group to achieve ISO 14001 Environmental Management accreditation. The key environmental impacts identified were utility usage, waste and air conditioning usage. All Group companies were assessed and the standard was awarded in January 2015. A three-year plan will be developed to ensure continued compliance and improvement starting with benchmarking and setting KPIs in 2015 alongside the integration of recent acquisitions. To minimise our carbon emissions we have started to measure our carbon footprint, enabling us to put processes in place to further reduce our impact on the environment across the Group.

We shall continue to invest in further ways to reduce our impact by the consolidation of office space, the use of solar panels, LED lighting and the use of passive infrared motion detection sensors to automatically switch off lights.

Waste recycling continues to be a priority, with over 14 tonnes of cardboard being disposed of in 2014 in an environmentally responsible fashion. Recycling paper waste saved the equivalent of 176 trees. We also disposed of 85 tonnes of IT waste, all of which was recycled by our service providers who are ISO 14001 accredited. The increase in the quantity recycled is as a result of the offer of recycling services for customers.

We continue to promote a purchasing policy that gives preference to those products and services that cause minimal harm to the environment.

Carbon reduction

To support our work to reduce carbon emissions, we continue to choose eco-friendly fleet cars. During the year we reviewed the way we manage and provide cars for our employees and as a result a new fleet provider has been selected. This will reduce costs for fleet provision and further reduce emissions going forward. Our current average emission rate is defined as low and well below the target of 130g/km by 2015 set by the European Commission.

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 continued throughout 2014 supported by the introduction of the cycle to work scheme. 42 employees have purchased a bike through the scheme.

Video conferencing facilities are being installed throughout the Group and all employees are encouraged to use the facility wherever possible to reduce the need for business travel.

Health and safety

Reporting

The EMIS Group plc Board receives a report reviewing health and safety activity twice a year. Each business in the Group has an individual responsible for day-to-day health and safety activities and audits will be undertaken across all sites in 2015. Accident rates were reduced further in 2014. There was one RIDDOR report submitted to the Health and Safety Executive (2013: two).

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 Group employees. Over 1,100 online training courses were completed over the course of the year.

Fleet

We continue to work with our insurers to improve the standard of driving and reduce the number of minor fleet accidents. During the year selected managers were trained in undertaking post-accident reviews and drivers were identified to undertake advanced classroom training and in-car 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.

85 TONNES
OF IT WASTE
RECYCLED

Cycle to work scheme introduced.

Board of directors

Comprehensive skills and experience.

			
Name	**Mike O'Leary** A R N	**Chris Spencer**	**Peter Southby**
Current position	Non-executive Chairman	Chief Executive Officer	Chief Financial Officer
Appointed	March 2011	July 2013	October 2012
Board committees	Audit; Nomination (Chairman); Remuneration	None	None
External appointments *Memberships*	Non-executive director, Headlam Group plc Non-executive director, Epwin Group plc Non-executive director, Ensco Limited	None *Law Society of England & Wales* *Society for Computers & Law* *Chartered Management Institute (Fellow)*	None *Institute of Chartered Accountants in England & Wales (Fellow)*
Experience	Mike has over 20 years' experience at main board level in a public company environment, both FTSE 100 and FTSE 250. 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 has managed a healthcare division in the US which supplied software and services to over 70,000 primary care physicians. He also has experience of selling PAS and pathology departmental systems.	Chris has nearly 35 years of experience of general management and leadership, software (specification, design, development, project management, implementation, marketing and sales) within the healthcare, legal and educational sectors both as a founder of his own companies and a senior manager in established companies. His roles at EMIS since joining in 1999 include Commercial Development Director, Group Legal Counsel, Chief Administrative Officer and interim CEO.	Peter has 20 years of experience in finance. He has led numerous corporate transactions including fundraising and acquisitions. His experience has given him an in-depth knowledge of strategy across multiple industry sectors with a particular focus on support services. Since 1 April 2014 Peter has also taken lead responsibility for all Group support functions.
Previous relevant appointments	Chairman of Digital Healthcare Ltd Chief executive of Marlborough Stirling plc Chief executive of Huon Corporation Executive director of Misys plc	General manager and head of IT at Markgraaf Patents Ltd Founder shareholder and director of software house Solicitec Ltd Managing partner at Emsley Collins (Solicitors)	Financial director at ENER-G plc Finance director at Augean plc Senior financial positions at White Young Green plc and Leeds United plc Senior audit manager at Arthur Andersen

Robin Taylor
A R N

Senior Non-executive Director

March 2010

Audit (Chairman); Nomination; Remuneration

Non-executive director of Fusionex International plc

Non-executive director of Phoenix IT Group plc

Non-executive director of FDM Group plc

Institute of Chartered Accountants of Scotland

Robin brings many years' experience as a plc director. From his previous appointments, he gained experience on financial reporting, financing, transactions and risk management. The Board believes Robin's skills, experience and knowledge makes him a well-qualified Senior Non-executive Director and Chairman of the Audit Committee.

Chief financial officer of Intec Telecom Systems plc

Chief financial officer of ITNET plc

Chief financial officer of JBA Holdings plc

Variety of financial and general management roles in Europe and North America

Andy McKeon
A R N

Non-executive Director

February 2013

Audit; Nomination; Remuneration (Chairman)

Senior policy fellow at the Nuffield Trust

Non-executive director at the National Institute of Health and Clinical Excellence (NICE)

Adjunct professor in the Centre of Health Policy in the Institute of Global Health Innovation at Imperial College London

Andy's extensive knowledge of the NHS and experience in shaping health policy adds invaluable expertise to the Board discussions. He is an advocate for change which benefits patients. The Board believes Andy brings an independent view and is well suited to the Chairmanship of the Remuneration Committee.

Interim chief executive, Nuffield Trust

Departmental board member at the Department of Health (Director General responsible for Policy & Planning)

Head of primary care, Department of Health

Deputy chief executive, Barts and the London NHS Trust

Managing director, Health, Audit Commission

Kevin Boyd
A R N

Non-executive Director

May 2014

Audit; Nomination; Remuneration

Group finance director of Oxford Instruments plc

London Stock Exchange Primary Markets Group

Institute of Chartered Accountants in England and Wales (Fellow)

Institution of Engineering and Technology (Fellow)

Kevin brings FTSE 250 financial expertise and software systems knowledge to the Board. With Kevin's experience of running complex businesses and corporate transactions, the Board considers his financial and investor relations experience a valuable addition to the Board.

Group finance director at Radstone Technology plc

Finance director at Siroyan Ltd

Senior financial positions at TI Group (now Smiths Group plc)

Committee membership

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- Chairman of Committee

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

— Chairman – Non-executive
— Executive
— Non-executive
— Company Secretary

At the start of the year the Board of EMIS Group ("the Board") consisted of Michael (Mike) O'Leary, Non-executive Chairman; Christopher (Chris) Spencer, Chief Executive; Peter Southby, Chief Financial Officer; Robin Taylor, Senior Non-executive Director; Sean Riddell, Non-executive Director and Andrew McKeon, Non-executive Director.

Sean Riddell had previously served as Chief Executive until 4 February 2013 and was therefore not considered independent on appointment.

Andrew McKeon, Mike O'Leary and Robin Taylor were considered by the Board to be independent on their appointment.

Kevin Boyd was appointed on 9 May 2014. 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.

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 process for the appointment of new Directors is rigorous and transparent and further information is contained in the Report of the Nomination Committee on page 39.

The role of the Board

The Board is responsible to shareholders for delivering shareholder value by developing the overall strategy and supporting the development of the 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, dividend payments and accounting policies and practices;
- approval of the Group budget;
- measuring performance of KPIs, both financial and non-financial;
- capital structure;
- internal controls and risk management;
- acquisitions and disposals;
- major capital expenditure;
- legal (including major contracts), health and safety 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. This two-day meeting reviews progress and seeks to develop the future strategic direction of the Group. It is attended by all Board members (on the first day) and the members of the Group Executive Committee which includes the Group divisional managing directors, the Group human resources director and the Group marketing director. The forum considers the economic environment in which the Group operates, reviews the current business model and market opportunities and sets the key strategic priorities for the three year and longer term strategy to enhance competitive advantage and shareholder value.

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.

Chairman

The Chairman is responsible for the leadership and effectiveness of the Board. He:

- chairs the Board, the Nomination Committee and the AGM;
- provides challenge to the Executive Directors and works closely with the Chief Executive Officer on key strategic decisions;
- maintains a dialogue with major shareholders on governance and other strategic matters;
- sets the Board agenda and ensures all Directors have the opportunity to maximise their contribution to the Board by encouraging open debate and constructive challenge; and
- undertakes the annual evaluation of the Board.

On his appointment, Mike O'Leary met the Code requirements for independence. There have been no significant changes to his other commitments during the year which have any impact on his ability to perform his duties for the Company.

The Chief Executive

The Chief Executive is responsible for the implementation of the strategic and financial objectives of the Group through the day-to-day management of the Group's business, within defined authority limits. To assist in this, the Chief Executive has created a Group Executive Board (GXB) which consists of the Group Divisional Managing Directors, the Chief Financial Officer, the Group Human Resources Director and the Group Marketing Director, the Chief Medical Officer and the Chief Technology Officer. The GXB meets once a month with a focus on cross Group integration and operational performance.

The Chief Executive:

- develops the Group strategy and leads the annual strategic forum;
- with the Chief Financial Officer, approves the divisional budgets;
- chairs the Group Executive Board (GXB) and leads the senior management team;
- monitors the performance of the senior managers;
- monitors the Group's key risks; and
- with the Chief Financial Officer, maintains close contact with government, shareholders and major customers.

Non-executive Directors

- Non-executive Directors provide independent and constructive challenge to the Executive team.
- The Non-executive Directors also play a key role in developing proposals on strategy. They participate in the annual strategy forum.
- They also provide a wide range of experience and independence. This aids the Board in developing a broader understanding and in evaluating the implications, risks and consequences of decisions. The Board believes there are no current or past matters which are likely to affect their independent judgement. 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. The Non-executive Directors maintain a dialogue in-between Board meetings.

Board meetings

Comprehensive Board packs are provided which are distributed in sufficient time to enable their review and consideration in advance of the meeting. At each meeting, the Board discusses and reviews strategy, the financial results and KPIs. Management accounts and commentary are distributed on a monthly basis and the risk register is reviewed at each meeting. The Chief Executive presents a comprehensive review of operational matters across the Group. Investor relations, the outcome of Board committees and governance matters are also considered.

There is a topical calendar for the Board and divisional managing directors and key Group functional directors are regularly invited to attend and present an update on their areas of the business. This is key in providing further detail to support key strategic decisions. Board meetings are also held at the operating companies to meet the senior management and develop a detailed understanding of the operations. In addition the Board meets as required to consider single issues such as acquisitions which are supported by a paper circulated in advance analysing all relevant aspects of the topic under discussion.

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

Biographies of the Directors
> Pages 28 to 29

Corporate governance continued

Board meetings continued

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 Company Secretary supports the Board committees and assists in the evaluation of the Board. 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 and maintained 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 is shown on page 34. On the few occasions a Director was unable to attend, the Chairman received comments in advance of the meeting and the individual received a briefing on the issues discussed following the meeting.

Board effectiveness

The Board has extensive operational experience and Chris Spencer, Mike O'Leary and Andy McKeon have detailed knowledge of the healthcare sector. An internal assessment of the performance of the Board and its individual Directors was conducted by the Chairman through individual meetings with each member of the Board.

All the members of the Board agreed that appropriate processes were in place for setting the strategic direction of the Company, monitoring its performance against plan and ensuring that risks and governance were properly addressed. The committees of the Board were considered to be effective and that all members made valuable contributions.

