emis group

Supporting longer and healthier lives

EMIS Group plc
Annual report and accounts 2015

Connecting IT across every major healthcare sector.

EMIS Group is a major provider of healthcare software, information technology and related services in the UK.

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. This means the Group can facilitate the NHS's connected care strategy across every major UK healthcare setting through organic growth, partnering or acquisition. This is a unique position.

P2 At a glance

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

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Operational highlights

Results in line with the Board's expectations

- Further progress in like-for-like operating margin
- Double digit revenue growth, albeit held back by timing of Secondary Care contracts
- Growth derived both organically and through businesses acquired in 2014 and 2015
- Maintained customary strong revenue visibility, order book and pipeline
- Grew market share in Primary Care and Child Community & Mental Health (CCMH), future growth secured in Community Pharmacy

Primary & Community Care – strong financial performance

- Market leading position in UK primary care maintained with 55% market share (2014: 53%)
- EMIS Web® roll-out programme completed in England and Wales, progressing in Northern Ireland
- CCMH significant contract win momentum and increase in market share to 12%, exceeding 10% target
- Acquired Pinbellcom in July 2015, a leading supplier of administration and compliance software

Community Pharmacy – profitability and market share maintained

- Market lead in independent pharmacy maintained with overall 36% share of the combined supermarket and independent market (2014: 36%)
- Secured a significant contract with Lloyds Pharmacy that will grow market share to close to 50%
- Next generation dispensary pharmacy management product began successful pilots

Secondary & Specialist Care – mixed performance

- Good contributions from 2014 acquisitions Indigo 4 and Medical Imaging
- Material contract wins and significant pipeline in Specialist Care
- Secondary Care new management's focus on operational improvements beginning to show results
- Slower than expected rate of contract awards held back Secondary Care

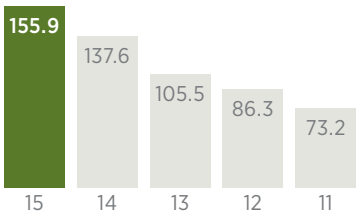
Current Trading & Outlook – in line with the Board's expectations

- Strong revenue visibility with 79% recurring revenue
- Good order books and pipelines in all segments
- Improved financial performance in Secondary Care expected in 2016
- Growth opportunities across all markets

Financial highlights

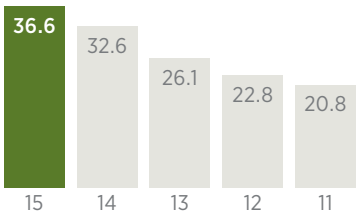
Total revenue

£155.9m +13%



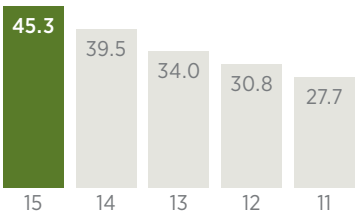
Adjusted operating profit[1]

£36.6m +12%



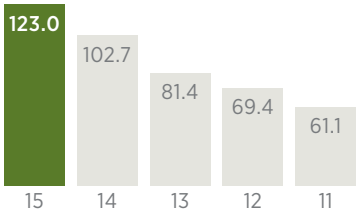
Adjusted EPS[1]

45.3p +15%



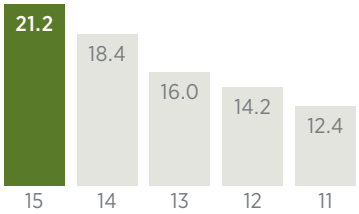
Recurring revenue

£123.0m +20%



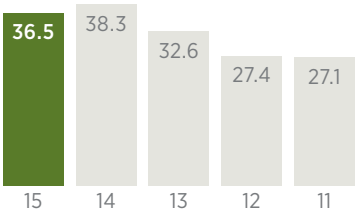
Total dividend for the year

21.2p +15%



Cash generated from operations[2]

£36.5m -5%



1 Excludes impairment charges, release of contingent acquisition consideration, exceptional items, capitalisation and amortisation of development costs and amortisation of acquired intangibles. Earnings per share calculations also adjust for the related tax and non-controlling interest impact.

2 Stated after deduction of capitalised development costs.

At a glance

Supporting **longer and healthier lives** through delivering integrated, excellent and innovative **healthcare technology**.

Who we are

EMIS Group is a major provider of healthcare software, information technology and related services in the UK. 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. This means the Group can facilitate the NHS's connected care strategy across every major UK healthcare setting through organic growth, partnering or acquisition. This is a unique position.

Clinical software and services

EMIS Health includes our clinical software businesses (formerly EMIS, Ascribe, Digital Healthcare, Indigo 4 and Rx Systems) covering the primary care, commissioning, community pharmacy, community care, mental health, secondary care and diabetic eye screening.

Patient-facing and online services

With many millions of visitors each month, Patient® (www.patient.info) is our widely recognised, patient-facing brand – now able to take a global position having rebranded from Patient.co.uk in June 2015.

Non-clinical ICT solutions and services

Egton provides non-clinical products and services for customers across the EMIS Group and to others in the healthcare market.

Provision of healthcare screening

EMIS Care is the highly successful and clinically well regarded healthcare screening arm of the business (previously operating under the Medical Imaging brand).

P12 Strategy

P20 Operational review

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.

P8 Business model

EMIS Group serves the following healthcare settings:

Primary & Community Care

Primary care – EMIS Web uses the latest technologies to deliver integrated healthcare. It is the most widely used clinical system and it provides healthcare organisations access to patient information in real time at the point of care which improves patient safety and clinical outcomes.

Child, Community and Mental Health – Using EMIS Web in the community gives access to records and allows care plans to be created across different community settings. This helps provide a better experience for the patient through a joined up approach.

EMIS Mobile allows mobile working online or offline at the point of care.

Patient – This is the Group's website that helps patients play a key part in their own healthcare through high quality information. It also supports professionals in clinical decision making by providing high quality, accurate and up to date reference material.

Egton – Provides non-clinical ICT solutions such as bespoke websites for healthcare professionals and other public and private sector organisations. It also supplies ICT infrastructure and hosting services.

Secondary Care

EMIS Group software is used by NHS Trusts in a wide range of secondary care settings.

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

Community Pharmacy

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.

Pharmacy Access enables pharmacies to view a summarised patient record and order repeat prescriptions direct from the GP to provide a joined up service.

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 diabetic retinopathy services to patients.

Chairman's statement

EMIS Group helps clinicians share vital information, facilitating **better, more efficient healthcare**.

Dear Shareholder

I am pleased to present EMIS Group's 2015 annual report which sets out our performance over the year.

EMIS Group has reported results in line with expectations with growth derived both organically and through businesses acquired in 2014 and 2015. Our EMIS Health Primary Care business maintained its market leading position and Child Community & Mental Health had another good year of progress.

Double digit revenue growth was achieved overall although this was held back by the slower than expected rate of contract wins. The management team has placed significant focus on operational improvements in EMIS Health Secondary Care which is now beginning to show results.

A major contract win in EMIS Health Community Pharmacy is expected to significantly increase market share over the next 18 months, making the Group the largest software and services provider in the community pharmacy dispensary management market. EMIS Health Specialist Care remains the leading provider of diabetic eye screening software and other ophthalmology solutions.

Further details on all our achievements in 2015 are provided in the CEO Q&A on page 6 and the operational review starting on page 20.

Corporate governance

Corporate governance provides the framework that underpins everything we do. Given the size and stature of the business we aim to implement the highest level of governance standards and ensure that we are governed and managed with transparency, within a culture that upholds the importance of integrity and accountability.

Our detailed corporate governance report starts on page 36. Information on how we manage and mitigate risk is included on pages 16 and 17.

Dividend

In line with our progressive dividend policy, the Board is recommending a final dividend of 10.6p per share, which, together with the interim dividend of 10.6p, provides a total dividend for the year of 21.2p per share. Subject to approval by shareholders at the AGM on 26 April 2016, the final dividend will be paid on 29 April 2016 to shareholders on the register on 1 April 2016.

Our People

The Group employs professional, highly skilled and dedicated employees who are committed to the vision and values of the Group. We continue to invest in our people and throughout the year have improved team integration across the Group, internal communications and reviewed our approach to career development. The outstanding contribution from our employees and their commitment to living our values in all that they do has ensured that the Group continues to move forward successfully. They ensure that we are able to deliver our strategy of providing patient-centred care through our unique portfolio of connected products and services.

Mike O'Leary
Chairman
15 March 2016

EMIS Group values

We are caring

about patients, our customers and one another

We are innovative

with game-changing, entrepreneurial and pace-setting approach

We are joined up

in our way of working, products and services

We are accountable

purposeful, trustworthy and delivering what we promise

P36 Corporate governance

Camden GPs slash A&E workload

GPs are slashing the A&E workload at one of London's busiest hospitals thanks to joined-up technology that is enabling them to send home more than 26,000 patients a year.

An urgent care centre (UCC) at the Royal Free Hospital's A&E department is using integrated clinical IT system EMIS Web® to carry out rapid assessments on 50% of the 71,818 patients who present annually for emergency care between 10am-10pm. Aided by vital information from the GP record, they are now able to discharge half of these patients at the front door with basic health advice. 40% of the remainder are directed to their own doctor, or a GP-staffed UCC for further investigation and treatment. Only 10% of assessed patients are sent on to the main emergency department.

The UCC is run by Haverstock Healthcare, a federation of all 37 GP practices in Camden, representing over 255,000 registered patients. The federation believes that by other clinicians treating over 40% of patients attending the Royal Free Hospital's A&E, emergency doctors and nurses can focus their efforts on the most unwell patients, reducing waiting times and improving the overall quality of care.

Haverstock Healthcare's medical director Dr Mike Smith said: "All of the GP practices in Camden use EMIS Web®, and we also have it in A&E. This means that when patients arrive at the door, we are able to check their medical history with their consent, and make fully informed clinical decisions. Without their notes, there is a risk of starting patients on a care journey that is not needed. For example, we are ordering fewer x-rays and blood tests than our emergency colleagues at other hospitals. EMIS Web helps make our job less time-consuming and arduous, and enables us to work more effectively.

"When patients arrive at the door, we are able to check their medical history with their consent, and make fully informed clinical decisions."

"The majority of patients we see do not get sent back to their own GP. We send them home with written information on self-care, or to a pharmacist. The website Patient.info is a significant resource, as it empowers patients by providing them with information about their condition and how to manage it at home. We keep a stock of its leaflets printed out and ready."

Dr Smith said the next step in joined-up care was to enable EMIS Web to send an e-discharge letter to patients' own GPs, providing them with timely and accurate information about their patients visit to A&E.

Matt Murphy, EMIS Health managing director for primary care and commissioning said: "We work hand in hand with clinicians to develop the technology that helps them to offer new models of care like this. We are proud to see it helping Camden GPs to deliver tangible improvements in patient care."

Chief Executive Officer's introduction

We are not just in the business of **changing technology**, we're also in the business of **changing the culture of healthcare**.

CEO's

Q&A

Q What were the highlights of 2015?

There were so many, but to name a few:

Primary care completed the EMIS Web roll-out in England and Wales and got ready for implementation in Northern Ireland. Child, Community and Mental Health (CCMH) had many contract wins, increasing its market share well beyond our target of 10%. We also made real progress in integrating primary and community care. For example, EMIS Health is now the sole provider of primary and community care in nearly 12% of English Clinical Commissioning Groups (CCGs) and over 14% of Scottish Health Boards. **Patient** moved to the .info top-level domain, extending its international reach, and continuing to help millions of patients to have access to their own medical records anytime anywhere. **Egton** supported both our Group and customers in a myriad of ways. **Community pharmacy** worked behind the scenes on a very lengthy and complex procurement that has now reached a successful agreement and will make it the dispensary management market leader, both in terms of product penetration and market share. It also secured funding from its first CCG to closely connect pharmacies with primary care. In **Secondary care** an all new management team laid down firm foundations for further growth in acute settings, links between urgent and emergency care, and moved into new premises where everyone could work together rather than in physical silos. Finally, **Specialist care** successfully retendered a number of its English diabetic retinopathy screening services, helping keep millions suffering from diabetes safe from blindness until 2020 and beyond.

P20 Operational review

Q Why rebrand?

EMIS Group has grown significantly over the past few years. We now work in every major healthcare setting from primary care and community pharmacy, to community, mental health, secondary and specialist care. We wanted to simplify the message for our customers and other stakeholders, and align ourselves to our customers' needs by focusing on integrated care and joining up working between all health sectors.

Patient is targeted at patients and citizens. With many millions of visitors a month, it's an internationally recognised and respected brand that resonates with its audiences. Having rebranded as Patient at the beginning of June and changed the website address to www.patient.info, it is perfectly positioned to build its already extensive international following.

Egton's products and services are used by the customers of several of our divisions, as well as those of our competitors in the healthcare market. Egton's products are also used by the legal, education and retail sectors. For this reason, we have retained it as a separate brand to support its growth in all sectors.

Medical Imaging is to be rebranded to become EMIS Care, and is the most experienced private company in the UK in providing ophthalmic imaging services to NHS Trusts.

P2 At a glance

Reducing health inequalities

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."

Q What are the challenges in the market and how can you help?

Funding pressures are expected to be pronounced in the NHS, with NHS England's 'Five Year Forward View' suggesting that its £30bn funding challenge will be met by £22bn of NHS savings and £8bn of additional funding. As a consequence, NHS providers desperately need to update their technology to help staff work more productively. So whether building our own solutions, partnering with the best in the world or growing through acquisition the Group is increasingly able to help the NHS deliver integrated care through joined up systems.

EMIS Group is well positioned to deliver the integrated technology offering that NHS Trusts increasingly seek. We are also well placed to support CCGs in delivering health and social care integration as we not only support NHS commissioners but also work with local authorities.

Working with all our key stakeholders to join up products including major initiatives between primary and secondary care (especially in urgent care) and also between community pharmacy and primary care will continue to be a key focus for us in 2016.

P10 Markets

Q What other opportunities are there?

For clinicians and care professionals, being able to offer a 21st century service to patients and clients means having access to all, but only, the appropriate information, from across health and social care services. Technology and data helps to improve the quality of services available to all of us.

Interoperability has always been important to EMIS Group. EMIS Health has become the first UK clinical systems provider to implement new open standards for interoperability in the NHS – enabling clinicians using its systems to securely share data with any other third party system across health and social care.

This milestone puts in place a solid foundation for EMIS Health to rapidly evolve innovative interoperable services. Initially, third party systems will be able to securely obtain real-time primary care patient information, subject to tight information governance controls.

There are opportunities for growth particularly in the traditional community, pharmacy and secondary care markets as well as in the gaps between them. Following our success in the provision of screening for diabetic retinopathy we know there are many more people we can help. It's all about preventative care – joining up and striving for efficiency.

Patients and carers also need better access to digital services – including access to their own records – to take more control of their care and to help them manage their own health, wellbeing and treatment.

P12 Strategy

Q Describe EMIS Group

We are not just in the business of changing technology, we're also in the business of changing the culture of healthcare.

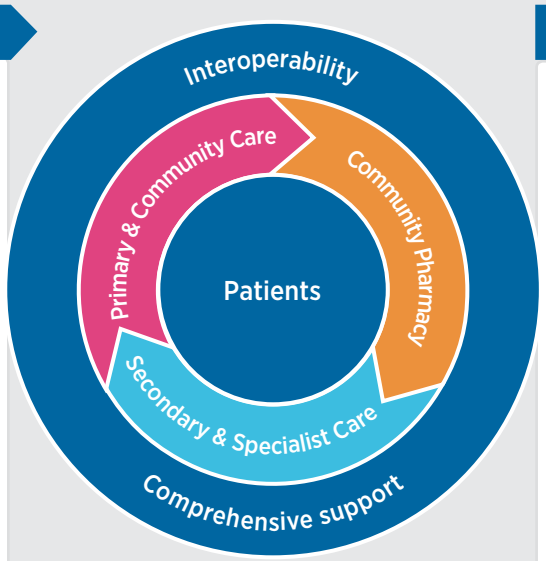
Chris Spencer
Chief Executive Officer
15 March 2016

Business model

Facilitating **improved clinical outcomes** and efficiency through **connected technology services**.

Our key inputs

- Innovative connected technology services
- Highly skilled people
- Trusted brand
- Strong relationships and strategically aligned with government, partners and the markets we serve
- Strong revenue visibility
- Responsible leadership
- Strong culture of caring for both patients and customers



What we do

- Support the constantly evolving landscape of healthcare through well-implemented dynamic innovative software and services
- Listen to customers and citizens and deliver what they need
- Deliver on our connected product strategy to facilitate the use of clinical information
- Maximise the return on our resources by joining them up and making them super-efficient
- Ensure that information is available where it's needed, when it's needed

P12 Strategy

Redesigning diabetes care with the patient at the centre

Diabetes is one of the big health challenges faced by the city of Liverpool, in common with a lot of areas across the UK.

"Designing the service around the clinical need of our patients has been key," explained Kate Warriner, Healthy Liverpool digital care and innovation programme lead and iLinks managerial lead. As part of the Healthy Liverpool vision, healthcare teams across the region are working together to ensure that care of diabetic patients is proactive, tailored and provided locally in the community. Technology from EMIS Health is helping to turn the service redesign into reality.

A convenient service for patients

Patients whose conditions can be managed by regular appointments are being seen in any of six local clinics across the city. Clinicians use EMIS Web to view up to date medical records from everyone involved in the patient's care. "When a patient comes to their appointment, clinicians have everything they need in front of them," explains Jan Fennell-Rutherford, Liverpool diabetes partnership operational manager, Liverpool CCG.

"There's no reason for anything to be missed, so it can reduce errors or delays in care. The clinicians love it. They can make better clinical decisions because they can see the impact of every aspect of the patient's care plan, rather than just their own.

"Patients give us positive feedback about how convenient their appointments are now. For a patient living in Speke for example, it used to be a 40 minute bus ride to the nearest hospital, with often a wait to be seen once they were there. Now patients can visit a clinic local to home or work. It gives them the flexibility to fit their appointments into their lives.

Focusing on self-care

"We use these appointments to look at self-care and self-management of the patient's diabetes. Improvements to lifestyles and wellbeing can often lead to a reduction in medication. We can catch any issues early, preventing patients from needing acute hospital care.

Better care for the 'super six'

Diabetics in the city who need more care continue with hospital appointments to manage their health –

How we generate revenue

Through providing:

- Software licences
- Software maintenance and support
- Hosting services
- Hardware installation, maintenance and support
- Training, consultancy and implementation
- Other support services, including screening services

P26 Financial review

How we add value

- Join up healthcare through innovative IT to give better access to information and so better, faster and cheaper patient care
- Deliver planned returns to customers, clinicians, citizens, investors and other stakeholders
- Ensure that healthcare maximises the benefits that can be attained through clinically focussed, innovative software
- Strong cash generation through recurring revenues
- Retain and grow market share
- We are used in every major healthcare setting directly supporting patients and clinicians to provide safe and efficient care

Why customers choose us

- We are clinically focused
- We are pioneering
- We are joining up healthcare
- We care about what we do
- We assist in providing better patient care
- We are their trusted supplier

P11 Case study – Community Pharmacy

P19 Case studies – Secondary & Specialist Care

those who fall under the 'super six' categories of diabetes, where the condition has the potential to be more complex, for example if they are pregnant, under 24 or diabetic foot care patients.

The initiative is having a positive impact for these patients too. "By concentrating the acute services on the serious cases, everyone is receiving the level of care that's appropriate to their condition. For example patients on an insulin pump should be seen four times per year; previously they were only being seen twice. Under the new initiative, we can see them four times per year and pick up any issues much earlier."

Future plans

It doesn't stop there. "We'll be looking at improvements to services providing care to patients with other long term conditions, such as respiratory illnesses, building on our experience of redesigning the diabetes service," said Kate. "More services will be provided to patients out of hospital and in the community using joined-up technology from EMIS Web – it means a more convenient service for patients, provided by clinicians who have all the information they need."

Markets

Innovation in new ways of **delivering care**.

The NHS Five Year Forward View supports how the health service needs to adapt to take advantage of the opportunities offered by technology.

Experts predict a funding gap for healthcare in England by 2020/2021.

Why?

Demand:

- Ageing society
- Rise in long term and multiple conditions (ALZHEIMERS, DIABETES, COPD)
- Increasing expectation

Supply:

- Increasing costs of providing care
- Limited productivity gains
- Constrained public resources
- A stretched workforce

How will the gap be closed?

- Additional funding by the government
- Efficiency savings supplied by IT
- New ways of working ("new models of care") such as integration of health and social care and a focus on self care supplied by IT

How can we do things differently?

NHS Five Year Forward View suggests:

- Providing fully interoperable electronic health records so that patients' records are largely paperless[2]
- Family doctor appointments, patient records and electronic and repeat prescribing available routinely on-line everywhere[2]
- Building capability and public understanding that pharmacies and on-line resources can help deal with minor ailments[1,3]
- Using technology – such as smart phones to improve patients' access to information alongside innovative apps[1]
- Bringing together hospital, GP, administrative and audit data to support the quality improvement, research and the identification of patients who most need health and social care support[2,4]

How EMIS Group can deliver:

Ambition for a digitised health and care system

That by 2020 all care records – including social care – will be digital, real time and interoperable.

Wolverhampton CCG to connect pharmacies and GPs

Community pharmacists and GPs in Wolverhampton will soon be able to offer joined up healthcare to thousands of patients, using cutting edge record-sharing technology.

Wolverhampton clinical commissioning group (CCG) and EMIS Health have reached an agreement to jointly offer funding towards Pharmacy Access, a software package to enable local community pharmacies and GPs to securely share vital patient information and streamline the ordering and auditing of repeat prescriptions.

Pharmacies using the EMIS Health ProScript PMR system will be able to request repeat prescriptions electronically from GPs using the EMIS Web clinical system.

Pharmacists will also be able to view key clinical data in the GP record, including adverse reactions and allergies, historically prescribed acute and repeat medications, and test results such as the International Normalised Ratio (INR) thyroid function, blood pressure and blood sugars, amongst others. It will also facilitate advanced and enhanced services such as Medicines Use Reviews and the New Medicine Service.

The CCG is now inviting all 27 pharmacies and 35 GP practices in the area using ProScript and EMIS Web systems to roll out the technology.

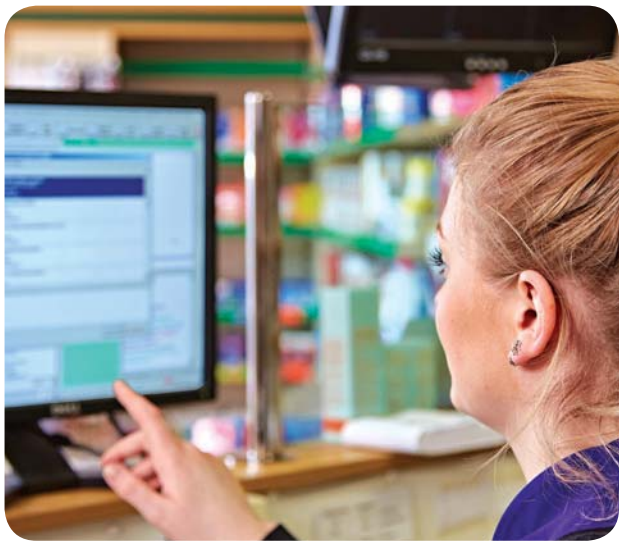
The rollout will incorporate robust protocols to protect patient confidentiality. Patients must provide documented consent before the pharmacist can view their GP record. Access to the GP record within the pharmacy is governed by highly secure role-based access controls enforced by NHS Smart Cards.

