

A woman with brown hair tied back, wearing a blue uniform and a green earring, is looking at a tablet computer. She is standing in front of a brick wall. The image is partially covered by a large blue and white abstract shape on the right side.

Foundations for future growth

EMIS Group plc
Annual report and accounts 2017



The UK leader in connected healthcare software and services.

EMIS Group has maintained its leading position in its principal markets, with high levels of recurring revenue and a strong financial position.

Strategic report

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Highlights

PRIMARY, COMMUNITY & ACUTE CARE

No. 1
market share

Market-leading position maintained in primary care, providing EMIS Web to the GP market in the UK. Number two position maintained in community, A&E and hospital pharmacy.

COMMUNITY PHARMACY

No.=1
market share

Moved to joint market leadership in the provision of dispensary pharmacy management software for the community pharmacy market.

SPECIALIST & CARE

No. 1
market share

EMIS Group is the number one private provider of diabetic screening services and the number one in providing screening software to the diabetic eye screening market.

PATIENT

No. 1
provider of online GP booking

More patients book their appointments online using Patient Access than any other system and 15 million people each month rely on Patient.info for health information.

FINANCIAL

Total revenue

£160.4m +1%

Recurring revenue

£133.5m +4%

Adjusted operating profit¹

£37.4m -3%

Reported operating profit

£10.6m -55%

Cash generated from operations²

£44.4m +17%

Net cash/(debt)

£14.0m +£14.4m

Adjusted EPS¹

47.2p -4%

Reported EPS

12.8p -58%

Total dividend for the year

25.8p +10%

OPERATIONAL

- The Group continues to be financially strong, completing 2017 with recurring revenues up 4% representing 83% of total revenues, a net cash position of £14m and access to debt facilities of up to £60m.
- Excluding £3.5m of new investment into Patient during the year, adjusted operating profit improved by 5%.
- Legacy issues being proactively managed with NHS Digital, with an £11.2m provision made to cover potential financial settlement and costs to remedy past issues.
- Progressive dividend policy maintained, with a 10% increase versus last year and total payments to shareholders of over £15m in 2017.



Key performance indicators

Page 18

- 1 Excludes capitalisation and amortisation of development costs, amortisation of acquired intangibles and exceptional items. Operating exceptional items comprise reorganisation/cost reduction programme costs of £5.8m (2016: £3.6m), service level reporting charges of £11.2m (2016: £nil) and goodwill impairment of £nil (2016: £4.6m). Earnings per share calculations also adjusted for the related tax and non-controlling interest impact.
- 2 Stated after deduction of capitalised development costs of £4.4m (2016: £5.7m) and of the cash impact of the exceptional items of £5.2m (2016: £3.1m).

At a glance

Foundations for future growth

The NHS needs high performing, reliable technology that speeds up processes. Technology provides efficiency for a stretched NHS, under pressure for resources to cope with increasing medical costs and demand on services. Healthcare technology will underpin the sustainability of the NHS for the future.

That's why tens of thousands of clinicians across the UK rely on EMIS Group software and systems on a daily basis, to help them deliver the best possible patient care.

The Group's healthcare systems put essential patient data at the fingertips of clinicians at the point of patient care, whenever and wherever that may be. Ranging from GPs, district nurses working in the community, A&E clinicians or pharmacists – the one thing they have in common is that providing patient care is faster, more efficient and safer because of EMIS Group technology.

What we do

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



Business model
Page 10



The clinical software business of EMIS Group, supplying innovative and essential technology to every major UK health sector.



The healthcare screening arm of EMIS Group, specialising in the delivery of retinopathy eye screening to patients with diabetes, across the UK.

Our four key values underpin everything we do, throughout every area of the business

Caring

In 2017 the Group announced that it would launch a Caring Day initiative for 2018, to allow employees paid time to support a charitable initiative. Each staff member will be entitled to one day per year. The Group will also focus charitable spend on one charity in the UK and local charities in India, chosen by employees.

Innovative

EMIS Group operates in a culture of innovation, leading the field in finding new ways to use technology to benefit healthcare. For example 2017 saw the restructure of the Patient.info website, to build for future growth in the self-care industry.

Joined-up

The Group knows that the healthcare industry works best when it safely shares vital patient information. During 2017 it brought the Primary, Community & Acute Care businesses together under common leadership, working more closely with our Community Pharmacy business. Our first installation of EMIS Web in community pharmacy is a reflection of a more joined-up way of working. For more details see page 10.

Accountable

During 2017 the Group set up the Customer First programme, a new dedicated Group-wide team focussing just on customers, to drive up customer service and product quality standards throughout the whole of EMIS Health.

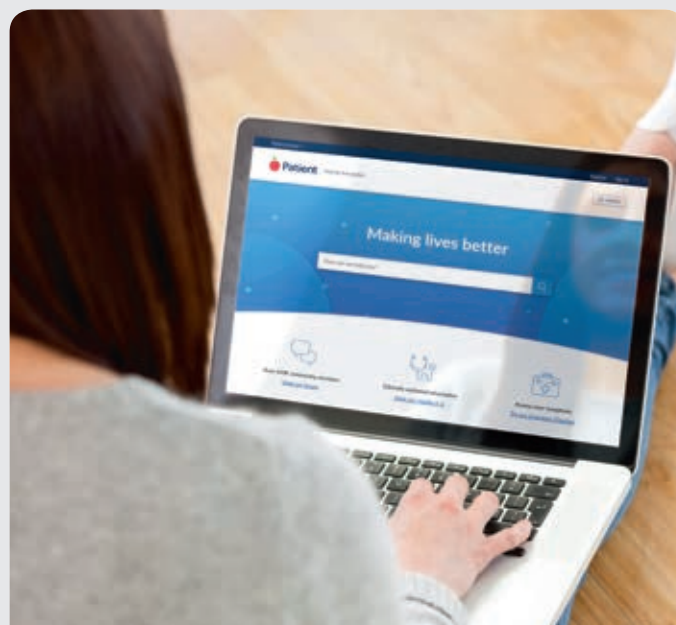


Sustainability
Page 34



egton

The specialists in non-clinical products, software and services to the health and social care market, supporting the operation of more than 5,000 healthcare organisations.



Patient

The UK's leading independent online health platform, accessed globally by millions of visitors each month.

A solid year of trading

EMIS Group has reported a solid underlying financial performance during the year that is in line with Board expectations.

“

It has been a year of change and re-organisation that has given the Group a strong foundation for growth.

”





Dear Shareholder

EMIS Group has delivered a solid year of trading during 2017. It has been a year of change and reorganisation that has given the Group a strong foundation for growth. However, since the year end, our position has been set back by the discovery of a service level reporting issue with our largest customer, NHS Digital, under a contract that dates back to 2014 and this will require attention to correct and prevent recurrence. This does not represent the standards that we set for ourselves and for this, I would like to apologise to shareholders and customers alike on behalf of all at EMIS Group. Delivering the best possible products and services to the healthcare market remains our focus, and we are committed to resolving the situation to the satisfaction of NHS Digital and our users as soon as possible.

More detail on this is included in the Chief Executive Officer's statement on page 7.

Performance overview

Notwithstanding the above issue, EMIS Group has reported a solid underlying financial performance during the year that is in line with Board expectations, despite a challenging political and economic environment for the NHS.

Further details of the Group's achievements during the year are provided in the Chief Executive Officer's statement on pages 6 to 9 and the operational review on pages 24 to 29.

Restructure

The Group accelerated its internal integration in 2017 to reflect anticipated changes in NHS models of care, bringing together its Primary, Community & Acute Care businesses under common leadership. This restructuring is now complete and has aligned the Group with the NHS's need to deliver more integrated connected care between hospitals, GP practices and community services. This has increased internal accountability and focus on the customer, and has optimised the Group's cost base.

Management and Board changes

David Sides was appointed to the Board on 1 January 2017 as Non-executive Director. David brings extensive experience of the healthcare industry gained on a global basis.

Chris Spencer retired as Chief Executive Officer on 30 April 2017. Chris was a pivotal member of EMIS Group's leadership team and a major contributor at both a strategic and operational level. We wish him a long and healthy retirement.

Andy Thorburn was appointed as Chief Executive Officer on 1 May 2017. Andy is a proven and outstanding business leader with an excellent track record in the software and IT sectors. He has set out clear plans to accelerate the pace of change across the Group. By simplifying the way we do things and by focussing on the customer, we have laid solid foundations to strengthen further our position as the UK leader in connected healthcare software and services.

Corporate governance

The Board remains committed to the highest standards of corporate governance and to strong ethical and professional practices appropriate for an AIM quoted company. This has continued to be an important focus during the year and will remain so during 2018.

A risk management committee was established in 2017 to oversee and ensure the efficient and effective management of the Company's strategic, operational, financial and compliance risks.

Details of how the governance framework operates in practice and how risk is managed and mitigated are set out in the corporate governance report on pages 40 to 47.

Dividend

The Board remains committed to a progressive dividend policy and is recommending a final dividend of 12.9p per share which, together with the interim dividend of 12.9p, provides a total dividend for the year of 25.8p per share. Subject to approval by shareholders at the Annual General Meeting (AGM) on 1 May 2018, the final dividend will be paid on 4 May 2018 to shareholders on the register on 3 April 2018. Details of the Group's capital allocation policy are set out on page 68.

Our people

2017 has been a challenging year with continued refining of the organisation to position the Group for future growth.

In 2018 we will continue to invest in our people to ensure we have the capabilities to realise our long-term ambitions, particularly through our senior leadership development programme.

On behalf of the Board, I would like to thank all our employees for their hard work and dedication during the year and for their continued support going forward putting our customers first.

Mike O'Leary
Chairman

13 March 2018

EMIS Group in a period of change

The Group continues to be financially strong, completing 2017 with recurring revenues representing 83% of the total.

“
I am delighted to be your new Chief Executive Officer and I am looking forward to the challenges and opportunities ahead of us.”





Operational review
Page 24



Strategy
Page 15

I am delighted to be your new Chief Executive Officer and I am looking forward to the challenges and opportunities ahead of us.

A period of change

EMIS Group's underlying performance for 2017 was in line with the Board's expectations, with solid progress delivered in the core business.

Unfortunately, the discovery in early 2018 of a failure to meet certain service levels and reporting obligations with our customer NHS Digital (NHSD), has had a significant negative impact on our 2017 results. A provision of £11.2m has been made to cover the potential financial settlement and costs to remedy these past breaches.

We have been undertaking a review of service level agreements (SLAs) with all of our customers across the Group and have to date found no other material issues. As a result, we believe the NHSD related breach to be a serious, but isolated incident.

The Group has maintained its leading position in its principal markets, with high levels of recurring revenue and a strong financial position. In Primary, Community & Acute Care, the Group's leading GP market share has moved forwards, while our Community market share has also continued to grow.

The roll-out of ProScript Connect, the Group's next generation pharmacy dispensary management product, has continued, driving a strong performance in Community Pharmacy, whilst maintaining its leading market share. Specialist & Care delivered a return to profit in the second half of the year and our work to deliver an evolving online digital platform for our Patient business continued in line with our plans.

EMIS Group is proud that it has delivered consistent growth based on its market-leading propositions such as EMIS Web, since its foundation over 30 years ago, but I am mindful that the healthcare market in the UK is ever changing. As a result, I believe we need to continue to invest and adapt to the new models of care that are emerging digitally, in the community and across the broader care settings we serve.

“
EMIS Group has made a positive start to 2018 and has already secured revenue for the year ahead amounting to over 90% of the revenue we reported in 2017.”

Financial strength underpinning 2018 performance

The Group continues to be financially strong. We completed 2017 with recurring revenues representing 83% of total revenues, with a net cash position of £14m and with access to debt facilities of up to £60m.

At the same time, we have maintained our progressive dividend policy, with an increase of 10% compared to the last financial year and total payments to shareholders of over £15m in the year.

EMIS Group has made a positive start to 2018 and has already secured revenue for the year ahead amounting to over 90% of the revenue we reported in 2017.

Putting in foundations for the future

After joining the business in May 2017, I spent the first two months of my tenure on an initial assessment of the Group's business operations, customer service, technology and its leadership. I have spoken directly with our staff at all levels and sought feedback from our customers on their experiences of working with us.

During this process, I have been encouraged by the strength and growth potential of our core clinical management business, our medicines management portfolio, and the innovative solutions that we are delivering, for example in the community and digitally via our Patient business. These solutions are adding significant value across many healthcare settings, and the dedication and knowledge of our teams makes a difference to our customers on a daily basis.

However, there is still work to do. I strongly believe that the robust management of legacy matters is essential to both enhance our culture and improve the Group's performance going forward. As such, I am committed to ensuring that we further improve our internal controls and execution, and that we continue to invest in our people and in upgrading our clinical management systems, while delivering industry-leading customer service across the business.

As a Group, in support of our focus on improving our operational execution, we have been working over the last six months on a programme called “Think Big, Manage Small”. Essentially, we are ambitious for the long-term growth of the Group but I believe by breaking down the business into smaller, more focussed teams, we will deal more effectively with the underlying challenges that need to be addressed before we scale to the next stage.

Chief Executive Officer's statement continued

Putting in foundations for the future continued

I have therefore structured our business into small units focussed on key market segments with product and development roadmaps evolving to meet the customer needs of each market. These teams are led by market experts whose role is to drive performance in each business unit. These changes have increased our internal accountability, reinvigorated our focus on customer service and produced cost savings.

I am also implementing solutions to the operational lessons we have learned following the recent discovery of the shortcomings in our customer and product support processes. It is clear that we have been under-resourced in both the support function and most importantly in the development team, which is something I am addressing as a key priority.

Operational improvement plans progressing

Since I joined the business, I have changed our Group Executive team (GXT) with four Executives leaving and three new Executives joining the business, including a new Group Chief Technology Officer (CTO), all of whom have a track record of delivery in their specialist areas.

Our increased focus on operational execution during the second half, whilst not yet at the levels I expect across all parts of our business, is yielding results with encouraging momentum being delivered across the following areas:

- a new and exciting mobile responsive website at Patient.info;
- completion of our Patient Access 2.0 app which we will launch in the first half of 2018;
- steady progress in our roll-out of EMIS Web in Northern Ireland;
- good growth with community customers confirming our number two market position;
- a significantly improved Symphony product supporting our unscheduled care customers;
- roll-out of our Child Protection Information Sharing module in Symphony;
- strong sales success in Egton, especially with our new Wi-Fi offerings for GP practices;
- continued development of our partner ecosystem with 101 partners now connected;
- positive roll-out of ProScript Connect across our Community Pharmacy customer base;
- improved patient satisfaction in our EMIS Care clinics – screening 551,000 patients across the UK and Ireland; and
- saving time and money for customers, whilst improving patient care, with EMIS Mobile.