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

The Senior Non-executive Director conducted a review to appraise the performance of the Chairman. There was agreement that the Chairman ensured vigorous debate in a collegiate atmosphere which was supportive of the Executive team while still being challenging. In addition, where there are corporate activities between meetings, the Chairman ensured that everyone was informed and up to date.

New Directors receive a comprehensive pack of information, attend a tailored induction programme and meet senior managers. This ensures that knowledge and understanding of the business and its technology is developed. The senior management present to the Board on a regular basis and the Board conducts site visits. All Directors are encouraged to and do 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 34. 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 35 to 53.

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 and comprises all Non-executive Directors.

Audit Committee report
> Pages 35 to 38

Remuneration Committee

Andy McKeon is Chairman of the Remuneration Committee. The Committee met three times during the year and comprises all Non-executive Directors. 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.

Remuneration Committee report
> Pages 40 to 53

Nomination Committee

The Nomination Committee is chaired by Mike O'Leary and comprises all the Non-executive Directors. The Committee is responsible for leading the Board appointments process and for considering the size, structure and composition of the Board and has met three times in the year. Full details of the work of the Committee are set out in the Nomination Committee report on page 39.

Nomination Committee report
> Page 39

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.

The Group has extensive quality assurance processes and there are functions within the Group that provide assurance and advice covering specialist areas. These are 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.

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 pages 14 and 15. Insurance is in place where appropriate.

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. Given the growth of the Group, recruitment is underway for a suitably qualified and experienced individual to join the Group in this role.

Other key controls which contribute to the overall management of the Group include:

- A formal schedule of matters reserved to the Board for decision. The Group Executive 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, the Group Executive Board reviewed strategic issues, progress with integration and reviewed the risk register.
- An annual strategic review at which the senior managers of the principal operating businesses present updates on their current and future strategy to the Board.
- Approval of all acquisition proposals with a clearly defined process for the review of those proposals against strategic objectives and defined investment appraisal criteria before they are considered by the Board.
- Authorisation limits are in place for the approval of all contracts.
- 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.
- 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 four current ISO registrations including ISO27001 – Information Security.
- The Board, independently and through the Audit Committee, reviews and is satisfied with the adequacy of the Group's internal financial controls. These include a comprehensive annual budgetary process which is reviewed through the management structure and 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. These are reviewed regularly and, where appropriate, amended financial policies and approval procedures are put in place.
- 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.
- The Board receives regular updates on property, pension, insurance, litigation, human resources, corporate social responsibility and health and safety matters.
- During 2015 an internal audit function will be established across the Group.
- The Group intends to roll out a common ERP solution (Microsoft Dynamics AX) across the Group to improve controls, business and financial reporting and processes.

Corporate governance continued

Investor relations

An extensive programme of meetings with analysts and institutional shareholders is 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 meetings are usually attended by the Chief Executive and Chief Financial Officer.

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. All announcements are posted on the website.

Annual General Meeting (AGM)

At the AGM, on 29 April 2015, 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, including the committee Chairmen 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.

Board and committee meetings

	Full Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings in period	12	3	3	3
Attendance				
Executive Directors				
Chris Spencer	12	–	–	–
Peter Southby	12	–	–	–
Sean Riddell	10	–	–	–
Non-executive Directors				
Mike O'Leary	12	3	3	3
Robin Taylor	12	3	3	3
Andrew McKeon	12	3	3	3
Kevin Boyd (appointed 9 May 2014 to the Board) (appointed 30 July 2014 to the Committees)	8	2	1	2

Report of the audit committee

Membership

- Robin Taylor (Chairman)
- Andy McKeon
- Mike O'Leary
- Kevin Boyd (appointed 30 July 2014)

The role of the Audit Committee

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

In addition, the Audit Committee makes recommendations in relation to the appointment of the external auditors, reviews their independence, performance and objectivity, develops the policy for 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 and are reviewed and approved by the Board each year.

The Audit Committee is assisted in discharging its responsibilities by executive management reports, external audit reports, engagement with the Executive Management Team at the annual strategy meeting and from regular business planning and performance presentations.

Members

Robin Taylor is a member of the Institute of Chartered Accountants of Scotland and has served as Chief Financial Officer of several main market listed companies. The Board therefore considers him to have relevant financial experience, as it does also for Kevin Boyd, the current Group finance director of Oxford Instruments plc, who joined the Committee during the year.

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

Biographical details and the remuneration of the Directors are set out on pages 28 and 29 respectively.

The Board believes that the current members have sufficient skills, qualifications and experience to discharge their duties in accordance with the Committee's terms of reference.

Report of the audit committee continued

Frequency of meetings

There have been three formal meetings during the year of which two are scheduled in accordance with the timetable for the release of the interim and full-year financial statements. The Audit Committee meets in March and September when, in addition to other business, it reviews the work and findings of the external auditor and considers the financial statements before publication. It also meets prior to the year-end to consider the quality of the external audit plans. The Audit Committee reports to the Board following each Audit Committee and meets with the external auditor, without Executive management present to discuss matters relating to its remit and any issues relating to the audit. The Chairman 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. During 2015, we shall increase the number of formal meetings to a minimum of four in consideration of the expansion of the Group and we will focus on the development of the internal audit function and the significant investment in business systems.

Review of activity

In discharging its responsibilities as outlined in the terms of reference the Committee has principally focused its activities on the areas outlined below.

Financial reporting

- Reviewed the full-year 2013 and 2014 results including the annual report and accounts, preliminary results statement and the report from the external auditor. In reviewing the statements and determining whether they were fair, balanced and understandable, the Committee considered the work and recommendations of the management as well as the report from the external auditor.
- Reviewed the 2014 interim results statement.
- Considered 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.
- Reviewed the going concern assumption when considering preliminary and interim statements, including consideration of internal financial projections and sensitivities and the reports from the external auditor.

Risk management and internal control

- Reviewed the Group risk assessment process and concluded that it is appropriate and operating effectively. The Committee considers that the primary business risks are being captured and reported to the Board monthly and that the risk disclosures in the financial statements are appropriate.
- 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 particular focus on internal reporting and financial management. During the year a review of the Group's finance and business systems was undertaken with external assistance and, following a rigorous tender process, a new enterprise resource planning (ERP) solution and implementation partner have been selected. In January 2015, an internal project team started working full time on the project and governance procedures were introduced, including monthly reporting to the Board. The Group intends to roll out the solution (Microsoft Dynamics AX) across the Group over the next two years to improve controls, business and financial reporting and processes and to provide a platform for further growth and integration.
- Reviewed the effectiveness of 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 policy is monitored by the Committee.

Review of activity continued

Risk management and internal control continued

- Reviewed the effectiveness of the current procedures for the prevention of fraud. 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. During the year end review of controls and reporting, an instance of employee fraud was identified at one of the Group's subsidiary undertakings. While the fraud was not material to the Group, a full investigation of the circumstances has subsequently been undertaken by external experts and a full report of the findings has been provided to the auditor and to the Audit Committee. As a result, a number of changes have been implemented in order to further improve the controls over the relevant financial processes.
- 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. The policy includes provision for employees to raise concerns with the Senior Non-executive Director. No serious matters were reported during the year.
- Considered the level of focus on internal financial control. Due to the increasing complexity and growth of the Group during the year this has been given greater emphasis. The Group finance function has been strengthened through additional resource and the recruitment process for the appointment of a Group internal auditor nearing completion. The internal audit function will be formally established and embedded across the Group during 2015.

External audit and appointment of external auditor

- Reviewed the scope and the audit plan for the year-end audits.
- Reviewed the formal engagement terms, objectivity and independence of the auditor, including the qualifications, expertise and resources available. Relevant UK professional and regulatory requirements are taken into consideration including the extent of non-audit work undertaken. The Audit Committee is consulted prior to engagement of the external auditor for non-audit work and formally approves any individually material non-audit services. Discretion is used in obtaining non-audit services from the external auditor, with other external advisers used where appropriate. During the year the cost of non-audit services carried out by the auditor amounted to £108,000. Full details are set out in note 6 to the financial statements.

Effectiveness review

- A review of the effectiveness of the Audit Committee was carried out and no deficiencies were raised. Executive management assisted the Audit Committee in ensuring that relevant papers of good quality were presented to allow informed debate and that sufficient time was available to enable relevant review.
- Assessed the effectiveness of the external audit process by reviewing, amongst other things, whether the auditor has met the agreed audit plan and by considering the robustness and perceptiveness of the auditor in its handling of key accounting and audit judgements identified.

2014 financial statements

In finalising the 2014 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;
- 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 understanding of expected business performance; and
- 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.

Report of the audit committee continued

2014 financial statements continued

Carrying amount of goodwill and intangible assets acquired

The carrying amounts of goodwill and intangible assets acquired are reviewed for impairment at least annually and are based on the net present value of projected cash flows for each cash-generating unit. Following the review, the Committee has concluded that no impairment is necessary. Details of the assumptions used are set out in note 13 to the financial statements.

Revenue recognition

The Audit Committee considered the Group's revenue recognition policies and concluded that the Group's existing approach remained appropriate; noting that this was adequately explained in the revenue recognition accounting policy note and consistent with the requirements of IAS 18. The external auditor performed substantive testing in this area and reported its findings to the Committee. The Committee considered the application of the revenue recognition policy in the case of a material bespoke contract in the Secondary & Specialist Care Division and concluded that the policy had been appropriately applied.

Research & Development costs

The process to capture and categorise development costs was reviewed. It was noted that the process has been enhanced during the year with an increased focus on securing Research & Development tax credits and changes in working practices within the development teams. The internal IT system project planned for 2015 and 2016 will assist in further improving the quality of reporting in this area, which was nonetheless considered to be adequate at the current time. 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.

External audit appointment and re-appointment of auditor

- In line with the revised Code's recommendations on audit tendering, the external audit contract was put out to tender in 2013, following which KPMG LLP were selected and appointed.
- The Committee is pleased with the relationship it has developed with KPMG LLP and therefore has recommended to the Board that a resolution to re-appoint KPMG LLP as the external auditor be put to the shareholders at the AGM.

Overview

As a result of undertaking the above activities during the year, I am satisfied that the Audit Committee has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditor.

Considerable progress has been made by Executive management in developing an integrated management reporting system allowing the Board and the Audit Committee to focus on the key performance drivers and risks in the business. We expect that this will be further enhanced through the implementation of the business information system.

Report of the nomination committee

Membership

- Mike O'Leary (Chairman)
- Andy McKeon
- Robin Taylor
- Kevin Boyd (appointed 30 July 2014)

Roles and responsibilities

The Committee is responsible for:

- ensuring that the balance of Directors on the Board remains appropriate as the Group develops;
- identifying and nominating candidates to fill Board vacancies as and when they arise;
- evaluation of the balance of skills, knowledge, experience and diversity of the Board; and
- considering the succession planning for Directors and senior managers and ensuring succession is managed smoothly.

The Committee has formally met three times during the year. The Committee has terms of reference which are regularly reviewed and are published on the Group's website. Non-executive Directors are appointed by a letter of engagement and details of their terms and those of the Executive Directors are given on pages 46 and 47.