Sheila Gregory, project implementation officer at Wolverhampton CCG said: “We are excited to be offering pharmacists Pharmacy Access, which shows what is possible with joined up healthcare. We look forward to measuring the clinical and administrative benefits over the next few months as the project gets up and running.”

Ian Taylor, managing director of community pharmacy at EMIS Health said: “This is a timely project that supports the pharmacy profession’s desire to play a greater role in the care of patients, through secure and relevant access to patient information.

“It will also benefit patients themselves, by better joining up their care.”

Pharmacy Access is currently in place in over 150 other community pharmacies across the country.



Strategy

Considerable progress in integrating care, **connecting** our own and third party products and **centralising** Group services.

2015 achievements

1 Integrated departments

How did we achieve this?

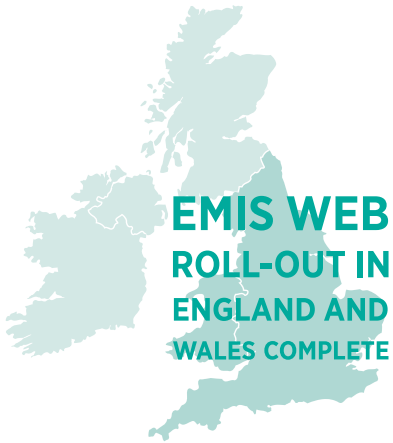
- Significant progress towards formation of a single software development function across EMIS Group in 2016 to bring efficiencies and shared learning.
- Primary, community and commissioning business models harmonised. As well as providing a cohesive service to primary and out-of-hospital providers and commissioners, this platform will enable closer working with in-hospital and community pharmacy teams to support our integrated customers and health economies.
- Centralisation of Group services bringing efficiencies.
- Vidyo (local hosted video conferencing) rolled out to the entire Group to facilitate virtual collaboration and reduce travel cost and time.

2 Financial performance

How did we achieve this?

- Roll-out of EMIS Web in England and Wales completed.
- Five year contract signed with AAH Pharmaceuticals not only extending the current agreement covering AAH customers but also to include the whole Lloyds Pharmacy estate.
- Acquired Pinbellcom, a leading supplier of administration and compliance software.
- 2014 acquisitions of Indigo 4 and Medical Imaging both performing well.
- Significant progress towards the introduction of an enterprise resource planning solution for finance, procurement and warehousing.

P26 Financial review



3 People

How did we achieve this?

- Development of a transformational people strategy. The HR team has been restructured and an HR Business Partner model introduced for each business with a centralised services team providing administrative support.
- Launch of our first Group-wide employee engagement survey, Your Say. Results briefings took place across all of our teams. Local action plans were created, as was a wider cross-Group action plan that aims to join up our people and processes. "Town Hall" sessions took place across the Group at least annually.
- Board level development has strengthened the senior team, whilst individual and team training courses, NVQs and induction programmes have continued to take place in all our businesses.
- Dedicated internal communication function created. A company intranet shares news and resources across the whole Group, whilst a bi-monthly magazine, Link, brings to life stories about our people, our customers and our competitive environment.
- Enhanced approach to recruitment, moving to a candidate centric approach with the most up to date recruitment tools and methods.

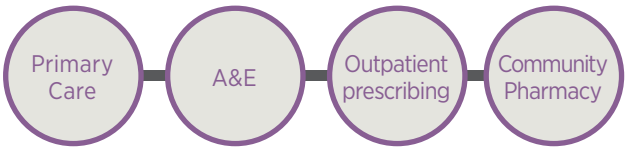
P30 Sustainability

4 Strategic customer engagement

How did we achieve this?

- Secured final lot of GPSoC-R contract with NHS England.
- Successful delivery of Phase 1 of the integrated care contract for the entirety of Gibraltar, initially connecting primary, community, outpatient clinics, A&E and community pharmacy and planning for the balance services including extended acute care.
- There are now 44 CCGs across the UK where EMIS Web is the single primary care system. 21 of these have EMIS Web as the single system across both primary and community.
- Five year contract signed with AAH Pharmaceuticals not only extending the current agreement covering AAH customers but also to include the whole Lloyds Pharmacy estate.
- Launch of EMIS Health Pathfinder programme with 12 selected health economies working closely on strategy alignment, product and service development. Workstreams include interoperability, mobile working, benefits realisation, enterprise working and data sharing models.

Phase 1, Gibraltar, connecting:



Gibraltar launch day:

> "The first baby born in Gibraltar today was registered by the maternity team on EMIS Health systems."

Strategy continued

2015 achievements continued

5 One system product and brand strategy

How did we achieve this?

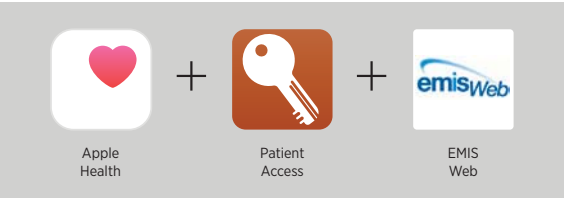
- Clinical software businesses rebranded as EMIS Health emphasising the commitment to provision of integrated solutions.
- Group integrated product board and product evolution roadmap in place to ensure alignment across the Group.
- Child Health product completed and enhanced Mental Health product in use in Greater Glasgow and Clyde.
- EMIS Group drugs database extended to support community pharmacy and work on-going on knowledge bases for use in secondary care pharmacy to reduce duplication, wasted resource and potential error.
- Full Enterprise Working is in early adopter phase (EAP). This supports GP federated working, and extended hours in primary care and urgent care.
- Resource Publisher is also in EAP, allowing users to share EMIS Web templates, protocols, searches and concepts.
- All new products now based on the EMIS Health Framework (EHF), which is the underlying scalable and modular platform for EMIS Web.
- Dispensing Doctors is in pilot enabling dispensing GP Practices to use the ProScript community pharmacy solution to dispense electronic prescriptions via EPSr2. This further strengthens the links between general practice and community pharmacy both at product and customer levels.

> "The decision by suppliers to openly interoperate with all other systems using open initiatives, free of charge, is pivotal to the future of healthcare."
> Beverley Bryant, Director of Digital Technology, NHS England

6 Improved clinical outcomes

How did we achieve this?

- EMIS Health's Personal Health Record (PHR) – integrated with Apple's HealthKit – enables UK citizens to manage their own health in partnership with their GP and other health professionals. Patients connect with their PHR via the Patient Access smartphone app, which can also be used to book GP appointments and view life-long medical records.
- EMIS Web made available in Urgent Care Centre at Royal Free Hospital – impact on clinical care by reducing A&E admissions. See page 5.
- Pilots underway in East London to assess the use of EMIS Web for primary care in a pharmacy setting.
- Committed to interoperability enabling EMIS Health to interoperate with any other healthcare supplier. As well as direct (point-to-point) solutions also first to market with one-to-many interoperability through adoption and delivery of NHS open API standards. This cements existing agreements and opens up new opportunities especially in new models of care.



7 New Patient online services

How did we achieve this?

- Patient.co.uk rebranded as Patient.info enabling greater international availability.
- Core functionality within Patient Access and online services enabled by 99% of all the Group's GP practices.
- Patient won nine awards including in both health categories in this year's Website of the Year Awards and voted as Britain's Best Health Website and Most Popular Health Website.
- National and international expanded opportunities investigated and now moving toward implementation.

8 Becoming a clinical services provider

How did we achieve this?

- Acquisition of Medical Imaging (now EMIS Care) secured leading position in the outsourced diabetic retinopathy eye screening market.
- Significant level of tenders for the provision of diabetic screening services across the country. Future screening provision business secured for at least five years through winning four material contracts across England.

P20 Operational review

> "Our uptake for diabetic eye screening was 72-73% in 2011 against a target of 70%. But now we're hitting 85% uptake. And that's with an ever-growing patient list."
>
> Suzanne Beshara, Programme Manager
> Bradford and Airedale NHS Diabetic
> Eye Screening Programme

Our 2016 priorities

1. One EMIS Group
2. Deliver financial performance
3. People: communication engagement and development
4. Strategic customer and stakeholder engagement
5. Deliver a "one system brand and product strategy"
6. Differentiate through improved clinical outcomes
7. Further enhancement of Patient Online Services
8. Consolidate clinical services provision

Principal risks and uncertainties

Management of risk.

Our Risk Management Framework

The Board has overall responsibility for ensuring risk is appropriately managed across the Group. The Group maintains risk registers for each operating division, as well as one for corporate and functional risks. These are consolidated to form the Group's strategic risk register. This register is considered by the CEO and then reviewed and discussed by the Group Executive Board before being submitted at each Board meeting. The audit committee provides independent review and challenge, and Internal Audit provides independent assurance on key risks.

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. These risks are not intended to be an extensive analysis of all risks that may arise in the ordinary course of business or otherwise.

The principal financial risks are disclosed in note 3 to the financial statements.

P36 Corporate governance

P43 Audit committee

Description of risk and link to strategic priorities	How we mitigate the risk
Healthcare structure and procurement changes 1 2 3 4 5 6 7 8 The Group is dependent on the strategic direction of the NHS in respect of how it plans to make use of available IT innovations to reduce its costs and improve its efficiency. The ability to sell hosted and managed products to the healthcare community can be affected by the way the NHS procures goods and services. The NHS is constantly looking for ways to reduce its cost base and improve efficiency. This may include how it is organised and how it procures goods and services, including outsourcing services. There is a risk that EMIS Group's services are not aligned with the strategic requirements of the healthcare providers or that these requirements change with successive governments.	To ensure it is not disadvantaged by changes in healthcare structures and procurement policies, EMIS Group ensures that its strategies are closely aligned with government policies. Specific actions taken to mitigate this risk include: • close engagement with the NHS at both strategic and tactical levels; • working to ensure the Group is perceived not just as a GP supplier but as a supplier of connected IT healthcare solutions covering a wide range of healthcare sectors including pharmacies, secondary care, specialist, community social care and mental health as well as primary care; • proactive response to published NHS plans and changes in structures e.g. the NHS Five Year Forward View and the development of GP federations; • regular monitoring and analysis of our markets and competitors; • development of clear, integrated market and product strategies; • ongoing review of our sales team structures including establishing an integrated sales board to better manage pan-healthcare economy procurement structures; • development of a strategic mental health solution; and • development of next generation pharmacy software.

Description of risk and link to strategic priorities	How did we mitigate the risk?
Product integration and interoperability 1 2 4 5 6 7 The Group's core strategy is to provide IT healthcare systems, across a range of healthcare sectors, which are integrated with each other and interoperable with other non-Group systems. This efficiently aligns technology and workflows and enables realisation of the best clinical safety and financial outcomes. Failure to achieve this could have a significant impact on the Group's ability to meet the government's healthcare technology requirements and to sell its products and services to the NHS and others in the longer term. In order to achieve its objectives the Group has, in recent years, acquired several businesses across a range of healthcare sectors. There is a risk that these businesses do not function effectively as a Group, impacting on the success of product integration.	The Group has taken a range of actions designed to bring together its products and to create synergies across the Group. • Board level responsibility for product and acquisition integration with a clear strategic plan and regular monitoring; • established Group standards to share and mandate best practice in, for example, software development, customer support, project implementation, clinical safety governance and cross-sector product integration; • regular meetings of integration boards; • all integrated product implementations include a clinical safety review; • Group product branding introduced under a common brand – EMIS Health; • open API strategy to enable the Group to work with any other supplier; and • extending connectivity between the Group and third party provider solutions.
Software development and hosting 1 2 3 4 6 8 The Group's core products are critical to the efficient and effective operation of a wide range of healthcare organisations and they are designed and developed to meet the exacting standards of our key customers and the needs of patients and carers. The technical or physical failure of our systems, during development, implementation or in everyday use could lead to disruption or complete service denial of high profile public services. The Group physically hosts a significant proportion of the patient information that supports our systems and this creates significant risks associated with information security and system reliability. These risks are covered separately in more detail under Information Governance.	In order to ensure the secure and effective development, implementation and hosting of new and existing products, the Group has in place a range of mitigating actions including: • development brought together as a Group function and a strategy to lead effective development prioritisation; • a staged new system implementation process that minimises disruption and tests system operation on pilot systems before wider implementation; • ring-fencing of development teams to preserve sensitive data security and integrity; • ISO certified secure IT hosting facilities. Dual hosting sites operating in real-time enable almost instant fail-over; and • disaster recovery plans in place, tested, externally challenged and reviewed regularly.
Recruitment and retention 2 3 6 8 The Group is reliant on the skills and knowledge of its people in a wide range of areas, but especially in software development, clinical safety and information technology systems. Failure to recruit and retain an appropriate number of suitably qualified people in critical areas could lead to a deterioration in the quality of our products and services. This could lead to us failing to meet our customers' needs, losing their business and to the Group failing to deliver expected financial returns to shareholders.	Key actions implemented or commenced during the year include: • development of a people strategy with a wide-ranging remit to review practices across the Group; • providing an environment for improved communication, engagement and development including a Group-wide intranet; • recruitment of budgeted resource to deliver planned projects; • succession plans in place for key roles, which are regularly reviewed; • undertaking a pay and benefits review to establish greater consistency across the Group and benchmarking externally; • employee satisfaction surveys including suggestions for improvement; and • investment in modern, inspirational and motivational working environments for employees.

Principal risks and uncertainties continued

Description of risk and link to strategic priorities	How did we mitigate the risk?
Information Governance and Security 1 3 4 6 8 The Group is responsible for hosting over 40 million individual patient records containing confidential and sensitive personal data. Our systems contribute towards the efficient operation of GP surgeries, hospitals, pharmacies and other healthcare providers through the secure, reliable and accurate processing of such information. There are significant risks associated with managing and hosting such information, including loss, theft or corruption of data. The Group recognises that the trust placed in it by Government, by healthcare providers and by citizens is fundamental to the success of our business. Our reputation rests on our integrity and the quality of stewardship we apply to such sensitive and valuable data.	The Group invests heavily in ensuring that the physical and logical controls in place over hardware and software systems are strong. Mitigating controls in place and actions taken to manage this risk include: • strong physical controls over building and server room access; • attainment and maintenance of ISO 27001 certification, including an in-house ISO quality assurance team; • regular penetration testing and denial of service attack simulations; • strong information governance culture including NHS standard training for all relevant employees; • documented and externally-tested business continuity and disaster recovery plans; and • maintenance of duplicate servers at physically separate locations with virtually real-time failover capability.

Viability statement

While there is no requirement for the Group to comply fully with the UK Corporate Governance Code, the Directors have voluntarily adopted the provision of section C.2.2 and assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 16 to 18.

The Directors have determined that a three year period to March 2019 constitutes an appropriate period over which to provide the Group's viability statement. This is the period focussed on by the Board during the strategic planning process and is also aligned to typical contract lengths across much of the Group (three to five years).

For the purpose of making this statement, the Board has taken into account its ongoing robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Each year, the Board considers a three year bottom-up strategic plan together with the ability of the Group to raise finance and undertake mitigating actions to avoid or reduce the impact or occurrence of the underlying risks.

In addition, the following risks were subjected to enhanced stress testing: healthcare structure and procurement changes, integration, software development and hosting, recruitment and retention, and reputational risk through information governance and security. The Group's strong contractual forward visibility of revenues, significant cash resources and strong cash conversion provide some inherent protection against unexpected shocks to the business model. Also, the ability to adjust the Group's cost base protects its viability in the face of adverse economic conditions and/or political events.

Based upon the robust assessment of the principal risks facing the Group and their stress-testing based on an assessment of the Group's prospects, as described above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2019, subject to the following key assumptions:

- funding for the business will continue to be available in all plausible market conditions;
- mitigating actions to reduce the impact of principal risk can be successfully undertaken, including cost management; and
- the political environment in which the NHS exists will not result in major structural change to the market in which the Group operates.

EMIS Health's ePMA improves patient safety in East Lancashire

East Lancashire Hospitals NHS Trust (ELHT) is seeing a dramatic reduction in drug chart errors, combined with improvements in guideline adherence supported by prescribing decision support, using EMIS Health's software.

By having an integrated ePMA (E-Prescribing and Medicines Administration), eMM (electronic medicines management), pharmacy dispensing and stock control solution, provided by EMIS Health, interfaced to a dispensing robot, ELHT have improved operational efficiencies. Pharmacy technicians and pharmacists are enabled to influence prescribing at ward level and process supply requests electronically rather than sending paper to the dispensary. Human error is reduced by removing transcription errors and the use of templates to select prescriptions. Technology speeds up the entire medication requesting process so the potential to work with more reliable turnaround times for 'Orders to Pharmacy' is being realised.

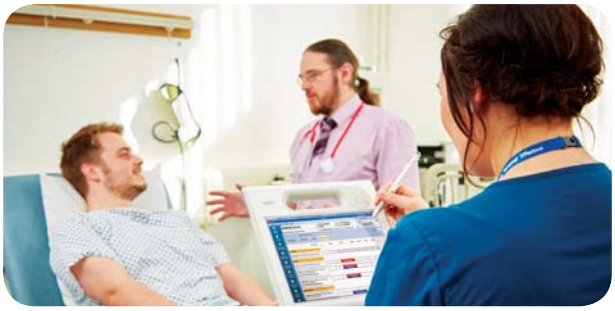
Paperless drug charts reduce medication errors

One of ELHT's core clinical indicators for reporting incidents is medication errors. They have measured a sample of paper drug charts from non-ePMA wards and noted that 98.7% of paper drug charts had an error of some form.

Using ePMA immediately eliminated most of these errors. When examining 'charts' for five ePMA wards in the same time period, only three recorded errors were reported. Spelling and legibility issues plus incomplete prescriptions are things of the past.

Reliable and robust auditing and reporting

Ruth Townson, ePMA lead for the trust, commented: "ePMA has significantly improved our audit capability; it has given us the ability to really drill down into the information and perform root cause analysis if an issue arises."



Improving uptake of screening services in Bradford and Airedale

An award-winning diabetic eye screening service in Bradford has seen a 10-15% improvement in patient screening services since being run by EMIS Care.

If undetected, diabetic retinopathy can lead to irreversible blindness. But when caught early, it can be treated and blindness prevented.

Suzanne Beshara, Programme Manager, Bradford and Airedale NHS Diabetic Eye Screening Programme explains: "Our uptake was 72-73% in 2011 against a target of 70%. But now we're hitting 85% uptake. And that's with an ever-growing patient list – we had 22,000 patients nine years ago, now we have 35,000."

A complex issue

Suzanne explains: "A patient's vision is usually unaffected until retinopathy gets to the most serious point. So a lot of people assume they're fine and don't come for their appointments. Our job is to convince them to come in, be screened, and sort out any issues now while they can."

Improving processes

EMIS Care provides full administration of the service. Suzanne explains: "We changed our way of offering appointments - we tested sending out a pre-booked date and time instead of an invitation to book. It worked – we measured the effect of this change and our attendance rates increased."

Support from technology

The project has been supported by EMIS Health software – the UK's leading provider in diabetic retinopathy screening software.

Operational review

Another **strong year** for EMIS Group.

Chief Executive's overview

EMIS Group had another strong year in 2015, delivering a 13% increase in revenue and a 12% rise in adjusted operating profit, achieved both organically and through the recently acquired businesses. Overall, results for the year were in line with the Board's expectations and the Group increased its like-for-like operating margin from 23.7% to 24.4%.

In Primary & Community Care, the Group made further market share gains, growing the number of Clinical Commissioning Groups (CCGs) that are 100% EMIS Health Primary Care, while continuing to convert its significant CCMH sales pipeline into contract wins.

In Community Pharmacy, the Group maintained its leading position in the independent pharmacy market, securing and extending major contracts, which will add up to 1,800 supermarket pharmacies to EMIS Health's Community Pharmacy estate over the next 18 months.

In Secondary & Specialist Care, the business was impacted by delays to hospital contract awards resulting in a disappointing year, despite having benefitted from good performances from Indigo 4 and Medical Imaging, both acquired during the second half of 2014. However, the new Secondary Care management team has put in place operational improvements which are expected to position it for stronger performance in 2016.

On 24 June 2015, the Group's clinical software businesses were rebranded as EMIS Health, to simplify the branding message and emphasise the Group's strategic commitment to the provision of integrated solutions to help connect care.

The Group's revenue visibility, order book and pipeline remain strong, with the Group achieving 20% growth in recurring revenue for the period.

Operational review

EMIS Group is a major provider of healthcare software, information technology and related services in the UK. It has maintained or grown its already strong market share in every major area of healthcare: Primary & Community, Community Pharmacy and Secondary & Specialist. This means the Group can facilitate the NHS's connected care strategy across every major UK healthcare setting through organic growth, partnering or acquisition. This is a unique position.

> "Moving all GP practices to EMIS Web is the first of a series of steps to enable us to deliver primary care at scale across our area."
>
> Tim Berry
>
> General Manager, IT projects, Warwickshire ICT Services

Primary & Community Care – Revenue up 5%, Adjusted Operating Profit up 12%

EMIS Health – Primary Care (EHPC)

The Group has delivered another excellent performance in primary care. Its customers remained extremely loyal: 74% of the Group's English GP practices have been EMIS Health users for over a decade. In addition, the Group's UK primary care market share rose again to 55% (2014: 53%) and the number of 100% EHPC CCGs rose from 32 to 44 during the year. This means that 21% of CCGs are now 100% EHPC and so are able to connect primary care across the whole of their local health economy. Work has begun to identify newly forming CCG clusters across England with the aim of supporting them in developing their digital roadmaps, which are due for submission to the NHS in April 2016.

The Group was awarded a place on Lot 3 of the English GP Systems of Choice (GPSoC) framework on 27 March 2015. Lot 3 covers services that integrate with Lot 1 principal clinical systems to deliver end-to-end interoperability between GP practices and other care settings. Along with success for the Group in 2014 on the Lot 1 and Lot 2 frameworks, this award has secured the contractual arrangements for GP software funding in England for a period of up to the next six years.

In Wales, the roll-out programme from the older EMIS LV product to EMIS Web for primary care was completed as planned during 2015. Discussions have begun about renewal of the primary care framework agreement, while the expiry dates for the present call off agreements already range from 2019 until 2020.

In Northern Ireland, a number of sites moved from piloting EMIS Web to go-live in November 2015. The final business case (for the communications infrastructure) was approved by the Northern Irish authority in late December 2015. The planned phasing for the implementation is for approximately half of the sites to be rolled out in 2016 with the remainder following in 2017.

Planning has begun for the development changes needed for Scotland to move from the Group's older PCS software to EMIS Web. The method of procurement (under a pre-existing framework or by a new formal tender) has not yet been decided but is expected to take place in 2016.

The current UK Ministry of Defence contract was extended during the year in association with the lead contractor (CGI, formerly Logica). This extends the contract, for a variant of the Group's PCS software, until April 2019. There is also a further one year extension if required by the Ministry of Defence. Discussions are ongoing about the replacement of PCS with EMIS Web.

Patient Access is the way the Group provides patients with access to healthcare-related transactional services e.g. online appointment booking, access to the summary care record, ordering of repeat prescriptions and secure messaging. In the second half of the year, the Group began to receive revenues for these transactions under Lot 1 of GPSoC. By the end of 2015 the core functionality within Patient Access had been enabled by 99% of all the Group's GP practices (2014: 39%). In 2016 transactional services will be extended by NHS requirement to include a detailed care record.