We will continue this operational focus for all of 2018 and with our new leadership team in place, I expect our execution to continue to improve.

Performance culture

Underpinning our operational improvement plans is a new focus on metrics and key performance indicators. These objective measures, which are reviewed by the Executive management team daily and weekly, are key to understanding our progress against our plans for all aspects of our business.

At all times we will maintain the highest level of clinical, ethical, legal, corporate standards and governance across the Group. This means making our customers and users the Group's common purpose, working in collaboration with them, and exceeding their expectations at every stage.

Key projects

In this period of change for the Group there are three key projects that will shape our business for the future. The management team is focussed on each one as follows:

1. IT Futures and its importance

The current framework agreement for GP Systems of Choice (GPSoc) formally ends on 27 March 2018. However, the "call off" contracts that sit under the framework agreement, which cover over 4,100 GP practices in England that we serve as well as centrally funded services such as patient-facing services (e.g. Patient apps), have already been extended until 31 December 2018. We are in constructive discussions with NHSD to further extend those "call off" contracts to the end of 2019, to ensure there is sufficient time to put in place its replacement framework agreement.

The next framework agreement for GP systems in England is called IT Futures and we expect the formal procurement process to commence later this year. We are already discussing IT Futures at the highest levels of NHS England and NHSD. We are aligned with NHS England's strategy and are currently working through the detailed requirements with NHSD as part of our preparation for the up and coming framework tender. Although there are no guarantees of success, I feel confident we are well placed to be successful in our bid.

2. EMIS Web clinical management system upgrade

In anticipation of the new IT Futures requirements, we have commenced an upgrade of our clinical management system, EMIS Web. Our upgraded system will be more modular in nature, further cloud-enabled and interoperable, and will have new flexible configuration tools to meet the emerging care models we are seeing across the NHS.

The upgrade programme is being led by our new CTO, together with our Group Development Director who was one of the original architects of EMIS Web over ten years ago. We are combining existing skills in our business with new technology skills to provide a more flexible and adaptable clinical management software platform to meet the new models of care that are emerging.

The upgrade will evolve over time with new, more flexible modules being introduced on a regular basis, thus minimising project and execution risks.

3. NHSD service level issues

We are in discussions with NHSD on the settlement arrangements for the SLA issues we announced in January 2018. We expect that this process will take some time to conclude as our findings need to be independently validated. We are working constructively and collaboratively with our customer and will continue to keep the market updated.

As part of our improved service level performance management process we have also reviewed the SLAs in contracts for other customers and we can confirm that no other material breaches have been identified to date. All SLA performance metrics are now being managed on a daily and weekly basis as part of our new operational improvement plans and we are confident that EMIS Group now has the appropriate processes in place to ensure that such breaches are not repeated in future.

In order to manage these key projects, we expect that operational costs will increase by £3m in 2018, reducing to £2m in 2019 and will be fully normalised in 2020.

Summary and outlook

EMIS Group has been built on solid foundations, which remain firmly in place today. We continue to lead the way in joined-up healthcare IT, with market-leading positions, high levels of recurring revenue and a strong financial position. Whilst we are proud of what we have already achieved in delivering connected healthcare, we are continuing to build on this with operational enhancements and key projects that will give us a stable platform for future growth.

I believe that the robust management of legacy matters is essential, to both enhance our culture and improve performance going forward. This means being more performance-led, with greater accountability, improved operational execution and an increased focus on our customers, users, partners, patients and their needs. To support this, I have engaged closely with senior NHS figures, and have committed the Group to further strengthen its alignment with the strategic priorities of its key customers and users over the period ahead, placing EMIS Group firmly at the heart of the connected IT future of the NHS.

While our focus currently is on dealing with the three key projects set out in these pages, we are also working on our detailed plans for growth. I look forward to sharing more details of this with the market and our shareholders later in the year, as the Group continues to invest and adapt to the new models of care that are emerging digitally across our markets.

Andy Thorburn
Chief Executive Officer
13 March 2018

Leading UK healthcare technology provider, with our systems used by clinicians in 128 different types of NHS clinical settings

No. 1

provider of clinical systems in primary care

No. 2

provider of clinical systems in community care

No.=1

provider of clinical systems in community pharmacy

No. 1

private provider of diabetic eye screening services

No. 1

provider of clinical systems for diabetic eye screening

No. 2

provider of clinical systems to hospital pharmacy

No. 1

healthcare platform partner ecosystem with 101 partners

No. 1

provider of online GP booking with Patient Access

Market-leading

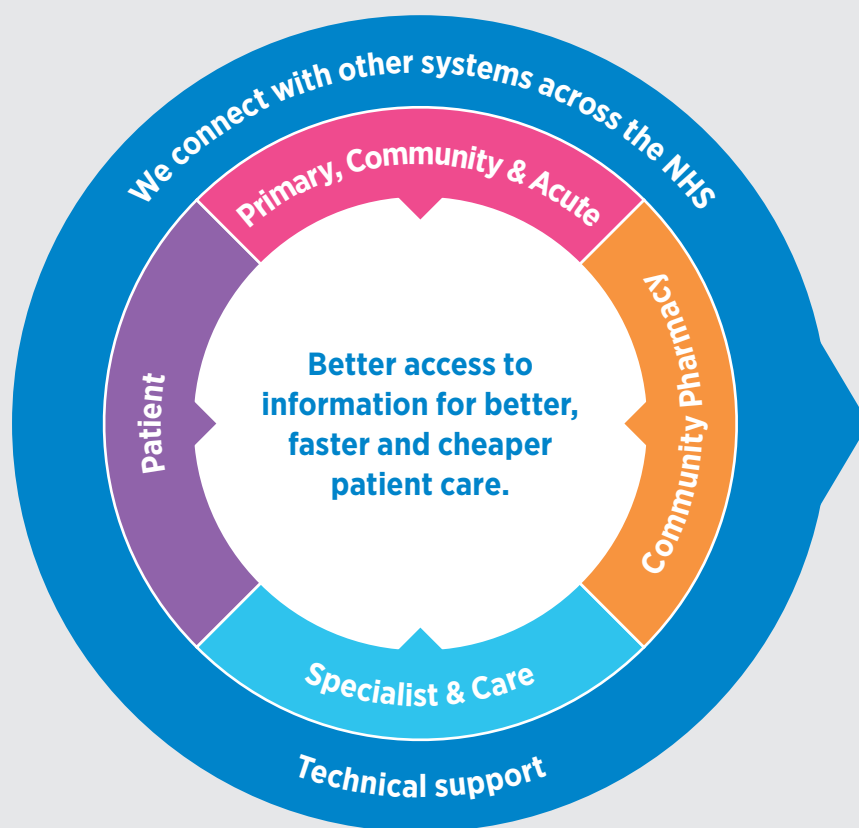
independent citizen self-care website with Patient.Info

Joined-up healthcare through innovative IT

Our key inputs

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

 **Markets**
Page 12



Why customers choose us • Clinically focussed • Trusted supplier • Provide better patient care • Care about what we do

INTEGRATED CARE CASE STUDY

“Revolutionary” software enables GPs and pharmacists to give better TB care

“Revolutionary” new software is enabling a community pharmacist and a GP to work together to improve care for patients with TB in Newham, East London – which has the highest incidence in the UK, at seven times the national average.

EMIS Web for Pharmacy is the first clinical system in the UK to enable pharmacists to read and write to a shared patient record with GPs. It is being piloted by pharmacist Jignesh Patel at the Rohpharm Pharmacy and GP Farzana Hussein at the nearby Project Surgery. The pair are achieving a

100% success rate in completing Latent TB Infection (LTBI) treatment to patients, while saving hours of admin per week.

The software is enabling them to identify and treat the dormant form of the disease. The disease significantly increases the lifetime chances of a patient developing full-blown TB. It is a major step forward in supporting pharmacists to play an enhanced role in patient care – a key objective for the profession – and to relieve pressure on general practice.

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.
- Interoperability fees.



Financial review
Page 30

How we add value

CUSTOMERS

We help make integrated care a reality for large-scale NHS customers.

42

Clinical Commissioning Groups (CCGs) use EMIS Health systems for both their community care and 100% of their primary care

CLINICIANS

Our systems and services are designed to support healthcare on the frontline.

10,000

healthcare organisations rely on EMIS Health clinical systems daily

CITIZENS

We provide trusted healthcare information and interaction with GP practices for UK citizens.

15 million

visitors to Patient.info every month for reliable healthcare information

SHAREHOLDERS

We deliver long-term growth in dividends and share price.

25.8p

dividend for the year

- Pioneering • Used in every major healthcare setting directly supporting patients and clinicians to provide safe and efficient care

Jignesh said the software was “fantastic. Up to now, we have never had a full picture of the patient’s full diagnosis or history, including attendances at A&E. The beauty of EMIS Web for Pharmacy is that I can pick things up straight away by looking at the notes. It means that time and money is saved and it improves patient care.”

When he receives a prescription from Farzana, he is alerted that the patient is starting treatment for LTBI and actively follows this up with the patient. She sends him three months of repeat dispensing

electronically and knows it’s being managed safely because of the shared record.

Farzana said: “It has been really revolutionary for my work. It has saved my practice up to two hours a week in admin, it helps the patients, it improves the working life of GPs and I think it helps the health economy as a whole.

“Now, I’m confident that my pharmacy colleagues can check test results and dispense appropriately, and also have a consultation with the patient.”

She added: “This has really completed the cycle for me. Patients are more honest with a pharmacist about whether or not they have taken their medication and the barriers they may be facing in complying with treatment, and that is another reason I think this scheme has been so successful.”

She expects to see a reduction in the incidence of active TB among her 4,000 patients in the next three to four years.

EMIS Group and NHS strategy: putting IT at the heart of an efficient NHS

The NHS is under more pressure than ever before to deliver high quality healthcare at a lower cost. To do this it needs technology that speeds up processes, allowing clinicians to put all their focus on patient care.

Each EMIS Group business unit is focussed on meeting and exceeding the expectations of its customers in helping them meet the challenges of their unique clinical setting.

Primary care

MARKET DRIVERS

- Demand for NHS services is rising by 4% per annum as spending per person on health services is falling.
- Numbers of GPs are falling, with a decrease of 2.6% in 2017 from 2016.
- Requirement for GPs to deliver the best care they can as efficiently as they can.
- New models of care, Sustainability and Transformation Programmes (STPs) and GP Federations have led to flexible working, extended hours and practice mergers, meaning data sharing is increasingly important.

HOW EMIS GROUP CAN HELP

- EMIS Web clinical services and enterprise working solutions are now used across multiple care settings to join up traditional primary care with new models of care.
- EMIS Group's commitment to interoperability through the partner programme, GP Connect and direct integration with third party systems is pivotal to supporting customers' needs to access data across care settings.
- New technologies, such as EMIS Health Analytics, are bringing innovative solutions to the market to improve efficiency and combat the key issues faced by general practice.

Community

MARKET DRIVERS

- The King's Fund reports that all STPs set out proposals for redesigning primary care and community services, delivering more services outside hospitals.
- This will lead to an increase of care services provided in the community, to reduce costs.
- Data sharing will be essential for joined-up working between multiple teams such as the services needed to support the diabetes pathways.
- Increase of clinical services provided outside a hospital setting to reduce costs.
- Digital Transformation Programmes, such as managing child health.

Acute

MARKET DRIVERS

- The King's Fund reports a growing shortage of beds in hospitals. In 2016/17 bed occupancy averaged 90.3% and regularly exceeded 95% in winter, well above a level considered safe by industry experts.
- Drive from central Government for a paperless environment in hospitals means that electronic records will be vital.
- Digital Health Intelligence – NHS IT Leadership Survey 2016 revealed that e-prescribing and medicines management was one of the highest priority IT projects for trusts.
- STPs are acting as consortiums rather than trusts working in isolation.

Egton

MARKET DRIVERS

- NHS Digital drive to digitise all GP practices.
- GPs are looking to improve efficiency.
- Central funding is key to non-clinical products and services, for example funding has been improved for video consultation systems.

HOW EMIS GROUP CAN HELP

- EMIS Web gives community staff access to the patient record to allow the delivery of safe joined-up care.
- EMIS Web is used for multiple services, from musculoskeletal through to podiatry as well as adult and community services.
- EMIS Mobile saves time for clinicians working in the community, so they can see more patients each day. District nurses in North Manchester are saving an hour a day with EMIS Mobile. For more details see page 25.
- EMIS Health is deploying EMIS Web to support child health information services, supporting the NHS England targets on childhood vaccinations and immunisations.

HOW EMIS GROUP CAN HELP

- EMIS Group has been investing in its integrated and interoperable systems to underpin the new models of care.
- The Acute suite of software helps the efficient management of patients through the acute care pathway – the Group's Patient Administration System (PAS), CaMIS, manages the patient journey throughout the hospital, freeing up beds more quickly.
- Integration between hospitals, primary and community care will become increasingly important for the Global Digital Exemplar (GDE) paperless target. The pilot of EMIS Prescribing is a step towards integrating acute, primary and community care data. EMIS Group products are clinically rich and offer more detail to support the care pathway.

HOW EMIS GROUP CAN HELP

- Egton provides a wide range of non-clinical products and services across the primary care market, not limited to EMIS Health customers, to digitise transactions throughout primary care, such as self check-in, practice Wi-Fi and back office document storage and sharing.
- Online Triage offers practices an electronic consultation service that they can offer to their patients.

Markets continued

Community Pharmacy

MARKET DRIVERS

- Pressure on pharmacy revenues has led to a drive for new revenue streams.
- The Patient Group Directions (PGD) means that minor clinical services can be delivered in a pharmacy setting.
- Pharmacies are beginning to integrate into joined-up care programmes.
- Following the 2016 Murray Review, there is a drive to integrate pharmacy with primary care and other healthcare sectors to provide safer, more effective patient care by having access to the patient record.

Specialist & Care

MARKET DRIVERS

- Increased diabetes spending: forecasts suggest that if current trends continue, one in ten people will develop type 2 diabetes by 2034.
- NHS spending on diabetes increased by 72% from 2006/7 to 2016/17.
- NHS focussed on low cost outsourced model.