Review of activity during the year

- The Committee oversaw the appointment of Kevin Boyd as Non-executive Director.
  - In light of the evaluation of the balance of skills, knowledge and experience on the Board, the Committee recommended the appointment of an additional Non-executive Director with finance experience, preferably from a FTSE 250 background. The Committee prepared a detailed description of the role and capabilities required for the appointment and following a competitive tender appointed Korn Ferry, who demonstrated a clear understanding of the market in which the Group operates, as external advisers to facilitate the search.
  - Candidates were selected against objective criteria. Longlists of candidates were prepared which gave due consideration to diversity including gender. The appointments were made following interviews by the external facilitators and then by the Committee after obtaining external references. Shortlisted candidates were then finally interviewed by the remainder of the Board. The Board will always seek to appoint on merit.
- Following the decision of Sean Riddell to step down as Non-executive Director, the Committee reviewed the balance of skills, knowledge and experience on the Board and concluded that there was no immediate need to recruit an additional Non-executive Director. This will be kept under review.
- The Committee considered succession planning for the Board and senior managers within the Group. This was also considered by the full Board. The Committee reviewed the process and appointment of the Managing Director of the Secondary Care division during the period under review. Both internal and external candidates were considered for the role using an external facilitator and were subject to a rigorous interview process.
- The Committee considered its performance and terms of reference and concluded it continued to operate effectively.

The Committee also considered the following proposed appointments, having given regard to their ability to continue to contribute to the Board going forward. 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:

- 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-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-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;
- election of Kevin Boyd as Non-executive Director at the AGM on 29 April 2015 in accordance with the Code; and
- re-election of all of the members of the Board at the AGM on the 29 April 2015 in accordance with the Code.

Report of the remuneration committee

Membership

- Andy McKeon (Chairman)
- Robin Taylor
- Mike O'Leary
- Kevin Boyd (appointed 30 July 2014)

Remuneration report

This report is split into three sections: firstly, my report, which summarises the work of the Remuneration Committee during the year; secondly, the Remuneration Policy; and, finally, the annual report on remuneration. This annual report sets out the remuneration paid to Directors in 2014 including bonus payments and long-term incentives. The report includes the detail on how we intend to implement our Remuneration Policy in 2015.

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 did adopt a number of the key reporting requirements in 2013. The Committee remains committed to continuing development of best practice, where appropriate, in Remuneration Policy.

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

As stated in the Chief Executive's statement EMIS Group had a strong, and busy year with the GPSoC framework agreement (Lots 1 and 2) secured; the acquisitions of Indigo 4 and Medical Imaging; winning significant contracts in CCMH and Secondary Care; and profitability and growth maintained.

The remuneration report will be presented at the Annual General Meeting on 29 April 2015 by way of an advisory vote.

Against this background and in line with its remit, the Committee has considered a number of key issues during the year:

- Reviewed the AGM voting outcome for the 2013 report.
- 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.
- Reviewed and approved all bonus payments made to the Executive management and to the wider senior management Group. The Committee also approved the performance measures set for the bonus scheme for 2015.
- Reviewed reward structures of the Executive management 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 Committee also approved the performance measures set for the CSOP.
- Approved the vesting of the first awards under the 2011 CSOP. No Executive Director received an award in 2011.
- Reviewed and approved all awards made under the long-term incentive plan (LTIP). The Committee also approved the performance measures set for the LTIP.
- Reviewed the CSOP and LTIP structure taking into account current best market practice and institutional investors' current guidelines.
- Considered external market developments and best practice in remuneration.
- Considered the fee levels for the Chairman and Non-executive Directors.
- Reviewed the Committee terms of reference.

Directors' remuneration report

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 41 to 48 applied from 30 April 2014.

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); and pay levels and salary increases across the wider employee population. Any changes take effect from 1 January each year.	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 Group 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 three 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 (currently up to £1,800 per annum). The Company currently offers to match purchases made through the plan at the rate of one free matching share for every three shares purchased.	None.

Directors' remuneration report continued

Directors' Remuneration Policy continued

Policy table continued

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 Group's control have changed materially (e.g. increases in insurance premiums).	None.
Annual bonus			
To provide an incentive to drive the Executive Directors to deliver stretching performance and growth.	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 Group strategy.

Annual Bonus continued

			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.

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 three-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 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 basis to full vesting for maximum levels of performance.	Awards vest subject to continued employment and Group 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 Group strategy. Awards under the LTIP have a performance period of three years and a minimum vesting period of three 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.

Directors' remuneration report continued
Directors' Remuneration Policy continued

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 Group's annual budget, which is reviewed and signed off by the Group 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 three 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 32 individuals is 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.

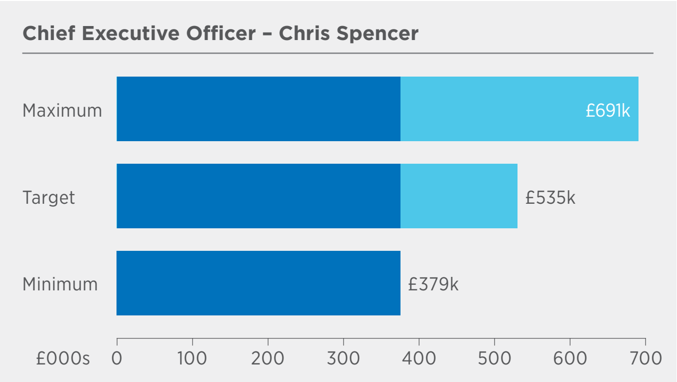
Shareholding guidelines

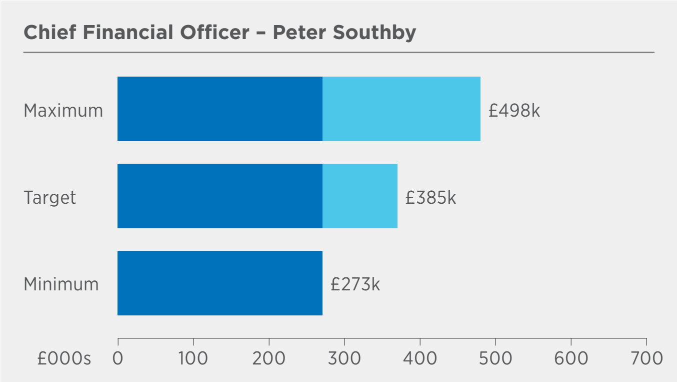
The Committee continues to recognise the importance of Executive Directors aligning their interests with shareholders through building up a significant shareholding in the Company. Shareholding guidelines are in place that require Executive Directors to acquire a holding, equivalent to 300% of base salary 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.

Pay scenario charts for Executive Directors

The charts below provide estimates of the potential future reward opportunity for each of the two current Executive Directors for 2015 and the potential split between different elements of remuneration under three different scenarios: "Minimum", "Target" and "Maximum" performance.





— Basic salary and benefits
— Bonus

Pay scenario charts for 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 2015. 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 2015. Actual pay delivered, however, will be influenced by these factors.

	Component	"Minimum"	"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 50		
Annual bonus		No bonus payable	50%	100%
LTIP		No LTIP vesting	25%	100%

Approach to recruitment remuneration – Executive Directors

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, 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 awards made to 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.

Directors' remuneration report continued

Directors' Remuneration Policy continued

Approach to recruitment remuneration – Executive Directors continued

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 46 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 each Executive Director to take up one non-executive position on the board of another company, 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	Twelve months	Twelve months
Peter Southby	Chief Financial Officer	1 October 2012	Twelve months	Twelve months

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.	The 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. 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 Group. Fee levels are benchmarked against sector comparators and appropriate 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 2015 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.

Non-executive Directors' service contracts

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 2015	Date of last appointment	Last re-appointment at AGM	Notice period
Mike O'Leary	17 March 2011	1 year 11 months	17 March 2014	30 April 2014	Six months
Robin Taylor	1 March 2010	1 year 11 months	1 March 2014	30 April 2014	Six months
Andy McKeon	1 February 2013	10 months	1 February 2013	30 April 2014	Six months
Kevin Boyd	9 May 2014	2 years 1 month	9 May 2014	—	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 scheme 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.

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.

Directors' remuneration report continued

Directors' Remuneration Policy continued

Exit payment policy continued

Reason for leaving	Timing of vesting	Treatment of awards
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 Group. In particular, the Committee considers the range of base pay increases across the Group 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 receive 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 2014.

Remuneration Committee membership in 2014

The Committee met three times formally during the year under review. The members of the Committee are appointed by the Board. Attendance by individual Committee members at meetings is detailed below.

Committee member	Member throughout 2014	Number of meetings attended
Andy McKeon	Yes	3
Robin Taylor	Yes	3
Mike O'Leary	Yes	3
Kevin Boyd	Appointed 30 July 2014	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 where it was considered that their attendance would make a significant contribution. 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 is satisfied 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. When required, Kepler Associates provides 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 2014 AGM

There was an advisory vote on the remuneration report at the AGM in 2014. The result of the vote was published on the website after the meeting. Of the 48,209,825 votes cast, 30,281,081 (63.02%) of the votes were for the resolution, with 17,766,819 (37.97%) against and 157,210 votes withheld. On consultation with shareholders, the votes against were principally motivated by two grants under the CSOP for the Chief Executive Officer and Chief Financial Officer for £10,000 each made without performance conditions as performance conditions were not applied historically to recipients under the CSOP. No grants will be made under the CSOP to the Chief Executive Officer and the Chief Financial Officer going forward.

Directors' remuneration report continued

Annual report on remuneration continued

Single total figure of remuneration for Executive Directors – audited

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2014 and the prior year:

	Chris Spencer £'000		Peter Southby £'000	
	2014	2013	**2014**	2013
Base salary	**300**	274	**200**	175
Taxable benefits[1]	**19**	14	**13**	13
Pension[2]	**45**	17	**30**	21
Annual bonus[3]	**150**	—	**100**	63
Share schemes[4]	**1**	1	**1**	—
Total	**515**	306	**344**	272

1. Taxable benefits consist primarily of company car or car allowance. Chris Spencer and Peter Southby are each entitled to a car allowance of £15,000 p.a.
2. Pension: During the year, the Executive Directors received 15% of base salary as employer contributions.
3. Annual bonus: This is the total bonus earned in respect of performance during the relevant year. Annual bonuses are received in cash. Further details of annual bonus awards for 2015 can be found in the report of the Remuneration Committee on page 53. Chris Spencer waived the bonus in 2013.
4. No long-term incentive awards vested in relation to a performance period ending in the year. The amounts shown relate to matching shares awarded under the SIP.

Single total figure of remuneration for Non-executive Directors – audited

The table below sets out a single figure for the total remuneration received by each Non-executive Director for the year ended 31 December 2014 and the prior year:

	Base fee £'000		Committee chairmanship fees £'000		Total £'000	
	2014	2013	**2014**	2013	**2014**	2013
Mike O'Leary	**80**	63	**—**	—	**80**	63
Sean Riddell	**35**	26	**—**	—	**35**	26
Robin Taylor	**35**	35	**5**	5	**40**	40
Andy McKeon	**35**	31	**5**	5	**40**	36
Kevin Boyd[1]	**23**	—	**—**	—	**23**	—

1. Kevin Boyd was appointed as a Non-executive Director on 9 May 2014.

Incentive outcomes for the year ended 31 December 2014

Bonus

During the year ended 31 December 2014, Executive Directors were eligible to receive a bonus of up to 100% of salary, 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. Corporate targets set by the Committee require Executive Directors to deliver significant stretch performance. Performance, taking into account the impact of acquisitions and associated costs in the year, resulted in an on-target performance for the period. The Remuneration Committee reviewed the results and, in line with the rules, of the bonus scheme, approved the payment of bonuses of 50% of salary to the Chief Executive Officer and 50% of salary to the Chief Financial Officer.

For 2014 the targets were as follows:

- 0% of salary if the Group adjusted profit were below £32.5m;
- 50% of salary if the Group adjusted profit were or exceeded £32.5m; and
- If the Group adjusted profit were greater than £32.5m then bonus would increase pro rata to Group adjusted profit up to a maximum of 100% at £41.85m.