Throughout 2015 the Group further developed its proprietary personal health record within Patient Access, linking with Apple's HealthKit. These records, for example, have been able to help prevent false positive readings (the "white coat effect") in hypertensive patients, saving them from having to take medication and saving the NHS the cost of unnecessary GP visits and medication. Initial development work was also completed on "untethered registration" for Patient Access and this is now in testing. This will enable Patient Access to engage with clinical or other systems beyond EMIS Web e.g. EMIS Health CCMH, Community Pharmacy, Secondary & Specialist and third party suppliers in the UK and elsewhere. The Group will shortly release another proprietary upgrade giving patients the ability to share all or part of their record with a health professional or other carer using a secure link or a QR code.

EMIS Health – Child Community & Mental Health (CCMH)

The Group's CCMH team has delivered another great year of progress, working both on roll-outs and new sales to grow the Group's market share to 12% (2014: 8%), significantly exceeding the budgeted 10% target. During 2015, the team supported 17 NHS Trusts (or equivalent enterprise healthcare organisations) to take their clinical services live using EMIS Web, on-schedule and on-budget, and now supports over 16,500 users (2014: 10,000 users).

Operational review continued

Primary & Community Care continued

EMIS Health – Child Community & Mental Health (CCMH) continued

The Group's unique offering in CCMH (connecting care pathways through EMIS Web for primary care in particular) enabled conversion of a significant sales pipeline into contract wins with a total value of over £10m in the year including (*indicates wins not previously announced):

- Cheshire and Wirral Partnership NHS Foundation Trust (extension to existing contract)
- First Community Health & Care CIC (from Servelec)
- Bromley Healthcare CIC (from Servelec)
- St Andrews Healthcare (new contract)
- Marie Curie Cancer Care (new contract)
- NHS Tayside Health Board (new contract)
- Sentinel Healthcare Southwest Community Interest Company (from TPP)
- St Peter's Hospice (from iCare)
- East Cheshire NHS Trust (extension to existing contract)
- East Lancashire Hospitals NHS Trust (from CSC/iSoft)*
- Trafford CCG (from Civica)*
- Central Manchester Foundation Trust (from CSC/iSoft)*
- Pennine Acute Hospitals NHS Trust (from CSC/iSoft)*
- Southport & Ormskirk Hospitals NHS Trust (from CSC/iSoft)*
- Blackpool Teaching Hospitals NHS Foundation Trust (extension to existing contract)*
- Bristol Community Health CIC (extension to existing contract)*

Since the year end there have also been the following wins, reflecting a good start towards the targeted 15% market share by the end of 2016:

- South Tyneside NHS Trust (from TPP)*
- Stockport NHS Foundation Trust (extension to existing contract)*

Bolstering the Group's unique position in connected care, in addition to the substantial increase in the number of 100% EHPC CCGs, the Group has now secured over 10% of CCGs where EMIS Health is the sole supplier in both primary care and CCMH.

To build and maintain this connected care advantage, a number of structural changes were made to the teams within EHPC and CCMH. These better align the Group's primary care and CCMH product sets with six provider markets (primary care, community, child health, mental health, out of hospital clinical services and patient facing services). Integrated teams now cover all these primary care and CCMH customers across sales, account management, training, support, operations and product development. This not only embeds EMIS Web within the existing primary care and CCMH user base but it also creates further opportunities e.g. in clinical services, urgent and emergency care, community pharmacy and in secondary care.

Patient

The Group's Patient business accounts for a relatively small proportion of revenues, but is becoming more strategically important. Helping patients proactively manage their own care is a key part of government and provider healthcare strategy in the UK and internationally.

Patient is a multi-award winning, UK trademark registered, online portal providing patients with clinically written and peer-reviewed health and well-being information. Patient rebranded from Patient.co.uk and moved to Patient.info (a top level domain) in June 2015. This was with the intention of facilitating acceleration in the growth of Patient especially in even greater national and international engagement.

As expected, the short term effect of the domain move was to reduce traffic temporarily. This is now returning towards pre-move levels. As at January 2016, international visits were up to nearly 70% of the total (from 55% prior to the domain move). Visitor growth also continued in January, reaching 13m unique visitors and 25m page views. Patient also has over 1.1m likes on Facebook and 28,000 followers on Twitter.

Patient developed and started to progress further engagement strategies (including mobile optimisation, personalisation and internationalisation of content) as well as redeveloping its advertising campaign platform and is now exploring monetisation opportunities beyond advertising. With that in mind, Patient.Info Limited has been incorporated as a wholly owned subsidiary of EMIS Group plc and a recruitment process is now underway to secure a digital leader to drive further growth and open up new horizons for the business.

Egton – Non-clinical ICT solutions and services

Pinbellcom Group Limited ("Pinbellcom") was acquired on 14 July 2015 for £3.0m net of cash acquired. Pinbellcom has been swiftly integrated and rebranded as Egton Digital. It has performed well and was

> "One of the main benefits of electronic prescribing and medicines administration is that the drug charts are available to several health care professionals at once."
>
> Amanda Parkinson
>
> Lead ePMA pharmacist

earnings enhancing during the year, selling and implementing not only the acquired Pinbellcom administration and compliance software for both the primary and the secondary care markets but also pre-existing software and services including GP practice websites.

Community Pharmacy – Revenue up 9%, Adjusted Operating Profit up 10%

EMIS Health – Community Pharmacy (EHCP)

EHCP has again delivered encouraging performance while laying the foundations for significant future growth. Through EHCP the Group maintained its position as the provider of the single most widely used community pharmacy dispensary management system in the UK with a market share of 36% (2014: 36%).

EHCP is already the clear leader in the independent community pharmacy market. Additionally, and as previously announced, on 16 December 2015 a five year contract was signed with AAH Pharmaceuticals Limited (AAH). This renewed the pre-existing agreement covering the Group's independent estate linked with AAH. It also extended the agreement to include the Lloyds Pharmacy estate. This will add up to 1,800 supermarket pharmacies to the EHCP estate over the next 18 months. Once the roll-out is complete, nearly half of all community pharmacy sites in the UK (close to 7,000 sites) will be using a solution provided by EMIS Health. By 2017 this will make EHCP the largest software and services provider in the community pharmacy dispensary management market.

EHCP has also developed a suite of integrated products enabling direct connections between pharmacists, GPs and patients. Pharmacy Access links directly with a GP's EMIS Web system to provide pharmacists with better visibility of a patient's medical history combined with the ability to request repeat prescriptions electronically. ProScript Connect, the Group's next generation dispensary pharmacy management product, began successful pilots in Wales in the final quarter of 2015.

EMIS Web for Community Pharmacy successfully completed end-to-end testing between primary care and community pharmacy, and is now at the pilot stage. This will provide functionality and data to assist community pharmacies seeking to provide extended primary care services such as smoking cessation, influenza injections, and the monitoring of certain long term conditions. Planning of implementation, pricing and sales is now ongoing in readiness for a 2017 launch.

Secondary & Specialist Care – Revenue up 42%, Adjusted Operating Profit up 22%

EMIS Health – Secondary Care (EHSC)

While overall there was revenue growth, the slower than hoped for rate of contract awards in the period led to a lower than expected revenue and profit contribution for the second consecutive year. A completely new senior management team for EHSC was appointed during the course of 2015 and has made significant and ongoing progress in refocusing the business for the future. Fundamental changes now being implemented are expected to show results that will benefit the top and bottom lines in the future.

The strong sales pipeline continues to be reviewed and expanded by a restructured, closely managed, sales team, with a focus on smaller and medium size deals to mitigate any potential slippage in large size deals, so reinforcing expectations of a better performance in the coming year. Recent contract wins include:

- Hospital pharmacy system – North Midlands Trust
- Patient administration system – appointment as preferred bidder
- E-prescribing and medicines administration (ePMA) – St Andrew's
- Endoscopy solution – Epsom & St Helier Hospital
- Document management solution – East Cheshire

The new management team has delivered a step change in software release quality, with changes in development and testing resulting in a material reduction in bugs. Operational improvements are beginning to show results with customers too, as evidenced by an increase in customers promoting the solutions (helped by faster and easier upgrade processes) and a reduction in customer complaints, all delivered with a leaner, more focussed pool of resource. The Group sees these operational improvements as clear leading indicators of expected improved financial performance in 2016.

Looking further out, the product roadmap has been subject to a detailed review and refresh, with renewed focus on rationalising the product set and on the convergence agenda with the EMIS Health Framework. This further integration is critical to delivering on customer requirements for connected care and data flows across organisational boundaries within the NHS.

Operational review continued

Secondary & Specialist Care – Revenue up 42%, Adjusted Operating Profit up 22% continued

EMIS Health - Secondary Care (EHSC) continued

On 15 February 2016, EHSC announced a strategic decision to focus on its core markets and to leverage the EMIS Health development centre in India, whilst exiting its Australian, New Zealand and Kenyan operations (established by the Ascribe business prior to acquisition by EMIS Group). As a result, while all existing customer contracts will be honoured, there will be a phased reduction in the size of the teams (totalling approximately 40 staff) in those locations leading to a final closure of the Kenyan office at the end of June 2016 and of the Australian and New Zealand operations by no later than December 2017.

In parallel with the above announcements, EHSC in the UK undertook a further number of targeted redundancies in February 2016 with the aim of strengthening the core secondary care business. The costs associated with these staff reductions in EHSC are not material and will principally be expensed in the first half of 2016, with the second half of the year benefitting from a lower cost base as a result.

In conclusion, the above actions are expected to deliver a significantly improved performance in 2016 and enhanced prospects going forward.

EMIS Health – Specialist & Care (EHS&C)

EHS&C delivered a strong set of results for the year, consolidating its leading market position and preparing for further growth opportunities in 2016.

EMIS Health Specialist remains the leading provider of diabetic eye screening software and other ophthalmology-related solutions, with an English market share (measured by programmes) of 79% (2014: 82%), with the slight reduction reflecting programme border changes rather than any reduction in activity.

The announcement by Public Health England on 27 January 2016 of its intention to procure a single English diabetic eye screening programme software solution provides a new growth opportunity. NHS England will support Public Health England in the procurement and implementation of the national software, to achieve standardised local programme operation through common IT system design and core functionality by October 2017.

Medical Imaging, to be rebranded EMIS Care in April 2016, remains the clear market leader in outsourced diabetic eye screening and ophthalmology imaging services. Acquired by the Group in December 2014, it continues to perform well and was earnings enhancing in the year.

Future screening provision business was secured for at least five years through winning the following diabetic eye screening programme contracts across England with an aggregate total contract value of over £28m:

- South West London
- Newcastle & Gateshead
- Arden, Herefordshire & Worcestershire

A number of further material contracts are already being tendered in 2016, providing the potential to build further on the proven track record of delivery of the business.

Integrated Care, Products & Services

The Group has made considerable progress during the year in integrating care, connecting its own and third party products and centralising Group services. This is vital to facilitate faster, better, more cost-effective care for the NHS and revenue growth and improved margin for the Group.

Integrating Care

The first phase of the Group's whole healthcare economy contract, to deliver a fully integrated electronic patient record for Gibraltar, went live in June 2015. This links and integrates the Group's products in accident & emergency, outpatient clinics, community services, primary care and community pharmacy. The second phase, including further integration into the hospital environment and improved order communications, is now underway and progressing well.

As another example of the Group's ability to connect healthcare, Wolverhampton CCG is financially supporting activation of Pharmacy Access at all 27 pharmacies in its area which use ProScript and interact with EMIS Web GP surgeries. This will enable those pharmacies to request repeat prescriptions electronically from GPs using the EMIS Web clinical system.

Pharmacists will also be able to view key clinical data in the GP record, including adverse reactions and allergies, historically prescribed acute and repeat medications, and test results such as the International Normalised Ratio (INR) thyroid function, blood pressure and blood sugars. This link will also facilitate advanced and enhanced services such as Medicines Use Reviews and the New Medicine Service.

> "The electronic healthcare system will provide healthcare staff with instant access to accurate patient information and effective tools to communicate, or refer patients, across multiple healthcare settings, and enhance support for care in the community."
>
> Dr Valerie Flores
>
> GP, Gibraltar

Sheila Gregory, project implementation officer at Wolverhampton CCG, said: "We are excited to be offering pharmacists Pharmacy Access, which shows what is possible with joined up healthcare. We look forward to measuring the clinical and administrative benefits over the next few months as the project gets up and running."

Connecting Healthcare Products

During the year, the Group extended the available connectivity between its own and third party provider solutions and continued to develop the EMIS Health Framework. This is a modular environment that will gradually be used to rebuild all the Group's products. For example, EHSC's upgraded ePharmacy product has been developed in the EMIS Health Framework.

Third party initiatives included agreeing direct interoperability with GP and CCMH market competitor TPP in March 2015, signature of the Tech UK Interoperability Charter in September 2015 and, on 2 February 2016, becoming the first UK clinical systems provider to implement new open standards for interoperability in the NHS (OpenAPI). This enables clinicians using EMIS Health systems to securely share data with any other third party system across health and social care. Work has already begun in this respect with both System C/LiquidLogic and Servelec/CoreLogic.

Through its OpenAPI strategy the Group is committed to working with any supplier willing to follow national interoperability standards and best practice in information governance and security. That strategy will continue to make EMIS Health systems the most interoperable of their kind in healthcare. The Medical Interoperability Gateway (MIG), from Healthcare Gateway Limited, the Group's joint venture with In Practice Systems, is one element of the existing interoperability portfolio which alone is used by over 70 health economies and demonstrates our longstanding commitment to working collaboratively with both traditional partners and competitors alike.

Centralising Group Services

From 2016 onwards all EMIS Health software development will be centralised within EMIS Group. This is expected to lead to economies of scale without the need for wholesale relocation or off-shoring of staff. For example, Group pharmacy databases have already been reduced from twelve sources to five. There will also be a common prioritisation process via a Group portfolio board. This will increase the visibility of activity and its allocation to specific revenue opportunities. A new EMIS India development office was opened in Chennai on 9 February 2016 with an initial cohort of nearly 50 development and testing staff.

The management team is also vigorously pursuing further opportunities for driving internal efficiencies, from Property and Legal services through to Marketing and Human Resources. Particularly noteworthy is the Group's investment in a common Enterprise Resource Planning (ERP) platform, which is now being rolled out progressively across the Group to replace a number of legacy systems.

Summary and Outlook

EMIS Group has again reported good underlying profit growth in line with the Board's expectations, derived from a mix of organic and acquisitive growth. We are focussed on ensuring that the operational improvements in our Secondary Care business will deliver improved financial performance as the year progresses. Our outlook is encouraging, with strong revenue visibility, growing market shares, and good momentum in our order books and pipelines.

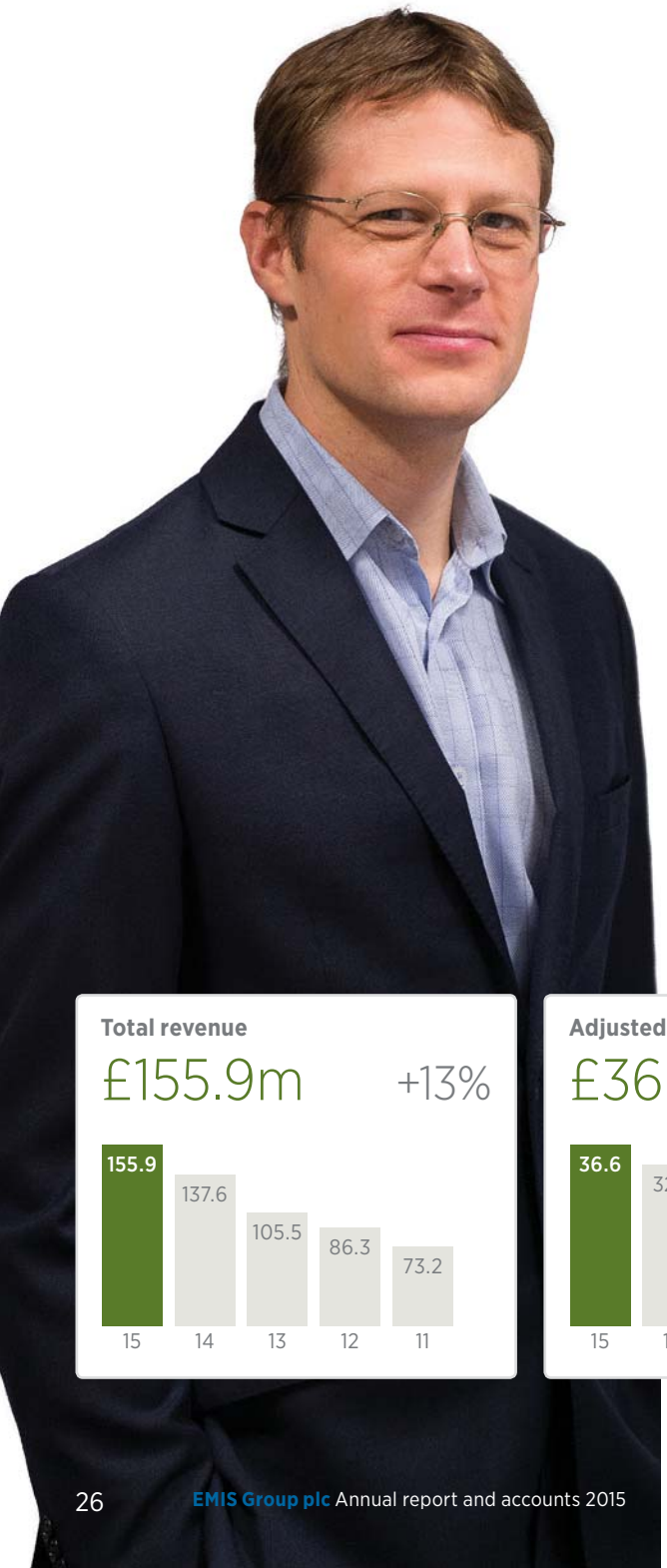
The NHS in England remains supportive of EMIS Group's strategy of delivering digital technology allied to cultural change that will help create faster and better care. The 2016 Mandate to NHS England states:

"This Government will increase spending in real terms every year in this Parliament. The NHS will receive £10 billion more per year in real terms by 2020-2021 than in 2014-15. This investment backs in full the Five Year Forward View and will mean patients receive a truly seven-day health service, with the services people need being offered in hospitals at the weekend and people able to access a GP at evenings and weekends...NHS England should support the NHS to make better use of digital services and technology to transform patients' access to and use of health and care, including online access to their personal health records."

Chris Spencer
Chief Executive Officer
15 March 2016

Financial review

Strong **balance of growth** in revenue and profit, both organically and from acquisitions.



In the year ended 31 December 2015 the Group delivered a strong balance of growth in revenue and profit, both organically and from acquisitions.

Adjusted operating profit for the year, as set out in the table on page 27, was £36.6m (2014: £32.6m) with statutory operating profit, reduced by non-cash exceptional impairment charges, at £11.4m (2014: £29.1m). A reconciliation between the operating profit measures is given in the Group Statement of comprehensive income.

Revenue

Group revenue increased by 13% to £155.9m (2014: £137.6m), including revenue from acquisitions completed during the year of £0.7m, and revenue from the 2014 acquisitions in Secondary & Specialist Care of £13.0m (2014: £1.6m).

The 5% organic growth in the year included increases from all segments. The Primary & Community Care business delivered 4% organic growth, driven by the completion of the EMIS Web roll-out in England and Wales, and good progress in market share in CCMH.

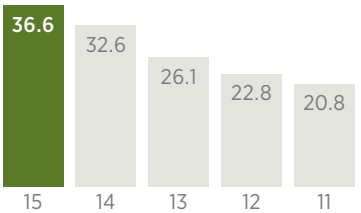
Performance in the Community Pharmacy business was again robust, with continued gains in the estate and further cross-selling of additional services delivered alongside significant investment in software development.

Total revenue

£155.9m +13%

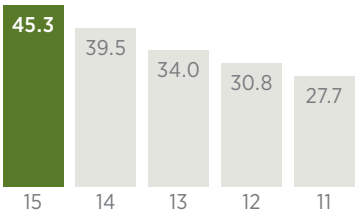
Adjusted operating profit[1]

£36.6m +12%

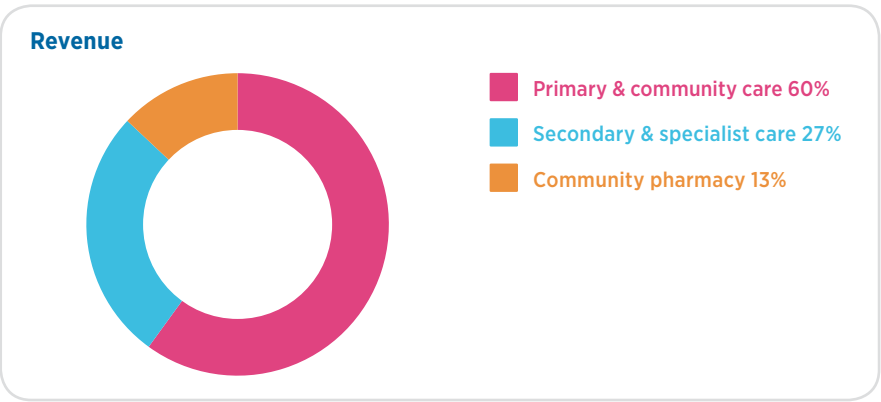


Adjusted EPS[1]

45.3p +15%



1 Excludes impairment charges, release of contingent acquisition consideration, capitalisation and amortisation of development costs and amortisation of acquired intangibles. Earnings per share calculations also adjust for the related tax and non-controlling interest impact.



The Secondary & Specialist Care segment includes full year contributions from the Medical Imaging business, acquired in late 2014, and Indigo 4, acquired in July 2014. While revenues grew in Secondary Care, the performance overall was disappointing, with a number of expected contracts not concluding in the year. 2016 has started more positively with several key contract wins already secured, while the cost base for the business is being addressed, as described in the operational review, so positioning it for stronger growth ahead.

Revenue mix

Group recurring revenue, principally licences, maintenance & software support, hosting and other support services, was £123.0m (2014: £102.7m), 79% of total revenue. The high level of recurring revenue and strong order book at the start of 2016 provide a strong platform for the business to continue to invest with confidence in developing future products and services, as well as visibility of future financial expectations.

The drivers of revenue change within the Group included the following:

- licences, driven significantly higher to £50.3m (2014: £43.8m), principally as a result of growth in Primary & Community Care, particularly in CCMH, the partner programme and Defence contracts;
- maintenance & software support, which increased to £37.9m (2014: £33.4m) due to some growth in Secondary Care and to a full period of higher allocation to this revenue stream under the revised GPSoC contract;
- other support services, where new revenues from the Medical Imaging acquisition resulted in total revenues of £30.6m (2014: £21.6m);
- training, consultancy and implementation, which reduced to £16.1m (2014: £16.9m), with the expected lower levels of EMIS Web roll-out related revenue in Primary Care being partly offset by higher revenues in Secondary Care;
- hosting, which was lower at £13.1m (2014: £14.0m), as a result of a reduction in funded hosted asset revenues and due to the lower allocation to this revenue stream under the revised GPSoC contract; and
- hardware revenues, which were unchanged at £7.9m (2014: £7.9m).