Patient

MARKET DRIVERS

- People are living longer with more long-term conditions.
- The NHS Forward View promotes increased patient self-care to reduce pressure on stretched NHS services.
- Central Government is promoting innovation in the self-care space with NHS Innovation Accelerator. There are eleven NHS self-help innovations covering diabetes, epilepsy, Chronic Obstructive Pulmonary Disease (COPD), pain management and others.

HOW EMIS GROUP CAN HELP

- EMIS Health's ProScript Connect is helping pharmacies cut down on wait times for customers, so they can serve more people throughout the day.
- To generate revenue, meet the requirements of the PGD and take their place in joined-up care initiatives, EMIS Health Community Pharmacy customers are trialling use of EMIS Web, to view and contribute to the care record as they deliver care services such as flu jabs and travel vaccinations.

HOW EMIS GROUP CAN HELP

- EMIS Care, and the software offered by EMIS Specialist, helps to prevent blindness and sight loss caused by diabetic retinopathy through annual screening, grading and referring patients with diabetes quickly and efficiently.

HOW EMIS GROUP CAN HELP

- The re-launched Patient Access mobile app empowers patients to self-serve online by booking GP appointments and manage repeat prescriptions, whilst relieving pressure on practices.
- The re-designed Patient.info website makes it easier for patients to get reliable self-help information online, with a new mobile-first user experience generating over 15 million visits a month.

Strategy

Our vision

To support longer and healthier lives for everyone by providing high quality healthcare technology.

1 Highest clinical content and standards

Ensure the highest clinical standards across all of the Group's software products and services, as well as diabetic eye screening provision. The Group employs a number of clinicians across the Group to ensure that its software, services and care are of the highest clinical quality.

2017 ACHIEVEMENTS

- Extensive revision of Patient.info clinical authoring, review and governance to ensure the highest quality content.
- The Group has employed a clinical director for EMIS Care, who has implemented a revised failsafe model to ensure all patients receive screening at the correct time.
- EMIS Health software and services are now deployed in 128 different clinical settings.
- The Group has implemented a central weekly clinical safety reporting process.

2018 STRATEGY

- An increase in the depth and breadth of the Group's clinical team. This will support the highest clinical standards in product development and enhancement across all products for every market.
- Where additional capacity is needed, EMIS Care will hire new screeners, graders, admin and failsafe staff to deliver diabetic eye screening services in line with NHS commissioning contracts, to the highest clinical and safety standards.

2 Customer satisfaction

Ensure customer satisfaction for customers, end users and their patients. For example, the Group set up a dedicated customer-focussed team in 2017 to drive up customer service and product quality standards throughout the whole of EMIS Health.

2017 ACHIEVEMENTS

- EMIS Health helped customers through the biggest cyber attack in NHS history.
- EMIS Care introduced patient engagement staff in 2017, to drive up patient satisfaction.
- A detailed focus on the Group's acute care product for A&E, Symphony, has seen an improvement in quality and a 65% reduction in customer complaints year on year.
- Implementation timescales for hospital pharmacy software have reduced by 32%, meaning faster deployments and a reduction in associated costs for the customer.

2018 STRATEGY

- The Customer First programme will drive up standards in EMIS Health across Primary, Community & Acute, and Community Pharmacy.
- The Group will increase resource and improve its processes to fix customers' biggest pain points and deliver new software more quickly – increasing the rate of releases and the volume of enhancements within each release.
- Secure contract renewals for primary care in England and Scotland.
- Product roadmap will deliver on customer requests for development.
- EMIS Specialist will work closely with the national NHS diabetic eye screening programme to implement longer screening intervals, which is hoped will free up capacity and allow more patients to be screened without significant need for additional resources.
- The Group will look to offer acute care customers new pricing models in return for longer-term contracts.

3 Medium-term growth

Achieve medium-term growth through separate accountable areas of the business. Common leadership across EMIS Health has generated a balance between the overarching objective of supporting joined-up care across the NHS and sector-specific growth.

2017 ACHIEVEMENTS

- The launch of Patient Platform, redesigning Patient.info and Patient Access to drive better user experiences, engagement levels and channels for future monetisation strategies.
- EMIS Care mobilised five new diabetic eye screening programmes in 2017.
- Delivery of child health information services to Lancashire, allowing the sharing of records and the consolidation of the service supporting the drive for healthy children.
- Continued roll-out of ProScript Connect into the community pharmacy estate.
- Acute care customers are renewing from twelve-month rolling contracts to five-year agreements with upgrades built in.

2018 STRATEGY

- Market share gains in Primary, Community & Acute.
- Focus on the emerging urgent care space and bridging the gap between acute and primary care.
- Launch Patient Access 2.0 and drive over five million monthly patient transactions into an open marketplace across both primary and community pharmacy estates.
- Growth through additional products into existing markets through Egton, for example Online Triage, a new product for the GP market that enables online consultation with the patient's regular GP.
- EMIS Care will carefully evaluate, select and tender for new diabetic eye screening programme (DESP) services as opportunities arise.

4 Connected healthcare

Enable connected healthcare. Across the NHS, organisations are being asked to do more with less. With EMIS Group products and services, clinicians can deliver the most efficient and best care possible with joined-up IT systems.

2017 ACHIEVEMENTS

- Pilot of EMIS Prescribing, making the GP patient record accessible to clinicians prescribing medication at hospital bedsides.
- Pilot of EMIS Web for Pharmacy has seen community pharmacists able to securely view the GP patient record to provide patient services in the pharmacy.
- EMIS Web has been extended to be used in 128 different care services, enabling better data sharing for clinical end users and joined-up healthcare to facilitate a smoother patient journey.
- 42 CCGs use EMIS Web for 100% of their GP practices and also use EMIS Web in a community setting.

2018 STRATEGY

- Product roadmaps will closely align to market requirements, such as federated working for primary care, the Falsified Medicines Directive (FMD) for community pharmacy and GDE paperless requirements in acute care – all leading to connected healthcare.
- Patient Access will empower citizens to take control of their healthcare online, relieving pressure from GP practices.
- Mobile developments supporting care planning and assessment via the new EMIS Web templates model will improve the way community staff are able to deliver care close to the patient's bedside.
- Deployment of the next generation community pharmacy system, ProScript Connect, which provides a platform to connect to other EMIS Group products over time.

5 Product innovation

Continued product innovation to provide the healthcare industry with the smartest technology before anyone else. EMIS Group innovates, develops and provides products and systems that transform lives – both for frontline clinicians and for the patients they treat.

2017 ACHIEVEMENTS

- The core foundations for the Patient Platform were built on the latest cloud-based technologies and user experience design frameworks.
- Release of the native EMIS Mobile app, to bring a better user experience for clinicians on the go.
- EMIS Group is the first clinical system supplier to offer integration with the Child Protection Information System (CP-IS) into its A&E system, Symphony, providing safeguarding warnings at the point of care.
- Two Trust customers are working with us as development partners for EMIS Prescribing and will be the first reference sites for the system.

2018 STRATEGY

- Patient Platform will deliver a clinical services marketplace offering a unique set of personalised patient-facing e-commerce services across the UK.
- Implementing existing technology into new markets to provide customers with innovative ways of working – with EMIS Web being launched into community pharmacy to help them meet the requirements of PGD.

6 Focus on people development

Focus on people development to empower staff to deliver the best products, service and customer experience they can. EMIS Group's framework of values underpins high standards of performance across the business.

2017 ACHIEVEMENTS

- Improved communication with:
 - Workplace (Facebook for work);
 - weekly top-down communication from the Chief Executive Officer, supplemented locally and used in weekly briefings; and
 - monthly communication to all employees with key updates and celebrations of success.
- Continuation of Leading the EMIS Group Way, a development programme for 300 leaders across the Group.
- Increased participation levels in the employee engagement survey and a change of survey tool allowing managers to focus more closely on areas of engagement specific to them.

2018 STRATEGY

- Expansion of the Group's critical development resource and retention of talent in development (UK and India).
- Support all senior managers to focus on individual development plans developed as part of the Leading the EMIS Group Way programme.
- Focus on developing skills for all line managers in the fundamentals of managing, including setting objectives, assessing performance, regular dialogue and ongoing coaching.
- Focus on standardising the "tools" of HR and having them readily accessible, including job descriptions, HR policies and manager guidelines.

Key performance indicators

Measuring our performance

The Group's KPIs monitor progress towards the achievement of its objectives.

Total revenue

£m

£160.4m +1%



DESCRIPTION

Group revenue increased by 1% with an increase in recurring revenues in part offset by a reduction in one-off revenues. More detail is provided in the financial review on pages 30 to 33.

LINK TO STRATEGIC PRIORITIES



Adjusted operating profit

£m

£37.4m -3%



DESCRIPTION

Adjusted operating profit is the key measure of the Group's financial performance, and reduced slightly as a result of increased investment in the Patient business.

LINK TO STRATEGIC PRIORITIES



Adjusted EPS

p

47.2p -4%



DESCRIPTION

Adjusted EPS represents the best measure of profit attributable to shareholders. The reduction this year largely follows the movement in adjusted operating profit.

LINK TO STRATEGIC PRIORITIES



Total dividend for the year

p

25.8p +10%



DESCRIPTION

The Board is recommending a final dividend of 12.9p per share, resulting in a total dividend of 25.8p.

LINK TO STRATEGIC PRIORITIES



Employee engagement

%

65%



DESCRIPTION

The annual employee survey was completed by 80% of employees. Employee engagement results were the same as the prior year.

LINK TO STRATEGIC PRIORITIES



R&D investment

£m

£17.1m -1%



DESCRIPTION

The Group continued to invest significantly in R&D as a key cornerstone of our business. While the headline cost was broadly unchanged, we expanded the size of the team overall, particularly in India.

LINK TO STRATEGIC PRIORITIES



KEY TO STRATEGY

- 1 Highest clinical content and standards
- 4 Connected healthcare

- 2 Customer satisfaction
- 5 Product innovation

- 3 Medium-term growth
- 6 Focus on people development

Principal risks and uncertainties

Management of risk

The Board has set clear strategic priorities for the business. Risks to the achievement of our key objectives are identified, evaluated and managed by group and divisional management.

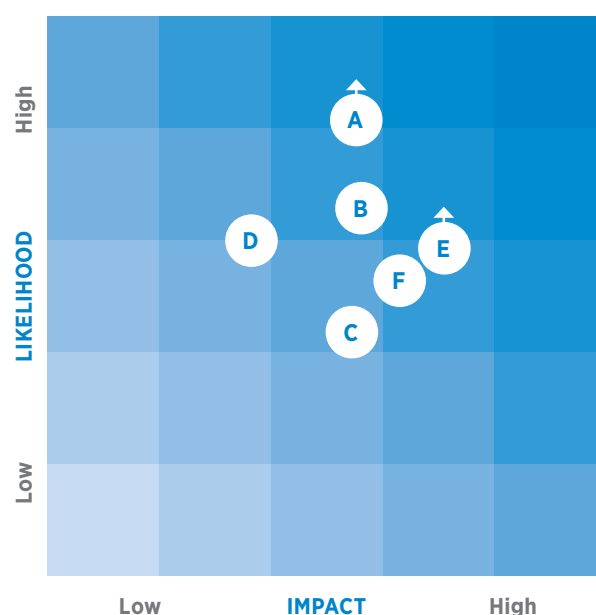
The risk management framework

The Board has overall responsibility for ensuring risk is appropriately managed across the whole business and it has approved a risk management policy outlining the Group's structured approach to risk management.

The Board has set clear strategic priorities for the business, as detailed in the Chief Executive Officer's statement on pages 6 to 9. Risks to the achievement of the Group's key objectives are identified, evaluated and managed by group and divisional management using a system of risk registers.

The risk management process, including content of the risk registers, is overseen by the risk management committee, which was established during the year and comprises the Chief Executive Officer, Chief Financial Officer, Legal Services Director, Company Secretary and Head of Group Internal Audit. The contents of the risk registers are reviewed by and discussed with the Executive team at least twice a year before being submitted to the main Board, for consideration and approval. The audit committee provides robust challenge in reviewing the principal risks identified by management and the controls in place to mitigate them. Group internal audit provides independent and objective assurance on key risks through a programme of risk-based audit reviews.

Identified risks are evaluated, both before and after mitigating controls and actions have been applied, as to their likelihood of occurring and the potential financial and reputational impact should they occur. Risks are treated in accordance with the Group's risk appetite, which has been defined by the Board across a range of risk categories.



Risk heat map

The risk heat map above provides a graphical representation of the principal risks and uncertainties described in detail on pages 21 to 23. It shows the assessment of the relative impact and likelihood of each risk, along with an indication of the year on year movement of each risk (explained more fully in the risk description on the following pages).

- A** Healthcare structure and procurement changes
- B** Product integration and interoperability
- C** Software (product) development
- D** Recruitment and retention
- E** Information governance and cyber security
- F** Clinical safety

⊕ **Corporate governance**
Page 40

⊕ **Audit committee**
Page 48

Principal risks and uncertainties continued

Risk appetite

The Board, with input from the GXT, has defined its risk appetite across a range of risk categories as outlined opposite, along with detailed statements to support these basic levels of risk appetite. Although there are areas where EMIS Group is prepared to take higher levels of risk, it normally operates in a manner that would not be expected to put the business at risk of significant financial or reputational damage. Generally speaking, there should be no significant deviations from stakeholders' expectations and rewards should be commensurate with the level of risk being taken within a reasonable timeframe. These statements provide management with guidance on how much and what types of risk the Board is prepared to accept when management is making business decisions.

Acceptable risk appetite levels were first determined in 2016. The Board reviews and revises its risk appetite as its understanding of the level and nature of risk in the business develops or as its appetite for taking risk changes. The Board amended the Group's risk appetite levels during the year. Risk appetite parameters have been built into TheOneView, the Group's in-house, web-based risk management application. Any area where exposure is seen to exceed the Board's defined risk appetite is flagged and assigned to specific members of the GXT to determine what, if any, action is required.

The risk management committee reviews the corporate-level risk register at each of its scheduled meetings (held just prior to audit committee meetings) and ensures that the risks identified align with the view of the principal risks facing the business.

All risks are evaluated using the same measurement metrics comprising of financial and reputational impact on the business and the likelihood of a risk occurring. Each risk is assessed in respect of its potential gross impact and likelihood and then assessed again after mitigating controls and actions are taken into account to determine the net risk exposure remaining. Each risk has a named owner who is responsible for ensuring that adequate mitigating actions and controls are in place and operating effectively.