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 2014 – audited

2014 long-term share incentive award

A one-off long-term share incentive award was made to Chris Spencer which related to his appointment as Chief Executive. The award could not be made at the time of appointment as the Company was in a close period but was made at the earliest practical opportunity thereafter.

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
Chris Spencer	16 January 2014	49,019	630p	16 January 2017	£300,000

This award vests based on the growth in adjusted earnings per share (EPS) delivered over a three-year period and is subject to claw back and a retention period.

2014 long-term incentive plan

In 2014, the following awards were granted under the long-term incentive plan.

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
Chris Spencer	1 May 2014	47,581	635p	1 May 2017	£300,000
Peter Southby	1 May 2014	31,721	635p	1 May 2017	£200,000

Performance condition for 2014 awards

Performance level	EPS growth over performance period	% award to vest
Below threshold	Below 33.1%	0%
Base target threshold	33.1%	25%
Middle target threshold	46.3%	50%
Maximum target threshold	72.8% or higher	100%

Performance conditions – Insofar as the base target threshold is exceeded the percentage of award shares vesting increases pro rata between the base target and the maximum target.

2014 SIP awards

During the year under review, the Executive Directors were awarded matching shares under the SIP as a result of their own personal contributions in acquiring partnership shares. The value of these was less than £1,000 each. There were no performance conditions attached to the SIP awards. The Executive Directors participate in the SIP to the maximum extent permitted by the HMRC. The Company offers a 1:3 match for partnership shares purchased by employees.

Directors' remuneration report continued

Annual Report on Remuneration continued

Ad hoc payments

There were no ad hoc payments to any Directors for the year ended 31 December 2014.

Payments to past Directors

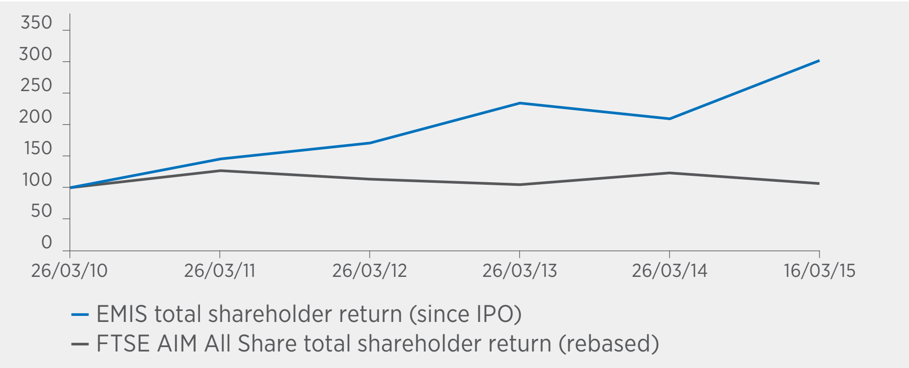
There were no payments to past Directors for the year ended 31 December 2014.

Relative importance of spend on pay

The table below shows the Group's expenditure on shareholder distributions (including dividends) and total employee pay expenditure for the financial years ending 31 December 2013 and 31 December 2014.

	Total employee expenditure	Distributions to shareholders
2014	**£65.1m**	**£11.5m**
2013	£48.6m	£10.1m
% change	34%	15%

TSR performance



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 – audited

The beneficial interests of the Directors in the ordinary shares of the Company as at 31 December 2014 were as follows:

Director	**Ordinary shares at 31 December 2014**	Ordinary shares at 31 December 2013
Chris Spencer	**285,369**	291,779
Peter Southby	**4,878**	4,878
Mike O'Leary	**1,000**	1,000
Sean Riddell[1]	**7,092,605**	7,092,605
Robin Taylor	**1,800**	1,800
Andy McKeon	**1,626**	1,626
Kevin Boyd[2]	**1,500**	—

1. Sean Riddell resigned as a Non-executive Director on 30 January 2015.
2. Kevin Boyd was appointed as a Non-executive Director on 9 May 2014.

Implementation of Remuneration Policy for 2015

Base salary

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

When Chris Spencer and Peter Southby were appointed, their overall remuneration package was based on advice from Kepler Associates and set against market practice, their experience to date and the demands of the business. The business has grown under Chris' leadership. However, as he has been in post for less than two years, the Committee considered it would not be right at this stage to increase his salary significantly above the general pay award made to Group employees. The Committee therefore considered it appropriate to increase Chris's salary from £300,000 to £312,000 from 1 January 2015.

Peter Southby's salary on appointment was at the lower end of the market range advised by Kepler Associates. It is the view of the Committee that the role has grown considerably since that time. In addition to the extended Group finance team, he has also taken on direct responsibility for a number of Group support functions including legal, human resources, property and governance. Taking this into account, the Committee considered it appropriate to increase his salary from £200,000 to £225,000 from 1 January 2015.

Both base salaries will be subject to independent review in 2015.

Executive Director	Base salary from 1 January 2014 to 31 December 2014	Base salary from 1 January 2015 to 31 December 2015	Percentage Increase
Chris Spencer	£300,000	£312,000	4%
Peter Southby	£200,000	£225,000	12.5%

Pension

For 2015, Executive Directors will receive a contribution of up to 15% of salary.

Annual bonus

The performance measure for the annual bonus for Executive Directors will be unchanged for the 2015 financial year and will operate on the same basis as in 2014. The bonus outcome will be based on an adjusted profit measure. Adjusted profit means operating profit as adjusted for exceptional costs, any M&A activity in the year, the effect of capitalisation and amortisation of development costs and the amortisation of acquired intangible assets.

Proposed targets have been set to be challenging relative to the 2015 business plan. As specific targets are deemed to be commercially sensitive they will be published retrospectively in the annual report on remuneration for 2015.

LTIP

For 2015, Executive Directors will be eligible to receive awards of performance shares up to 100% of salary, based on EPS growth over three years and vesting three years from the date of grant. Details of any awards in the 2015 financial year will be provided in next year's annual report on remuneration.

SIP

Executive Directors will be able to continue to participate in the SIP on the same basis as in the 2014 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, the Board determined that there would be no increase to the Chairman's or to other Non-executive Directors' fees for 2015. Fee levels are subject to annual review and it has been agreed that a review taking independent advice will be undertaken in 2015.

Directors' report

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2014.

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"), Digital Healthcare Systems Limited ("Digital Healthcare"), Medical Imaging UK Limited ("Medical Imaging") and MIDRSS Limited.

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 29 April 2015, the Board proposes paying a final dividend of 9.2p per ordinary share (2013: 8.0p) on 1 May 2015 to shareholders on the register at the close of business on 10 April 2015. This would make a total dividend of 18.4p per ordinary share for 2014 (2013: 16.0p).

Directors and their interests

The Directors of the Company who served during the year ended 31 December 2014 are as follows:

- **Michael (Mike) O'Leary**
  Chairman
- **Christopher (Chris) Spencer**
  Chief Executive Officer
- **Peter Southby**
  Chief Financial Officer
- **Robin Taylor**
  Senior Non-executive Director
- **Andrew (Andy) McKeon**
  Non-executive Director
- **Kevin Boyd (appointed 9 May 2014)**
  Non-executive Director
- **Sean Riddell (resigned 30 January 2015)**
  Non-executive Director

Board of Directors' biographies
> Pages 28 to 29

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 41 to 53.

Remuneration Committee report
> Pages 40 to 53

No Director has had any material interest in any contract of significance with the Company or any of its subsidiaries during the year under review.

Substantial interests in shares

As at 18 March 2015, the Company had been notified of the following substantial interests in 3% or more in its ordinary shares:

	Number of shares	% issued capital
Liontrust Investment Partners LLP	8,418,931	13.29
Sean Riddell	7,092,605	11.20
Standard Life Investments	6,419,916	10.14
NFU Mutual Insurance Society Ltd	3,188,428	5.04
Phillip Woodrow	2,937,301	4.64
Gary Shuckford	2,231,480	3.52
M&G Investment Management Society Ltd	2,226,884	3.52
RIT Capital Partners plc	2,000,000	3.16

Research and development

Research and development expenditure in the year amounted to £16.8m (2013: £11.1m) of which £6.5m (2013: £6.1m) was capitalised.

Share capital

As at 18 March 2015 and 31 December 2014, the Company had 63,311,396 (31 December 2013: 63,311,396) 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.

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 2014 the EBT held 636,832 (2013: 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 26 to the financial statements.

The rules of the LTIP and CSOP set out the consequences in the event of a change of control. Further information is given in the Remuneration Committee report on pages 40 to 53.

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. No such indemnities have been granted.

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.

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.

Corporate social responsibility
> Pages 24 to 27

Directors' report continued

Political donations

No political donations were made in 2014 (2013: £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 27. The revenue, trading results and cash flows are explained in the Financial Review on pages 21 to 23.

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

The Group has 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 and after careful enquiry and review of available financial information, including projections of profitability and cash flows for the two years to 31 December 2016, the Directors believe that the Group has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of the consolidated and Company financial statements.

AGM notice

The notice convening the AGM to be held on 29 April 2015, 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, KPMG LLP, has indicated its willingness to be re-appointed and, in accordance with Section 489 of the Companies Act 2006, a resolution that they be re-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 30 to 34 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
18 March 2015

Statement of Directors' responsibilities

In respect of the Annual report, Strategic report, 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 2014 set out on pages 59 to 90. 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 57, 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 2014 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
18 March 2015

Group statement of comprehensive income

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Revenue	5	**137,639**	105,542
Costs:			
Changes in inventories		**119**	174
Cost of goods and services		**(12,901)**	(11,954)
Staff costs	9	**(58,571)**	(42,522)
Other operating expenses[1]		**(21,799)**	(16,773)
Depreciation of property, plant and equipment		**(4,005)**	(3,286)
Amortisation of intangible assets	14	**(11,361)**	(6,236)
Adjusted operating profit		**32,639**	26,065
Development costs capitalised		**6,523**	6,098
Exceptional transaction costs		**—**	(1,144)
Release of contingent acquisition consideration		**873**	—
Amortisation of intangible assets[2]		**(10,914)**	(6,074)
Operating profit	6	**29,121**	24,945
Finance income	7	**10**	20
Finance costs	8	**(553)**	(262)
Share of result of associate	17	**(55)**	20
Share of result of joint venture	17	**17**	(88)
Profit before taxation		**28,540**	24,635
Income tax expense	10	**(5,719)**	(4,706)
Profit for the year		**22,821**	19,929
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**(86)**	(22)
Other comprehensive income		**(86)**	(22)
Total comprehensive income for the year		**22,735**	19,907
Attributable to:			
– equity holders of the parent		**22,058**	19,369
– non-controlling interest in subsidiary company		**677**	538
Total comprehensive income for the year		**22,735**	19,907
Earnings per share attributable to equity holders of the parent		**Pence**	Pence
Basic	11	**35.3**	32.6
Diluted	11	**35.2**	32.6

1. Including contract asset depreciation of £3,761,000 (2013: £3,241,000), exceptional transaction costs of £nil (2013: £1,144,000) and release of contingent acquisition consideration of £873,000 (2013: £nil).

2. Excluding amortisation of computer software purchased externally of £447,000 (2013: £162,000).

The notes on pages 63 to 90 are an integral part of these consolidated financial statements.