Selected financial extracts (rounded)

	2015				2014			
	Primary & Community Care £m	**Community Pharmacy £m**	**Secondary & Specialist Care £m**	**Total £m**	Primary & Community Care £m	Community Pharmacy £m	Secondary & Specialist Care £m	Total £m
Revenue	**93.9**	**20.0**	**42.0**	**155.9**	89.7	18.4	29.5	137.6
Adjusted segmental operating profit	**29.6**	**4.3**	**4.2**	**38.1**	26.4	3.9	3.4	33.7
Group expenses				**(1.5)**				(1.1)
Adjusted operating profit[1]				**36.6**				32.6
Adjusted operating margin	**31.5%**	**21.2%**	**10.0%**	**23.4%**	29.5%	21.0%	11.6%	23.7%
Development costs capitalised	**3.1**	**1.0**	**2.1**	**6.2**	4.0	0.8	1.8	6.6
Amortisation of development costs	**(5.4)**	**—**	**(0.9)**	**(6.3)**	(4.3)	—	(0.4)	(4.7)
Amortisation of acquired intangible assets	**(0.9)**	**(0.6)**	**(5.0)**	**(6.5)**	(1.1)	(0.7)	(4.4)	(6.2)

1 Excludes impairment charges, release of contingent acquisition consideration, capitalisation and amortisation of development costs and amortisation of acquired intangibles.

Financial review continued

Profitability

Adjusted operating profit increased by 12% to £36.6m (2014: £32.6m), including £0.3m from acquisitions completed in the year and £1.7m from the 2014 acquisitions in Secondary & Specialist Care (2014: £0.4m). The 7% organic profit growth in the year was delivered by double digit growth in the Primary & Community Care and Community Pharmacy businesses, partly offset by the lower than expected results in Secondary Care.

The organic operating margin nonetheless increased to 24.4% (2014: 23.7%) with a strong focus on cost control in staff costs delivering this improvement in the context of a lower pace of revenue growth than in recent years. The overall Group adjusted operating margin reduced slightly from 23.7% to 23.4% 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 1,897 (2014: 1,841), including 13 from businesses acquired in the year. The average headcount increased to 1,863 (2014: 1,611). These numbers include eight in the Indian development team who joined at the end of the year. This team was managed on a subcontracted basis during 2015, but in 2016 has joined the Group with headcount expected to double from the current 50 over the coming year.

The Group has recognised two exceptional non-cash impairment charges in 2015 totalling £18.5m. The first (totalling £16.2m) relates to the carrying value of goodwill arising on the Ascribe (Secondary Care) acquisition, and reflects the fact that the business has not yet delivered the financial returns expected when the business joined the Group in 2013. The second charge (of £2.3m) is in respect of the Group's minority investment in Pharmacy2U, held since 2005. This business has had a troubled year, including a number of fundraising rounds in which the Group has chosen not to participate. The Group's interest has reduced accordingly and is now below 15%. In the circumstances, the Directors believe that it is appropriate to impair fully the Group's investment in the business.

After accounting for the exceptional impairment charges, the capitalisation and amortisation of development costs, the amortisation of acquired intangibles and for a £0.9m exceptional credit on acquisition consideration in the prior year, statutory operating profit was £11.4m (2014: £29.1m).

Taxation

The tax charge for the year of £5.6m (2014: £5.7m) is after taking into account a reduction in the provision for deferred tax of £0.4m, arising from the lowering of the future tax rate to 19% in 2017 and 18% in 2020. Excluding the impact of this deferred tax credit the effective tax rate for the year is 20.2% (2014: 21.5%) on profit before tax and the (non-deductible/taxable) impairment charges and prior year acquisition consideration release.

Earnings per share (EPS)

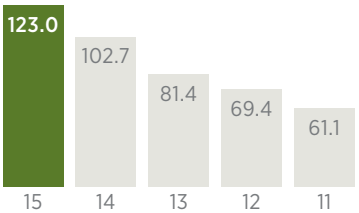
Adjusted basic and diluted EPS increased by 15% to 45.3p and 45.1p respectively (2014: 39.5p and 39.4p). The statutory basic and diluted EPS were 7.2p for both measures (2014: 35.3p and 35.2p).

Dividend

Subject to shareholder approval at the Annual General Meeting on 26 April 2016, the Board proposes an increase in the final dividend to 10.6p (2014: 9.2p) per ordinary share, payable on 29 April 2016 to shareholders on the register at the close of business on 1 April 2016. This would make a total dividend of 21.2p (2014: 18.4p) per ordinary share for 2015. This is 15% higher than in the prior year, reflecting the Board's commitment to increasing dividends in line with growth in adjusted EPS and its confidence in the Group's prospects.

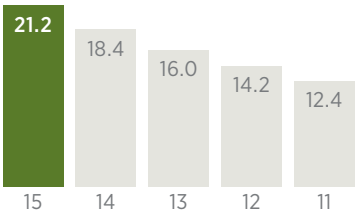
Recurring revenue

£123.0m +20%



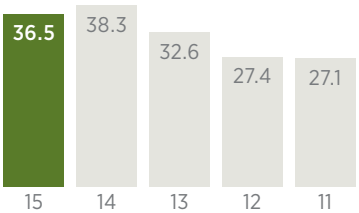
Total dividend for the year

21.2p +15%



Cash generated from operations[1]

£36.5m -5%



1 Stated after deduction of capitalised development costs.

Cash flow and net debt

The principal movements in net debt were as follows:

	2015 £m	2014 £m
Cash from operations:		
Cash generated from operations	**42.7**	44.8
Less: internal development costs capitalised	**(6.2)**	(6.5)
Net cash generated from operations	**36.5**	38.3
Business combinations	**(5.2)**	(10.3)
Net capital expenditure	**(7.2)**	(8.3)
Transactions in own shares	**0.6**	(1.5)
Tax	**(6.9)**	(5.2)
Dividends	**(12.4)**	(10.8)
Other	**(2.7)**	(0.5)
	(33.8)	(36.6)
Change in net debt in the year	**2.7**	1.7
Net debt at end of year	**(9.1)**	(11.8)

Net cash generated from operations was £36.5m (2014: £38.3m), with the slight reduction reflecting working capital outflows due to the timing of payments and the unwinding of deferred income balances in respect of NHS funded hosting assets. The Group typically has a seasonal cash flow profile, with stronger inflows in the first half reflecting the timing of annual licence renewals.

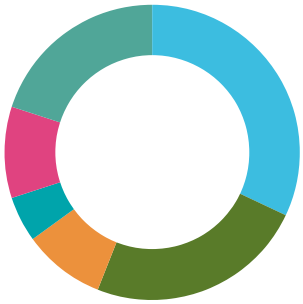
The Group completed the acquisition of Pinbellcom in the year for net cash consideration of £3.0m and also paid £2.25m of contingent consideration in respect of the 2013 Ascribe acquisition. In respect of the 2014 Medical Imaging acquisition, further amounts of up to £3.0m may become payable in 2016 and are fully provided for.

Net capital expenditure excluding capitalised development costs reduced to £7.2m (2014: £8.3m), including £2.9m on computer equipment (£0.5m of which related to hosting contract assets) and £3.1m for various property improvements. The most significant of these investments was £1.6m for the fit out of new Secondary Care premises, bringing together two former offices in Bolton to encourage greater efficiency and cohesion in the business.

The Group's Employee Benefit Trust received £0.6m (2014: £0.5m) for shares transferred in connection with the Group's share schemes but didn't acquire any additional shares during the year (2014: £2.0m). After tax, dividends and other payments, including a £2.1m dividend paid to the minority shareholder in the Group's Community Pharmacy business, the total net cash inflow of £2.7m resulted in a year-end net debt position of £9.1m (2014: £11.8m), comprised of cash of £4.7m and bank overdraft and debt of £13.8m. At 31 December 2015, the Group had available bank facilities of £22.0m committed until June 2017.

Peter Southby
Chief Financial Officer
15 March 2016

Revenue analysis

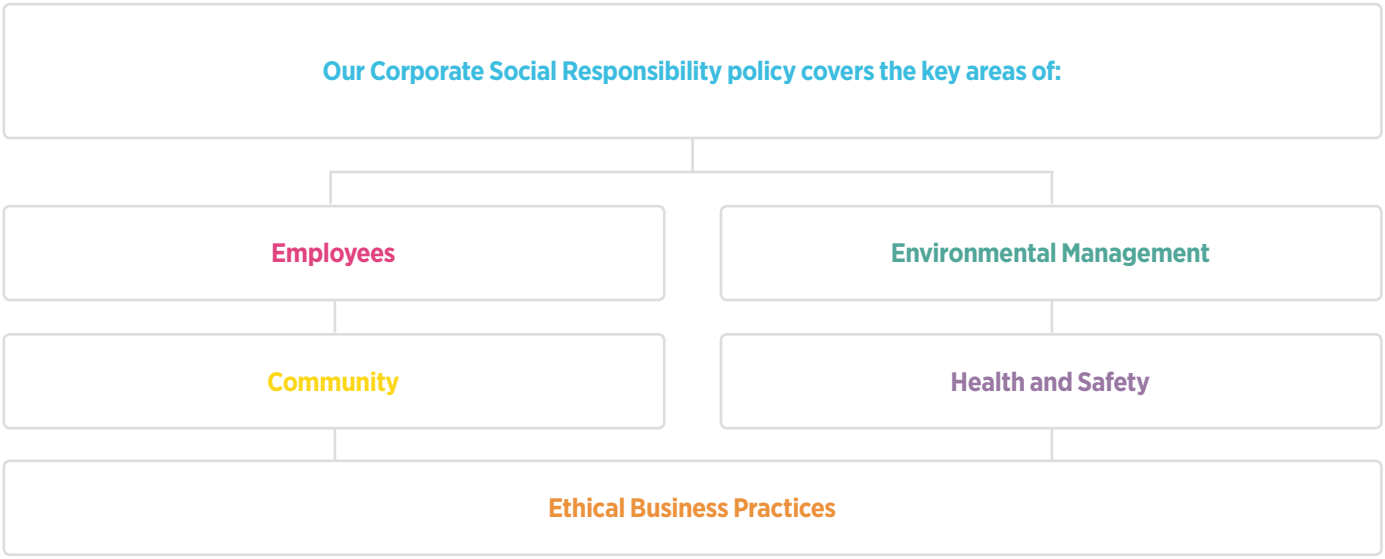


- Licences 33%
- Maintenance & support 24%
- Hosting 8%
- Hardware 5%
- Training/consultancy/implementation 10%
- Other support services 20%

- Recurring 79%
- Non-recurring 21%

Sustainability

EMIS Group continues to be committed to high ethical standards and contributes to economic development while improving the quality of life for our people and that of the communities in which we work and live.



Employees

People strategy

2015 saw the planning, preparation and introduction of a people strategy. This strategy aims to foster passion and engagement by supporting and developing our people to achieve, learn and grow at EMIS Group. It outlines our commitments to employees over the next three years as: offering a fair and competitive deal; bringing in the best talent; creating a learning organisation; doing the basics brilliantly; providing compelling communications; caring for our people; and contributing to our communities.

Your Say

A survey was carried out across the whole Group for all employees to have their say about what it feels like to work for EMIS Group – Your Say. The survey results then helped to shape the people strategy, identifying key areas for review such as pay and benefits, recruitment, and internal communication. Across the Group, action plans have been created for each business and department, focus groups and champion networks have worked together to discuss how they can drive employee engagement and work together to promote a positive and empowered working environment.

Some of the initiatives that have been introduced following the survey include a Group-wide company intranet, a bi-monthly employee magazine, a comprehensive review of pay and benefits and advertisement of all job vacancies across the whole Group.

Training

Following our employees' feedback in the Your Say survey, inductions have been reviewed and improved. We aim to equip new employees with knowledge about the industry in which we operate and how integrated care could transform the NHS. This contextual knowledge training has been further shared across the business to help our people understand more about external market changes and how they could impact us – over 500 people have taken part in this training to date.

A number of employees have successfully taken part in NVQ qualifications across the Group and this will continue throughout 2016. Our apprenticeship scheme continued successfully with several graduates from the scheme being employed on a permanent basis. We continue to support local communities by offering work experience placements across a variety of departments.

Bespoke departmental training has taken place that addresses the specific needs of our employees and teams, in addition to more generic training with external providers around customer service. Basic line manager training has been rolled out to all managers in our secondary care business.

"Attracting and retaining highly skilled people who are passionate about our patients and our customers; people who feel fulfilled, valued and supported in their work; creating a high performing learning environment which brings out the best in people."

Nicola Cliffe
Group Human Resources Director

A programme of mandatory training for all our new colleagues at EMIS Care (formerly Medical Imaging) has taken place, as well as 15 different bespoke external training courses that addressed specific development needs.

Pension schemes

In total, 88% of all employees are now members of a company pension scheme. In all areas, except EMIS Health specialist care, new employees are auto-enrolled into their relevant scheme and the contribution rates we offer are higher than the minimum requirements. EMIS Health specialist care is set to start auto-enrolment in August 2016, but already have 88% of their team in their scheme.

Employees have the opportunity to increase their contributions from date of entry and the Group will automatically increase the Company's minimum contribution rates each year to ensure all legislative requirements are met.

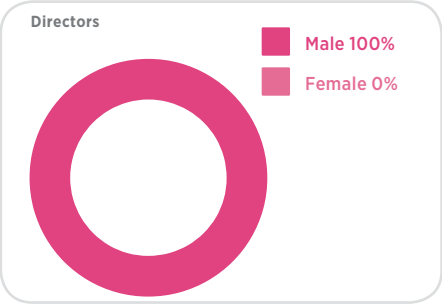
New employees who joined us as a result of the acquisition of PinBellCom have also been successfully integrated into the Group's main pension scheme.

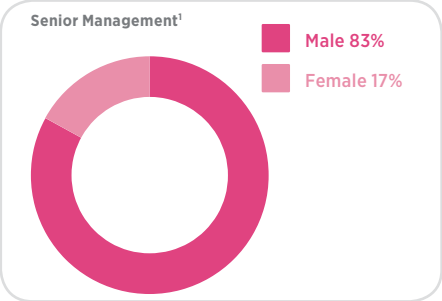
Employee benefits

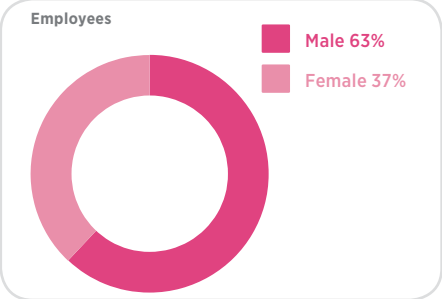
We offer a range of benefits to employees which includes discounted gym membership, a cycle to work scheme, discounted shopping vouchers, the buying and selling of holidays, private healthcare and the ability to buy IT equipment at reduced rates. We are committed to offering employees flexible working hours in a comfortable working environment, and have relocated 180 employees based in our EMIS Health Secondary Care offices to a newly furbished office in 2015 and invested further in our properties in Leeds, Sheffield and Watford. Employees were involved in the design of the working space and rest facilities.

Share incentive scheme

The Share Incentive Plan (SIP) continues to be offered to all employees with over twelve months' service. In total 1,053 employees from across the Group are shareholders in the SIP, an increase of 27% on last year.







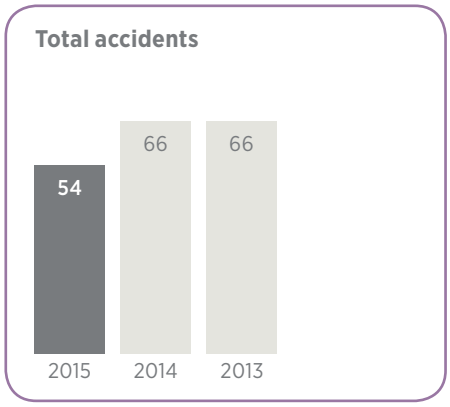
1 Senior population as defined by EMIS Group.

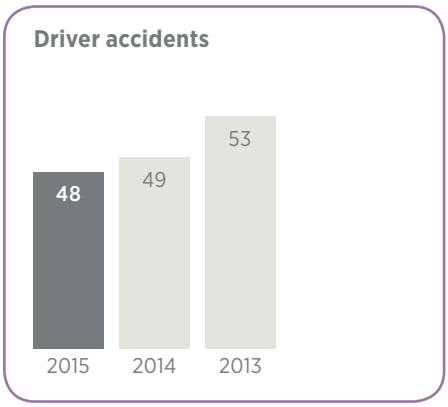
Sustainability continued

Community

We continue to support both local communities around our offices and a range of smaller and national charities.

- £1,500 in Group funding donations went towards individual charitable activities – they ranged from marathons and bike races to sponsored head shaves (with the donated hair going towards making wigs for cancer patients).
- National charity days took place across the Group, supporting big initiatives such as Comic Relief, Jeans for Genes, MacMillan Cancer Support and Text Santa. Nearly £4,000 was raised across the Group for Children in Need, with community pharmacy raising funds by auctioning off their senior management team, secondary care holding a fancy dress day and pool competition, Egton and primary care, community & commissioning holding bake sales and dress down events.
- Tough Mudders from Egton worked as a team to complete the gruelling 20km obstacle course, raising nearly £1,300 for Cancer Research.
- Team EMIS Moon Units took part in the Scotland Moon Walk, completing their overnight challenge in 7 hours 43 minutes and raising over £1,000 for WalktheWalk.
- Three employees from our community pharmacy division scaled the London '3 Peaks Challenge', raising over £1,000 for Cancer Research.
- The Great Christmas Beard Off in secondary care raised money for the local Bolton NHS Charitable Fund – Children's and Mental Health Service (CAMHS).
- Employees from across the Group took part in Give and Gain Day, volunteering at a local primary school, a care home and in a woodland management project.





Environmental Management

Accreditations

We continue to recognise the importance of protecting the environment and mitigating the impact of our activities.

EMIS Group has established an Environmental Management System that provides a framework for managing and reducing the Group's environmental impacts and establishes programmes to help achieve our environmental objectives as part of our continual improvement process. We are proud to have achieved certification of this management system to ISO14001:2004 in February 2015.

A three year plan was put in place with regular six monthly surveillance visits planned across the EMIS Group to ensure compliance and continual improvement is made against the set objectives and targets.

Three key areas to target have been identified. These are:

- utility usage;
- waste; and
- travel.

Baseline data across the Group was recorded in 2015 and targets have been set to reduce usage during 2016.

EMIS Group is now compliant with the Article 8 (4-6) of the EU Energy Efficiency Directive (2012/2/EU).

Waste

The Group disposed of 48 tonnes of IT waste which was all recycled in line with our ISO 14001 accreditation and environmental management system. Targets have been set for the reduction of waste in 2016.

CO_2 Emissions

2015 saw the introduction of a new vehicle fleet management system. The vehicles available to staff have a CO_2 emissions average of 107g/km and as a result this has lowered our fleet average from 117g/km in 2014 to 111g/km in 2015.

We continue to offer the cycle to work scheme and video conferencing facilities have now been installed across the Group. The Group has set targets to further reduce business travel in 2016.

Health and Safety

Reporting

The EMIS Group plc Board receives reports twice a year on Environmental and Health and Safety compliance across the Group.

The function is now a centralised Group Services department with individuals responsible for day to day activities in each business. During the year an audit of all policies and procedures was undertaken and a managed roll out of Group policies will begin in 2016 through a new online system which records compliance by individuals to ensure a consistent Environmental and Health and Safety approach across the Group.

Training

All new starters receive Health and Safety Induction training and existing staff have all received refresher training. A total of 2,219 training modules were completed during the year. Further modules will be released throughout 2016 through the new on-line system which has been introduced.

Accidents/Incidents

Information from any reported accidents is collated from across the Group. There was a reduction in accidents/incidents in 2015 by 18%.

There were four RIDDOR accidents reported across the Group in 2015 compared to two in 2014. A review of the risk assessment process and a full review of the type of incidents that occurred has been carried out.

We continue to identify drivers to undertake advanced classroom based and in car driver training and to work with our insurers to improve the standard of driving and reduce the number of minor accidents.

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 recognised standards.

We have a statement of ethics and a whistleblowing policy in place which is reviewed annually by the audit committee. All employees are made aware of the Bribery Act and refresher training is undertaken regularly.

Board of Directors

Comprehensive **experience** and **well balanced.**

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 and memberships	Non-executive director, Epwin Group plc	None Law Society of England & Wales Society for Computers & Law Chartered Management Institute (Fellow) Chartered Institute of Patent Agents (Associate)	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 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 Group 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, mainly in a public company environment, including 10 years at board level. 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. Peter also has 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 Non-executive director of Headlam Group plc Non-executive director of Ensco Limited	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 Independent Non-executive Director

March 2010

Audit (Chairman); Nomination; Remuneration

Non-executive director of Fusionex International 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 provide strong support to his role as 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

Non-executive director of Phoenix IT Group 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

Vice-chair at the National Institute for Health and Care Excellence (NICE)

Andy's extensive knowledge of the NHS and experience in shaping health policy add 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)

As a current FTSE 250 group finance director, Kevin brings real time financial expertise and software systems knowledge to the Board. Together with Kevin's experience of running complex businesses and corporate transactions, the Board considers his financial and investor relations experience to be of particular value 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)

* Kevin Boyd will be leaving Oxford Instruments plc and will take up a new role as group finance director at Spirax-Sarco Engineering plc on 10 May 2016.

Committee membership

- A Audit committee
- R Remuneration committee
- N Nomination committee
- ◯ Chairman of committee

Corporate governance

Chairman's introduction to corporate governance

Dear Shareholder

On behalf of the Board I am pleased to present the EMIS Group plc corporate governance report for the year ended 31 December 2015. The Company is committed to high standards of corporate governance and the Board acknowledges the importance of the principles set out in the 2014 UK Corporate Governance Code published by the Financial Reporting Council ("the Code").

The report below outlines how the Company has applied the principles of the Code. The Board understands the importance of ensuring that there is a strong governance framework in place which underpins the Company's ability to achieve its strategic goals. Although compliance with the Code is not mandatory for companies admitted to the Alternative Investments Market (AIM), the Company continues to establish a framework of policies and procedures designed to comply with the Code as far as is reasonably practicable and appropriate for a company of its size and complexity.

Leadership and effectiveness

All Directors are subject to election or re-election by shareholders at each annual general meeting. The nomination committee considers that individuals subject to election or re-election are, or continue to be, effective and demonstrate appropriate commitment to their roles.

Each year following an internal assessment of the performance of the Board and its individual Directors, undertaken by the Chairman, the Board considers the current balance of skills, experience, independence and knowledge and assesses whether it is appropriate for the business. It was evident from the findings of the review this year that the Board considers that it operates in an open and constructive manner and works effectively.

The Board has extensive operational experience and Chris Spencer, Mike O'Leary and Andy McKeon in particular have many years of detailed knowledge of the healthcare sector.

All members of the Board agreed that appropriate processes were in place for setting the strategic direction of the Group, 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 all members were deemed to have made valuable contributions. Further details of the evaluation are provided in the corporate governance report below.

When considering Board membership, factors including the balance of skills, experience, independence, knowledge of the Group and diversity, including gender, are taken into account.

Relations with shareholders

Communication between the Company and its shareholders is an essential element of a sound governance framework.

The CEO has personal objectives in place around the degree and nature of engagement with investors. He presented at several investor conferences during the course of the year.

An extensive programme of meetings with analysts and institutional shareholders followed the interim and preliminary financial results announcements with almost 100 meetings with 65 separate investors held in 2015. For the first time during the year, the investor programme was extended to include US institutions. 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 Officer and Chief Financial Officer. A programme of engagement with retail investors was also initiated.

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

During the year an improved EMIS Group website was launched and, in accordance with AIM Rule 26, there is a dedicated investors' section, which can be found at www.emisgroupplc.com/investors. All public announcements are posted on the website and there is a wide range of information on the Group's activities.