Impact of Brexit

As reported last year, the Board believes that Brexit has minimal direct effect on the Group as it is not a significant exporter or importer of goods or services to or from affected areas. There are potential indirect effects including exchange rate volatility affecting the value of sterling and increased pressure on NHS budgets. While the Board continues to monitor the progress of the negotiations of the terms under which the UK will leave the EU, and the market implications of those terms, it does not believe that Brexit represents a principal risk for the Group at this time. However, it will continue to keep the situation under review given the lack of certainty in this area.

Risk category	Risk appetite
Overall	Low
Strategic	Medium
Financial	Low
Compliance (legal, regulatory, health and safety, environmental)	Low
Operational:	
– Commercial	Medium
– Sales	Medium
– Marketing (including product strategy)	Medium
– People	Low
– Property	Low
Technical:	
– Innovation	Medium
– Development	Low
– Release (testing/quality assurance)	Low
– Implementation	Low
Clinical:	
– Safety	Low
– Delivery	Low
Data management:	
– Information governance (in relation to clinical safety)	Low
– Information security (in relation to data records and data security)	Low

Each key risk is assigned to an appropriate individual or discrete operating group and all mitigation and action plans are recorded and monitored.

The principal risks and uncertainties identified by management, and how they are being managed, are set out on pages 21 to 23. 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 separately disclosed in note 3 to the financial statements on page 88.

A Healthcare structure and procurement changes

DESCRIPTION OF RISK

The commercial success of the Group is dependent on the NHS's strategic direction to use IT to reduce costs and improve efficiency.

How the NHS is organised and how it procures goods and services, including outsourcing services, could affect the Group's ability to sell to the NHS.

There is a risk that the Group's products and services are not in line with the NHS's strategy, or that this will change with successive governments.

The GPSoc framework in England is due to be replaced shortly, and by 2020/21 at the latest. There is a risk that the Group may not be included on this important framework.

HOW WE MITIGATE THE RISK

EMIS Group ensures its strategies are aligned with planned and published Government policy on healthcare and technology.

Specific actions include:

- close engagement with the NHS at strategic and tactical levels to ensure our products meet essential GPSoc requirements;
- working to ensure the Group is perceived as a supplier of connected IT healthcare solutions covering a wide range of healthcare sectors including pharmacies, acute care, specialist care, community and social care, as well as its largest sector, primary care;
- proactive response to published NHS plans and proposed and actual changes in healthcare structures, e.g. the NHS Forward View, GP Federations, STPs and hub and spoke operating;
- regular analysis of markets and competitors;
- development of clear, integrated market and product strategies, with a renewed focus on user requirements following the discovery of shortcomings in customer and product support processes in early 2018;
- ongoing review of internal structures to better manage pan-healthcare economy procurement structures; and
- development of next generation platform software across the Group.

LINK TO STRATEGIC PRIORITIES



B Product integration and interoperability

DESCRIPTION OF RISK

The Group's strategy is to provide innovative 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.

HOW WE MITIGATE THE RISK

The Group has taken a range of actions designed to bring together its business units and products, and create synergies across the Group:

- appointment of a Chief Operating Officer bringing the key healthcare divisions under common leadership;
- Board-level responsibility for product and acquisition integration with a clear strategic plan and regular monitoring;
- continuing to develop 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;
- all integrated product implementations include a clinical safety review;
- open Application Programme Interface (API) strategy to enable the Group to work with any other supplier; and
- extending connectivity between the Group and third-party solutions providers.

LINK TO STRATEGIC PRIORITIES



KEY TO STRATEGY

- 1 Highest clinical content and standards
4 Connected healthcare

- 2 Customer satisfaction
5 Product innovation

- 3 Medium-term growth
6 Focus on people development

Principal risks and uncertainties continued

C Software (product) development

DESCRIPTION OF RISK

The Group's core software 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 systems, during development, implementation or everyday use, could lead to disruption or complete service denial of high profile public services.

The failure to monitor and rectify software defects on a timely basis would result in reduced customer satisfaction and contractual penalties.

The Group's products may be disrupted by competitors if they develop more innovative technology.

HOW WE MITIGATE THE RISK

In order to ensure the secure and effective development and implementation of both new and existing products, the Group has in place a range of mitigating actions including:

- aligning development teams to specific business and product areas with cross-functional teams ensuring that direct feedback from users and customers is taken into account throughout the development process;
- a central team which has ultimate responsibility for the architecture of the Group's software and for ensuring that its platform continues to evolve as new technologies emerge;
- a system to capture, classify and report software defects and enhancements requested by users and customers, to ensure that a cycle of continuous improvements is maintained.
- a staged new system implementation process that minimises disruption and tests system operation on pilot systems before wider implementation;
- ring-fencing of development teams and their systems to preserve sensitive data security and integrity in live systems; and
- increased investment in the quality and quantity of the Group's development teams.

LINK TO STRATEGIC PRIORITIES



D Recruitment and retention

DESCRIPTION OF RISK

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 products and services. This could lead to failure to meet customers' needs, losing their business and to the Group failing to deliver expected financial returns to shareholders.

Following the recruitment of a new Chief Executive Officer during the year, significant business reorganisation and personnel changes have been put into effect. This can create short-term disruption and uncertainty.

HOW WE MITIGATE THE RISK

Key actions implemented or commenced during the year include:

- new Group Human Resources Director appointed;
- improving empowerment and accountability across the organisation through restructuring;
- ensuring that communication is given a higher priority with regular live Q&A webcasts from the Chief Executive Officer, weekly all-staff communications, monthly leadership team calls and quarterly meetings with the wider leadership group;
- providing an environment for improved communication, engagement and development, including a Group-wide intranet, Workplace and Skype for Business;
- succession plans in place for key roles, which are regularly reviewed;
- operating a regularly reviewed pay and benefits framework to ensure greater consistency across the Group and appropriate external benchmarking;
- Group-wide employee satisfaction surveys including suggestions for improvement; and
- investment in modern, inspirational and motivational working environments for employees.

LINK TO STRATEGIC PRIORITIES



KEY TO STRATEGY

- 1 Highest clinical content and standards
4 Connected healthcare

- 2 Customer satisfaction
5 Product innovation

- 3 Medium-term growth
6 Focus on people development

E Information governance and cyber security

DESCRIPTION OF RISK

The Group hosts the care records of 56% of the UK primary care market, containing confidential and sensitive personal data. This creates significant risk associated with information security, data protection and system reliability, including loss, theft and corruption of data.

The Group's systems enable the secure, reliable and accurate processing of such information.

EMIS Group's trusted reputation rests on its integrity and the quality of stewardship it applies to such sensitive and valuable data.

The EU General Data Protection Regulation (GDPR) brings increased data protection and privacy regulation into effect in May 2018. Failure to comply could lead to significant fines and reputational damage.

The risk of cyber-attacks targeting the healthcare industry is at an elevated level. Such attacks are becoming more common: in 2017 a number of attacks (including WannaCry) affected a wide range of NHS systems.

HOW WE MITIGATE THE RISK

The Group invests heavily in strong physical and logical controls over hardware and software systems. This investment is set to increase in the coming year.

Mitigating controls and actions taken include:

- ISO9001 and 27001 certification in hosted environments;
- an in-house ISO quality assurance team;
- regular penetration testing and denial-of-service attack simulations;
- strong information governance culture including a Group Information Governance Manager and NHS standard training for all employees;
- GDPR task force in place to identify additional requirements of the GDPR, Board-level visibility and support;
- documented and externally-tested business continuity and disaster recovery plans;
- maintenance of duplicate data centres at physically separate locations with virtually real-time failover capability; and
- EMIS Web hosted environment located virtually within the NHS network.

LINK TO STRATEGIC PRIORITIES

2 4

F Clinical safety

DESCRIPTION OF RISK

As a provider of critical IT systems to organisations that provide healthcare to patients, and as a direct provider of healthcare itself, the Group is exposed to a range of clinical risks.

There is a risk of clinical harm to patients should EMIS Group hosted IT systems fail to provide accurate, reliable and timely personal information to healthcare professionals; for example, regarding a patient's known allergies, existing prescribed medication or other relevant personal information. These risks may be amplified where Group systems interoperate with third party applications.

For pharmacy software products, there are similar risks around incorrect dosages and labelling of products dispensed.

The Group is also exposed to direct clinical risk of causing harm to patients where it is the provider of clinical services, most notably in the ophthalmic imaging services and DESPs operated by EMIS Care.

HOW WE MITIGATE THE RISK

Most clinical risks are allied to other principal risks; for example, software development, recruitment and information governance, as failures in any of these could lead to clinical harm to patients. Actions taken to manage risks in these areas are noted under the relevant sections. Mitigating actions specifically relating to clinical risk management are noted here:

- Chief Medical Officer and a network of clinical safety officers in place with responsibility for clinical safety across the Group;
- policies and procedures designed to meet the regulatory requirements of NHS Digital's information standards SCCI0129 or SCCI0160 (depending upon the nature of the business involved);
- accredited clinicians integrated into software development procedures to identify and mitigate potential clinical risks in new software releases or updates. Clinical sign-off is required for all releases and new implementations;
- qualified technicians and expert clinical leadership at all DESPs; and
- oversight by external regulators.

LINK TO STRATEGIC PRIORITIES

1 2 3 4

KEY TO STRATEGY

- 1 Highest clinical content and standards
4 Connected healthcare

- 2 Customer satisfaction
5 Product innovation

- 3 Medium-term growth
6 Focus on people development

Operational review

EMIS Health Primary, Community & Acute Care

2017 was a busy year for EMIS Group, and despite a tighter NHS budget environment, the Group continued to make solid progress in each element of its business. During 2017, The Group's Primary, Community & Acute Care businesses came together with Community Pharmacy under common leadership – reflecting the anticipated changes in NHS models of care intended to deliver more integrated care between hospitals, GP practices and community services. These changes have increased internal accountability, reinvigorated the focus on customer service and produced cost savings.



PRIMARY CASE STUDY

Better and safer patient care

Yate Minor Injuries Unit is saving hours of time with EMIS Web.

The unit sees 60-80 people every day, who arrive without appointments. Before record sharing with EMIS Web, staff would have to take an individual's medical history.

Unit matron Jason Broadley explains: "A large part of what we do involves ensuring that we protect children and adults from emotional, physical and financial abuse. This system ensures all the information about an individual is joined-up, they only need to tell their story once and we can find out the other professionals involved in their care quickly. In some cases, it has halved the time needed."

Primary

EMIS Health grew its UK GP market share in the year by 1% to 56% and maintained its market leadership position.

EMIS Health now supports clinicians providing integrated care across 128 different clinical care pathways such as diabetes services, minor injury services and child and adolescent mental health services. This means high quality, informed and integrated clinical care can be delivered.

The Group benefited from strong market shares across all four nations of the UK, with a number one position in England (57% market share), number two in Wales (45%), number one in Northern Ireland (55%) and number one in Scotland (54%).

As announced on 30 January 2018, in 2019 and 2020 EMIS Health's market share in Wales, relating to just under 200 practices and approximately £2m of revenue per annum, will reduce as it was not appointed to the forthcoming NHS Wales GP framework agreement. While the Group submitted what it believed was a strong and competitive bid for the Welsh framework agreement, it was not prepared to sign up to some of the contract terms requested by the customer for a relatively small contract. However, EMIS Group is a long-term market player and remains committed to winning new business across Wales with other products and services in the portfolio.

“

EMIS Group supports the desire of NHS England to have more organisations connected in the UK healthcare ecosystem. EMIS Health has been building its own ecosystem of healthcare providers and recently added its 101st partner on the EMIS Web platform.

”

The Group is actively involved in the Scotland bid which is a similar-sized framework. The Group will continue to develop the bid over the coming months and proceed as appropriate.

During the period, EMIS Health achieved accreditation from NHSD to deliver its Electronic Prescription Service (EPS) to the dispensing doctor market. This is an important development for EMIS Health both in supporting its existing customer base while delivering new growth opportunities in this sector. This also aligns with a new technology foundation for dispensing doctors that will allow users to adopt the mandated dispensing standards as defined under the FMD.

EMIS Group supports the desire of NHS England to have more organisations connected in the UK healthcare ecosystem. EMIS Health has been building its own ecosystem of healthcare providers and recently added its 101st partner on the EMIS Web platform.

Egton, the Group's ICT infrastructure, engineering and non-clinical software division, performed well, expanding its range of software, hardware and services, including health administration, compliance software and GP practice websites. As part of a new suite of innovative products, Egton deployed Wi-Fi infrastructure and analytics to over 1,000 GP surgeries during 2017. New products for 2018 include a digitisation service, currently in pilot, which offers practices the ability to scan paper records, freeing up valuable practice space and supporting the NHS's "Paperless 2020" strategy.

Community

EMIS Health grew in the community segment in the year and moved up to number two in the market with a 17% market share (2016: 16%).

The NHS continues to innovate with new models of care in the community to relieve pressure from frontline services in hospitals across the UK. EMIS Health can help by providing software for doctors and nurses 'on the go' in the community who visit patients at home.

EMIS Health is upgrading EMIS Web and investing in dedicated product and development teams to meet the challenges of the future, working closely with its community market user group.

The Group expects to see further growth in this market in 2018 and beyond. The goal in the mid-term is to consolidate the number two market position and aim for market leadership over time.

The potential for joined-up care across healthcare localities using EMIS Web continues to grow. Currently EMIS Health has a strong presence in community and 100% presence in primary care within 42 Clinical Commissioning Groups (CCGs) (2016: 38).

COMMUNITY CASE STUDY

Using mobile technology for safer care

Staff from North Manchester Community Service are transforming care for more than 5,000 patients using EMIS Web and EMIS Mobile.

Vikki Stradling, district nurse and EMIS project facilitator said: "Implementing EMIS Mobile has been a massive improvement for our teams, meaning we can deliver a better and safer service

for our patients. It has reduced the reliance on paper records across all of our services. We've not fully evaluated the results yet but we think each district nurse is saving over an hour a day."

Before EMIS Mobile, community teams relied on paper records, returning to the office throughout the day to update the central computer record.



Operational review continued

Acute

The main driver for acute trusts is the paperless initiative, best represented by the GDE programme, supported by central NHS funding. EMIS Health operates in the best of breed sector of the acute market, and is holding market share well, thanks to the strong clinical and functional software in the current portfolio.

With a new management team in place, the Group was encouraged with performance in the Acute division in the second half of 2017, with improving momentum in revenue and cost control.

EMIS Health invested further into its A&E system, Symphony, to better meet the market's needs in 2017 and beyond. We retained our number two position in this market, and increased market share by 2% to 19% (2016: 17%).