Group and parent company balance sheets

As at 31 December 2014

	Notes	Group 2014 £'000	Group 2013 Restated[1] £'000	Company 2014 £'000	Company 2013 Restated[1] £'000
ASSETS					
Non-current assets					
Goodwill	13	**68,577**	59,264	**—**	—
Other intangible assets	14	**70,820**	67,204	**784**	—
Property, plant and equipment	15	**24,313**	24,610	**—**	—
Investments in subsidiaries	16	**—**	—	**82,370**	70,370
Investment in joint venture and associates	17	**2,705**	2,760	**—**	—
		166,415	153,838	**83,154**	70,370
Current assets					
Inventories	18	**1,550**	1,431	**—**	—
Trade and other receivables	19	**28,732**	21,448	**4,273**	2,673
Cash and cash equivalents		**6,939**	4,167	**—**	—
Amounts owed by subsidiary companies		**—**	—	**50,118**	45,277
		37,221	27,046	**54,391**	47,950
Total assets		**203,636**	180,884	**137,545**	118,320
LIABILITIES					
Current liabilities					
Trade and other payables	21	**(20,782)**	(16,705)	**(357)**	(172)
Current tax liabilities		**(1,246)**	(2,341)	**(163)**	—
Bank loans	22	**(12,902)**	(7,902)	**(12,902)**	(7,902)
Bank overdraft		**—**	—	**(5,202)**	(4,558)
Amounts owed to subsidiary companies		**—**	—	**(48,852)**	(38,446)
Contingent acquisition consideration		**(2,750)**	(2,129)	**(2,750)**	(2,129)
Deferred income		**(29,985)**	(25,453)	**—**	—
		(67,665)	(54,530)	**(70,226)**	(53,207)
Non-current liabilities					
Bank loans	22	**(5,854)**	(9,756)	**(5,854)**	(9,756)
Deferred tax liability	24	**(12,709)**	(11,481)	**—**	—
Contingent acquisition consideration		**(2,500)**	(994)	**(2,500)**	(994)
		(21,063)	(22,231)	**(8,354)**	(10,750)
Total liabilities		**(88,728)**	(76,761)	**(78,580)**	(63,957)
NET ASSETS		**114,908**	104,123	**58,965**	54,363
EQUITY					
Ordinary share capital	25	**633**	633	**633**	633
Share premium	25	**51,045**	51,045	**51,045**	51,045
Own shares held in trust		**(3,718)**	(2,325)	**—**	—
Retained earnings		**60,109**	48,522	**5,068**	466
Other reserve		**2,111**	2,197	**2,219**	2,219
Equity attributable to owners of the parent		**110,180**	100,072	**58,965**	54,363
Non-controlling interests		**4,728**	4,051	**—**	—
TOTAL EQUITY		**114,908**	104,123	**58,965**	54,363

1. 2013 comparatives have been restated in accordance with IFRS 3 (Revised) 'Business Combinations' to reflect changes in the provisional consideration related to the acquisition of Ascribe. Certain changes, totalling £871,000, have resulted from additional information concerning facts and circumstances that existed at the acquisition date and, as such, have been classified as measurement-period adjustments. Goodwill in the prior period has reduced by £871,000, with a corresponding decrease in the consideration liability. There has been no impact on profits for the year in either period.

The notes on pages 63 to 90 are an integral part of these consolidated financial statements.

The financial statements on pages 59 to 90 were approved by the Board of Directors and authorised for issue on 18 March 2015 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 2014

		Group		Company	
	Notes	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Cash generated from operations	29	**44,856**	38,725	**(1,001)**	(1,833)
Finance costs		**(455)**	(600)	**(456)**	(594)
Finance income		**10**	20	**—**	—
Tax paid		**(5,247)**	(5,073)	**580**	(277)
Net cash generated from/(used in) operating activities		**39,164**	33,072	**(877)**	(2,704)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(6,873)**	(8,403)	**—**	—
Proceeds from sale of property, plant and equipment		**291**	219	**—**	—
Development costs capitalised		**(6,523)**	(6,098)	**—**	—
Purchase of software		**(1,765)**	(524)	**(784)**	—
Increase/(decrease) in loan from subsidiary company		**—**	—	**6,638**	(27,917)
Dividends received		**—**	—	**15,000**	10,000
Business combinations		**(10,250)**	(57,534)	**(9,000)**	(16,860)
Net cash (used in)/generated from investing activities		**(25,120)**	(72,340)	**11,854**	(34,777)
Cash flows from financing activities					
Share placing		**—**	26,322	**—**	26,322
(Increase)/decrease in loan to Employee Benefits Trust		**—**	—	**(1,829)**	1,065
Transactions in own shares held in trust		**(1,480)**	552	**—**	—
Bank loan repayments		**(7,000)**	(2,400)	**(7,000)**	(2,400)
Bank loans drawn down		**8,000**	17,000	**8,000**	17,000
Dividends paid		**(10,792)**	(9,146)	**(10,792)**	(9,146)
Net cash (used in)/generated from financing activities		**(11,272)**	32,328	**(11,621)**	32,841
Net increase/(decrease) in cash and cash equivalents		**2,772**	(6,940)	**(644)**	(4,640)
Cash and cash equivalents at beginning of year		**4,167**	11,107	**(4,558)**	82
Cash and cash equivalents at end of year	30	**6,939**	4,167	**(5,202)**	(4,558)

The notes on pages 63 to 90 form an integral part of these consolidated financial statements.

Group and parent company statements of changes in equity

For the year ended 31 December 2014

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 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 12)	—	—	—	(9,146)	—	—	(9,146)
Other comprehensive income							
Currency translation differences	—	—	—	—	(22)	—	(22)
Balance at 1 January 2014	633	51,045	(2,325)	48,522	2,197	4,051	104,123
Profit for the year	—	—	—	22,144	—	677	22,821
Transactions with owners							
Share acquisitions less sales	—	—	(1,393)	(87)	—	—	(1,480)
Share-based payments	—	—	—	270	—	—	270
Deferred tax in relation to share-based payments	—	—	—	52	—	—	52
Dividends paid (note 12)	—	—	—	(10,792)	—	—	(10,792)
Other comprehensive income							
Currency translation differences	—	—	—	—	(86)	—	(86)
Balance at 31 December 2014	**633**	**51,045**	**(3,718)**	**60,109**	**2,111**	**4,728**	**114,908**

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserve £'000	Total equity £'000
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 12)	—	—	(9,146)	—	(9,146)
Balance at 1 January 2014	633	51,045	466	2,219	54,363
Profit for the year	—	—	15,211	—	15,211
Transactions with owners					
Share acquisitions less sales	—	—	(87)	—	(87)
Share-based payments	—	—	270	—	270
Dividends paid (note 12)	—	—	(10,792)	—	(10,792)
Balance at 31 December 2014	**633**	**51,045**	**5,068**	**2,219**	**58,965**

The notes on pages 63 to 90 are an integral part of these consolidated financial statements.

Notes to the financial statements

For the year ended 31 December 2014

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The financial statements 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 Group is profitable and it is anticipated that this will continue. There is a high and continuing level of recurring revenue and high cash conversion is anticipated for the foreseeable future. The Group's existing significant cash resources provide additional comfort that it will continue to be able to meet its bank term loan obligations of £1m per quarter.

After careful enquiry and review of available financial information, including projections of profitability and cash flows, 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.

The preparation of financial statements in conformity with IFRS requires the use of certain 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 2.

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

1.2 Parent company statement of comprehensive income

As permitted by Section 408 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 £15,211,000 (2013: profit of £8,407,000).

1.3 Changes in accounting policy and disclosure

a) New and amended standards adopted by the Group

The Group has adopted the following new standards and amendments for the first time. Unless otherwise stated, they have not had a material impact on the financial statements:

- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities.
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12).

The consolidation suite of standards, being IFRS 10, IFRS 11 and IFRS 12 were adopted early in previous periods.

b) Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Annual improvement cycles 2010-2012 and 2011-2013 (mandatory for year ending 31 December 2015).
- IFRS 14 Regulatory Deferral Accounts (mandatory for year ending 31 December 2016).
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (mandatory for year ending 31 December 2016).

Notes to the financial statements continued

For the year ended 31 December 2014

1. Summary of significant accounting policies continued

1.3 Changes in accounting policy and disclosure continued

b) Adopted IFRS not yet applied continued

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation (mandatory for year ending 31 December 2016).
- Amendments to IAS 16 and IAS 41: Bearer plants (mandatory for year ending 31 December 2016).
- Amendments to IAS 27: Equity method in separate financial statements (mandatory for year ending 31 December 2016).
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets (mandatory for year ending 31 December 2016).
- Annual improvement cycles 2012-2014 (mandatory for year ending 31 December 2016).
- IFRS 15 Revenue from contracts with customers (mandatory for year ending 31 December 2017). This standard may affect the accounting for certain contracts and will impose greater disclosure requirements on all companies. The Group is currently considering the impact of this standard.
- IFRS 9 Financial Instruments (mandatory for year ending 31 December 2018). This standard will determine a new framework for the measurement of financial instruments. The Group is currently considering the impact of this standard.

1.4 Basis of consolidation

The Group Financial Statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December 2014.

Subsidiaries

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

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

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

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

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.

1. Summary of significant accounting policies continued

1.5 Operating segments

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

1.6 Revenue recognition

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

The Group recognises revenue when 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 the 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.

1.7 Intangible assets

(a) Goodwill

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

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

Notes to the financial statements continued

For the year ended 31 December 2014

1. Summary of significant accounting policies continued

1.7 Intangible assets continued

(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.

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

1.8 Property, plant and equipment

Property, plant and equipment acquired with subsidiary companies are recognised at fair value at the date of acquisition. Other additions are recognised at purchase cost. Depreciation is provided on all property, plant and equipment other than freehold land to write assets down to their 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

1. Summary of significant accounting policies continued

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

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

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

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

1.10 Taxation

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

The 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.

1.11 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.

Notes to the financial statements continued

For the year ended 31 December 2014

1. Summary of significant accounting policies continued

1.12 Share-based payments

The Group operates equity-settled share schemes for certain employees. The cost of equity-settled share-based payments is measured at fair value at the date of grant, excluding the effect of non-market based vesting conditions. The cost is recognised in the Group statement of comprehensive income on a straight-line basis over the vesting period with the corresponding amount credited to equity, based on an estimate of the number of shares that will eventually vest. The estimate of the level of vesting is reviewed annually and the charge is adjusted accordingly in respect of non-market based vesting conditions. The fair values are measured using the Black Scholes and Monte Carlo models.

1.13 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.

1.14 Foreign currency

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

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

1.15 Inventories

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

1.16 Own shares held in trust

The shares in the Company held by The EMIS Group plc Employee Benefits Trust are treated as treasury shares, stated at weighted average cost and presented as a reduction of shareholders' equity (see note 25). Gains and losses on transactions in the Company's own shares are taken directly to equity.

1.17 Financial Instruments

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

(a) Financial assets

Trade receivables

Trade receivables are amounts due from customers for goods sold and services provided in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for 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.

1. Summary of significant accounting policies continued

1.17 Financial Instruments continued

(a) Financial assets continued

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.

1.18 Dividends

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

2. Critical accounting 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:

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.

Carrying amount of goodwill and intangible assets acquired

The carrying amounts of goodwill and intangible assets acquired are reviewed for impairment at least annually and are based on the net present value of projected cash flows for each cash-generating unit (CGU). Cash flows are discounted using an appropriate pre-tax cost of capital for each CGU. Judgements are made in calculating the value in use, and ongoing appropriateness, of the CGU's.

Notes to the financial statements continued
For the year ended 31 December 2014

2. Critical accounting estimates and judgements continued

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 1.6.

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 1.7.(b). Useful lives are based on management estimates of the period over which assets are expected to 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.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to financial risks including credit risk, liquidity risk, interest rate risk and price risk. The Group manages these risks through 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 22 and 23.