The AGM will be held at Rawdon House, Green Lane, Yeadon, Leeds, LS19 7BY on 26 April 2016 at 10am and I would like to take this opportunity to encourage shareholders to attend. As ever, it will provide investors with an opportunity to meet the Board and ask any questions that they may have in respect of the Group's reported activities.

The pages that follow explain how we applied specific aspects of the Group's compliance arrangements and how the main principles of the Code were applied.

Mike O'Leary
Chairman
15 March 2016

Corporate governance framework

Board composition

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

Sean Riddell resigned as a Non-executive Director on 30 January 2015.

Andy McKeon resigned on 2 April 2015, but, following an agreed leave of absence was reappointed to the Board as a Non-executive Director on 30 September 2015.

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

Appointments of Non-executive Directors are for specific terms and subject to statutory provisions relating to the removal of a Director.

Biographies of individual Directors are provided on pages 34 and 35. Their respective Board and committee responsibilities are outlined below and in the individual reports of the various committees.

The Board is satisfied that the size of the Board and its committees and the balance of Executive and Non-executive members is such that no individual or small group of individuals can unduly influence its decisions.

The Executive Directors do not hold any Non-executive or Chairman positions in any other companies.

Roles and responsibilities

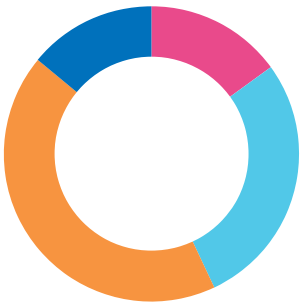
The Board

The Board's principal role is to provide effective leadership of the Group. It is responsible to shareholders for delivering shareholder value by developing the overall strategy and supporting the development of the direction of the Group. The Board is also responsible for overseeing the Group's external financial and other reporting and for ensuring that appropriate risk management and internal control systems are implemented and maintained. These responsibilities are largely exercised through the audit committee, which reports separately on pages 43 to 45.

The Board 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; and
- Board structure and the appointment of advisers.

Board composition



- Chairman – Non-executive 1
- Executive 2
- Non-executive 3
- Company Secretary 1

Board of Directors

Audit committee

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 four times during the year and comprises all Non-executive Directors.

Robin Taylor
Chairman

Mike O'Leary
Andy McKeon
Kevin Boyd

Remuneration committee

The committee met four 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.

Andy McKeon
Chairman

Mike O'Leary
Robin Taylor
Kevin Boyd

Nomination committee

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 46.

Mike O'Leary
Chairman

Andy McKeon
Robin Taylor
Kevin Boyd

Corporate governance continued

Roles and responsibilities continued

The Board continued

The business model on pages 8 and 9 explains the basis on which the Group generates and preserves value over the longer term, and the strategy of the Group and achievements in 2015 are outlined on pages 12 to 15.

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 Board which includes Divisional Managing Directors, the Group Human Resources Director, the Chief Medical Officer and the Chief Technology Officer. The forum considers the economic environment in which the Group operates, reviews the current business model and market opportunities, reviews the principal risks facing the Company and sets the key strategic priorities for the next three years and strategy for the longer term to enhance competitive advantage and shareholder value.

The Chairman

The roles of Chairman and Chief Executive Officer 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.

Mike O'Leary, as Chairman, is responsible for the leadership and effectiveness of the Board.

The Chairman:

- 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 and builds an effective 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 an impact on his ability to perform his duties for the Group.

The Chief Executive Officer

The Chief Executive Officer, Chris Spencer, is responsible for the implementation of the approved strategic and financial objectives of the Group through the day-to-day leadership of the Group's business, within defined authority limits. To assist in this, the Chief Executive Officer has created a Group Executive Board (GXB) which consists of the Divisional Managing Directors, the Chief Financial Officer, the Group Human Resources 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 Officer:

- develops the Group strategy and leads the annual strategic forum;
- with the Chief Financial Officer, maintains close contact with government, shareholders and major customers;
- 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 senior managers; and
- monitors the Group's principal risks.

The Non-executive Directors

The Non-executive Directors provide independent, constructive challenge and insight to the Executive team forming an integral part of the Board's decision-making process together with the monitoring of management and business performance.

The Non-executive Directors play a key role in developing proposals on strategy, actively participating in the annual strategy forum.

They strengthen governance through participation in and chairmanship of the Board committees, providing 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 Senior Non-executive Director acts as a sounding board for the other Directors and conducts the Chairman's annual evaluation.

The Board is satisfied that the Chairman and all remaining Non-executive Directors were independent upon appointment.

Committees of the Board

The Board delegates certain responsibilities to three sub-committees; the audit committee, the remuneration committee and the nomination committee. These responsibilities are set out in formal terms of reference for each committee, which are available on the Group's website, www.emisgroupplc.com/investors/corporate-governance.

The chairman of each committee reports to the Board in relation to the committee's activities and recommendations. Members of the Board who are not members of individual committees may be invited to attend meetings of those committees at the discretion of the respective committee's chairman; however, they are not permitted to vote in respect of committee business.

The following pages contain a report of the audit committee (pages 43 to 45) and the Directors' remuneration report (pages 49 to 60). The nomination committee's responsibilities and matters considered during the year are outlined on page 46.

Standing Agenda Items

At each meeting comprehensive Board packs are provided and the following standing items are discussed:

- Strategic review
- Financial Results and KPIs
- Sales Pipeline
- Management accounts and commentary
- Report from the CEO on operational matters
- Report from the CFO on financial matters
- Mergers and Acquisitions
- Progress reports on major projects
- Analysts' forecasts
- Board committee matters
- Investor relations engagement
- Legal, company secretarial and regulatory matters
- Implementation of actions agreed at previous meetings
- Mergers and acquisitions

Board operation

The number of meetings of the Board and Board committees held during the year ended 31 December 2015 together with the Directors' attendance records are summarised in the table on page 40.

Board and committee papers are circulated in advance of meetings to enable the Board to review and consider the materials provided. All Board members have access to the Company Secretary and, where appropriate and necessary for the discharge of their Board and committee responsibilities, independent external advice at the Company's expense.

The Chairman ensures that input is sought and obtained from any Director who is unable to attend a Board meeting and he provides a verbal update following the meeting to complement the minutes.

There is on-going contact between the Chairman, Executive Directors and Non-executive Directors between Board meetings.

There is a topical calendar for the Board with Divisional Managing Directors and key Group functional directors regularly invited to attend to present an update on their areas of the business. This is critical in providing further detail to support strategic decisions. The location for Board meetings is rotated around the Group's principal sites in order to provide opportunities to meet senior management and develop a better understanding of operations. In addition, the Board meets on an ad hoc basis as necessary to consider specific issues, such as acquisitions, which are supported by a detailed Board paper circulated in advance analysing all relevant aspects of the topic under discussion.

Key Topics Considered by the Board in 2015

- Financial results announcements, presentations and market updates
- Group Human Resources strategy
- The establishment of EMIS Health India Private Ltd.
- The Group's Viability Statement
- Due diligence and key terms of the PinBellCom Group Limited acquisition
- Other acquisition opportunities
- The 2016 Group budget
- The Board evaluation report and discussion of the recommendations
- Review, debate and challenge of the corporate strategy and plan
- International operations and strategy
- Risk profile including receiving a presentation on cyber risk
- Product integration
- Management information and KPIs
- Two updates on the work of the software development team across the Group
- Two updates on environmental health and safety matters
- Rebranding proposals
- AAH contract proposal
- Secondary Care, Community Pharmacy and EMIS Care managing directors' presentations

Corporate governance continued

Board and committee effectiveness

The Chairman undertook an internal performance evaluation of individual Directors and the Board as a whole. The evaluation process considered the balance of skills, knowledge, independence and experience of the Board.

Each Director was asked to complete a tailored questionnaire which covered all aspects of good governance.

Individual Directors were required to assess their satisfaction with the operation of the Board and its committees and the effectiveness of these bodies in fulfilling the key responsibilities set out in their respective terms of reference. The responses were collated and discussed.

Overall, responses indicated a high degree of satisfaction with the working methods of each Director, the Board and its committees. Board members agreed that the Board has sought to continuously improve the way it operates throughout the year.

During the year, the Chairman met with the Non-executive Directors without the Executive Directors present.

As Senior Independent Director, Robin Taylor discussed the performance of the Chairman with the other members of the Board. The consensus was that Mike O'Leary is engaged, knowledgeable and inclusive and encourages all members to discuss and debate on all matters of significance to the strategy and well being of the business.

The Board evaluation concluded that the Directors are open, constructive and able to express their views, and that the Board meets its regulatory requirements. The action plan for areas identified for improvement focuses on enhancing the quality of information to support Board decisions and broaden debate. Activity has commenced to review all the Board pack information and KPIs to improve further the timeliness, quality and consistency of data. To enable decisions to be made against a clearer strategic context, the structure of the off-site strategy review will be considered to ensure it facilitates robust challenge and sufficient time to review and shape strategic direction. Greater interaction with the wider management team will be encouraged to provide additional depth of information to support discussions. An additional review of the succession plan for the Board, including diversity, will be undertaken.

Number of meetings of the Board and Board committees during the year

	Board	Audit committee	Nomination committee	Remuneration committee
Number of meetings in period	12	4	3	4
Attendance				
Executive Directors				
Chris Spencer	12	—	—	—
Peter Southby	12	—	—	—
Non-executive Directors				
Mike O'Leary	12	4	3	4
Robin Taylor	12	4	3	4
Kevin Boyd	12	4	3	4
Andrew McKeon	4	1	1	1

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.

Training and development

On appointment to the Board, Directors receive a formal induction and thereafter receive further guidance and training as and when required. The senior management report to the Board on a regular basis and the Board conducts site visits to ensure that an understanding of the business and its technology is developed. All Directors are encouraged to attend relevant training courses and events.

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 46. New Directors receive a comprehensive pack of information and a tailored induction programme that includes meeting senior managers. This ensures that knowledge and understanding of the business and its technology are developed.

Board committees

The Board has three formally established committees, with written terms of reference, which are reviewed annually by the Board. The terms of reference of the committees are available on the Company's website. Committee membership is as shown in the table on page 37.

Board committees continued

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 internal audit function and the external auditor. The committee met four times during the year and is comprised of all of the Non-Executive Directors. Full details of the work of the committee are set out in the audit committee report on page 44.

Remuneration committee

Andy McKeon was chairman of the remuneration committee from 1 January 2015 to 2 April 2015 and from 21 September 2015 onwards. Robin Taylor chaired the committee from 3 April 2015 to 20 September 2015. The committee met four 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. Full details of the work of the committee are set out in the remuneration committee report on page 48.

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. The committee met three times in the year. Full details of the work of the committee are set out in the nomination committee report on page 46.

Internal control

The Board has ultimate responsibility for the Group's internal control arrangements and for reviewing their effectiveness. Such arrangements guide and direct the activities of the Group to support delivery of its strategic, financial, operational and other objectives and safeguard shareholders' investment and the Group's assets.

The Board recognises that a system of internal control reduces, but cannot eliminate, the likelihood and/or impact of poor judgement in decision-making, human error, deliberate circumvention of control processes by employees and others, management override of controls and the occurrence of unforeseeable circumstances.

The Board sets policies and seeks and obtains on an on-going basis, both directly and through the audit committee, assurance regarding the existence and operation of appropriate internal controls to mitigate key strategic, financial, operational, compliance and reputation risks. The Board and audit committee consider any significant control matters raised in reports from management, the Company's external auditor and the Group Internal Audit Manager, and it monitors the progress of remedial actions.

The key components of the Group's overall control framework, all of which were in place, or established, throughout the year ended 31 December 2015 and up to the date of approval of this report, are set out on pages 16 to 18.

The Group has extensive internal quality assurance processes in critical areas of the business and there are functions within the Group that provide assurance and advice covering specialist areas, such as information security and clinical safety.

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 not be expected to, increase the risks faced by the Company.

The Group currently has five ISO registrations including ISO27001 – Information Security.

Financial planning and monitoring

EMIS Group sets annual budgets, incorporating three-year projections, which are subject to Board approval.

The Board reviews business performance when it meets. Summary financial information, including actual performance versus budget and expected performance and prior year comparatives, is provided to all Board members on a monthly basis. The monthly reporting process is supplemented by a cycle of quarterly reviews that incorporate in-depth re-forecasting of expected financial performance for the remainder of the current financial year.

Policies, procedures and authorisation limits

The Group has grown both organically and through business acquisition in recent years. This has resulted in a mix of locally defined policies and procedures covering a range of activities, which are adequate, but not necessarily fully aligned with each other. Plans are in place to implement a range of Group-wide policies and procedures including a Finance Manual (complementing the roll-out of a Group-wide ERP system), a revised Confidential Whistleblowing Hotline Policy and a revised Business Expenses Policy. Hay Group commenced work to conduct a review of pay and benefits across the Group.

Segregation of duties, authorisation limits and other key internal controls are designed into both system-based and manual processes. These arrangements are reviewed periodically by management, internal quality assurance functions and internal audit to ensure they remain appropriate.

Corporate governance continued

Risk management

The risk management process is described in the report of the audit committee on page 44. Principal risks and uncertainties are described in detail on pages 16 to 18.

The Board also considers the nature and extent of the principal risks for which it has appetite in achieving its strategic objectives and maintains sound risk management and internal control systems. There are formal and transparent arrangements for considering how corporate reporting, risk management and internal control principles are applied and for maintaining an appropriate relationship with the Company's auditor. The principal risks and uncertainties that the Group faces, and features of the internal control system that operated throughout the period covered by the accounts, are referred to either below, or in the report of the audit committee on pages 43 to 45. The approach to risk management and the principal risks themselves are set out on pages 16 to 18.

Internal audit

During the year, the Group established an internal audit function and recruited a suitably qualified and experienced individual in the role of Group Internal Audit Manager. The Chair of the audit committee was involved in the recruitment process.

The Group Internal Audit Manager reports administratively to the Group Financial Controller but also has direct and unfettered access to the chairman of the audit committee. This situation will be kept under review to ensure the function maintains its independence from management. The provision for internal audit is described in the report of the audit committee on page 43.

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

- Authorisation limits are in place for the approval of all contracts.
- Each principal business in the Group has an appropriate finance function with suitably qualified and experienced professionals. Divisional finance leads report into the Divisional Managing Directors and the Group Financial Controller.
- A comprehensive monthly financial reporting system is in place which covers, amongst other things, operating results, cash flow, balance sheet information, forecasts and comparisons against budgets.
- The Board receives regular updates from management on property, pensions, insurance, litigation, human resources, corporate social responsibility and health and safety matters.
- The Group has commenced the roll-out of a common ERP solution (Microsoft Dynamics AX) across the Group to improve controls, business and financial reporting and processes.

Investor relations

Annual General Meeting (AGM)

At the AGM, on 26 April 2016, 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, will be 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 if they have requested a paper copy.

Report of the audit committee

Dear Shareholder

As chairman of the audit committee, I am pleased to present our report for the year ended 31 December 2015.

The report provides insight into the composition of the audit committee and the work it undertakes to ensure that it has performed its main responsibilities in reviewing financial reporting, internal control procedures and risk management and in relation to the objectivity and independence of the external auditor.

During the year, an internal audit function was established and a suitably qualified and experienced Group Internal Audit Manager appointed. The internal audit function objectively reviews the Company's internal control processes in line with the risk-based internal audit plan approved by the committee. The plan is based primarily on output from the risk management process, but it is flexible and may include ad hoc investigations and other assurance work as agreed by the committee. Specialist technical knowledge and resource may be externally sourced if and when required. Internal audit operates in accordance with its Audit Charter, which was approved by the audit committee.

Composition and governance

The committee's terms of reference are on the Group's website and are reviewed and approved by the Board each year.

In addition to my role as chairman of the audit committee, I am also Senior Independent Non-executive Director. I am a member of the Institute of Chartered Accountants of Scotland and have served as Chief Financial Officer of several main market listed companies. The Board considers both myself and Kevin Boyd, who is the current Group Finance Director of Oxford Instruments plc, to have relevant financial experience, in accordance with section C.3.1 of the UK Corporate Governance Code. The Board evaluates the membership of the committee on an annual basis.

The other members of the committee are Andy McKeon and Mike O'Leary. The Board considered all members of the committee to be independent on appointment. The Chief Executive Officer, Chief Financial Officer, Group Internal Audit Manager, Group Financial Controller 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 are set out on pages 34 and 35 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.

As chairman of the audit committee, I report to the Board following each committee meeting and meet with the external auditor, without executive management present, to discuss matters relating to its remit and any issues relating to the audit. I also meet with the external auditor, the Chief Financial Officer and the Group Internal Audit Manager regularly outside the formal meetings to ensure that any areas for discussion are dealt with on a timely basis.

How the committee discharged its responsibilities

During the year, the audit committee reviewed the frequency of meetings being held and increased the minimum number to four each year, aligned with the financial reporting calendar.

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

An internal review of the effectiveness of the audit committee was carried out during the year, and no major deficiencies were noted. 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 for review.

Report of the audit committee continued

How the committee discharged its responsibilities continued

The work undertaken by the audit committee during the past year is detailed below:

Financial reporting

- Reviewed the full-year 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 management as well as the report from the external auditor.
- Reviewed the interim results statement.
- Considered the appropriateness of accounting policies and 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 assumptions when considering interim and final results statements and long-term viability when considering the final results statement, taking into account internal financial projections and the results of stress testing the financial models.

Risk management and internal control

- Reviewed the Group risk management process and concluded that it is appropriate and operating effectively. The committee considers that the principal business risks are being captured and reported to the Board monthly and that the risk disclosures in the annual report are appropriate.
- Considered the effectiveness of internal controls and risk management systems. There is continued focus on the quality and timeliness of internal financial reporting with the on-going programme to roll out the new Microsoft Dynamics AX ERP solution across the Group. The system is now live in EMIS Health Primary Care, EMIS Group plc and Egton.
- 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.
- Reviewed the appropriateness of internal financial controls including cyber security risk and potential preventative measures.
- Monitored and reviewed the effectiveness of the internal audit and Group finance functions.
- Reviewed the whistleblowing policy to ensure arrangements are in place for the proportionate and independent investigation of any reported incidents. Arrangements for an independent third party whistleblowing hotline have now been put in place. The whistleblowing policy includes provision for employees to raise concerns with the Senior Non-executive Director. No matters were reported during the year.
- 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 training on the Bribery Act given to all employees.

External auditors

- Reviewed the scope and the audit plan for the year-end Group and subsidiary audits.
- Reviewed the formal engagement terms, objectivity and independence of the auditor, including the qualifications, expertise and resources available. KPMG has been the Company's external auditor since 2013, with the current audit partner having been appointed in that year. 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. Consideration is given to any perceived threat to independence prior to the procurement of 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 £176,000, which related principally to tax and forensic investigation services, the latter further to the employee fraud detected at the start of 2015 as disclosed in last year's audit committee report. Full details of fees paid to KPMG in the year are set out in note 6 to the financial statements.
- 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.

Financial reporting and significant areas of judgement

In finalising the 2015 financial statements, the significant judgements considered by the committee and discussed with the external auditor were as follows:

Nature of the Issue	What the committee considered and any actions undertaken
Carrying amount of goodwill, intangible assets acquired and investments	The carrying amounts of goodwill, intangible assets acquired and investments are reviewed for impairment at least annually and are assessed against the net present value of projected cash flows for each cash-generating unit. Details of the assumptions used in relation to the review of goodwill carrying value are set out in note 13 to the financial statements. Following the reviews during the year, an impairment charge of £18,500,000 has been recognised in the Group Statement of Comprehensive Income, comprising a reduction in the carrying value of goodwill of £16,183,000 and of investment in associates of £2,317,000. The former relates to the carrying value of goodwill arising on the Secondary Care (Ascribe) acquisition, and reflects the fact that the business has not yet delivered the financial returns expected when the business joined the Group in 2013. The latter is in respect of the Group's minority investment in Pharmacy2U, held since 2005. This business has had a troubled year, including a number of fundraising rounds in which the Group has chosen not to participate. The Group's interest has reduced accordingly and is now below 15%. In the circumstances, the Directors believe that it is appropriate to impair fully the Group's investment in the business. The committee discussed the assumptions underlying the related cash flow projections with both management and KPMG and also considered the appropriateness of the discount rates used. Following discussion on headroom and sensitivity, the committee was satisfied that the carrying amount of goodwill, intangible assets acquired and investments, after the impairment charge recognised in the year, was appropriate.
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.
Research and Development costs	The process to capture and categorise development costs was reviewed. There were no material changes to this process from the prior year, with the roll-out of Microsoft Dynamics AX during 2016 expected to further improve the quality of reporting in this area. 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.

Robin Taylor
Chairman of the audit committee
15 March 2016

Report of the nomination committee

Dear Shareholder

I am pleased to present our report for the year ended 31 December 2015.

Roles and responsibilities

The committee is responsible for:

- ensuring that the balance of Directors on the Board remains appropriate as the Group develops to ensure that the business can compete effectively in the marketplace;
- 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 to ensure the optimum mix; and
- considering the succession planning for Directors and senior managers to ensure that there is a pipeline of high calibre candidates and that succession is managed smoothly.

The committee has 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 54 and 55.

Review of activity during the year

- Following the decision of Andy McKeon to step down as Non-executive Director for personal reasons, the committee reviewed the balance of experience on the Board and concluded that there was no immediate need to recruit an additional Non-executive Director. Andy McKeon remained as a consultant to the Board during his agreed leave of absence and the need to replace his expertise on the Board was kept under regular review throughout the period.
- As part of the Board evaluation process, the committee considered in detail the balance of skills, knowledge, experience and diversity of the Board as a whole and it was agreed that there was currently no requirement to recruit an additional Non-executive Director. This would 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. Coaching and mentoring was provided to senior individuals and during the course of the year opportunities were identified to support the broadening of skills sets and experience.
- The committee considered its performance and terms of reference and concluded it continued to operate effectively.

The committee 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:

- election of Kevin Boyd as Non-executive Director at the AGM on 29 April 2015 in accordance with the Code;
- re-election of all of the other members of the Board at the AGM on the 29 April 2015 in accordance with the Code;
- election of Andrew McKeon as Non-executive Director at the AGM on 26 April 2016 in accordance with the Code; and
- re-election of all other members of the Board at the AGM on the 26 April 2016 in line with the articles of association and, after due consideration, recommendation of their re-appointment to the Board.

Mike O'Leary
Chairman of the nomination committee
15 March 2016

Report of the remuneration committee

Dear Shareholder

On behalf of the Board I am pleased to present the report of the remuneration committee for 2015. This report is split into three sections: firstly, my report, which summarises the work of the remuneration committee during the year and outlines some of the factors taken into account by the committee when reaching key decisions; secondly, the Remuneration Policy which is included here for ease of reference; and, finally, the annual report on remuneration. The annual report sets out the remuneration paid to Directors in 2015 including bonus payments and long-term incentives and also includes the detail on how we intend to implement our Remuneration Policy in 2016.

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 in 2013, the committee did decide to adopt a number of the key reporting requirements from this guidance. 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.emisgroupplc.com/investors.

The remuneration report will be presented at the Annual General Meeting on 26 April 2016 by way of an advisory vote.

Corporate performance

As outlined in the strategic report on pages 1 to 33, EMIS Group had another strong year in 2015, delivering a 13% increase in revenue and a 12% rise in adjusted operating profit, achieved both organically and through the recently acquired businesses. Overall, trading for the year was in line with the Board's expectations and the Group increased its like-for-like operating margin from 23.7% to 24.4%.