The medicines management element of the Acute business continued to perform well, holding the number two market position and increasing market share by 1% to 29% (2016: 28%). Further work is being carried out to deliver new technology ahead of the mandated dispensing standards as defined under the FMD.

“
The medicines management element of the Acute business continued to perform well, holding the number two market position and increasing market share by 1% to 29% (2016: 28%).”



ACUTE CASE STUDY

Overcoming the WannaCry attack

“When the WannaCry cyber attack hit, EMIS Health came straight to us onsite to help. The attack had potential for huge disruption. We have just under 1,000 beds to care for a population of 530,000 people, so it was essential to minimise impact on patient care. EMIS Health worked with us to get our hospital pharmacy systems back up and running as quickly as possible. EMIS Health staff were prepared to put in the hours to help us, whatever the time of day.”

Mark Johnson, transformation director in clinical support services, East Lancashire Hospitals NHS Foundation Trust.

EMIS Health Community Pharmacy

EMIS Health Community Pharmacy (EHCP) continued to grow well in 2017, maintaining its market share at 37% (2016: 37%), thereby becoming the joint market leader.

The roll-out of the new ProScript Connect software is progressing well, in line with plans. Customer feedback has been positive and EHCP expects all of its direct customers to be on this upgraded software by the end of 2018.

The Celesio roll-out to the AAH Pharmaceuticals independent estate continues, and EHCP expects good growth from this in 2018 with the majority expected to be completed by the end of the year. The Lloyds element of the roll-out is likely to be delayed as the customer has another major IT project to complete ahead of deploying ProScript Connect.

EHCP recently introduced EMIS Web into community pharmacy, opening up a new market for the product. EMIS Web will support community pharmacies with PGD – delegated small procedures that can be undertaken in English pharmacy consulting rooms such as travel or flu vaccinations – alleviating some pressure on GPs and A&E departments.

Integration between EMIS Health primary care system, EMIS Web, and its community pharmacy system, ProScript Connect will provide pharmacists with full access to patients' GP records (with appropriate consent) and the ability to record information that can be shared with the GP.

“EHCP recently introduced EMIS Web into community pharmacy, opening up a new market for the product.”



COMMUNITY PHARMACY CASE STUDY

Saving 45 minutes per day

Dean and Smedley pharmacy group upgraded to ProScript Connect in 2017 and started seeing results immediately.

Ben Eaton, Procurement Manager and Pharmacist at Dean and Smedley said: “Having used ProScript for ten years, we introduced ProScript Connect to improve our service and benefit from all of the extras that the software offers. It's so quick.”

Dispensing over 90,000 prescription items every month, Dean and Smedley pharmacists say the ability to process prescriptions quickly is already having a huge impact on efficiency and customer satisfaction. They are reporting time savings of up to 45 minutes per pharmacy staff member a day.

Operational review continued

Specialist & Care

Specialist & Care has maintained its position as the leading software provider in English diabetic retinopathy screening with a 76% market share (2016: 77%).



SPECIALIST & CARE CASE STUDY

Providing a first class patient experience

EMIS Care Kent & Medway DESP prides itself on providing a first class patient experience when providing diabetic eye screening. Pamela Hebditch, programme manager, explains:

“One of our patients is wheelchair bound and has agoraphobia. We had not been able to screen him for years. The patient had spoken with his GP to get some calming medication and spoken to us about the situation.

“We planned ahead to ensure that the patient had an anxiety-free experience. Every step of the way our staff were with him to alleviate his fears and make him feel safe.

“He was so happy to have attended that he said he would be back the following year.”

In our 2017 half year results announcement, the Group highlighted a risk to its market share in this area because EMIS Specialist had not been selected as a partner for Public Health England’s (PHE) national screening platform, which was intended to achieve a standardised local programme operation through common IT system design and core functionality.

PHE has postponed this procurement process and moved its focus to the implementation of interval-based screening. EMIS Specialist continues to work closely with the national team to ensure its successful implementation.

EMIS Care remains the clear market leader in outsourced diabetic eye screening and ophthalmology imaging services with a 26% market share (2016: 18%).

In 2017, EMIS Care successfully mobilised the following mainly three-year initial-term contracts, which have an initial total contract value of £19m:

- Lancashire Lot 2 (North Lancashire & Fylde Coast – from the NHS)
- West Yorkshire Lot 2 (Bradford, Huddersfield & Calderdale – from the NHS, EMIS Care and 1st Retinal Screen)
- Bath, Swindon and Wiltshire (from the NHS and Virgin Care)
- Surrey (from Virgin Care)
- Plymouth (from the NHS)

“

EMIS Care remains the clear market leader in outsourced diabetic eye screening and ophthalmology imaging services with a 26% market share (2016: 18%).

”

Patient

EMIS Group has made good progress in its patient-facing business during 2017, investing in key developments to provide a platform for growth in the medium-term.

Patient.info, which enables the general public to self-care by searching for high-quality information relating to clinical conditions, has been upgraded to optimise its user experience for all mobile platforms. The information architecture has been re-designed, so that multiple content formats can be discovered easily. Rich-media formats have been introduced, including short-form video content from some of the UK's leading clinical consultants. In 2017 an average of 15 million unique users visited the site each month.

“
2018 will continue to be an investment year for Patient as it builds and strengthens the key elements of its strategy. This work is expected to lead to new revenue growth in 2019 and beyond.”

Patient Access enables citizens to view their clinical record including test results, build their own Personal Health Record which they can share with their GP, book appointments directly with their GPs, securely message their GPs and order repeat medications. On average, 1.5 million users generate 4.5 million transactions on Patient Access each month. Patient will launch the Patient Access 2.0 app in the second half of 2018, following final NHS approvals.

Patient Access will evolve in the coming months to deliver rich new features including triage, video consultations, medical adherence planning tools and on-demand delivery options for repeat medications.

Through Patient, EMIS Group is building the UK's first digital healthcare marketplace. Its objective is to provide alternative private sector digital healthcare solutions to complement the NHS and to help take pressure off key public services.

The marketplace will initially focus on PGD services, linking the consumer with their local pharmacy for approved clinical services. In the next stage it will include new emerging digital players on a single platform, with both private and public-sector digital services made available to all UK citizens, on any device, anytime, anywhere.

2018 will continue to be an investment year for Patient as it builds and strengthens the key elements of its strategy. This work is expected to lead to new revenue growth in 2019 and beyond.

Steady financial performance

The Group delivered underlying improvement in all key financial metrics.

“
Net cash generated from operations increased by 17% to £44.4m.
”



In the year ended 31 December 2017 the Group delivered a steady financial performance with underlying improvement in all key financial metrics when taking into account the planned investment in the Patient business.

Adjusted operating profit for the year, as set out in the table below, was £37.4m (2016: £38.8m) with statutory operating profit, reduced by exceptional charges for the reorganisation programme and by service level reporting charges, at £10.6m (2016: £23.5m). A reconciliation between the operating profit measures is given in the Group statement of comprehensive income.

Group revenue increased by 1% to £160.4m (2016: £158.7m), including revenue from the 2016 Intrelate acquisition in Primary, Community & Acute Care of £0.9m (2016: £nil).

Segmental performance

In the Primary, Community & Acute Care business, profit grew by 3%, despite a 2% revenue reduction, thereby strengthening the operating margin by 1.7%. The revenue reduction was a consequence of lower levels of activity in Acute and a reduction in some GPSoC discretionary revenue streams, including the revenue related to funded hosting assets. Profit nonetheless moved forwards as a result of the cost-saving and reorganisation measures taken by the Group over the past two years.

Performance in the Community Pharmacy division was again positive, with the roll-out of the new ProScript Connect product into the estate moving ahead as planned, laying the foundations for further growth in 2018.

Specialist & Care delivered revenue growth as expected with the successful implementation of the new contracts won during 2016. Profit was flat year on year, but having absorbed start up costs during 2017 and delivered operational efficiencies under new management, it was encouraging to note an improving trend and to record a profit for the second half of 2017 and for the year as a whole.

In Patient, investment in developing the future business model increased as the year progressed, in line with the plan previously announced. This investment will continue during 2018, as Patient develops its media business and builds a new transactional platform.

Revenue

Group recurring revenue, principally licences, maintenance and software support, hosting and other support services, was £133.5m (2016: £128.5m), up 4% representing 83% of total revenue (2016: 81%). This high level of recurring revenue and the strength of the Group's customer relationships continue to provide an excellent foundation for the business to invest with confidence in developing future products and services, as well as providing good visibility of future financial performance.

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

- licences, slightly higher at £55.1m (2016: £54.8m), with growth in areas such as Community offset by a reduction in some GPSoC and one-off Community Pharmacy revenues;
- maintenance and software support, which increased overall to £41.4m (2016: £38.6m) with growth in subscription fees in a number of areas of the Group, including practice Wi-Fi;
- other support services, driven higher by the new contracts implemented in EMIS Care to £32.5m (2016: £29.3m);
- training, consultancy and implementation, which reduced to £12.4m (2016: £14.6m), with fewer new implementation projects in Primary, Community & Acute Care;
- hosting, which was lower at £11.6m (2016: £13.1m), as a result of a reduction in funded hosting asset and cost-plus revenues (offset by lower depreciation and costs); and
- hardware revenues, which were lower at £7.4m (2016: £8.3m).

Summary segmental performance

	Primary, Community & Acute Care 2017 £m	Primary, Community & Acute Care 2016 £m	Community Pharmacy 2017 £m	Community Pharmacy 2016 £m	Specialist & Care 2017 £m	Specialist & Care 2016 £m	Patient 2017 £m	Patient 2016 £m	Total 2017 £m	Total 2016 £m
Revenue	117.6	120.5	21.9	21.4	18.0	14.2	2.9	2.6	160.4	158.7
Adjusted segmental operating profit/(loss)	34.9	33.8	5.6	4.9	0.2	0.2	(1.9)	1.5	38.8	40.4
Group expenses									(1.4)	(1.6)
Adjusted operating profit¹									37.4	38.8
Adjusted operating margin	29.7%	28.0%	25.7%	22.8%	0.8%	1.5%	(65.9)%	58.2%	23.3%	24.4%

¹ Excludes capitalisation and amortisation of development costs, amortisation of acquired intangibles and exceptional items.

Financial review continued

Profitability

Adjusted operating profit reduced by 3% to £37.4m (2016: £38.8m). However, this is after taking account of the £3.5m of new investment in the Patient business during 2017. Excluding Patient's results, which were reduced in 2017 by this investment, adjusted operating profit across the Group grew by 5%. In a lower-growth revenue environment, this was achieved principally through tight cost control.

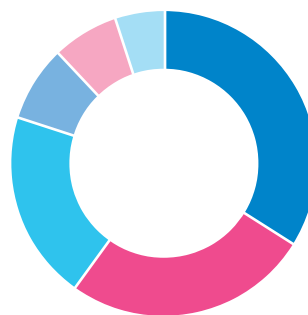
The operating margin reduced to 23.3% (2016: 24.4%), but excluding Patient improved by 1% to 24.9% (2016: 23.9%).

Group staff costs increased as although staff numbers at the year end were unchanged at 1,922 (2016: 1,922), the average headcount increased to 1,906 (2016: 1,875). However, the allocation of those staff across the Group has changed over the year, with increases in India (up from 128 to 197) and EMIS Care (up from 221 to 299) being offset by reductions in the Primary, Community & Acute segment in particular. With further investment in development and customer-facing functions now underway, staff numbers and costs are expected to rise during 2018.

The Group has recognised two operating exceptional items in 2017. The first relates to the reorganisation programme, which was extended in the second half of the year as the incoming Chief Executive Officer made further changes in shaping the business and preparing it for future growth, including a number of replacement hires at senior levels. The cost of the programme was £5.8m.

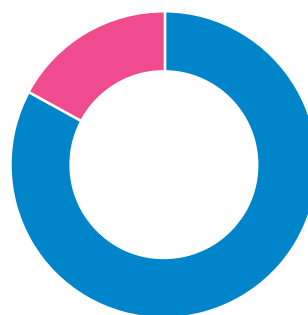
The second, a charge of £11.2m, relates to the service level reporting issue discovered in January 2018. The provision reflects the estimated cost of settling the issue with NHS Digital and the cost of remediating the software code to address the problem backlog present at the year end, together with associated professional fees. This is a slightly higher cost than that indicated in our January 2018 announcement of upper single digits of millions of pounds, updated having undertaken further analysis.

After accounting for the exceptional items, the capitalisation and amortisation of development costs, and for the amortisation of acquired intangibles, statutory operating profit was £10.6m (2016: £23.5m).



Revenue analysis

- Licences 34%
- Maintenance and software support 26%
- Other support services 20%
- Training/consultancy/implementation 8%
- Hosting 7%
- Hardware 5%

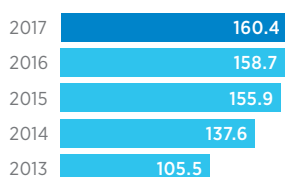


Revenue analysis

- Recurring 83%
- Non-recurring 17%

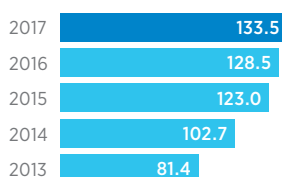
Total revenue

£160.4m +1%



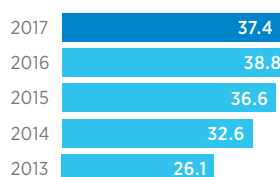
Recurring revenue

£133.5m +4%



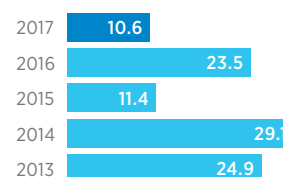
Adjusted operating profit¹

£37.4m -3%



Reported operating profit

£10.6m -55%



¹ Excludes capitalisation and amortisation of development costs, amortisation of acquired intangibles and exceptional items as set out in the Group statement of comprehensive income on page 78. Earnings per share calculations also adjust for the related tax and non-controlling interest impact.

Taxation

The tax charge for the year was £2.1m (2016: £5.2m). The effective tax rate for the year was 19.8% (2016: 20.0%).

Earnings per share (EPS)

Adjusted basic and diluted EPS were 47.2p and 47.0p respectively (2016: 49.4p and 49.2p). The statutory basic and diluted EPS were both lower at 12.8p (2016: 30.4p and 30.3p respectively) as a result of the exceptional items and an increase in the amortisation of capitalised development costs.