Interest rate risk

The Company has exposure to interest rate risk in relation to its bank debt amounting to £18.8m. Details of the interest rates and repayment terms are disclosed in note 22. 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 £6.9m, on which interest received is subject to fluctuations in market rates.

Price risk

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

3. Financial risk management continued

3.2 Capital risk management

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

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to investors and benefits for other stakeholders and to maintain an 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 and a low level of indebtedness. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

The Group's reserves include:

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

Other reserve – comprises a translation reserve of foreign exchange differences from the translation of the financial statements of overseas operations and other reserves related to merger reliefs taken under UK law.

4. Operating segments

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

The Group has three operating segments, all involved with the supply and support of software and related services:

(a) Primary & Community Care;

(b) Community Pharmacy; and

(c) Secondary & Specialist Care (including the Indigo 4 and Medical Imaging businesses acquired during the year).

Each operating segment is assessed by the Board based on a measure of adjusted operating profit. This measurement basis excludes exceptional items, 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 loans are not allocated to segments, as Group and financing activities are not segment-specific.

Notes to the financial statements continued

For the year ended 31 December 2014

4. Operating segments continued

Segmental information

	2014				2013 Restated			
	Primary & Community Care £'000	**Community Pharmacy £'000**	**Secondary & Specialist Care £'000**	**Total £'000**	Primary & Community Care £'000	Community Pharmacy £'000	Secondary & Specialist Care £'000	Total £'000
Segmental result								
Revenue	**89,708**	**18,386**	**29,545**	**137,639**	80,065	16,980	8,497	105,542
Segmental operating profit as reported internally	**26,450**	**3,853**	**3,430**	**33,733**	22,159	3,869	822	26,850
Development costs capitalised	**3,978**	**784**	**1,761**	**6,523**	5,271	22	805	6,098
Amortisation of development costs	**(4,248)**	**—**	**(397)**	**(4,645)**	(1,836)	—	(40)	(1,876)
Amortisation of acquired intangible assets	**(1,110)**	**(736)**	**(4,423)**	**(6,269)**	(2,076)	(851)	(1,271)	(4,198)
Segmental operating profit	**25,070**	**3,901**	**371**	**29,342**	23,518	3,040	316	26,874
Group operating expenses				**(1,094)**				(785)
Exceptional transaction costs				**—**				(1,144)
Release of contingent acquisition consideration (note 31)				**873**				—
Operating profit				**29,121**				24,945
Net finance costs				**(543)**				(242)
Share of result of associate				**(55)**				20
Share of result of joint venture				**17**				(88)
Profit before taxation				**28,540**				24,635
Segmental assets and liabilities								
Segmental assets as reported internally	**38,046**	**4,145**	**12,249**	**54,440**	36,261	2,327	8,873	47,461
Goodwill and other intangible assets	**43,800**	**10,798**	**84,799**	**139,397**	43,572	10,768	72,128	126,468
	81,846	**14,943**	**97,048**	**193,837**	79,833	13,095	81,001	173,929
Group assets				**155**				28
Investment in joint venture and associates				**2,705**				2,760
Group cash and cash equivalents				**6,939**				4,167
Total assets				**203,636**				180,884
Segmental liabilities as reported internally	**(38,101)**	**(6,872)**	**(19,230)**	**(64,203)**	(34,587)	(5,932)	(15,288)	(55,807)
Group liabilities				**(5,769)**				(3,296)
Group bank loans				**(18,756)**				(17,658)
Total liabilities				**(88,728)**				(76,761)
Other segmental information								
Capital expenditure	**5,353**	**334**	**1,186**	**6,873**	8,247	60	96	8,403
Depreciation of property, plant and equipment	**7,165**	**168**	**433**	**7,766**	6,186	203	138	6,527
Computer software purchased externally	**1,765**	**—**	**—**	**1,765**	489	35	—	524
Amortisation of computer software purchased externally	**430**	**17**	**—**	**447**	147	15	—	162

4. Operating segments continued

Segmental information continued

Revenue excludes intra-group transactions on normal commercial terms from the Primary & Community Care segment to the Community Pharmacy segment totalling £3,692,000 (2013: £3,073,000), from the Primary & Community Care segment to the Secondary & Specialist Care segment totalling £456,000 (2013: £nil), and from the Secondary & Specialist Care segment to the Primary & Community Care segment totalling £69,000 (2013: £nil).

Revenue of £98,939,000 (2013: £75,884,000) is derived from the NHS and related bodies.

Revenue of £5,421,000 (2013: £3,182,000) is derived from customers outside the United Kingdom. Non-current assets held outside the UK total £21,000 (2013: £29,000).

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

5. Revenue

Revenue is analysed as follows:

	2014 £'000	2013 £'000
Licences	**43,850**	40,000
Maintenance and software support	**33,438**	17,682
Hosting	**13,968**	14,281
Hardware	**7,897**	6,929
Training, consultancy and implementation	**16,918**	12,142
Other support services	**21,568**	14,508
	137,639	105,542

6. Operating profit

	2014 £'000	2013 £'000
The following have been included in arriving at operating profit:		
Research and development expenditure	**16,750**	11,136
Development expenditure capitalised	**(6,523)**	(6,098)
Depreciation of property, plant and equipment		
– depreciation of owned assets	**7,766**	6,527
Amortisation of intangible assets		
– purchased computer software	**447**	162
– internally developed computer software	**4,645**	1,876
– arising on business combinations	**6,269**	4,198
Operating lease rentals		
– land and buildings	**644**	407
– plant and equipment	**31**	38

The total research and development cost shown above of £16,750,000 (2013: £11,136,000) consists of the direct salary and national insurance costs of relevant staff. Software development costs amounting to £6,523,000 (2013: £6,098,000) have been capitalised in accordance with the criteria set out in IAS 38.

Notes to the financial statements continued

For the year ended 31 December 2014

6. Operating profit continued

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

	2014	2013	
	KPMG £'000	KPMG £'000	Baker Tilly £'000
Audit of these financial statements	**25**	25	–
Amounts payable to the Company's auditor and associated companies in respect of:			
– Audit of the financial statements of subsidiaries of the Company	**109**	92	13
– Tax compliance services	**42**	41	13
– Other tax advisory services	**48**	38	–
– All other services	**18**	186	10
	242	382	36

7. Finance income

	2014 £'000	2013 £'000
Bank interest	**10**	20
	10	20

8. Finance costs

	2014 £'000	2013 £'000
Bank loan interest	**455**	229
Amortisation of bank loan issue costs	**98**	33
	553	262

9. Employees

	2014 Number	2013 Number
The average monthly number of people (including Directors) employed by the Group during the year was as follows:		
– management and administration	**134**	113
– software support and development	**878**	730
– sales, maintenance and training	**504**	445
– others	**95**	68
	1,611	1,356

9. Employees continued

	2014 £'000	2013 £'000
Staff costs for above people:		
– wages and salaries	**57,105**	43,035
– social security costs	**5,833**	4,618
– pension costs – defined contribution plans	**1,828**	462
– share incentive plan (note 26)	**58**	310
– share option expense (note 26)	**270**	195
	65,094	48,620
Dealt with as follows:		
– charged in Group statement of comprehensive income	**58,571**	42,522
– capitalised development costs	**6,523**	6,098
	65,094	48,620

10. Income tax expense

	2014 £'000	2013 £'000
Income tax:		
– current year tax charge	**6,002**	6,147
– adjustment in respect of prior years	**(225)**	—
Total current tax	**5,777**	6,147
Deferred tax:		
– current year	**(58)**	(1,441)
Total deferred tax	**(58)**	(1,441)
Total tax charge in Group statement of comprehensive income	**5,719**	4,706
Factors affecting the tax charge for the year:		
Profit before taxation	**28,540**	24,635
Taxation at the average UK corporation tax rate of 21.5% (2013: 23.25%)	**6,136**	5,728
Tax effects of:		
– expenses not allowable in determining taxable profit	**61**	60
– income not taxable in determining taxable profit	**(188)**	—
– research and development enhanced relief	**—**	(139)
– adjustment in respect of prior years	**(225)**	—
– other permanent items	**(73)**	—
– joint venture/associate reported net of tax	**8**	17
– deferred tax rate change	**—**	(960)
Tax charge for the year	**5,719**	4,706

The main rate of UK corporation tax reduced from 23% to 21% on 1 April 2014 and will reduce to 20% from 1 April 2015. The impact of this on the deferred tax balances of the Group was included in the tax charge in the prior year.

Notes to the financial statements continued

For the year ended 31 December 2014

11. Earnings per share ("EPS")

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

Earnings	2014 £'000	2013 £'000
Basic earnings attributable to equity holders	**22,144**	19,391
Exceptional transaction costs	**—**	1,144
Release of contingent acquisition consideration	**(873)**	—
Development costs capitalised	**(6,523)**	(6,098)
Amortisation of development costs and acquired intangible assets	**10,914**	6,074
Tax and non-controlling interest effect of above items	**(870)**	(287)
Adjusted earnings attributable to equity holders	**24,792**	20,224

Weighted average number of ordinary shares	2014 Number '000	2013 Number '000
Total shares in issue	**63,311**	59,946
Shares held by Employee Benefit Trust	**(557)**	(506)
For basic EPS calculations	**62,754**	59,440
Effect of potentially dilutive share options	**187**	114
For diluted EPS calculations	**62,941**	59,554

Earnings per share	2014 Pence	2013 Pence
Basic	**35.3**	32.6
Adjusted	**39.5**	34.0
Basic diluted	**35.2**	32.6
Adjusted diluted	**39.4**	34.0

12. Dividends

	2014 £'000	2013 £'000
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
Final dividend for the year to 31 December 2013 of 8.0p	**5,030**	—
Interim dividend for the year to 31 December 2014 of 9.2p	**5,762**	—
	10,792	9,146

A final dividend for the year to 31 December 2014 of 9.2p amounting to approximately £5,767,000 will be proposed at the Annual General Meeting on 29 April 2015. If approved, this dividend will be paid on 1 May 2015 to shareholders on the register on 10 April 2015. 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 2015.

13. Goodwill

Group	£'000
As at 1 January 2013	21,951
Acquisition of businesses	38,184
As at 31 December 2013 (as previously reported)	60,135
Measurement period adjustment (note 31)	(871)
As at 31 December 2013 (restated)	59,264
Acquisition of businesses (note 31)	9,313
As at 31 December 2014	**68,577**

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

	2014 £'000	2013 Restated £'000
Primary & Community Care	**15,853**	15,853
Community Pharmacy	**6,756**	6,756
Secondary & Specialist Care: Digital Healthcare	**2,470**	2,470
Secondary & Specialist Care: Ascribe	**37,390**	34,185
Secondary & Specialist Care: Medical Imaging	**6,108**	—
	68,577	59,264

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 from the Medical Imaging acquisition 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 year ending 31 December 2015 to forecast pre-tax cash flows from each CGU. These cash flows have then been extrapolated for a further four years assuming average annual growth rates of 3.5% for EMIS (2013: 3.5%), 3.5% for Rx Systems (2013: 4.0%), and 3.5% for both Digital Healthcare and Ascribe (2013: not applicable) until 31 December 2019 and then 1% for all CGUs in perpetuity. The pre-tax cash flows have been discounted back to 31 December 2014 using a discount rate of 9.1% in relation to EMIS (2013: 9%), 10.1% for Rx Systems (2013: 13%), and 10.1% for both Digital Healthcare and Ascribe (2013: not applicable). The exercise has confirmed that there has been no impairment. Sensitivity analysis has been performed on the key assumptions which indicated that no reasonably possible change to key assumptions would cause an impairment. The Ascribe CGU has a value in use which exceeds its carrying value by £17.4m. The impairment calculation in this case is most sensitive to changes in 2015 forecast revenue and to the discount factor applied; for example, a 2.8 percentage point increase in the discount factor may lead to an impairment. The Board believes that any reasonably possible reduction in revenue would be mitigated by cost reduction programmes within the CGU.