Our market leading position in UK Primary Care was maintained and the Group continued its contract win momentum in CCMH. The leading position in the independent pharmacy market was maintained and a major contract was secured which will give further market share growth over the next 18 months.

However in Secondary & Specialist Care, the Secondary Care business was impacted by a slower than hoped for rate of contract awards. EMIS Health Specialist and Care delivered a strong set of results for the year.

The Group's revenue visibility, order book and pipeline remained strong, with the Group achieving 20% growth in recurring revenue in the period.

Committee membership

During the year I took an agreed leave of absence from the Board from 2 April 2015 and was re-appointed to the Board and as Chair of the remuneration committee on 30 September 2015. During this time, our Senior Non-executive Director, Robin Taylor, assumed the role of Chair of the remuneration committee and I would like to thank Robin for his stewardship during this period.

Remuneration for 2015

As in previous years, Executive Directors were eligible to receive a bonus depending on the level of Group adjusted profit achieved. Performance targets were stretching and based on the financial performance of the Group. Performance during the year, taking into account the impact of acquisitions and associated costs in the year, did not result in an on-target performance and therefore the committee concluded that, in line with the rules, no bonus payments would be made.

Further details about the variable pay awards are set out in the Directors' remuneration report on pages 49 to 60.

Report of the remuneration committee continued

Implementation of policy for 2016

Base salaries – when Chris Spencer and Peter Southby were appointed in 2013 and 2012 respectively, their overall remuneration package was based on advice from Kepler Associates and set against market practice and, more particularly, their experience on appointment. The committee agreed that a more detailed review would take place in November 2015 with a view to an increase being considered and any agreed change being implemented from 1 January 2016.

Kepler Associates again benchmarked the remuneration of the CEO and CFO against roles at companies of a similar size and sector. Both Chris' and Peter's salaries were reported as lower quartile. The committee also considered individual performance, any increase in responsibilities and overall contribution to the Group when assessing whether an increase was merited and, if so, its size. Our key consideration when reviewing base salary continues to be performance and growth in the role.

In relation to Chris Spencer, the committee considered he has clearly demonstrated considerable development in the role and also took into account his deep understanding of the business, its significant growth in size since he was appointed, its increasing complexity and the market in which it operates. He has developed a clear vision and strategic direction for the Group and established strong credibility in the external market. The committee therefore considered it appropriate to increase Chris Spencer's salary from £312,000 to £350,000. However, Chris requested that, in light of cost reductions being taken elsewhere, the increase should be postponed until 1 January 2017. The committee accepted his request. Chris Spencer will receive an increase of 2% in 2016.

Peter Southby has grown considerably in his CFO role since joining the Group and has received excellent feedback from external advisers again during the course of the year. He continues to successfully manage the Group finance team for a larger and more complex business than when he joined. His role has also been extended to cover other Group functions including Legal, Human Resources, Health and Safety, Facilities, Purchasing and Governance. The committee considers that Peter has grown and developed successfully and ably performs his CFO and extended role and therefore the committee considers it appropriate to increase his salary from £225,000 to £250,000 in 2016.

Major shareholders were consulted regarding the committee's proposed changes.

Bonus payments – In future, all bonus payments will be subject to claw back. In addition, Executive Directors are required to invest 40% of any net bonus payment in shares of the Company until the relevant minimum shareholding applicable to their role is met. This came into effect on 1 January 2016.

LTIP - LTIP awards continue to be subject to claw back. In addition from 1 January 2016, Executive Directors and certain other senior managers in the Group are subject to the requirement to use vested shares to add to their shareholding until the relevant minimum shareholding applicable to their role is met.

I hope that you find the information in this report useful and I look forward to your support at the forthcoming AGM.

Andy McKeon
Chairman of the remuneration committee
15 March 2016

The committee also considered the following issues:

- Reviewed the AGM voting outcome for the 2014 report.
- Reviewed the overall remuneration packages (including pension) of the Executive Directors with the aim of recognising best practice, aligning with shareholder objectives and encouraging behaviours to maintain the long-term success of the business.
- The committee also approved the performance measures set for the bonus scheme.
- Reviewed reward structures for the Executive management and the wider management team.
- 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 awards under the 2012 CSOP.
- Approved the vesting of an award, at the first measurement date, to Peter Southby granted on 2 May 2013.
- Reviewed and approved all awards made under the LTIP. The committee also approved the performance measures set for the LTIP.
- Reviewed the CSOP and LTIP structure taking into account current market best practice and institutional investors' current guidelines.
- Considered external market developments and best practice in remuneration.
- 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 49 to 55 applied from 29 April 2015.

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 or other appropriate arrangements for 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

Element	Operation	Opportunity	Performance metrics
Benefits			
To provide market competitive benefits.	Benefits may include, but are not limited to, a car or car allowance and life insurance. 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. 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 from 1 January 2016 are subject to claw back. Executive Directors are subject to the requirement to invest 40% of any net bonus payment in shares of the company until the minimum shareholding level relevant to their role is met. This came into effect on 1 January 2016.	For Executive Directors, the maximum annual bonus opportunity is 100% of base salary. No bonus is payable until target performance is achieved. For target performance, the bonus level is 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 financial 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. 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.

Policy table continued

Annual bonus continued			
			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. Executive Directors are subject to the requirement to use vested shares to add to their beneficial shareholding until the minimum shareholding level relevant to their role is met.	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 current performance measure is 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 vesting (performance) period of three years and must be held for two years from their vesting date. 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 financial 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 30 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.

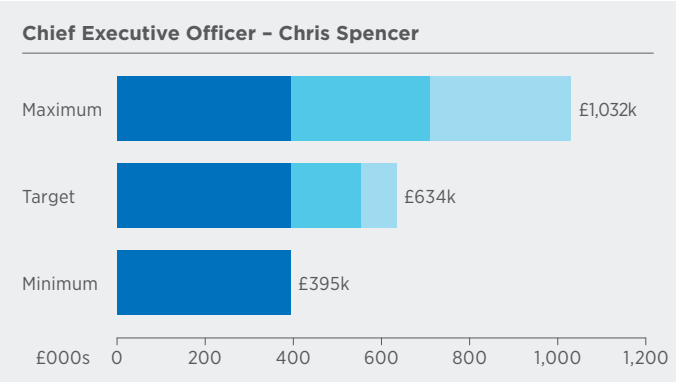
Shareholding guidelines

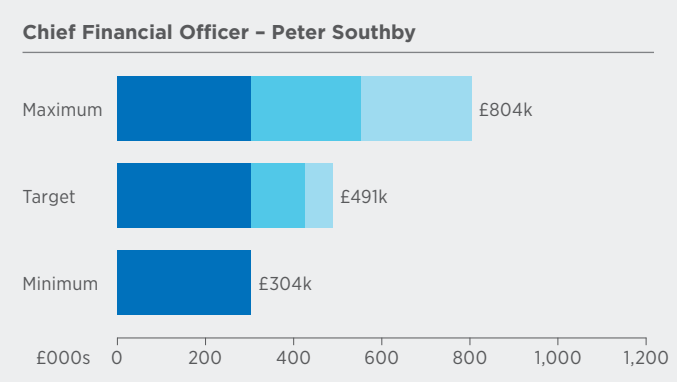
The committee continues to recognise the importance of Executive Directors aligning their interests with shareholders through building up a significant shareholding in the Company. Shareholding guidelines are in place requiring Executive Directors to acquire a minimum holding, equivalent to 300% of base salary for the Chief Executive Officer and 100% of base salary for the Chief Financial Officer. A Director is only permitted to dispose of shares if it does not take the holding below the relevant minimum level or if the disposal was to meet a tax or other 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 or other 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 2016 and the potential split between different elements of remuneration under three different scenarios: "Minimum", "Target" and "Maximum" performance.





— Basic salary and benefits
— Bonus
— Long term incentives

Pay scenario charts for Executive Directors continued

Potential reward opportunities illustrated on page 52 are based on the Remuneration Policy, applied to the base salary as at 1 January 2016. 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. Share scheme awards are expected to vest for Chris Spencer and Peter Southby during 2016 in relation to two grants each under the CSOP for £10,000 as reported at the time. All other elements of actual pay delivered, however, will be influenced by the following 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 57		
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.	Up to 100% of salary p.a.

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

In addition to the above elements of remuneration, the committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, to replace incentive arrangements forfeited on leaving a previous employer.

Such "buyout awards" would have a fair value no higher than that of the awards forfeited. In doing so, the committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining.

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

Directors' remuneration report continued

Directors' Remuneration Policy continued

Approach to recruitment remuneration – Executive Directors continued

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.

Service contracts

The Executive Directors are employed under contracts of employment with the Group. Executive Directors' contracts are available to view at the Company's registered office. 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.

Element	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 2016 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' remuneration

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 53. 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.

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.

Non-executive 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 2016	Date of last appointment	Last re-appointment at AGM	Notice period
Mike O'Leary	17 March 2011	11 months	17 March 2014	29 April 2015	Six months
Robin Taylor	1 March 2010	11 months	1 March 2014	29 April 2015	Six months
Kevin Boyd	9 May 2014	1 year 1 month	9 May 2014	—	Six months
Andy McKeon	1 February 2013	2 years 5 months	21 September 2015	—	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.
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.

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 2015.

Remuneration committee membership in 2015

The committee met four times during the year under review. The members of the committee are:

Committee member	Member throughout 2015	Number of meetings attended
Andy McKeon[1]	No	1
Robin Taylor[2]	Yes	4
Mike O'Leary	Yes	4
Kevin Boyd	Yes	4

1 Andy McKeon was Chair of the committee from 1 January 2015 to 2 April 2015 and from 30 September 2015.

2 Robin Taylor acted as Chair of the committee from 2 April 2015 until 30 September 2015.

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. For the year under review, the committee continued to retain the services of Kepler Associates as the principal external advisers to the committee. 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. During the year Kepler Associates provided advice on Executive and Non-executive Director salaries.

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. A further review of advisers will be undertaken in 2016.

Summary of shareholder voting at the 2015 AGM

There was an advisory vote on the remuneration report at the AGM in 2015. The result of the vote was published on the website after the meeting. Of the 37,879,871 votes cast, 37,097,792 (99.62%) of the votes were for the resolution, with 140,600 (0.38%) against and 641,479 votes withheld.

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 2015 and the prior year:

	Chris Spencer £'000		Peter Southby £'000	
	2015	2014	**2015**	2014
Base salary	**312**	300	**225**	200
Taxable benefits[1]	**28**	19	**16**	13
Pension[2]	**47**	45	**34**	30
Annual bonus[3]	**—**	150	**—**	100
Share schemes[4,5]	**1**	1	**102**	1
Total	**388**	515	**377**	344

1 Taxable benefits consist primarily of company car and private fuel benefit.

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 pages 57 and 58.

4 On 11 November 2015, Peter Southby exercised options over 27,714 ordinary shares of 1p each ("Ordinary Shares") at a price of £7.09 per Ordinary Share under an existing option contract granted on 2 May 2013.

5 The total amount shown includes the value of 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 2015 and the prior year:

	Base fee £'000		Committee chairmanship fees £'000		Total £'000	
	2015	2014	**2015**	2014	**2015**	2014
Mike O'Leary	**80**	80	**—**	—	**80**	80
Robin Taylor	**35**	35	**8**	5	**43**	40
Andy McKeon[1]	**18**	35	**2**	5	**20**	40
Kevin Boyd	**35**	23	**—**	—	**35**	23
Sean Riddell[2]	**3**	35	**—**	—	**3**	35

1 Andy McKeon resigned as a Director on 2 April 2015 and was reappointed on 30 September 2015.

2 Sean Riddell resigned as a Director on 30 January 2015.

Incentive outcomes for the year ended 31 December 2015

Bonus

During the year ended 31 December 2015, 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, to achieve maximum bonus.

Performance during the year, taking into account the impact of acquisitions and associated costs in the year, did not reach the level required for target performance. The remuneration committee reviewed the results and, in line with the rules, concluded that no bonus payments would be made for the year under review.

Directors' remuneration report continued
Annual report on remuneration continued

Incentive outcomes for the year ended 31 December 2015 continued

Bonus continued

For 2015 the targets were as follows:

- 0% of salary if the Group adjusted profit was below £38.425m;
- 50% of salary if the Group adjusted profit was or exceeded £38.425m; and
- If the Group adjusted profit was greater than £38.425m then bonus would increase pro rata to Group adjusted profit up to a maximum of 100% at £41.850m.

Long-term incentive awards vesting

On 11 November 2015, Peter Southby, Chief Financial Officer, exercised options over 27,714 ordinary shares of 1p each at a price of £7.09 per Ordinary Share under an existing option contract granted on 2 May 2013. Options were subject to TSR performance criteria. As a result Peter Southby subsequently acquired 27,714 Ordinary Shares at a price of £7.09 per Ordinary Share and disposed of 22,714 Ordinary Shares at a price of £10.75 per Ordinary Share to fund the option exercise price, tax and National Insurance obligations. These Ordinary Shares were acquired by JY Trustees Limited on behalf of the EMIS Group plc Employee Benefit Trust.

Scheme interests awarded in 2015

2015 long-term incentive plan

In 2015, 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	28 April 2015	34,647	900.5p	28 April 2018	£312,000
Peter Southby	28 April 2015	24,986	900.5p	28 April 2018	£225,000

Performance condition for 2015 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.

2015 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 one matching share for every three partnership shares purchased by employees.

Ad hoc payments

There were no ad hoc payments to any Directors for the year ended 31 December 2015.

Payments to past Directors

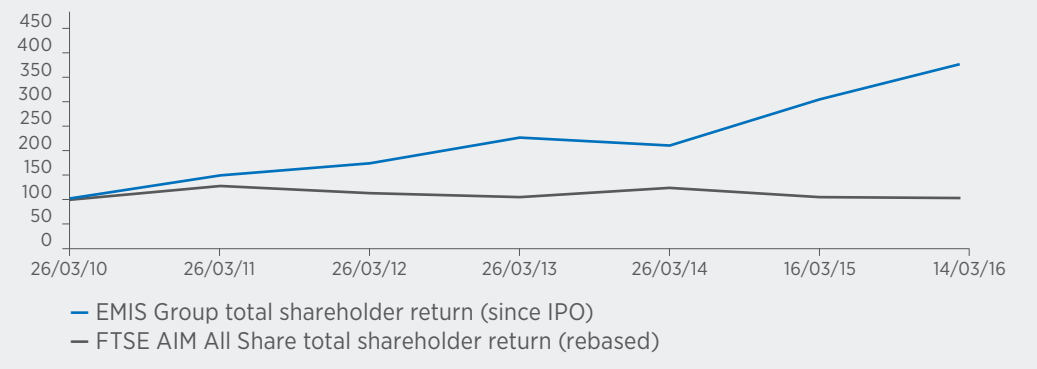
There were no payments to past Directors for the year ended 31 December 2015.

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 2014 and 31 December 2015.

	Total employee expenditure	Distributions to shareholders
2015	**£74.1m**	**£13.3m**
2014	£65.1m	£11.5m
% change	14%	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

The beneficial interests of the Directors in the ordinary shares of the Company as at 31 December 2015 were as follows:

Director	**Ordinary shares at 31 December 2015**	Ordinary shares at 31 December 2014
Chris Spencer	**285,369**	285,369
Peter Southby	**9,878**	4,878
Mike O'Leary	**1,000**	1,000
Robin Taylor	**1,800**	1,800
Andy McKeon	**1,626**	1,626
Kevin Boyd	**2,500**	1,500

Implementation of Remuneration Policy for 2016

Base salary

The base salaries for both Executive Directors were subject to independent review in 2015. The letter from the Chairman of the remuneration committee on page 47 includes further detail.

Executive Director	Base salary from 1 January 2015 to 31 December 2015	Base salary from 1 January 2016 to 31 December 2016	Percentage increase
Chris Spencer	£312,000	£318,240	2%
Peter Southby	£225,000	£250,000	11%

Directors' remuneration report continued
Annual report on remuneration continued

Implementation of Remuneration Policy for 2016 continued

Pension

For 2016, Executive Directors will receive a contribution of 15% of salary.

Annual bonus

The performance measure for the annual bonus for Executive Directors will be unchanged for the 2016 financial year and will operate on the same basis as in 2015. 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 2016 business plan. As specific targets are deemed to be commercially sensitive they will be published retrospectively in the annual report on remuneration for 2016.

Bonus payments will continue to be delivered in cash and from 1 January 2016 are subject to the following additional conditions:

- Clawback where the remuneration committee becomes aware of any information on the basis of which it is reasonable for them to form the opinion that either inaccurate figures had been reported on which the bonus target had been calculated and based or bonus outcome calculated; or there had been misconduct; or there had been any action or omission that had resulted in damage to the Group's reputation.
- The requirement to invest 40% of any net bonus payment in shares of the company until the minimum shareholding level relevant to the Executive Director is met.

LTIP

For 2016, 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 2016 financial year will be provided in next year's annual report on remuneration.

From 1 January 2016, Executive Directors are subject to the requirement to use vested shares to add to their beneficial shareholding until the minimum shareholding level relevant to the Executive Director is met.

SIP

Executive Directors will be able to continue to participate in the SIP on the same basis as in the 2015 financial year.

Chairman and Non-executive Director fees

Fee levels are subject to annual review and an independent review by Kepler Associates was undertaken in 2015. Following consideration of the results which looked at appropriate FTSE comparators and the level of engagement of the Chairman and other Non-executive Directors, the Board determined that the following changes be made for 2016:

- Chairman – Increase in base fee from £80k to £85k. Committee chair fee of £5k to be paid in addition to base fee.
- Non-executive Directors – Increase in base fee from £35k to £40k plus an additional £5k committee chair fee where relevant.

Directors' report

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2015.

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 and 3.

Dividends

The Directors remain committed to increasing the dividend. Subject to shareholder approval at the Annual General Meeting (AGM) on 26 April 2016, the Board proposes paying a final dividend of 10.6p per ordinary share (2014: 9.2p) on 29 April 2016 to shareholders on the register at the close of business on 1 April 2016. This would make a total dividend of 21.2p per ordinary share for 2015 (2014: 18.4p).

Directors and their interests

The Directors of the Company who served during the year ended 31 December 2015 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
- **Kevin Boyd**
  Non-executive Director
- **Andrew (Andy) McKeon (Resigned 2 April 2015. Re-appointed 30 September 2015)**
  Non-executive Director
- **Sean Riddell (Resigned 30 January 2015)**
  Non-executive Director

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 Annual report on remuneration on pages 56 to 60.

P34 Biographical details of the Directors are given on pages 34 and 35

P49 Directors' remuneration report on pages 49 to 60

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.

Directors' report continued

Substantial interests in shares

As at 15 March 2016, 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	7,546,097	11.92
Standard Life Investments	6,862,186	10.84
NFU Mutual Insurance Society Ltd	3,075,203	4.86
Wasatch Advisors	3,056,217	4.83
Phillip Woodrow	2,903,251	4.59
Primestone Capital	2,900,000	4.58
Octopus Investments Nominees Ltd	2,291,659	3.62
GVQ Investment Management	2,131,085	3.37
BlackRock, Inc	1,936,815	3.06
Invesco Limited	1,898,368	3.00

Dividends continued

A technical matter has arisen in relation to the final dividends paid in respect of the 2012, 2013 and 2014 financial years and the interim dividends paid in respect of the 2013, 2014 and 2015 financial years. It has been brought to the Directors' attention that, although the Company had sufficient distributable profits to pay these dividends, the interim accounts showing the requisite level of distributable profits that were prepared prior to such payments had inadvertently not been filed at Companies House, as required by the Companies Act 2006 (the "Act"). As a result, the dividends were paid in technical breach of the Act. However, given that the Company had sufficient distributable profits to make the payment had the interim accounts been filed at the appropriate time, the Directors believe that neither shareholders nor creditors would have been prejudiced. The Company nevertheless wishes to address the matter by way of a ratification resolution to be approved by shareholders at the AGM. As a result of their interest in the subject matter, the Directors who are also shareholders will not vote on this resolution.

Research and development

Research and development expenditure in the year amounted to £19.6m (2014: £16.8m) of which £6.2m (2014: £6.5m) was capitalised.

Share capital

As at 15 March 2016 and 31 December 2015, the Company had 63,311,396 (31 December 2014: 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 2015 the EBT held 540,034 (2014: 636,832) 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 page 55.

Directors' indemnities

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

Employees

The Group's policy is to ensure adequate provision for the welfare, 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, ethnicity, race, religion and belief, sexual orientation, disability, marital status and civil partnership. All employees are treated fairly and equally.

The Group encourages the involvement of its employees and they are made aware of significant matters through regular updates from the Chief Executive Officer and divisional managing directors, roadshow presentations, management meetings, informal briefings, team meetings and the Company's intranet, magazine, discussion forums and website. Employee involvement is an essential element in the development of the business.

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

Political donations

No political donations were made in 2015 (2014: £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 33. The revenue, trading results and cash flows are explained in the financial review on pages 26 to 29.

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 2017, 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 26 April 2016, 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.emisgroupplc.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 36 to 42 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
15 March 2016

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 subject to any material departures disclosed and explained in the financial statements; 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 2015 set out on pages 66 to 97. 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 64, 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 2015 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 Sovereign Square
Sovereign Street
Leeds LS1 4DA
15 March 2016

Group statement of comprehensive income
for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Revenue	5	**155,898**	137,639
Costs:			
Changes in inventories		**(344)**	119
Cost of goods and services		**(12,611)**	(12,901)
Staff costs	9	**(67,465)**	(58,571)
Other operating expenses[1]		**(45,873)**	(21,799)
Depreciation of property, plant and equipment		**(4,665)**	(4,005)
Amortisation of intangible assets	14	**(13,510)**	(11,361)
Adjusted operating profit		**36,553**	32,639
Development costs capitalised	9, 14	**6,183**	6,523
Amortisation of intangible assets[2]	14	**(12,806)**	(10,914)
Impairment of goodwill	13	**(16,183)**	—
Impairment of investment	17	**(2,317)**	—
Release of contingent acquisition consideration	31	**—**	873
Operating profit	6	**11,430**	29,121
Finance income	7	**28**	10
Finance costs	8	**(477)**	(553)
Share of result of associate	17	**(388)**	(55)
Share of result of joint venture	17	**339**	17
Profit before taxation		**10,932**	28,540
Income tax expense	10	**(5,558)**	(5,719)
Profit for the year		**5,374**	22,821
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**(111)**	(86)
Other comprehensive income		**(111)**	(86)
Total comprehensive income for the year		**5,263**	22,735
Attributable to:			
– equity holders of the parent		**4,432**	22,058
– non-controlling interest in subsidiary company		**831**	677
Total comprehensive income for the year		**5,263**	22,735

Earnings per share attributable to equity holders of the parent		**Pence**	Pence
Basic	11	**7.2**	35.3
Diluted	11	**7.2**	35.2

1 Including contract asset depreciation of £3,175,000 (2014: £3,761,000), goodwill impairment of £16,183,000 (2014: £nil), investment impairment of £2,317,000 (2014: £nil) and release of contingent acquisition consideration of £nil (2014: £873,000).

2 Excluding amortisation of computer software used internally of £704,000 (2014: £447,000).

The notes on pages 70 to 97 are an integral part of these consolidated financial statements.