Dividend

Subject to shareholder approval at the AGM on 1 May 2018, the Board proposes an increase in the final dividend to 12.9p (2016: 11.7p) per ordinary share, payable on 4 May 2018 to shareholders on the register at the close of business on 3 April 2018. This would make a total dividend of 25.8p (2016: 23.4p) per ordinary share for 2017. This is 10% higher than in the prior year, reflecting the Board's commitment to increasing dividends at least in line with underlying profit growth and its continued confidence in the Group's prospects.

Cash flow and net cash/(debt)

The principal movements in net cash/(debt) were as follows:

	2017 £m	2016 £m
Cash from operations		
Cash generated from operations	48.8	43.7
Less: internal development costs capitalised	(4.4)	(5.7)
Adjusted cash from operations	49.6	41.1
Cash cost of exceptional costs	(5.2)	(3.1)
Net cash generated from operations	44.4	38.0
Business combinations	—	(3.8)
Net capital expenditure	(6.6)	(5.9)
Transactions in own shares	—	0.6
Tax	(8.1)	(7.7)
Dividends	(15.5)	(14.0)
Other	0.2	1.5
Change in net cash/(debt) in the year	14.4	8.7
Net cash/(debt) at end of year	14.0	(0.4)

Having absorbed the Patient investment in the year, net cash generated from operations increased by 17% to £44.4m (2016: £38.0m), with a strong working capital improvement compared to the prior year, in part assisted by an increase in deferred income. Net cash from operations is stated after expensing the cash cost of the exceptional costs in the year of £5.2m (2016: £3.1m). On an adjusted basis, adding back this cost, cash flow from operations was 21% higher than in 2016.

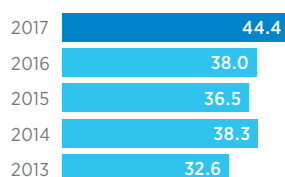
Net cash spent on capital expenditure (excluding capitalised development costs) was broadly consistent at £6.6m (2016: £5.9m). Capital additions in the year included £4.0m on computer equipment (£1.2m of which related to funded hosting contract assets) and £1.0m on programme assets in EMIS Care.

After tax, dividends and other payments, the total net cash inflow of £14.4m resulted in a year-end net cash position of £14.0m (2016: net debt of £0.4m). At 31 December 2017, the Group had available bank facilities of £30.0m committed until June 2020, with an accordion arrangement to increase the quantum up to £60.0m and further options to extend the period up to June 2022.

Peter Southby
Chief Financial Officer
13 March 2018

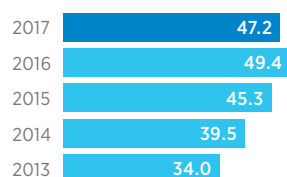
Cash generated from operations²

£44.4m +17%



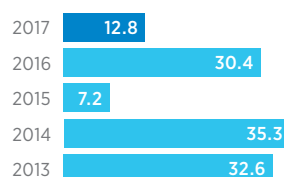
Adjusted EPS¹

47.2p -4%



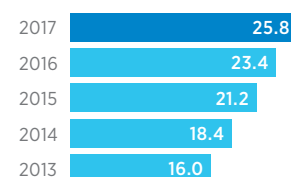
Reported EPS

12.8p -58%



Total dividend for the year

25.8p +10%



² Stated after deduction of capitalised development costs of £4.4m (2016: £5.7m) and of the cash impact of exceptional items of £5.2m (2016: £3.1m).

Sustainability policy

Committed to sustainability

EMIS Group is committed to high ethical standards and contributing to economic development, whilst both improving the delivery of healthcare and the quality of life for its people and the wider community.

EMIS Group sustainability policy covers the key areas of:



Ethical business practices

EMIS Group policies detail the standards expected throughout the Group. This includes free and fair competition, the prohibition of bribery and all forms of corruption, honest and fair dealing with suppliers, and ensuring that the welfare of workers and employment conditions within the supply chain meet recognised standards. All employees are made aware of the requirements of the UK Bribery Act 2010 upon joining the business and refresher training is carried out annually.

The Group has a comprehensive code of ethics and standards of business conduct document, which provides instruction and guidance to employees on expected behaviour when dealing with a wide range of stakeholders. The Group has a whistleblowing policy, which is reviewed annually by the audit committee, and an associated reporting hotline operated by an external, independent provider.

Modern Slavery Act 2015

EMIS Group plc is committed to conducting business responsibly. It seeks to ensure its supply chains operate to those same high standards, including in relation to employment practices, workplace conditions and, more specifically, the prevention of forced, bonded and trafficked labour. This is upheld through the Company's policies and processes, and is fully supported by the Board. This statement has been published in accordance with Section 54 of the Modern Slavery Act 2015. It sets out the steps taken by EMIS Group plc and its subsidiaries during the year ended 31 December 2017 to seek to ensure that slavery and human trafficking is not taking place in its supply chains or in any part of the business.

Evaluation of progress

The Group has updated its supplier on-boarding procedure, which now has a specific question relating to Modern Slavery and all prospective suppliers are expected to respond to this question. If no response is given a risk analysis is carried out to determine whether it is appropriate to work with the company, based on the nature of the supplier, size of company and location.

The Group continues to contact existing suppliers as part of a broader ongoing review of terms and conditions. Confirmation is sought from them that they are compliant with the Modern Slavery Act 2015 within their supply chain. For those companies who are non-compliant, a risk analysis review is carried out and they are given the opportunity to comply within an agreed period. Where compliance is not achieved, an alternative supplier is sourced.

In a parallel exercise the Group has removed over 300 companies from its supplier register during the year, reducing the risk of having any non-compliant organisations within the supply chain.

The Group has identified all organisations with whom it deals directly and who provide direct labour. The contracts team is in the process of auditing all of these companies.

The development team in India has conducted its own audit and has declared that it complies with the terms of the Modern Slavery Act 2015.

Where the Group has an extended supply chain, particularly with major IT vendors, it relies on their respective Modern Slavery statement to be truthful and correct.

Training

In 2018 the Group intends to introduce training for all of its managers who interface with third party organisations. The aim is to help managers and their teams to identify and report any signs of Modern Slavery, to be compliant with the policy and help fulfil its corporate role as an ethical company.

Community

In 2017 EMIS Group announced that it would launch Caring EMIS, a programme to support charities in the UK and India. The programme looks to raise money and awareness, as well as allowing all employees paid time off work to support a charitable or community initiative. In the UK the Group will unite efforts during 2018 to support Mind following a Group-wide employee vote in 2017. Both Mind and EMIS Group share a common driver to improve the health and wellbeing of citizens in the UK.

The aim of the fundraising being carried out by the Group is to help fund two Infoline advisers, answering approximately 14,000 enquires each year.

A charity champions committee of volunteers from all major divisions will drive up employee engagement across the Group. The Caring EMIS initiative will increase employee satisfaction and wellbeing.

In India, the Group will continue to support local charities working with elderly people and children in Chennai.

Health and safety

EMIS Group is committed to maintaining high standards of health and safety management and to encouraging everyone to contribute to their own welfare and that of their colleagues and others affected by the Group's activities.

Training

All new members of staff complete an online health, safety and environmental induction. Existing members of staff receive online health and safety refresher training on a regular basis.

Training is provided via an online tool and by an external accredited organisation, to fire marshals and first aiders, with additional targeted training being provided where appropriate.

Company vehicle users undertake online training and there has been a reduction in the number of minor fleet accidents where staff received injuries during the year.

Accidents and incidents

The health and safety performance of EMIS Group continues to be of a high standard and the number of accidents and incidents remains at a low level across the Group.

Three RIDDOR accidents were reported during the year, which was an increase from the previous year (2016: one RIDDOR accident). Further health and safety training is being introduced in EMIS Care as a result, where two of the incidents were recorded.

Accidents and incidents (excluding driver accidents)

19 -51%



Environmental management

Accreditations

EMIS Group obtained ISO 14001 in 2015, and has successfully transitioned to the new ISO 14001:2015 standard.

EMIS India is not covered under the scope of the ISO 14001 certification.

EMIS Group has an environmental management system that provides a framework for managing and reducing the Group's environmental impacts. These impacts are evaluated to determine those that are significant and therefore require monitoring. The results are recorded in the register of environmental risks and opportunities and are regularly reviewed as part of the continual improvement process.

A three-year plan was put in place in 2015, with six-monthly surveillance visits planned across the EMIS Group to ensure compliance and that continual improvement is made against the set objectives and targets.

Three key areas are: • Waste • Travel • Utility usage

Waste

EMIS Group continued to reduce its amount of IT waste. 23 tonnes were disposed of in 2017 (2016: 31 tonnes), a 26% reduction.

There has been a small increase in the amount of confidential waste recycled during the year. The Group's new managed print solution, rolled out during the year, will help deliver a reduction in print waste.

Travel – CO₂ emissions

The Group is investing in its car fleet to reduce carbon emissions. The Group will have an even more fuel-efficient, environmentally friendly fleet by 2020 offering hybrid models only as company cars from 2020.

In 2017 the CO₂ emission average of the company car fleet was 109g/km (2016: 112g/km).

The Group continues to support the Cycle to Work scheme, to promote both more environmentally-friendly commuting and the health benefits associated with cycling.

Using video conferencing and Skype facilities help to reduce travel and emissions.

Utility usage

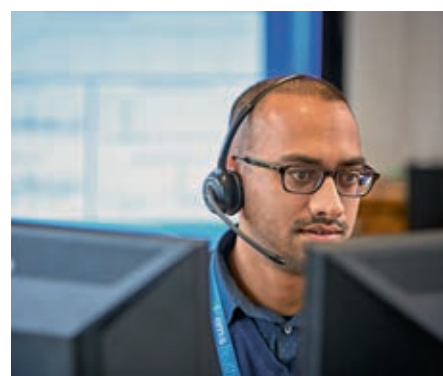
In 2017 a significant programme of alterations took place to the air conditioning within the Leeds offices, as well as the servers throughout the data centres. A continuing programme of replacing lighting with more energy efficient LED lighting has aided the business in reducing energy consumption.

During the year there was a reduction in electricity usage of 4% across the offices at Leeds and Bolton, but an increase in total as a result of increased technology implementation at the Watford location.

2018 and beyond

EMIS Group has identified that waste, travel and utility usage remain the three key environmental focus areas and continual improvement will be made going forward.

Sustainability policy continued



Employees

People strategy

The focus of 2017 was internal communication across the business, to put in place solid building blocks and growth plans. It was also driven by an aim to provide transparency and clarity to colleagues during a time of change and restructure. The period of internal change and restructure in 2017 has meant that the actions planned in response to the 2016 engagement survey, in some areas of the business, were only partly delivered.

Communication

There has been a number of key improvements in communication during 2017:

Workplace – the Group launched Workplace as a platform for colleagues to drive their own internal communications, sharing good news stories, project successes and team updates across the Group. More than 1,000 colleagues are actively engaged on Workplace every week. Familiarity with Facebook increased uptake: two way conversations and “likes” of posts help build cross-team relationships and it has promoted an improvement in internal business understanding, helping to integrate teams across different geographic locations.

Weekly “Pulse” briefings – internal communications updates are published on a weekly basis, distributed through line managers, enabling the leadership team to deliver consistent messaging to all colleagues across the Group.

Monthly senior leadership after calls/quarterly face-to-face meetings – the senior leadership team meet regularly, either by phone or face-to-face, to keep up to date on strategy, progress and new developments. The meetings help to build relationships across the leadership team.

“Ask Andy” question and answer sessions – using Workplace, Andy Thorburn has delivered a number of live question and answer sessions, where colleagues are invited to post questions in real time and Andy answers live via video on Workplace. 1,600 colleagues viewed the most recent session, driving up colleague engagement and motivation, as well as Chief Executive Officer visibility and transparency.

Employee feedback (Your Say)

Having completed an annual engagement survey for the previous two years, in 2017 the Group carried out another survey, this time using a new tool called Peakon. The survey allows colleagues to give their feedback in the usual way but allows leadership and managers to really engage with their feedback, through individual dashboards and access to the data for their own team. During 2018 we plan to move from one annual survey to regular colleague feedback surveys.

Equality and diversity

Equality and diversity continue to be very important to the Group and it recognises the benefits a diverse workforce brings to the business. Further details on equality and diversity are included in the Directors’ report on page 70 and in the nomination committee report on page 53.

In 2017 focus has been on understanding the Group’s gender pay gap and then planning how to address it in the coming months and years. The final figures and commentary for EMIS Group were not available at the time of preparing this report but will be published shortly on the website.

A learning organisation

EMIS Group continued its focus on building a learning organisation, delivering on the Group's commitment to develop people. Both job-specific and behavioural training have been implemented during the year, which built on the platform created in 2015. The Group invested in an online learning portal called Virtual Ashridge, available to everyone in EMIS Group. This learning portal supports personal development and 2017 saw the completion of stage one of the leadership development programme, Leading the EMIS Group Way, with over 300 managers receiving feedback to help them focus on their personal development. The arrival of a new Group HR Director at the end of 2017 offers the Group the opportunity to review the next steps for the leadership development programme. The objective for 2018 will be to build strong leadership foundations for the middle management layer, with a focus on getting the basics right to drive performance in the business.

EMIS Group has taken the first steps to establishing a graduate programme to build talent within the business. By having clear growth programmes, starting with graduates across the Group, shows a commitment to developing people and gives employees a reason to stay and candidates a reason to join. The focus is to think longer term about the talent the Group needs while positively impacting engagement, performance and retention. This will contribute to initiatives such as the community agenda, gender pay gap, diversity and inclusion, as well as talent and succession.

Employee benefits

There is an online portal for employee benefits. Employees have access to a range of flexible benefits through this portal including: buying and selling holidays, childcare vouchers, the opportunity to increase pension contributions and life cover. There is also a discount site, where employees can access special offers from the high street and online stores.

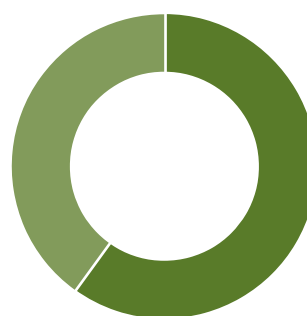
Pension schemes

91% of all UK employees have pension contributions paid on their behalf into a pension scheme. New employees are auto-enrolled into their relevant scheme with the contribution rates offered by the Group ahead of minimum requirements.

The Group has a phased approach to pension contributions and by April 2019 pension contributions will be a minimum of 9% (4.5% employee and 4.5% employer) rising to 10% by April 2020 (5% employee and 5% employer).