Notes to the financial statements continued

For the year ended 31 December 2014

14. 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 2013	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
Additions	1,765	6,523	1,093	5,596	14,977
At 31 December 2014	**2,810**	**28,660**	**35,217**	**35,113**	**101,800**
Accumulated amortisation and impairment					
At 1 January 2013	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
Charged in year	447	4,645	3,744	2,525	11,361
At 31 December 2014	**665**	**7,300**	**13,002**	**10,013**	**30,980**
Net book value					
At 31 December 2014	**2,145**	**21,360**	**22,215**	**25,100**	**70,820**
At 31 December 2013	827	19,482	24,866	22,029	67,204
At 1 January 2013	465	15,260	2,037	13,076	30,838

The accounting policy for intangible assets is set out in note 1.7. The remaining average amortisation period for software developed internally is four years (2013: five years). At 31 December 2014 software acquired on business combinations had a remaining amortisation period of seven years for both Ascribe and Digital Healthcare. The amortisation period for software acquired during the year with Indigo 4 Systems is five years. Customer relationships have a remaining amortisation period of nine years (2013: ten years) for EMIS, six years (2013: seven years) for Rx Systems, and nine years for both Ascribe and Digital Healthcare. The amortisation period for customer relationships acquired during the year from the Indigo 4 Systems and Medical Imaging acquisitions is ten years.

15. 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 2013	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
Additions	1,140	3,980	650	1,103	6,873
Acquisition of businesses	22	136	455	146	759
Disposals	—	(3)	—	(1,043)	(1,046)
At 31 December 2014	**9,698**	**31,037**	**3,552**	**5,294**	**49,581**
Accumulated depreciation and impairment					
At 1 January 2013	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
Charged in year	299	5,860	405	1,202	7,766
On disposals	—	—	—	(883)	(883)
At 31 December 2014	**1,074**	**20,357**	**1,532**	**2,305**	**25,268**
Net book value					
At 31 December 2014	**8,624**	**10,680**	**2,020**	**2,989**	**24,313**
At 31 December 2013	7,761	12,427	1,320	3,102	24,610
At 1 January 2013	6,067	10,916	1,318	3,843	22,144

Included within property, plant and equipment are assets ("contract assets") allocated to the data centre hosting services contract (see note 2 for further details) with an original cost of £18,317,000 (2013: £18,006,000) and accumulated depreciation of £13,651,000 (2013: £9,910,000), including depreciation of £3,761,000 (2013: £3,241,000) charged in other operating expenses in the year. The net book value of these assets amounts to £4,666,000 (2013: £8,096,000).

Notes to the financial statements continued
For the year ended 31 December 2014

16. Investments in subsidiaries

Company	£'000
As at 1 January 2013	48,165
Acquisition of businesses	23,076
As at 31 December 2013 (as previously reported)	71,241
Measurement period adjustment (note 31)	(871)
As at 31 December 2013 (restated)	70,370
Acquisition of businesses (note 31)	12,000
As at 31 December 2014	**82,370**

Details of the principal subsidiary companies, included in the consolidated financial statements of the Group, are as follows:

	Country of registration and operation	% of issued ordinary shares held
Egton Medical Information Systems Limited (EMIS)	England	100*
Rx Systems Limited	England	78.9*
Digital Healthcare Limited	England	100*
Digital Healthcare Inc.	USA	100
Ascribe Group Limited	England	100*
Scroll Bidco Limited	England	100
Ascribe Limited	England	100
Ascribe Holdings Limited	England	100
ASC Computer Software PTY Limited	Australia	100
Indigo 4 Systems Limited	England	100
Medical Imaging UK Limited	England	100*
MIDRSS Limited	Republic of Ireland	100*

* Held directly by EMIS Group plc.

The above subsidiary undertakings are engaged in providing software and support services to the healthcare market, with the exception of Ascribe Group Limited, Scroll Bidco Limited and Ascribe Holdings Limited which are all holding companies.

17. Investment in joint venture and associates

Associates

Group	**2014 £'000**	2013 £'000
Associates		
As at 1 January	**2,760**	2,740
Share of result for year	**(55)**	20
As at 31 December	**2,705**	2,760

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.

17. Investment in joint venture and associates continued

Associates continued

Aggregate amounts relating to P2U are as follows:

	2014 £'000	2013 £'000
Revenues	17,286	16,589
(Loss)/profit before taxation	(612)	117
(Loss)/profit after taxation	(598)	100
Attributable to NCI	(120)	20
Attributable to investee's shareholders	(478)	80
Non-current assets	3,246	2,748
Current assets	3,760	3,697
Current liabilities	(3,604)	(3,014)
Non-current liabilities	(569)	—
Net assets	2,833	3,431
Attributable to NCI	566	686
Attributable to investee's shareholders	2,267	2,745
Groups interest in net assets at beginning of year	686	666
Total comprehensive income attributable to the Group	(120)	20
Group's interest in net assets of investee at end of year	566	686
Adjustment in respect of prior years	65	—
Goodwill	2,074	2,074
Carrying amount of interest in investee at end of year	2,705	2,760

Adjustments in respect of prior years relate to the use of reliable estimates in the calculation of the P2U results arising from the differing year ends of the Group and the investee.

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 2014 the Group is owed £181,000 (2013: £373,000).

Aggregate amounts relating to HGL are as follows:

	2014 £'000	2013 £'000
Revenues	822	404
Profit/(loss) before taxation	42	(231)
Profit/(loss) after taxation	33	(176)
Current assets	571	562
Current liabilities	(995)	(1,012)
Net liabilities	(424)	(450)
Group's interest in net assets of investee at beginning of year	(225)	(137)
Share of total comprehensive income	17	(88)
Group's interest in net assets of investee at end of year	(208)	(225)

The Group's interest in net assets of the investee is offset against amounts owing from the investee in the Group balance sheet.

Notes to the financial statements continued

For the year ended 31 December 2014

18. Inventories

Group	2014 £'000	2013 £'000
Finished goods	**1,550**	1,431

19. Trade and other receivables

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade and other receivables	**13,389**	12,031	**—**	—
Prepayments and accrued income	**15,343**	9,417	**151**	17
Loan to Employee Benefits Trust	**—**	—	**4,122**	2,379
Income tax	**—**	—	**—**	277
	28,732	21,448	**4,273**	2,673

20. Credit quality of financial assets

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

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade and other receivables	**13,389**	12,031	**—**	—
Cash at bank	**6,939**	4,167	**—**	—
	20,328	16,198	**—**	—

No collateral security is held.

Trade and other receivables

Reporting date balances fall within the following categories:

	Group	
	2014 £'000	2013 £'000
UK governmental health bodies	**5,670**	6,577
Community pharmacies and associated wholesalers	**2,956**	926
Other third party receivables	**4,763**	4,528
	13,389	12,031

20. Credit quality of financial assets continued

Trade and other receivables 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:

	2014 £'000	2013 £'000
December	**7,865**	7,280
November	**1,952**	2,050
October and earlier	**3,572**	2,701
	13,389	12,031

The Group carries a provision for impairment of trade receivables of £392,000 (2013: £327,000).

Cash at bank

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

	Group	
	2014 £'000	2013 £'000
A1	**198**	—
A2	**628**	1,585
A3	**1,093**	268
Aa2	**502**	479
Aa3	**100**	190
Baa1	**798**	—
Baa2	**1,091**	1,645
Ba1	**84**	—
Caa2	**2,445**	—
	6,939	4,167

21. Trade and other payables

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade payables	**7,496**	6,808	**22**	—
Accrued expenses	**7,273**	5,561	**335**	172
Other tax and social security	**6,013**	4,336	**—**	—
	20,782	16,705	**357**	172

Notes to the financial statements continued
For the year ended 31 December 2014

22. Borrowings

Company and Group	2014 £'000	2013 £'000
Non-current		
Unsecured bank loans	**5,854**	9,756
	5,854	9,756
Current		
Unsecured bank loans	**12,902**	7,902
	12,902	7,902

Bank loans comprises £10,000,000 of term loan; £9,000,000 drawndown under a revolving credit facility; and £244,000 of unamortised arrangement fees. All bank loans bear an interest rate of 1.50% above LIBOR.

The 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 2014 £7,000,000 of this facility was undrawn.

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 £6,000,000 (2013: £10,000,000) are estimated to have a fair value of £6,053,000 (2013: £10,004,000), based on cash flows discounted using a rate based on the borrowing rate of 2.1% (2013: 2.01%).

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

23. 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 2014						
Trade and other payables due within one year	(20,782)	(20,782)	(20,782)	–	–	–
External borrowings	(18,756)	(19,304)	(13,194)	(4,094)	(2,016)	–
Contingent acquisition consideration	(5,250)	(5,250)	(2,750)	(2,500)	–	–
	(44,788)	**(45,336)**	**(36,726)**	**(6,594)**	**(2,016)**	**–**
At 31 December 2013 (restated)						
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	(3,123)	(3,123)	(2,129)	–	–	(994)
	(37,486)	(38,397)	(27,115)	(4,178)	(4,094)	(3,010)

24. Deferred tax

Group	Property plant and equipment £'000	Intangible assets £'000	Other temporary differences £'000	Total £'000
At 1 January 2013	(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)
Credited to statement of comprehensive income	596	878	(1,416)	58
Credited to equity	—	—	52	52
Acquisition of businesses	—	(1,338)	—	(1,338)
At 31 December 2014	**522**	**(13,583)**	**352**	**(12,709)**

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:

	2014 £'000	2013 £'000
Deferred tax liabilities	**(14,072)**	(13,594)
Deferred tax assets	**1,363**	2,113
	(12,709)	(11,481)

25. Share capital and share premium

Company and Group	Ordinary shares of 1p each Number	Ordinary shares of 1p each £'000	Share premium £'000
At 1 January 2013	58,550,017	586	24,767
Shares issued in the year	4,761,379	47	26,278
At 31 December 2013 and 31 December 2014	**63,311,396**	**633**	**51,045**

All issued shares are fully paid. At 31 December 2014 the EMIS Group plc Employee Benefit Trust held 636,832 shares in the Company (2013: 446,960 shares).