Group and parent company balance sheets
as at 31 December 2015

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
ASSETS					
Non-current assets					
Goodwill	13	**54,388**	68,577	**—**	—
Other intangible assets	14	**66,995**	70,820	**1,801**	784
Property, plant and equipment	15	**22,032**	24,313	**—**	—
Investments in subsidiaries	16	**—**	—	**70,380**	82,370
Investment in joint venture and associate	17	**131**	2,705	**—**	—
		143,546	166,415	**72,181**	83,154
Current assets					
Inventories	18	**1,206**	1,550	**—**	—
Trade and other receivables	19	**33,893**	28,732	**3,506**	4,273
Cash and cash equivalents	30	**4,701**	6,939	**—**	—
Amounts owed by subsidiary companies		**—**	—	**44,960**	50,118
		39,800	37,221	**48,466**	54,391
Total assets		**183,346**	203,636	**120,647**	137,545
LIABILITIES					
Current liabilities					
Trade and other payables	21	**(17,777)**	(20,782)	**(1,049)**	(357)
Current tax liabilities		**(3,183)**	(1,246)	**—**	(163)
Bank loans	22, 30	**(5,402)**	(12,902)	**(5,402)**	(12,902)
Bank overdraft	22, 30	**(6,457)**	—	**(7,756)**	(5,202)
Amounts owed to subsidiary companies		**—**	—	**(28,678)**	(48,852)
Contingent acquisition consideration		**(3,000)**	(2,750)	**(3,000)**	(2,750)
Deferred income		**(28,000)**	(29,985)	**—**	—
		(63,819)	(67,665)	**(45,885)**	(70,226)
Non-current liabilities					
Bank loans	22, 30	**(1,951)**	(5,854)	**(1,951)**	(5,854)
Deferred tax liability	24	**(10,530)**	(12,709)	**—**	—
Contingent acquisition consideration		**—**	(2,500)	**—**	(2,500)
		(12,481)	(21,063)	**(1,951)**	(8,354)
Total liabilities		**(76,300)**	(88,728)	**(47,836)**	(78,580)
NET ASSETS		**107,046**	114,908	**72,811**	58,965
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		**(2,929)**	(3,718)	**—**	—
Retained earnings		**52,848**	60,109	**18,914**	5,068
Other reserve		**2,000**	2,111	**2,219**	2,219
Equity attributable to owners of the parent		**103,597**	110,180	**72,811**	58,965
Non-controlling interests		**3,449**	4,728	**—**	—
TOTAL EQUITY		**107,046**	114,908	**72,811**	58,965

The notes on pages 70 to 97 are an integral part of these consolidated financial statements.

The financial statements on pages 66 to 97 were approved by the Board of Directors and authorised for issue on 15 March 2016 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 2015

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Cash generated from operations	29	**42,711**	44,856	**(996)**	(1,001)
Finance costs		**(450)**	(455)	**(443)**	(456)
Finance income		**28**	10	**—**	—
Tax paid		**(6,896)**	(5,247)	**197**	580
Net cash generated from/(used in) operating activities		**35,393**	39,164	**(1,242)**	(877)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(6,145)**	(6,873)	**—**	—
Proceeds from sale of property, plant and equipment		**644**	291	**—**	—
Development costs capitalised		**(6,183)**	(6,523)	**—**	—
Purchase of software		**(1,730)**	(1,765)	**(1,017)**	(784)
(Decrease)/increase in loan from subsidiary company		**—**	—	**(14,332)**	6,638
Dividends received		**—**	—	**42,890**	15,000
Business combinations		**(5,231)**	(10,250)	**(5,715)**	(9,000)
Net cash (used in)/generated from investing activities		**(18,645)**	(25,120)	**21,826**	11,854
Cash flows from financing activities					
Decrease/(increase) in loan to Employee Benefit Trust		**—**	—	**784**	(1,829)
Transactions in own shares held in trust		**589**	(1,480)	**—**	—
Bank loan repayments		**(11,500)**	(7,000)	**(11,500)**	(7,000)
Bank loans drawn down		**—**	8,000	**—**	8,000
Non-controlling interest dividend paid		**(2,110)**	—	**—**	—
Dividends paid		**(12,422)**	(10,792)	**(12,422)**	(10,792)
Net cash used in financing activities		**(25,443)**	(11,272)	**(23,138)**	(11,621)
Net (decrease)/increase in cash and cash equivalents		**(8,695)**	2,772	**(2,554)**	(644)
Cash and cash equivalents at beginning of year		**6,939**	4,167	**(5,202)**	(4,558)
Cash and cash equivalents at end of year	30	**(1,756)**	6,939	**(7,756)**	(5,202)

Group cash and cash equivalents of £1,756,000 comprise cash of £4,701,000 and a bank overdraft of £6,457,000.

The notes on pages 70 to 97 are an integral part of these consolidated financial statements.

Group and parent company statements of changes in equity
for the year ended 31 December 2015

Group	Share capital £'000	Share premium £'000	Own shares held in trust £'000	Retained earnings £'000	Other reserve £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 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)
At 31 December 2014	633	51,045	(3,718)	60,109	2,111	4,728	114,908
Profit for the year	—	—	—	4,543	—	831	5,374
Transactions with owners							
Share acquisitions less sales	—	—	789	(200)	—	—	589
Share-based payments	—	—	—	684	—	—	684
Deferred tax in relation to share-based payments	—	—	—	134	—	—	134
Dividends paid (note 12)	—	—	—	(12,422)	—	(2,110)	(14,532)
Other comprehensive income							
Currency translation differences	—	—	—	—	(111)	—	(111)
At 31 December 2015	**633**	**51,045**	**(2,929)**	**52,848**	**2,000**	**3,449**	**107,046**

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserve £'000	Total equity £'000
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)
At 31 December 2014	633	51,045	5,068	2,219	58,965
Profit for the year	—	—	25,784	—	25,784
Transactions with owners					
Share acquisitions less sales	—	—	(200)	—	(200)
Share-based payments	—	—	684	—	684
Dividends paid (note 12)	—	—	(12,422)	—	(12,422)
At 31 December 2015	**633**	**51,045**	**18,914**	**2,219**	**72,811**

The notes on pages 70 to 97 are an integral part of these consolidated financial statements.

Notes to the financial statements
for the year ended 31 December 2015

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 £25,784,000 (2014: £15,211,000).

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:

- Annual Improvements to IFRSs – 2010-2012 Cycle.
- Annual Improvements to IFRSs – 2011-2013 Cycle.

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:

- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (mandatory for year ending 31 December 2016).
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation (mandatory for year ending 31 December 2016).
- Amendments to IAS 27: Equity method in separate financial statements (mandatory for year ending 31 December 2016).

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 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).
- Amendments to IAS 1: Disclosure initiative (mandatory for year ending 31 December 2016).
- Amendments to IAS 7: Disclosure initiative (mandatory for year ending 31 December 2017).
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (mandatory for year ending 31 December 2017).
- 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.
- IFRS 15 Revenue from contracts with customers (mandatory for year ending 31 December 2018). 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 16 Leases (mandatory for year ending 31 December 2019). The standard fundamentally changes the accounting for leases by lessees. It eliminates the current IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases and, instead, introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting. 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 2015.

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.

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

Notes to the financial statements continued
for the year ended 31 December 2015

1. Summary of significant accounting policies continued

1.4 Basis of consolidation continued

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.

1.5 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 that form part of long-term software installation contracts (principally within the Secondary & Specialist Care segment) are spread over the implementation phase of these contracts (in line with the period over which the service is provided) according to the hours worked on the implementation, to best represent the period over which the vendor obligations are satisfied. Secondary & Specialist Care service contract revenues are recognised as delivered over the period of supply.
- Revenue from hosting services, principally under the General Practitioner Systems of Choice (GPSoC) framework, is recognised as follows:
  - Provision of infrastructure and hardware – over the period that the service is provided, 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.

1. Summary of significant accounting policies continued

1.6 Revenue recognition continued

- 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.

(b) Computer software developed for external sale

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

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

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

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

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. The estimated useful life for development expenditure is 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.

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

(c) Other intangible assets

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

Notes to the financial statements continued
for the year ended 31 December 2015

1. Summary of significant accounting policies continued

1.7 Intangible assets continued

(c) Other intangible assets continued

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

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

1.8 Property, plant and equipment

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

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

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

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

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

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.

1. Summary of significant accounting policies continued

1.10 Taxation continued

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

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

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

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.

Notes to the financial statements continued
for the year ended 31 December 2015

1. Summary of significant accounting policies continued

1.16 Own shares held in trust

The shares in the Company held by The EMIS Group plc Employee Benefit Trust are treated as treasury shares, stated at weighted average cost and presented as a reduction of shareholders' equity (see note 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.

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, and bank overdrafts. There are no bank deposits with maturity dates of more than one month.

(b) Financial liabilities

Trade payables

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

Bank borrowings

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

Equity instruments

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

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:

2. Critical accounting estimates and judgements continued

Carrying amount of goodwill, intangible assets acquired, and investments

The carrying amounts of goodwill, intangible assets acquired, and investments are reviewed for impairment at least annually and are assessed against the net present value of projected cash flows for each cash-generating unit (CGU). Cash flows are discounted using an adjusted weighted average cost of capital for each CGU. Judgements are made in calculating the value in use, and ongoing appropriateness, of the CGUs.

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.

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 team 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 of £7.4m and bank overdraft of £6.5m. 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 £4.7m, on which interest received is subject to fluctuations in market rates.

Notes to the financial statements continued
for the year ended 31 December 2015

3. Financial risk management continued

3.1 Financial risk factors continued

Price risk

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

3.2 Capital risk management

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

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to investors and benefits for other stakeholders and to maintain an appropriate capital structure to reduce the cost of capital;
- to provide an adequate return to shareholders based on the level of risk 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 connected healthcare software and services:

(a) Primary & Community Care;

(b) Community Pharmacy; and

(c) Secondary & Specialist Care.

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 and overdrafts are not allocated to segments, as Group and financing activities are not segment-specific.

4. Operating segments continued

Segmental information

	2015				2014			
	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	**93,860**	**20,013**	**42,025**	**155,898**	89,708	18,386	29,545	137,639
Segmental operating profit as reported internally	**29,603**	**4,248**	**4,182**	**38,033**	26,450	3,853	3,430	33,733
Development costs capitalised	**3,031**	**1,017**	**2,135**	**6,183**	3,978	784	1,761	6,523
Amortisation of development costs	**(5,396)**	**—**	**(901)**	**(6,297)**	(4,248)	—	(397)	(4,645)
Amortisation of acquired intangible assets	**(923)**	**(577)**	**(5,009)**	**(6,509)**	(1,110)	(736)	(4,423)	(6,269)
Segmental operating profit	**26,315**	**4,688**	**407**	**31,410**	25,070	3,901	371	29,342
Group operating expenses				**(1,480)**				(1,094)
Impairment of goodwill				**(16,183)**				—
Impairment of investment				**(2,317)**				—
Release of contingent acquisition consideration				**—**				873
Operating profit				**11,430**				29,121
Net finance costs				**(449)**				(543)
Share of result of associate				**(388)**				(55)
Share of result of joint venture				**339**				17
Profit before taxation				**10,932**				28,540
Segmental assets and liabilities								
Segmental assets as reported internally	**36,036**	**4,469**	**16,254**	**56,759**	38,046	4,145	12,249	54,440
Goodwill and other intangible assets	**49,307**	**11,223**	**60,853**	**121,383**	43,800	10,798	84,799	139,397
	85,343	**15,692**	**77,107**	**178,142**	81,846	14,943	97,048	193,837
Group assets				**372**				155
Investment in joint venture and associates				**131**				2,705
Group cash and cash equivalents				**4,701**				6,939
Total assets				**183,346**				203,636
Segmental liabilities as reported internally	**(30,739)**	**(7,476)**	**(20,011)**	**(58,226)**	(38,101)	(6,872)	(19,230)	(64,203)
Group liabilities				**(4,264)**				(5,769)
Group bank loans and overdraft				**(13,810)**				(18,756)
Total liabilities				**(76,300)**				(88,728)
Other segmental information								
Purchase of property, plant and equipment	**3,409**	**180**	**2,556**	**6,145**	5,353	334	1,186	6,873
Depreciation of property, plant and equipment	**6,749**	**137**	**954**	**7,840**	7,165	168	433	7,766
Purchase of computer software used internally	**1,730**	**—**	**—**	**1,730**	1,765	—	—	1,765
Amortisation of computer software used internally	**687**	**17**	**—**	**704**	430	17	—	447

Notes to the financial statements continued
for the year ended 31 December 2015

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 £3,750,000 (2014: £3,692,000), from the Primary & Community Care segment to the Secondary & Specialist Care segment totalling £883,000 (2014: £456,000), and from the Secondary & Specialist Care segment to the Primary & Community Care segment totalling £33,000 (2014: £69,000).

Revenue of £112,786,000 (2014: £98,939,000) is derived from the NHS and related bodies.

Revenue of £6,942,000 (2014: £5,421,000) is derived from customers outside the United Kingdom. Non-current assets held outside the UK total £235,000 (2014: £21,000).

5. Revenue

Revenue is analysed as follows:

	2015 £'000	2014 £'000
Licences	**50,300**	43,850
Maintenance and software support	**37,887**	33,438
Other support services	**30,611**	21,568
Training, consultancy and implementation	**16,128**	16,918
Hosting	**13,075**	13,968
Hardware	**7,897**	7,897
	155,898	137,639

6. Operating profit

	2015 £'000	2014 £'000
The following have been included in arriving at operating profit:		
Research and development expenditure	**19,561**	16,750
Development expenditure capitalised		
– software for external sale	**(6,183)**	(6,523)
– software used internally	**(472)**	—
Depreciation of property, plant and equipment		
– depreciation of owned assets	**7,840**	7,766
Amortisation of intangible assets		
– computer software used internally	**704**	447
– computer software developed for external sale	**6,297**	4,645
– arising on business combinations	**6,509**	6,269
Impairment of goodwill (note 13)	**16,183**	—
Impairment of investment (note 16)	**2,317**	—
Operating lease rentals		
– land and buildings	**1,241**	644
– plant, equipment, and motor vehicles	**783**	31

The total research and development cost shown above of £19,561,000 (2014: £16,750,000) consists of the direct salary and national insurance costs of relevant staff. Software development costs amounting to £6,655,000 (2014: £6,523,000) have been capitalised in accordance with the criteria set out in IAS 38.

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:

	2015 £'000	2014 £'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	**115**	109
– Tax compliance services	**46**	42
– Other tax advisory services	**34**	48
– Forensic advisory	**75**	—
– All other services	**21**	18
	316	242

7. Finance income

	2015 £'000	2014 £'000
Bank interest	**28**	10
	28	10

8. Finance costs

	2015 £'000	2014 £'000
Bank loan interest	**380**	455
Amortisation of bank loan issue costs	**97**	98
	477	553

9. Employees

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

	2015 Number	2014 Number
– management and administration	**180**	134
– software support and development	**913**	878
– sales, maintenance and training	**493**	504
– others	**277**	95
	1,863	1,611

Notes to the financial statements continued
for the year ended 31 December 2015

9. Employees continued

Staff costs for above people:

	2015 £'000	2014 £'000
– wages and salaries	**63,977**	57,105
– social security costs	**6,620**	5,833
– pension costs – defined contribution plans	**2,402**	1,828
– share incentive plan (note 26)	**437**	58
– share option expense (note 26)	**684**	270
	74,120	65,094
Dealt with as follows:		
– charged in Group statement of comprehensive income	**67,465**	58,571
– capitalised in the development of software for external sale	**6,183**	6,523
– capitalised in respect of computer software used internally	**472**	—
	74,120	65,094

10. Income tax expense

	2015 £'000	2014 £'000
Income tax:		
– current year tax charge	**7,943**	6,002
– adjustment in respect of prior years	**—**	(225)
Total current tax	**7,943**	5,777
Deferred tax:		
– current year	**(2,385)**	(58)
Total deferred tax	**(2,385)**	(58)
Total tax charge in Group statement of comprehensive income	**5,558**	5,719
Factors affecting the tax charge for the year		
Profit before taxation	**10,932**	28,540
Taxation at the average UK corporation tax rate of 20.25% (2014: 21.5%)	**2,214**	6,136
Tax effects of:		
– expenses not allowable in determining taxable profit	**3,724**	61
– income not taxable in determining taxable profit	**—**	(188)
– adjustment in respect of prior years	**—**	(225)
– other permanent items	**2**	(73)
– joint venture/associate reported net of tax	**—**	8
– deferred tax rate change	**(382)**	—
Tax charge for the year	**5,558**	5,719

The main rate of UK corporation tax reduced from 21% to 20% on 1 April 2015 and will reduce to 19% from 1 April 2017, and to 18% from 1 April 2020. The impact of this on the deferred tax balances of the Group has been included in the current year tax charge.

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	2015 £'000	2014 £'000
Basic earnings attributable to equity holders	**4,543**	22,144
Impairment of goodwill	**16,183**	—
Impairment of investment	**2,317**	—
Release of contingent acquisition consideration	**—**	(873)
Development costs capitalised	**(6,183)**	(6,523)
Amortisation of development costs and acquired intangible assets	**12,806**	10,914
Tax and non-controlling interest effect of above items	**(1,266)**	(870)
Adjusted earnings attributable to equity holders	**28,400**	24,792

Weighted average number of ordinary shares	2015 Number '000	2014 Number '000
Total shares in issue	**63,311**	63,311
Shares held by Employee Benefit Trust	**(576)**	(557)
For basic EPS calculations	**62,735**	62,754
Effect of potentially dilutive share options	**230**	187
For diluted EPS calculations	**62,965**	62,941

Earnings per share	2015 Pence	2014 Pence
Basic	**7.2**	35.3
Adjusted	**45.3**	39.5
Basic diluted	**7.2**	35.2
Adjusted diluted	**45.1**	39.4

12. Dividends

	2015 £'000	2014 £'000
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
Final dividend for the year to 31 December 2014 of 9.2p	**5,771**	—
Interim dividend for the year to 31 December 2015 of 10.6p	**6,651**	—
	12,422	10,792

A final dividend for the year to 31 December 2015 of 10.6p amounting to approximately £6,655,000 will be proposed at the Annual General Meeting on 26 April 2016. If approved, this dividend will be paid on 29 April 2016 to shareholders on the register on 1 April 2016. The dividend is not accounted for as a liability in these financial statements and will be accounted for as an appropriation of distributable reserves in the year to 31 December 2016.

Notes to the financial statements continued
for the year ended 31 December 2015

13. Goodwill

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

Group	Primary & Community Care £'000	Community Pharmacy £'000	Secondary Care £'000	Specialist Care £'000	Total Group £'000
Cost					
At 1 January 2014	15,853	6,756	34,185	2,470	59,264
Acquisition of businesses	—	—	3,205	6,108	9,313
At 31 December 2014	15,853	6,756	37,390	8,578	68,577
Acquisition of businesses (note 31)	1,967	—	—	—	1,967
Reallocation of goodwill	3,473	—	(3,473)	—	—
Measurement period adjustment	—	—	—	27	27
At 31 December 2015	**21,293**	**6,756**	**33,917**	**8,605**	**70,571**
Accumulated impairment losses					
At 1 January 2014 and 31 December 2014	—	—	—	—	—
Impairment of goodwill	—	—	(16,183)	—	(16,183)
At 31 December 2015	**—**	**—**	**(16,183)**	**—**	**(16,183)**
Net book value					
At 31 December 2015	**21,293**	**6,756**	**17,734**	**8,605**	**54,388**
At 31 December 2014	15,853	6,756	37,390	8,578	68,577
At 1 January 2014	15,853	6,756	34,185	2,470	59,264

Impairment tests for goodwill

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

The value in use for each allocation of the existing goodwill has been calculated using internal Group budgets for the year ending 31 December 2016 to forecast pre-tax cash flows from each CGU (with the key budget assumptions being in relation to revenue growth). These cash flows have then been extrapolated for a further four years assuming average annual growth rates of 3.5% for all CGUs (2014: 3.5%) until 31 December 2020 and then 1% for all CGUs in perpetuity (2014: 1%). The pre-tax cash flows have been discounted back to 31 December 2015 using a discount rate of 9.1% in relation to Primary & Community Care (2014: 9.1%), and 10.1% for all other CGUs (2014: 10.1%).

As a result of this exercise a £16,183,000 impairment of goodwill within the Secondary Care CGU has been recognised, reflecting the fact that the business has not yet delivered the financial returns expected when it joined the Group in 2013. The recoverable amount of the Secondary Care CGU assessed under the value in use method is £48,757,000. The exercise has confirmed that there has been no impairment in any other CGU.

Sensitivity analysis has been performed on the key assumptions which indicated that, with the exception of the Secondary Care CGU, no reasonably possible change to key assumptions would cause an impairment. An impairment would not be recognised outside of the Secondary Care CGU if annual growth rates, and growth into perpetuity were reduced to zero, or if discount rates were increased to 18%.

A 1% increase in the Secondary Care CGU discount rate would reduce the value in use by £4,891,000, and a 1% reduction in both the annual growth rate and the perpetuity growth rate would reduce the value in use by £4,376,000.

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

Reallocation of goodwill

During the year there has been a reallocation of goodwill from the Secondary Care CGU to the Primary & Community Care CGU reflecting the transfer of the ePEX mental health solution between these CGUs. Goodwill of £3,473,000 attributable to the ePEX solution has been transferred.

14. Other intangible assets

Group	Computer software used internally £'000	Computer software developed for external sale £'000	Computer software acquired on business combinations £'000	Customer relationships £'000	Total £'000
Cost					
At 1 January 2014	1,045	22,137	34,124	29,517	86,823
Additions	1,765	6,523	—	—	8,288
Acquisition of businesses	—	—	1,093	5,596	6,689
At 31 December 2014	2,810	28,660	35,217	35,113	101,800
Additions	1,730	6,183	—	—	7,913
Acquisition of businesses (note 31)	—	—	844	928	1,772
At 31 December 2015	**4,540**	**34,843**	**36,061**	**36,041**	**111,485**
Accumulated amortisation and impairment					
At 1 January 2014	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
Charged in year	704	6,297	3,469	3,040	13,510
At 31 December 2015	**1,369**	**13,597**	**16,471**	**13,053**	**44,490**
Net book value					
At 31 December 2015	**3,171**	**21,246**	**19,590**	**22,988**	**66,995**
At 31 December 2014	2,145	21,360	22,215	25,100	70,820
At 1 January 2014	827	19,482	24,866	22,029	67,204

The accounting policy for intangible assets is set out in note 1.7. The remaining average amortisation period for software developed for external sale is three years (2014: four years). At 31 December 2015 software acquired on business combinations had a remaining amortisation period of six years for both Ascribe and Digital Healthcare, and four years for Indigo 4 Systems (part of the Secondary Care CGU). The amortisation period for software acquired during the year with PinBellCom Group Limited (part of the Primary & Community Care CGU) is five years. Customer relationships have a remaining amortisation period of eight years (2014: nine years) for Primary & Community Care, five years (2014: six years) for Community Pharmacy, eight years for both Ascribe and Digital Healthcare, and nine years for both Indigo 4 Systems and Medical Imaging. The amortisation period for customer relationships acquired during the year with PinBellCom Group Limited is ten years.

Company intangible assets comprise computer software developed for external sale with a cost of £1,801,000 (2014: £784,000, 2013: £nil), and accumulated amortisation of £nil (2014: £nil, 2013: £nil). No amortisation has been charged to date as the asset is not yet ready for use.

Reallocation of other intangible assets

During the year there has been a reallocation of computer software acquired on business combinations and customer relationships from the Secondary Care CGU to the Primary & Community Care CGU reflecting the transfer of the ePEX mental health solution between these CGUs. Computer software acquired on business combinations with a cost of £2,165,000 and a net book value of £1,545,000 and customer relationships with a cost of £908,000 and a net book value of £700,000 attributable to the ePEX solution have been transferred.