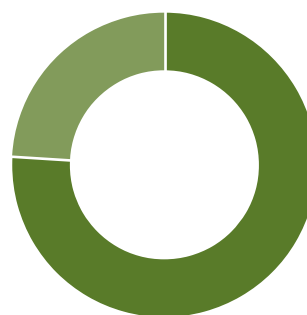
Share incentive scheme

The Share Incentive Plan (SIP) continues to be offered to all employees with over twelve months' service. At the end of 2017, 1,109 employees from across the Group were shareholders in the SIP.



All employees

■ Male 60%
■ Female 40%



Management (including Directors)¹

■ Male 76%
■ Female 24%

¹ Directors and management as defined by EMIS Group.

“EMIS Group continued its focus on building a learning organisation, delivering on the Group's commitment to develop people.”

Board of Directors



Mike O'Leary
Non-executive Chairman

APPOINTED

March 2011

BOARD COMMITTEES**EXTERNAL APPOINTMENTS AND MEMBERSHIPS**

Non-executive director, Epwin Group plc

EXPERIENCE

Mike's public company main board experience dates back to 1987. He has served AIM listed, FTSE 250 and FTSE 100 companies during that time in a variety of markets, mostly with a technology focus. He has extensive 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 enterprise acute care and departmental solutions in the healthcare sector.

Mike is currently a non-executive director of Epwin Group plc. Mike's previous roles have included joint chief operating officer of Misys plc, chief executive of Healthcare and Insurance Divisions of Misys plc, chairman of ACT Medisys, chief executive of Huon Corporation, chief executive of Marlborough Stirling plc, chairman of Digital Healthcare Ltd and non-executive director of Headlam Group plc.



Andy Thorburn
Chief Executive Officer

APPOINTED

May 2017

BOARD COMMITTEES

None

EXTERNAL APPOINTMENTS AND MEMBERSHIPS

None

EXPERIENCE

Andy has a proven track record of achievement in his previous roles, both in the UK and overseas. Prior to joining EMIS Group he was group chief operating officer of Digicel, the Caribbean and South Pacific based communications and entertainment provider from 2014 to 2016, responsible for driving significant growth in revenues and profitability, both organically and via mergers and acquisitions.

He was previously chief executive officer of Digicel Caribbean and Central America and chief executive officer of Digicel Jamaica. Andy has over 16 years' experience in the software industry having had senior management roles at Intec Telecom Systems plc, Chronicle Solutions Ltd and a number of Benchmark Capital Portfolio companies (including Kalido Inc. and Orchestra Ltd). Andy was also a managing director within BT Group.



Peter Southby
Chief Financial Officer

APPOINTED

October 2012

BOARD COMMITTEES

None

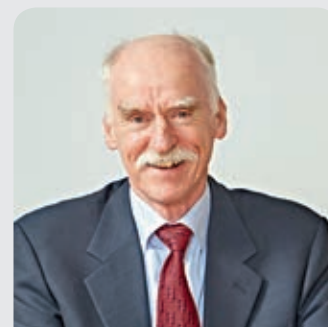
EXTERNAL APPOINTMENTS AND MEMBERSHIPS

Institute of Chartered Accountants in England and Wales (Fellow)

EXPERIENCE

Peter has over 20 years of experience in finance, mainly in a public company environment, including ten 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 a number of group functions.

Peter was formerly finance director at ENER-G plc and Augean plc, and held senior financial positions at White Young Green plc, and Leeds United plc. He was also a senior audit manager at Arthur Andersen.



Robin Taylor
Senior Independent
Non-executive Director

APPOINTED

March 2010

BOARD COMMITTEES**EXTERNAL APPOINTMENTS AND MEMBERSHIPS**

Non-executive director of FDM Group plc

Non-executive director of Alfa Financial Software Holdings PLC
Institute of Chartered Accountants of Scotland

EXPERIENCE

Robin joined EMIS Group as the Senior Independent Non-executive Director and chairman of the audit committee in March 2010 and brings many years' experience as a plc director. Robin has held a variety of financial and general management roles in both Europe and North America. He has experience of financial reporting, financing, transactions and risk management.

Robin's previous roles include 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 Fusionex Phoenix IT Group plc and non-executive director of Fusionex International plc.



Andy McKeon
Independent
Non-executive Director

APPOINTED

September 2015
(having previously served on the Board between February 2013 and April 2015)

BOARD COMMITTEES



EXTERNAL APPOINTMENTS AND MEMBERSHIPS

Chairman, The Nuffield Trust

EXPERIENCE

Andy's extensive knowledge of the NHS and experience in shaping health policy add invaluable expertise to 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.

Andy was formerly interim chief executive of the Nuffield Trust, managing director of health at the Audit Commission, departmental board member at the Department of Health (director general responsible for policy and planning), head of primary care at the Department of Health, deputy chief executive at the Barts and London NHS Trust and adjunct professor of the Institute of Global Health Innovation, Imperial College London. Andy was formerly vice-chair at the National Institute for Health and Care Excellence (NICE).



Kevin Boyd
Independent
Non-executive Director

APPOINTED

May 2014

BOARD COMMITTEES



EXTERNAL APPOINTMENTS AND MEMBERSHIPS

Group finance director at Spirax-Sarco Engineering plc

Institute of Chartered Accountants in England and Wales (Fellow)

Institution of Engineering and Technology (Fellow)

EXPERIENCE

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.

Kevin was previously group finance director at Oxford Instruments plc and Radstone Technology plc, finance director at Siroyan Ltd and held senior financial positions at TI Group plc.



David Sides
Independent
Non-executive Director

APPOINTED

January 2017

BOARD COMMITTEES



EXTERNAL APPOINTMENTS AND MEMBERSHIPS

President and CEO of Streamline Health Inc.

American College of Healthcare Executives (Fellow)

EXPERIENCE





David is the president, CEO and director of Streamline Health Inc., a Nasdaq-listed company. Prior to joining Streamline Health, David was CEO of iMDSoft Inc., a provider of clinical information systems and electronic medical records for critical, perioperative and acute care organisations in over 25 countries.

David previously worked at Cerner Corporation, serving as the managing director of Cerner UK and Ireland and later as senior vice president of Worldwide Consulting. He led Cerner's professional services in 24 countries and was accountable for every implementation and all consulting work done by Cerner.

Executive

Non-executive

COMMITTEE MEMBERSHIP

-  Audit committee
-  Remuneration committee
-  Nomination committee
-  Chairman of committee

Corporate governance



MIKE O'LEARY, CHAIRMAN

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 2017. The Company remains committed to high standards of corporate governance and the Board acknowledges the importance of the principles set out in the 2016 UK Corporate Governance Code (the Code) and of the proposed revisions to the Code recently published by the Financial Reporting Council.

As a Board, we recognise that we are accountable to shareholders for good corporate governance and we seek to promote consistently high standards of governance based on best practice principles suitable for a company quoted on AIM. Governance arrangements are reviewed on an ongoing basis to ensure that they remain fit for purpose. As the Company operates within the healthcare sector, it is increasingly important the focus remains on the safety and security of the Company's products as well as balancing the interests of all our stakeholders.

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 quoted on 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. This report follows the key themes of the Code: leadership, effectiveness, accountability and relations with shareholders. The other key theme of remuneration is addressed separately in the Directors' remuneration report.

Leadership and effectiveness

The Board recognises the importance of establishing the right culture and communicating this message throughout the organisation. It is important that we provide strong and effective leadership, constructive challenge and, along with the GXT, accept collective accountability for the long-term sustainable success of the Group. In so doing, we will continue to drive and deliver our strategy in the best interests of all our stakeholders.

The Board's roles and responsibilities

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 48 to 51.

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 using key performance indicators (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.

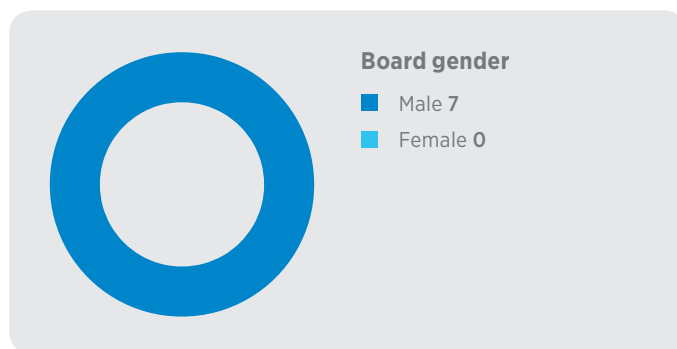
The business model on pages 10 and 11 explains the basis on which the Group generates and preserves value over the longer term. The strategy of the Group and its achievements in 2017 are outlined on pages 15 to 17.

Board structure

At the start of the year the Board consisted of Mike O'Leary, Non-executive Chairman; Chris Spencer, Chief Executive Officer; Peter Southby, Chief Financial Officer; Robin Taylor, Senior Independent Non-executive Director; Andy McKeon, Kevin Boyd and David Sides, Non-executive Directors.

As previously referenced, Chris Spencer retired from the Board as Chief Executive Officer on 30 April 2017 and Andy Thorburn was appointed as his replacement on 1 May 2017. Prior to this change, David Sides had been appointed as a Non-executive Director of the Company with effect from 1 January 2017. Appointments to the Board are led by the nomination committee.

Further information on the process of Andy Thorburn's appointment can be found in the nomination committee's report on pages 52 and 53.



Mike O'Leary, Kevin Boyd, Andy McKeon, Robin Taylor and David Sides were considered by the Board to be independent at the time of their appointments. Each Non-executive Director is considered to be independent as to character and judgement and to be free of relationships and other circumstances that might impact their independence. The Chairman and Non-executive Directors meet at least annually without the Executive Directors present.

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

Biographies of individual Directors are provided on pages 38 and 39. Their respective Board and committee responsibilities are outlined below and in the individual reports of the various committees.

The Board delegates certain responsibilities to the three principal Board 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 and which are reviewed annually.

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. Details are provided in the respective committee reports.

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 of the Non-executive Directors. Full details of the work of the committee are set out in the audit committee report on pages 48 to 51.

Remuneration committee – 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. The committee met ten times during the year and comprises all of the Non-executive Directors. Full details of the work of the committee are set out in the remuneration committee report on pages 54 to 67.

Nomination committee – The committee is responsible for leading the Board appointments process and for considering the size, structure and composition of the Board and it met three times in the year. Full details of the work of the committee are set out in the nomination committee report on pages 52 and 53.

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 Board is made up of a majority of independent Non-executive Directors. As at the date of this report, the Board comprised the Chairman, four independent Non-executive Directors and two Executive Directors who collectively possess an appropriate balance of expertise appropriate to lead the Company's business. Each Non-executive Director brings a broad range of UK and international business knowledge and experience, as well as specific skills in the NHS, healthcare, digital technology, finance, corporate transactions and risk management.

The Executive Directors do not hold any external directorships.

Directors are subject to election or re-election by shareholders at each AGM. The nomination committee considers that all the Directors continue to be effective and demonstrate an appropriate commitment to their roles.

Corporate governance continued

Leadership and effectiveness continued

Chairman

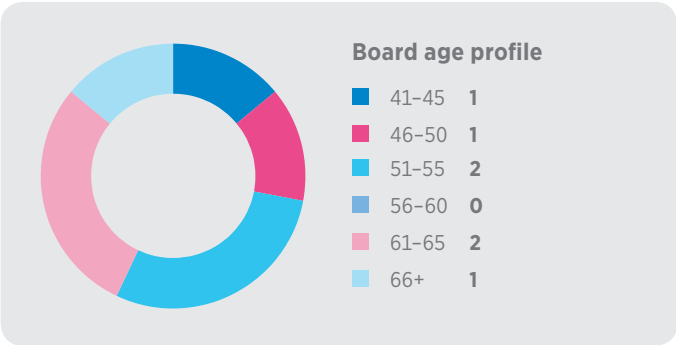
The roles of the Chairman and the Chief Executive Officer are separate and defined in writing. This provides a clear division of responsibilities between the running of the Board and the Executive responsibility of running the business. The key responsibilities of the Chairman, the Chief Executive Officer and Non-executive Directors are set out below:

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

The Chairman’s responsibilities include:

- chairing the Board, the nomination committee and shareholder meetings (including the AGM);
- providing leadership of the Board and ensuring the effectiveness of all aspects of the Board’s role;
- providing challenge to the Executive Directors and working closely with the Chief Executive Officer on key strategic decisions;
- maintaining a dialogue with major shareholders on governance and other strategic matters, as appropriate;
- setting the Board agenda and ensuring all Directors have the opportunity to maximise their contribution to the Board by encouraging open and honest debate and constructive challenge of the Executive Directors; and
- undertaking the annual evaluation of the Board and the Directors and building an effective Board.

On his appointment, Mike O’Leary met the Code’s requirement for independence. There have been no significant changes to his other commitments during the year which have had an impact on his ability to perform his duties for the Group.



Chief Executive Officer

The Chief Executive Officer, Andy Thorburn, is responsible for the implementation of the approved strategic and financial objectives of the Group. To assist in this, the Chief Executive Officer leads the GXT which consists of the Chief Operating Officer, the Divisional Managing Directors, the Chief Financial Officer, the Group HR Director, the Chief Medical Officer, the Chief Technology Officer and the Group Business Development Director. The GXT has a weekly call and meets in person at least once a month with a focus on cross-Group integration and operational performance.

The Chief Executive Officer’s responsibilities include:

- the day-to-day running of the business being accountable to the Board for the Group’s financial and operational performance;
- developing and reviewing the Group strategy;
- with the Chief Financial Officer, maintaining close contact with government, shareholders and major customers;
- with the Chief Financial Officer, approving the divisional budgets;
- chairing the GXT to direct and co-ordinate the management of the Group’s business generally;
- monitoring the performance of senior managers; and
- monitoring the Group’s principal risks.

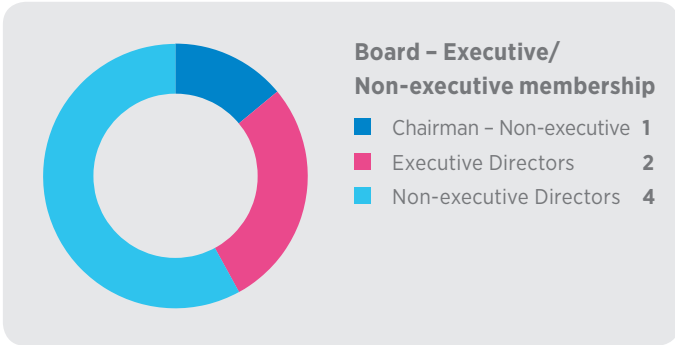
Senior Independent Director

The Senior Independent Director, Robin Taylor, acts as a sounding board for the other Directors and conducts the Chairman’s annual evaluation. He is also available to Directors and shareholders should a situation arise where it is necessary for concerns to be referred to the Board other than through the Chairman or the Chief Executive Officer.