Notes to the financial statements continued

For the year ended 31 December 2014

26. Share-based payments

At 31 December 2014 outstanding awards to subscribe for ordinary shares of 1p each in the Company, granted in accordance with the rules of the EMIS Group share option schemes and the EMIS Group LTIP, were as follows:

Date of grant	At 1 January 2013	Granted	Lapsed	At 1 January 2014	Granted	Lapsed	Exercised	**At 31 December 2014**
2011 Share Option Plan								
11 October 2011	63,855	–	(1,419)	62,436	–	(11,352)	(28,380)	**22,704**
1 October 2012	42,130	–	(2,461)	39,669	–	(5,843)	–	**33,826**
2 May 2013	–	5,476	–	5,476	–	(1,369)	–	**4,107**
18 October 2013	–	99,060	–	99,060	–	(9,906)	–	**89,154**
15 October 2014	–	–	–	–	54,918	(1,356)	–	**53,562**
	105,985	104,536	(3,880)	206,641	54,918	(29,826)	(28,380)	**203,353**
Weighted average exercise price	641p	660p	708p	649p	737p	645p	528p	**690p**
Unapproved Option Scheme								
11 October 2011	12,298	–	–	12,298	–	(8,514)	(3,784)	**–**
1 October 2012	65,500	–	(6,000)	59,500	–	(7,000)	–	**52,500**
18 October 2013	–	138,000	–	138,000	–	(17,000)	–	**121,000**
	77,798	138,000	(6,000)	209,798	–	(32,514)	(3,784)	**173,500**
Weighted average exercise price	767p	656p	812p	693p	–	656p	528p	**703p**
EMIS Group LTIP								
29 June 2012	400,000	–	–	400,000	–	(400,000)	–	**–**
2 May 2013	–	50,000	–	50,000	–	–	–	**50,000**
16 January 2014	–	–	–	–	49,019	–	–	**49,019**
1 May 2014	–	–	–	–	314,350	(21,950)	–	**292,400**
	400,000	50,000	–	450,000	363,369	(421,950)	–	**391,419**
Weighted average exercise price	547p	710p	–	565p	nil	519p	–	**91p**

The number of vested options which had not been exercised at 31 December 2014 was 22,704 (2013: nil). The weighted-average share price at the date of exercise for share options exercised in 2014 was £8.05 (2013: no options exercised).

The parent company operates share option schemes, (the HMRC approved EMIS Group plc 2011 Share Option Plan and the EMIS Group plc Unapproved Option Scheme) and an LTIP scheme. Tranches of options have been granted at market value to senior members of management under the 2011 Share Option Plan, the Unapproved Option Scheme and the 2012 and 2013 LTIP schemes, and at nil cost under the 2014 LTIP schemes. Performance conditions apply to the 2014 award under the 2011 Share Option Plan, the 2012 and 2013 awards under the Unapproved Option Scheme and the EMIS Group LTIP.

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.

26. Share-based payments continued

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

	LTIP			
Grant date	29 June 2012	2 May 2013	16 January 2014	1 May 2014
Exercise period	July 2015 – July 2017	July 2015 – July 2017	January 2017	May 2017
Share price at grant date	547p	710p	630p	635p
Exercise price	547p	710p	0p	0p
Expected volatility	30%	30%	35%	35%
Expected life (years)	4	3	3	3
Risk-free rate	1.00%	1.00%	2.37%	2.37%
Expected dividend yield	2.30%	1.90%	2.5%	2.5%
Fair value per option	85p	177p	584p	589p

	2011 Share Option Plan				
Grant date	11 October 2011	1 October 2012	2 May 2013	18 October 2013	15 October 2014
Exercise period	October 2014 – October 2016	October 2015 – October 2017	May 2016 – May 2018	October 2016 – October 2018	October 2017 – October 2019
Share price at grant date	528p	812p	730p	656p	737p
Exercise price	528p	812p	730p	656p	737p
Expected volatility	36%	30%	35%	35%	35%
Expected life (years)	3	3	3	3	3
Risk-free rate	2.75%	1.00%	1.40%	1.40%	2.37%
Expected dividend yield	2.35%	1.64%	2.20%	2.20%	2.33%
Fair value per option	109p	153p	157p	141p	164p

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 £1,800 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 any free shares allocated to members under the scheme during the year, had a value of £58,000 (2013: £310,000).

Notes to the financial statements continued

For the year ended 31 December 2014

27. Operating lease commitments

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

Group	2014 £'000	2013 £'000
Land and buildings		
– due within one year	**599**	607
– due between one and five years	**732**	1,174
Plant, machinery and motor vehicles		
– due within one year	**36**	26
– due between one and five years	**61**	46
– due after five years	**8**	8
	1,436	1,861

28. Capital commitments

At 31 December 2014 the Group had capital commitments in respect of motor vehicles and computer equipment amounting to £102,000 (2013: £125,000).

29. Cash generated from operations

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Profit/(loss) before taxation	**28,540**	24,635	**70**	(1,942)
Finance income	**(10)**	(20)	**(838)**	—
Finance costs	**553**	262	**553**	12
Share of result of associate	**55**	(20)	**—**	—
Share of result of joint venture	**(17)**	88	**—**	—
Operating profit/(loss)	**29,121**	24,945	**(215)**	(1,930)
Adjustment for non-cash items:				
Amortisation of intangible assets	**11,361**	6,236	**—**	—
Depreciation of property, plant and equipment	**7,766**	6,527	**—**	—
Release of contingent acquisition consideration	**(873)**	—	**(873)**	—
Profit on disposal of property, plant and equipment	**(128)**	—	**—**	—
Share-based payments	**270**	195	**37**	—
Operating cash flow before changes in working capital	**47,517**	37,903	**(1,051)**	(1,930)
Changes in working capital:				
(Increase)/decrease in inventory	**(119)**	(174)	**—**	—
(Increase)/decrease in trade and other receivables	**(6,912)**	1,132	**(135)**	(15)
Increase/(decrease) in trade and other payables	**2,360**	(177)	**185**	112
Increase/(decrease) in deferred income	**2,010**	41	**—**	—
Cash generated from operations	**44,856**	38,725	**(1,001)**	(1,833)

30. Change in net debt

Group	2013 £'000	Cash flow £'000	Finance costs £'000	2014 £'000
Cash and cash equivalents	4,167	2,772	—	**6,939**
Bank loans due within one year	(7,902)	(5,000)	—	**(12,902)**
Bank loans due after one year	(9,756)	4,000	(98)	**(5,854)**
Net debt	(13,491)	1,772	(98)	**(11,817)**

31. Business combinations

On 16 July 2014 the Group acquired 100% of the share capital of Indigo 4 Systems Limited, a leading provider of clinical and administrative messaging and order communications solutions to healthcare organisations. The transaction was consistent with the Group's strategy of providing comprehensively connected healthcare systems.

On 22 December 2014 the Group acquired 100% of the share capital of Medical Imaging (UK) Limited and MIDRSS Limited (together Medical Imaging), a leading provider of services delivering diabetic eye screening and ophthalmology imaging to the NHS in England and with a growing presence assisting Ireland's national health service, the HSE. The acquisition was in line with the Group's strategy of providing cross-organisational healthcare systems and further enhances its position in diabetic eye screening.

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

Group	Indigo 4 Systems £'000	Medical Imaging £'000	Total £'000
Goodwill	3,205	6,108	9,313
Intangible assets acquired:			
– computer software	1,093	—	1,093
– customer relationships	1,987	3,609	5,596
Property, plant and equipment	54	705	759
Trade and other receivables	837	1,268	2,105
Cash and cash equivalents	2,818	2,530	5,348
Trade and other payables	(699)	(1,498)	(2,197)
Deferred income	(2,081)	—	(2,081)
Deferred tax	(616)	(722)	(1,338)
Total net assets	6,598	12,000	18,598
Consideration:			
Initial cash consideration	6,098	9,000	15,098
Contingent consideration	500	3,000	3,500
Total potential consideration	6,598	12,000	18,598
Cash and cash equivalent balances acquired	(2,818)	(2,530)	(5,348)
Contingent consideration not yet paid	—	(3,000)	(3,000)
Net cash cost of acquisition paid in year	3,780	6,470	10,250

Goodwill relates principally to the experienced staff within the businesses.

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 Indigo 4 business to Group revenue and Group adjusted operating profit has been £1,591,000 and £351,000. The results of Medical Imaging are not material to the year under review as the business was only acquired on 22 December 2014, immediately prior to the year end.

Had all acquisitions occurred on 1 January 2014 the revenue and adjusted operating profit for the year would have been: Indigo 4 £3,004,000 and £720,000; and Medical Imaging £7,457,000 and £1,043,000.

Contingent consideration is all payable in cash and has been paid in full for the Indigo 4 acquisition. The Medical Imaging acquisition includes £500,000 deferred until December 2015 and up to £2,500,000 payable in cash on the attainment of certain performance targets relating to financial year 2016.

In relation to the acquisitions, costs of £175,000 have been expensed in the statement of comprehensive income.

Notes to the financial statements continued

For the year ended 31 December 2014

31. Business combinations continued

In 2013, the Group provided for the full potential contingent consideration of £3,994,000 relating to the Ascribe acquisition. This contingent consideration was finalised during the year at £2,250,000 and paid in early 2015, with the release of the excess provision split between the statement of comprehensive income (£873,000) and a reduction in goodwill on the balance sheet (£871,000). 2013 comparatives have been restated in accordance with IFRS 3 (Revised) 'Business Combinations' to reflect the changes in the provisional consideration resulting from additional information concerning facts and circumstances that existed at the acquisition date which, as such, have been classified as measurement-period adjustments. Goodwill in the prior period has therefore reduced by £871,000, with a corresponding decrease in the consideration liability.

32. Pension commitments

Pension contributions of £1,828,000 (2013: £462,000) represent contributions to various defined contribution schemes operated by the Group. The pension contributions include auto-enrolment of eligible employees across the Group from 1 January 2014.

33. Related party transactions

Key management compensation

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

	2014 £'000	2013 £'000
Salaries and other short-term employee benefits	**3,364**	2,966
Post retirement benefits	**206**	154
	3,570	3,120

Directors' emoluments	**2014 £'000**	2013 £'000
Aggregate emoluments	**962**	995
Pension costs – defined contribution plans	**75**	49
	1,037	1,044

Retirement benefits are accruing to two (2013: two) Directors under defined contribution personal pension schemes.

Highest paid Director	**2014 £'000**	2013 £'000
Aggregate emoluments	**469**	288
Pension costs – defined contribution plans	**45**	17
	514	305

Other related party transactions

Transactions between the Group and:	**2014 £'000**	2013 £'000
Associate – Pharmacy 2U Limited		
Sales of goods and services in year	**34**	29
Amounts owed at year end	**—**	—
Joint venture – Healthcare Gateway Limited		
Sales of goods and services in year	**467**	373
Amounts owed by related party at year end	**181**	373
Key management personnel		
Sale of motor vehicles at market value	**9**	—

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.moneyadviceservice.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
Chris Spencer – Chief Executive Officer

Peter Southby – Chief Financial Officer

Non-executive
Mike O'Leary – Chairman

Robin Taylor – Senior Non-executive Director

Andy McKeon – Non-executive Director

Kevin Boyd – Non-executive Director (from 9 May 2014)

Company Secretary
Caroline Farbridge

Company number
06553923 (England and Wales)

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Leeds LS1 4DW

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Registrars
Capita Asset Services
The Registry
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Beckenham BR3 4TU

Financial PR
MHP Communications
60 Great Portland Street
London W1W 7RT

Legal advisers to the Company
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1 Park Row
Leeds LS1 5AB

Five year Group financial summary

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Revenue	**137,639**	105,542	86,333	73,238	61,900
Adjusted operating profit[1]	**32,639**	26,065	22,820	20,769	18,223
Profit before tax	**28,540**	24,635	24,059	21,435	18,067
Earnings per share – basic	**35.3p**	32.6p	32.5p	25.4p	19.8p
Earnings per share – adjusted[1]	**39.5p**	34.0p	30.8p	27.7p	21.8p
Dividends paid to Company's shareholders	**11,529**	10,056	8,237	7,248	6,554
Dividends per ordinary share	**18.4p**	16.0p	14.2p	12.4p	11.2p
Total equity	**114,908**	104,123	64,065	54,092	46,782
Cash generated from operations[2]	**38,333**	32,627	27,402	27,083	20,212
Net (debt)/cash	**(11,817)**	(13,491)	7,711	8,026	1,678
Average number of employees	**1,611**	1,356	1,116	898	791

1. Excludes exceptional items, release of contingent consideration on acquisitions, 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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