Notes to the financial statements continued
for the year ended 31 December 2015

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 2014	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
Additions	1,715	2,916	1,376	138	6,145
Acquisition of businesses (note 31)	—	11	—	—	11
Disposals	(186)	(111)	(27)	(1,893)	(2,217)
Exchange differences	—	3	—	—	3
At 31 December 2015	**11,227**	**33,856**	**4,901**	**3,539**	**53,523**
Accumulated depreciation and impairment					
At 1 January 2014	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
Charged in year	266	5,998	517	1,059	7,840
On disposals	(116)	(16)	(8)	(1,477)	(1,617)
At 31 December 2015	**1,224**	**26,339**	**2,041**	**1,887**	**31,491**
Net book value					
At 31 December 2015	**10,003**	**7,517**	**2,860**	**1,652**	**22,032**
At 31 December 2014	8,624	10,680	2,020	2,989	24,313
At 1 January 2014	7,761	12,427	1,320	3,102	24,610

Included within property, plant and equipment are contract assets allocated to the data centre hosting services contract (see note 1.6 for further details) with an original cost of £18,795,000 (2014: £18,317,000) and accumulated depreciation of £16,826,000 (2014: £13,651,000). Depreciation of £3,175,000 (2014: £3,761,000) has been included in other operating expenses in the year. The net book value of these assets amounts to £1,969,000 (2014: £4,666,000).

16. Investments in subsidiaries

Company	£'000
As at 1 January 2014	70,370
Acquisition of businesses	12,000
As at 31 December 2014	82,370
Acquisition of businesses (note 31)	3,464
Investment in subsidiary undertaking	1
Capital contribution	1,748
Impairment	(17,203)
As at 31 December 2015	**70,380**

On 10 August 2015 EMIS Health India Private Limited was incorporated. 90% of the share capital was acquired by the Company at a cost of £1,000, with the remaining share capital acquired by Egton Medical Information Systems Limited, a wholly owned subsidiary of the Company.

16. Investments in subsidiaries continued

During the year the Company received a dividend in kind from Ascribe Group Limited in relation to the intangible assets associated with the ePEX mental health solution, with a fair value of £1,748,000. Following this, the Company made a capital contribution to Egton Medical Information Systems Limited with a fair value of £1,748,000, reflecting the transfer of the ePEX solution, this has resulted in an increase in the cost of investment in Egton Medical information Systems Limited of £1,748,000.

The Company's investment in Ascribe Group Limited was impaired by £1,748,000 following the transactions described above. A further impairment of £15,455,000 was also taken in the Company in relation to the investment in Ascribe Group Limited, resulting in a total impairment in the year of £17,203,000 writing down the cost of investment to £nil, following a review of future cash flows against the carrying value of the investment.

The undertakings whose results or financial position are consolidated within the Group financial statements at 31 December 2015 are as follows:

	Country of incorporation	% of issued ordinary shares held
21C.IT Limited^	England	100
Arkive Computing Limiited^	England	100
ASC Computer Software (NZ) Limited	New Zealand	100
ASC Computer Software Limited (Malaysia)^	Malaysia	100
ASC Computer Software PTY Limited	Australia	100
Ascribe Group Limited	England	100*
Ascribe Holdings Limited	England	100
Ascribe Limited	England	100
Ascribe Limited (Kenya)	Kenya	100
Barwick Systems Limited^	England	100
CBD-E Limited	England	100
Digital Healthcare Inc.	USA	100
Digital Healthcare Limited	England	100*
Egton Medical Information Systems Limited	England	100*
EMIS Health India Private limited	India	100*
EMIS Professional Publishing Limited^	England	100
Exeter Systems Limited^	England	100
Exeter Systems User Group Limited^	England	100
Footman Walker Associates Limited^	England	100
HE Information Systems Limited^	England	100
Healthcare Gateway Limited	England	50
Indigo 4 Systems Limited	England	100
Medical Imaging UK Limited	England	100*
MIDRSS Limited	Republic of Ireland	100*
Orion Imaging Limited	England	100
Park Systems Limited^	England	100
Pathway Trust Limited^	England	100
Pharmacy 2U Limited	England	17.8
PinBellCom Group Limited	England	100
PinBellCom Limited	England	100
Protechnic Computers Limited^	England	100
Protechnic Exeter Limited^	England	100
Rx Systems Limited	England	78.9*
Scorpio Information Systems Limited^	England	100
Scroll Bidco Limited	England	100

* Held directly by EMIS Group plc.
^ Dormant.

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, Ascribe Holdings Limited and PinBellCom Group Limited which are all holding companies. Subsequent to the year-end there was a reduction in the % of issued ordinary shares held in Pharmacy 2U Limited to 14.8%.

Notes to the financial statements continued
for the year ended 31 December 2015

17. Investment in joint venture and associate

Associate

Group	2015 £'000	2014 £'000
At 1 January	**2,705**	2,760
Share of result for year	**(388)**	(55)
Impairment	**(2,317)**	—
At 31 December	**—**	2,705

The results above relate to Pharmacy 2U Limited (P2U), an unlisted company incorporated in the UK. Following a fundraising round in which the Group did not participate, the Group's ownership and voting interest at 31 December 2015 was 17.8% (2014: 20%). The principal activity of P2U is the operation of an internet mail order pharmacy.

Following a difficult trading year for P2U, the carrying value of the investment has been tested for impairment in line with the Group's accounting policies. As a result of this exercise a full impairment of the investment was recognised.

Aggregate amounts relating to P2U are as follows:

	2015 £'000	2014 £'000
Revenues	**18,118**	17,286
Loss before taxation	**(2,293)**	(612)
Loss after taxation	**(2,111)**	(598)
Attributable to EMIS Group plc	**(395)**	(120)
Attributable to P2U's other shareholders	**(1,716)**	(478)
Non-current assets	**5,369**	3,246
Current assets	**2,445**	3,760
Current liabilities	**(4,661)**	(3,604)
Non-current liabilities	**(463)**	(569)
Net assets	**2,690**	2,833
Attributable to EMIS Group plc	**478**	566
Attributable to P2U's other shareholders	**2,212**	2,267
Group's interest in net assets at beginning of year	**566**	686
Total comprehensive income attributable to the Group	**(395)**	(120)
Gain on dilution of shareholding	**307**	—
Group's interest in net assets of investee at end of year	**478**	566
Adjustment in respect of prior years	**72**	65
Goodwill	**2,074**	2,074
Gain on dilution of shareholding not recognised	**(307)**	—
Impairment of investment	**(2,317)**	—
Carrying amount of interest in investee at end of year	**—**	2,705

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

17. Investment in joint venture and associate continued

Associate continued

During the year a gain on dilution of £307,000 arose from the reduction in the Group's ownership. However, following the decision to fully impair the investment in P2U, the gain has not been recognised within the Group's financial statements.

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 2015 the Group was owed £155,000 (2014: £181,000).

Aggregate amounts relating to HGL are as follows:

	2015 £'000	2014 £'000
Revenues	**1,648**	822
Profit before taxation	**678**	42
Profit after taxation	**532**	33
Current assets	**1,512**	571
Current liabilities	**(1,406)**	(995)
Net assets/(liabilities)	**106**	(424)
Group's interest in net assets of investee at beginning of year	**(208)**	(225)
Share of total comprehensive income	**339**	17
Group's interest in net assets of investee at end of year	**131**	(208)

In the prior year, the Group's interest in net assets of the investee was offset against amounts owing from the investee in the Group balance sheet.

18. Inventories

Group	2015 £'000	2014 £'000
Finished goods	**1,206**	1,550

19. Trade and other receivables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade and other receivables	**15,385**	13,389	**—**	—
Prepayments and accrued income	**18,508**	15,343	**369**	151
Loan to Employee Benefit Trust	**—**	—	**3,137**	4,122
Income tax	**—**	—	**—**	—
	33,893	28,732	**3,506**	4,273

The loan to the Employee Benefit Trust is non-interest bearing and is repayable on demand.

Notes to the financial statements continued
for the year ended 31 December 2015

20. Credit quality of financial assets

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

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Trade and other receivables	**15,385**	13,389	**—**	—
Cash at bank	**4,701**	6,939	**—**	—
	20,086	20,328	**—**	—

No collateral security is held.

Trade and other receivables

Reporting date balances fall within the following categories:

	Group	
	2015 £'000	2014 £'000
UK governmental health bodies	**7,124**	5,670
Community pharmacies and associated wholesalers	**3,933**	2,956
Other third party receivables	**4,328**	4,763
	15,385	13,389

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:

	2015 £'000	2014 £'000
December	**10,482**	7,865
November	**2,263**	1,952
October and earlier	**2,640**	3,572
	15,385	13,389

The Group carries a provision for impairment of trade receivables of £348,000 (2014: £392,000).

Cash at bank

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

	Group	
	2015 £'000	2014 £'000
A1	**44**	198
A2	**1,024**	628
A3	**658**	1,093
Aa2	**475**	502
Aa3	**232**	100
Baa1	**411**	798
Baa2	**—**	1,091
Baa3	**71**	—
Ba1	**—**	84
Caa2	**1,786**	2,445
	4,701	6,939

21. Trade and other payables

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Trade payables	**5,081**	7,496	**562**	22
Accrued expenses	**7,084**	7,273	**487**	335
Other tax and social security	**5,612**	6,013	**—**	—
	17,777	20,782	**1,049**	357

22. Borrowings

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Non-current				
Unsecured bank loans	**1,951**	5,854	**1,951**	5,854
	1,951	5,854	**1,951**	5,854
Current				
Bank overdraft	**6,457**	—	**7,756**	5,202
Unsecured bank loans	**5,402**	12,902	**5,402**	12,902
	11,859	12,902	**13,158**	18,104

Bank loans comprise £6,000,000 of term loan, £1,500,000 drawn down under a revolving credit facility and £145,000 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 and overdraft facility are committed until 30 June 2017. At 31 December 2015, £4,500,000 of the revolving credit facility was undrawn, and there was £3,543,000 of unused overdraft.

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. All covenants were comfortably met during the year and are projected to be so in the coming year.

The fair value of current and non-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
At 31 December 2015					
Trade and other payables due within one year	(17,777)	(17,777)	(17,777)	—	—
External borrowings	(7,353)	(7,610)	(5,594)	(2,016)	—
Contingent acquisition consideration	(3,000)	(3,000)	(3,000)	—	—
Bank overdraft	(6,457)	(6,457)	(6,457)	—	—
	(34,587)	**(34,844)**	**(32,828)**	**(2,016)**	**—**
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)

Contingent consideration is measured at fair value, with fair values measured using level three inputs.

Notes to the financial statements continued
for the year ended 31 December 2015

24. Deferred tax

Group	Property, plant and equipment £'000	Intangible assets £'000	Other temporary differences £'000	Total £'000
At 1 January 2014	(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)
Credited to statement of comprehensive income	504	1,867	14	2,385
Credited to equity	—	—	134	134
Acquisition of businesses	—	(338)	—	(338)
Exchange differences	—	—	(2)	(2)
At 31 December 2015	**1,026**	**(12,054)**	**498**	**(10,530)**

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:

	2015 £'000	2014 £'000
Deferred tax liabilities	**(12,509)**	(14,072)
Deferred tax assets	**1,979**	1,363
	(10,530)	(12,709)

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 31 December 2014 and 31 December 2015	**63,311,396**	**633**	**51,045**

All issued shares are fully paid. At 31 December 2015 the EMIS Group plc Employee Benefit Trust held 540,034 shares in the Company (2014: 636,832 shares).

During the year the Employee Benefit Trust purchased 80,548 shares, representing 0.1% of the issued share capital of the Company, in relation to the exercise of employee share options.

During the year the Employee Benefit Trust disposed of 177,346 shares, representing 0.3% of the issued share capital of the Company, for total consideration of £1,656,000.

The maximum number of shares held by the Employee Benefit Trust during the year was 636,832, representing 1.0% of the issued share capital of the Company.

26. Share-based payments

At 31 December 2015 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 2014	Granted	Lapsed	Exercised	At 1 January 2015	Granted	Lapsed	Exercised	**At 31 December 2015**
2011 Share Option Plan									
11 October 2011	62,436	—	(11,352)	(28,380)	22,704	—	—	(16,082)	**6,622**
1 October 2012	39,669	—	(5,843)	—	33,826	—	(2,460)	(21,406)	**9,960**
2 May 2013	5,476	—	(1,369)	—	4,107	—	—	—	**4,107**
18 October 2013	99,060	—	(9,906)	—	89,154	—	(13,335)	(444)	**75,375**
15 October 2014	—	54,918	(1,356)	—	53,562	—	(3,478)	(56)	**50,028**
28 April 2015	—	—	—	—	—	47,437	(1,423)	—	**46,014**
	206,641	54,918	(29,826)	(28,380)	203,353	47,437	(20,696)	(37,988)	**192,106**
Weighted average exercise price	649p	737p	645p	528p	690p	901p	705p	690p	**741p**
Unapproved Option Scheme									
11 October 2011	12,298	—	(8,514)	(3,784)	—	—	—	—	**—**
1 October 2012	59,500	—	(7,000)	—	52,500	—	—	(45,264)	**7,236**
18 October 2013	138,000	—	(17,000)	—	121,000	—	—	—	**121,000**
	209,798	—	(32,514)	(3,784)	173,500	—	—	(45,264)	**128,236**
Weighted average exercise price	693p	—	656p	528p	703p	—	—	812p	**665p**
EMIS Group LTIP									
29 June 2012	400,000	—	(400,000)	—	—	—	—	—	**—**
2 May 2013	50,000	—	—	—	50,000	—	—	(27,714)	**22,286**
16 January 2014	—	49,019	—	—	49,019	—	—	—	**49,019**
1 May 2014	—	314,350	(21,950)	—	292,400	—	(22,714)	—	**269,686**
28 April 2015	—	—	—	—	—	266,554	(16,380)	—	**250,174**
	450,000	363,369	(421,950)	—	391,419	266,554	(39,094)	(27,714)	**591,165**
Weighted average exercise price	565p	nil	519p	—	91p	nil	nil	710p	**27p**

The number of vested options which had not been exercised at 31 December 2015 was 23,818 (2014: 22,704). The weighted-average share price at the date of exercise for share options exercised in 2015 was £9.18 (2014: £8.05).

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 and 2015 LTIP schemes. Performance conditions apply to the 2014 and 2015 awards 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.

Notes to the financial statements continued
for the year ended 31 December 2015

26. Share-based payments continued

	2011 Share Option Plan					
Grant date	11 October 2011	1 October 2012	2 May 2013	18 October 2013	15 October 2014	28 April 2015
Exercise period	October 2014 – October 2016	October 2015 – October 2017	May 2016 – May 2018	October 2016 – October 2018	October 2017 – October 2019	May 2018 – May 2019
Share price at grant date	528p	812p	730p	656p	737p	901p
Exercise price	528p	812p	730p	656p	737p	901p
Expected volatility	36%	30%	35%	35%	35%	26%
Expected life (years)	3	3	3	3	3	3
Risk-free rate	2.75%	1.00%	1.40%	1.40%	2.37%	2.37%
Expected dividend yield	2.35%	1.64%	2.20%	2.20%	2.33%	2.03%
Fair value per option	109p	153p	157p	141p	164p	152p

	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	28 April 2015
Exercise period	July 2015 – July 2017	July 2015 – July 2017	January 2017	May 2017	May 2018
Share price at grant date	547p	710p	630p	635p	908p
Exercise price	547p	710p	0p	0p	0p
Expected volatility	30%	30%	35%	35%	26%
Expected life (years)	4	3	3	3	3
Risk-free rate	1.00%	1.00%	2.37%	2.37%	2.37%
Expected dividend yield	2.30%	1.90%	2.5%	2.5%	2.03%
Fair value per option	85p	177p	584p	589p	854p

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 lower, which is used to acquire shares in the Company at market price from the EMIS Group plc Employee Benefit Trust, which holds shares in the Company to satisfy Share Incentive Plan and other employee share scheme requirements.

For every three shares acquired by an employee the Company adds one free "matching" share. The matching shares, together with any free shares allocated to members under the scheme during the year, had a value of £437,000 (2014: £58,000).

27. Operating lease commitments

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

Group	2015 £'000	2014 £'000
Land and buildings		
– due within one year	**1,584**	599
– due between one and five years	**4,296**	732
– due after five years	**3,618**	732
Plant, machinery and motor vehicles		
– due within one year	**767**	36
– due between one and five years	**1,488**	61
– due after five years	**—**	8
	11,753	1,436

28. Capital commitments

At 31 December 2015 the Group had capital commitments in respect of computer equipment amounting to £1,732,000 (2014: £102,000).

29. Cash generated from operations

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Profit/(loss) before taxation	**10,932**	28,540	**(19,214)**	70
Finance income	**(28)**	(10)	**—**	(838)
Finance costs	**477**	553	**541**	553
Share of result of associate	**388**	55	**—**	—
Share of result of joint venture	**(339)**	(17)	**—**	—
Operating profit/(loss)	**11,430**	29,121	**(18,673)**	(215)
Adjustment for non-cash items:				
Amortisation of intangible assets	**13,510**	11,361	**—**	—
Depreciation of property, plant and equipment	**7,840**	7,766	**—**	—
Impairment of goodwill	**16,183**	—	**—**	—
Impairment of investment	**2,317**	—	**17,203**	—
Release of contingent acquisition consideration	**—**	(873)	**—**	(873)
Profit on disposal of property, plant and equipment	**(44)**	(128)	**—**	—
Share-based payments	**684**	270	**—**	37
Operating cash flow before changes in working capital	**51,920**	47,517	**(1,470)**	(1,051)
Changes in working capital:				
Decrease/(increase) in inventory	**344**	(119)	**—**	—
(Increase)/decrease in trade and other receivables	**(3,945)**	(6,912)	**(218)**	(135)
(Decrease)/increase in trade and other payables	**(3,246)**	2,360	**692**	185
(Decrease)/increase in deferred income	**(2,362)**	2,010	**—**	—
Cash generated from operations	**42,711**	44,856	**(996)**	(1,001)

Notes to the financial statements continued
for the year ended 31 December 2015

30. Change in net debt

Group	2014 £'000	Cash flow £'000	Finance costs £'000	2015 £'000
Cash and cash equivalents	6,939	(2,238)	—	**4,701**
Bank overdraft	—	(6,457)	—	**(6,457)**
Bank loans due within one year	(12,902)	7,500	—	**(5,402)**
Bank loans due after one year	(5,854)	4,000	(97)	**(1,951)**
Net debt	(11,817)	2,805	(97)	**(9,109)**

31. Business combinations

On 13 July 2015 the Group acquired 100% of the share capital of PinBellCom Group Limited, a leading supplier of administration and compliance software to both the primary and the secondary care markets. The acquisition is in line with the Group's strategy of providing connected healthcare IT for patients and those involved in their care.

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

Group	£'000
Goodwill	1,967
Intangible assets acquired:	
– computer software	844
– customer relationships	928
Property, plant and equipment	11
Trade and other receivables	260
Cash and cash equivalents	484
Trade and other payables	(315)
Deferred income	(377)
Deferred tax	(338)
Total net assets	**3,464**
Consideration:	
Cash consideration	3,464
Total consideration	**3,464**
Cash and cash equivalent balances acquired	(484)
Net cash cost of acquisition paid in year	**2,980**

Goodwill relates principally to the experienced staff within the business.

Provisional fair values of assets and liabilities represent the best estimate of the fair values at the date 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 date of acquisition.

Since acquisition, the contribution of the acquired business to Group revenue and Group adjusted operating profit has been £650,000 and £276,000 respectively. Had the acquisition occurred on 1 January 2015, the revenue and adjusted operating profit for the year would have been £1,312,000 and £513,000 respectively.

In relation to the acquisition, costs of £40,000 have been expensed in the statement of comprehensive income.

During the year the accounting for the acquisition of the Medical Imaging business (acquired 22 December 2014) was finalised. This resulted in a reduction of £27,000 in the fair value of the net assets acquired, with a corresponding increase to goodwill.

In 2014 £873,000 of excess contingent consideration provision was released in relation to the acquisition of Ascribe Group Limited.

32. Pension commitments

Pension contributions of £2,402,000 (2014: £1,828,000) represent contributions paid on behalf of employees by the Group to various defined contribution schemes.

33. Related party transactions

Key management compensation

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

	2015 £'000	2014 £'000
Salaries and other short-term employee benefits	**3,095**	3,364
Post retirement benefits	**243**	206
	3,338	3,570

Directors' emoluments	2015 £'000	2014 £'000
Aggregate emoluments	**758**	962
Pension costs – defined contribution plans	**81**	75
	839	1,037

Retirement benefits are accruing to two (2014: two) Directors under defined contribution personal pension schemes.

Highest paid Director	2015 £'000	2014 £'000
Aggregate emoluments	**340**	469
Pension costs – defined contribution plans	**47**	45
	387	514

Other related party transactions

Transactions between the Group and:	2015 £'000	2014 £'000
Associate – Pharmacy 2U Limited		
Sales of goods and services in year	**67**	34
Joint venture – Healthcare Gateway Limited		
Sales of goods and services in year	**598**	467
Amounts owed by related party at year end	**155**	181
Key management personnel		
Sale of motor vehicles at market value	**13**	9

Transactions between Company and subsidiaries

The Company enters into transactions with its subsidiary undertakings in respect of internal funding and the provision of certain services which are procured by the Company. Such services are recharged based on the utilisation by the subsidiary undertaking. The amounts outstanding from subsidiary undertakings to the Company at 31 December 2015 totalled £44,960,000 (2014: £50,118,000). Amounts owed by the Company at 31 December 2015 totalled £28,678,000 (2014: £48,852,000).

The Company and certain subsidiary undertakings have entered into cross guarantees over bank loans and overdrafts to the Company. The total value of such borrowings at 31 December 2015 was £15,109,000 (2014: £23,958,000).

Shareholder information

Internet

The Group operates a website which can be found at www.emisgroupplc.com/investors. This site is regularly updated to provide information about the Group. In particular, the share price and all of the Group's press releases and announcements can be found on the site. The annual report and accounts will be published on www.emisgroupplc.com/investors. 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.

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

Payment of dividends

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

Kevin Boyd – Non-executive Director

Andy McKeon – Non-executive Director
(resigned on 2 April 2015, re-appointed on 30 September 2015)

Company Secretary
Caroline Farbridge

Company number

06553923 (England and Wales)

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Five year Group financial summary

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Revenue	**155,898**	137,639	105,542	86,333	73,238
Adjusted operating profit[1]	**36,553**	32,639	26,065	22,820	20,769
Profit before tax	**10,932**	28,540	24,635	24,059	21,435
Earnings per share – basic	**7.2p**	35.3p	32.6p	32.5p	25.4p
Earnings per share – adjusted[1]	**45.3p**	39.5p	34.0p	30.8p	27.7p
Dividends paid to Company's shareholders	**13,306**	11,533	10,056	8,237	7,248
Dividends per ordinary share	**21.2p**	18.4p	16.0p	14.2p	12.4p
Total equity	**107,046**	114,908	104,123	64,065	54,092
Cash generated from operations[2]	**36,528**	38,333	32,627	27,402	27,083
Net (debt)/cash	**(9,109)**	(11,817)	(13,491)	7,711	8,026
Average number of employees	**1,863**	1,611	1,356	1,116	898

1 Excludes impairment charges, release of contingent acquisition consideration, 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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