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 and reviewing 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.



Board operation

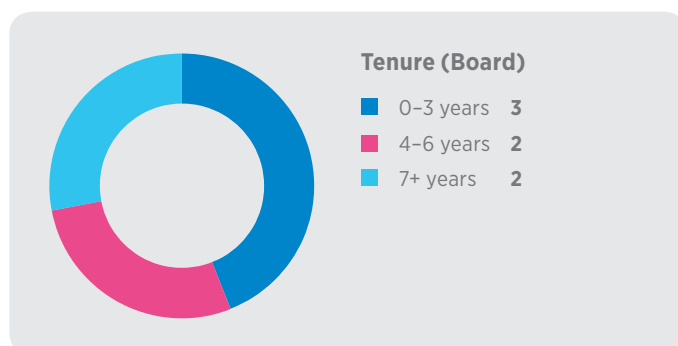
The number of meetings of the Board and its committees held during the year ended 31 December 2017 together with the Directors' attendance records are summarised in the table on page 45. The location for Board meetings is rotated around the Group's principal sites in order to provide opportunities for the Board to meet management and colleagues and develop a better understanding of the Group's operations.

Board and committee papers are circulated one week in advance of meetings to enable the Board to review and consider the materials provided.

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 ongoing contact between the Chairman, Executive Directors and Non-executive Directors between Board meetings.

The amount of time that Non-executive Directors are expected to commit to discharge their duties is agreed on an individual basis at the time of appointment and reviewed periodically thereafter. The time commitment agreed takes into account whether the appointee is the chairman or a member of a Board committee(s) and whether the Director has any external executive responsibilities. Typically this equates to in the region of two days per month for a Non-executive Director and four days per month for the Chairman. As part of the Chairman's annual review of Directors' performance it was confirmed that each of the Non-executive Directors continues to allocate sufficient time to discharge responsibilities effectively and did so throughout the year.

A topical Board calendar is prepared on an annual basis with GXT members regularly invited to attend to present an update on their areas of the business. This is highly valuable in providing further detail to support strategic decisions. In addition, the Board meets on an ad hoc basis as necessary to consider specific issues, such as potential corporate activity, which are supported by detailed Board papers circulated in advance analysing all relevant aspects of the topic under discussion.



Standing agenda items

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

- strategy;
- financial results and KPIs;
- sales pipeline;
- management accounts and commentary;
- reports from the Chief Executive Officer on operational matters and the Chief Financial Officer on financial matters;
- regular presentations from members of the GXT;
- mergers and acquisitions;
- progress reports on major projects;
- analysts' forecasts;
- Board committee updates;
- investor relations engagement;
- legal, governance and regulatory matters; and
- implementation of actions agreed at previous meetings.

Key topics considered by the Board in 2017

- acquisition opportunities;
- banking facilities;
- presentation of the Patient Platform vision and plan;
- review, debate and challenge of the corporate strategy and plan;
- 2018 Group budget;
- Board diversity policy;
- Group operating model;
- presentation on EMIS Health Community Pharmacy;
- financial results announcements, presentations, report and accounts and market updates (annual and half year);
- the Group's viability statement and capital allocation policy;
- Group segmental reporting;
- risk profile;
- the Board evaluation report and discussion of the recommendations and review of the Chairman's performance;
- management information and KPIs;
- half-yearly update on environmental/health and safety matters; and
- cyber security.

Corporate governance continued

Leadership and effectiveness continued

Board and committee effectiveness

The Board has extensive operational experience and many years of detailed knowledge of the healthcare sector, both in the UK and overseas. The Board also benefits from significant financial, transactional, risk management and public company expertise.

During the year, the Chairman undertook an overall effectiveness review, including the performance of the Board and each Director.

The Chairman met individually with each Board member during the year. A framework for those meetings was provided covering topics which included strategic direction, governance, meeting agendas, Board packs, Board composition, risk monitoring and mitigation and specific areas for improvement. Board members were invited to add any other topics to this agenda which they felt to be material or appropriate.

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

The Board evaluation concluded that that the Board meets its regulatory requirements and that the appropriate processes are in place for setting the strategic direction of the Group. The Board members are open to discussion, constructive and able to express their views.

A tailored questionnaire was circulated for completion by members and regular attendees of each principal committee, covering all aspects of good governance. Directors were required to assess their satisfaction with the operation of the Board and its committees, as well as effectiveness of these bodies in fulfilling the key responsibilities set out in their respective terms of reference. The responses were collated and discussed. Each committee concluded that it continued to be effective and all members are considered to have made valuable contributions.

Further details of the effectiveness of each committee are outlined in their individual reports.

As Senior Independent Director, Robin Taylor reviewed the performance of the Chairman with the other members of the Board. The Directors unanimously agreed that Mike O'Leary continues to lead the Board in an effective and inclusive way. He remains engaged, knowledgeable and committed to his role. Directors are actively encouraged to contribute to Board discussions on all matters of significance to the strategy and development of the business.

Conflicts of interest

Directors have a legal duty to avoid conflicts of interest. Prior to appointment, conflicts of interest are disclosed and assessed to ensure that there are no matters which would prevent that person from taking on the appointment. If any potential conflict arises, the Articles of Association permit the Board to authorise the conflict, subject to such conditions or limitations as the Board may determine. In situations where a potential conflict arises, the Director concerned will not be permitted to remain present in any meeting or discussion, and all material in relation to that matter will be restricted, including Board papers and minutes.

Induction and development

All new Directors undergo a comprehensive induction and development programme which is designed to help Directors make an early contribution to the Board. Induction programmes are tailored to the new Directors based upon their needs identified during the recruitment process. The aim is for an induction programme to be completed over a six to nine-month timescale depending upon the Directors' knowledge, experience and other commitments. New Directors receive a comprehensive pack of information and a tailored induction programme that includes meeting the senior management team. This ensures that knowledge and understanding of the business and its technology are developed and the Board is kept up to date with Group developments. All Directors are encouraged to attend relevant training courses and events.

The process for the appointment of new Directors is rigorous and transparent; further information is contained in the report of the nomination committee on pages 52 and 53.

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

The attendance record for Board and committee members during the year ended 31 December 2017 is set out below. Additional ad hoc meetings are held at short notice, as appropriate.

	Board	Audit committee	Nomination committee	Remuneration committee
Total number of meetings	12	4	3	10
Executive Directors				
Chris Spencer (to 30 April 2017)	5	—	—	—
Andy Thorburn (from 1 May 2017)	7	—	—	—
Peter Southby	12	—	—	—
Non-executive Directors				
Mike O'Leary	12	4	3	10
Robin Taylor	12	4	3	10
Kevin Boyd	12	4	3	10
Andy McKeon	12	4	3	10
David Sides	12	4	3	10

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

Accountability

There are formal and transparent arrangements for considering how corporate reporting, risk management and internal control principles are applied.

The Company has a range of governance-related policies and procedures in place, including: a code of ethics and standards of business conduct; an anti-bribery and corruption policy and training programme; a whistleblowing policy including an externally-operated confidential whistleblowing hotline; an anti-tax evasion policy; a treasury policy; human resource and staff welfare policies and procedures; and health, safety and environmental policies.

Internal control

The Board is accountable to its shareholders and seeks to balance their interests with those of a broader range of stakeholders, which includes colleagues, suppliers, customers, regulators and the community. 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 governs through clearly defined committee structures, which support the work of, and are accountable to, the Board. Details of the role and activities of the principal committees are set out in the committee reports.

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 ongoing 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 reputational risks. The Board and audit committee consider any significant control matters raised in reports from management, the Company's external auditor and the Head of Group Internal Audit, and they monitor the progress of remedial actions.

The key components of the Group's overall control frameworks, all of which were in place, or established, throughout the year ended 31 December 2017 and up to the date of approval of this report, are set out below:

- delegated limits of authority in place;
- an appropriate finance function for each business unit in the Group with suitably qualified and experienced professionals;
- a comprehensive weekly and monthly financial and operational performance reporting system is in place which covers, amongst other things, operating results, cash flow, balance sheet information, forecasts and comparisons against budgets; and
- regular updates to the Board from management on property, insurance, litigation, human resources, corporate social responsibility and health and safety matters.

Corporate governance continued

Accountability continued

Internal control continued

The failure to meet certain service levels and reporting obligations identified in early 2018, as set out in the Strategic Report, was a consequence of the failure of effective operation of certain internal controls in these areas, including training, monitoring and review of operational data. The Group has immediately taken steps to strengthen the relevant controls including the provision of training to support staff and enhanced monitoring and supervisory controls, as well as investing further in the development team so that it is appropriately resourced to rectify reported software issues on a timely basis.

During 2017 the Group continued the roll-out of the Microsoft Dynamics AX solution, with the Acute, Patient and India business units all going live during 2017. This has improved control and financial reporting in each of these business units.

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.

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.

The Group's divisions hold ten ISO certifications against the following four standards: ISO27001: Information Security; ISO9001: Quality; ISO20000: Service Management; and ISO14001: Environmental.

In 2017, a single management system covering all four standards was created and this currently covers six of the ten certifications. EMIS Health India obtained an ISO9001 certificate during the year and it is also now covered under the scope of the EMIS Group ISO27001 certification. Certifications for Egton are now centrally managed and those at EMIS Health Acute have been brought under Group certifications, reducing the number of external ISO auditors. ISO9001 and ISO14001 certifications have been transitioned to the latest versions during 2017.

In 2018, the scope of the Group ISO certifications will be extended, bringing more existing certifications under the Group management system and further reducing the total number of external ISO auditors to one.

Financial planning and monitoring

EMIS Group sets annual budgets, together with 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 future performance is provided to all Board members on a monthly basis. The monthly reporting cycle now includes a twelve-month rolling forecast.

Policies, procedures and authorisation limits

The programme to define, create and embed Group-wide policies in key areas continued throughout 2017.

Policies and documented procedures now in place include:

- Group finance manual;
- Group expenses policy;
- Group treasury policy;
- Group anti-tax evasion policy;
- delegated authority limits;
- Group anti-bribery and corruption policy;
- Group human resource and staff welfare policies;
- Group health, safety and environmental policies;
- Group code of ethics policy;
- Group contract management process; and
- Group whistleblowing policy.

The Group whistleblowing procedures include a confidential reporting hotline operated by an external, independent whistleblowing service provider. The policy and the reporting hotline continue to be internally promoted and all employees are required to acknowledge that they have read and understood the policy and procedures in place.

Risk management

The approach to risk management, risk appetite and the principal risks themselves are set out on pages 19 to 23.

Internal audit

The Group has an established risk-based internal audit function. Resources have increased recently with the recruitment of an additional internal auditor and external expertise will also be utilised during 2018.

The Head of Group Internal Audit reports administratively to the Group Financial Controller, but operates independently and has direct and unfettered access to the chairman of the audit committee. These reporting lines are kept under constant review to ensure the function maintains its independence from management. The function provides regular and timely updates on its activities to the audit committee. The work of internal audit is further described in the report of the audit committee on page 50.

Relations with shareholders

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

Generally the Chief Executive Officer and Chief Operating Officer provide the key focus for engagement with shareholders and prospective investors. During the year, a programme of meetings with analysts and institutional shareholders took place with the majority of meetings taking place after the results announcements. There was a quieter period of engagement over the summer months to allow the newly-appointed Chief Executive Officer time to gain a comprehensive understanding of the Group and in particular the healthcare sector in which it operates. Dialogue with individual institutional shareholders nonetheless took place on an ongoing basis to discuss strategy, performance and governance and to obtain feedback.

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 Independent Non-executive Director are also available separately to shareholders to discuss strategy and governance issues. Feedback from any such communications is provided to the Board at the next scheduled meeting. The chairman of the remuneration committee consulted with a number of shareholders in early 2017 to discuss the draft Remuneration Policy which was presented to and approved by shareholders at the AGM in April 2017, and also to seek views on the newly appointed Chief Executive Officer's remuneration package.

The Company has a dedicated investors section on its website, www.emisgroupplc.com/investors, together with a wide range of information on the Group's activities, including all regulatory announcements.

The AGM will be held at Rawdon House, Green Lane, Yeadon, Leeds LS19 7BY on Tuesday 1 May 2018 at 10.30am and I would like to take this opportunity to encourage shareholders to attend. The AGM provides a great opportunity for shareholders to ask any questions that they may have in respect of the Group's activities.

At the AGM, separate resolutions will be proposed for each substantially different issue. Proxy votes are disclosed by means of an announcement on the London Stock Exchange and via the Group's website. All Directors, 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.

Mike O'Leary

Chairman

13 March 2018

Report of the audit committee



ROBIN TAYLOR, CHAIRMAN OF THE AUDIT COMMITTEE

Committee members

- Robin Taylor (chairman)
- Mike O'Leary
- Kevin Boyd
- Andy McKeon
- David Sides

Regular attendees

- Chief Executive Officer¹
- Chief Financial Officer¹
- Group Financial Controller¹
- Head of Group Internal Audit¹
- Representatives from the external auditor, KPMG¹
- Company Secretary

¹ By invitation.

What does the committee do?

The committee provides oversight and ensures that formal and transparent arrangements are in place in the following areas:

- financial reporting;
- the Company's relationship with the external auditor;
- systems of internal control and risk management;
- internal audit; and
- provision of whistleblowing facilities and prevention of bribery and other types of fraud and corruption.

The committee reviews its terms of reference on an annual basis and these are available on the Group's website.

The audit committee was in place throughout the year and held four meetings. All members attended all meetings.

Dear Shareholder

As chairman of the audit committee, I am pleased to present our report for the year ended 31 December 2017.

The report seeks to provide insight into the composition of the audit committee and the work that it undertakes.

The committee acknowledges and embraces its role in protecting the interests of shareholders and we are committed to monitoring the integrity of the Group's reporting. The committee performed a detailed review of the content and tone of the full-year, half-year and trading update regulatory announcements, and the annual report and accounts and half-yearly financial statements. The committee has satisfied itself that controls over the accuracy and consistency of information presented are robust.

Composition and governance

In addition to my role as chairman of the audit committee, I am also the Senior Independent Non-executive Director. The Board considers both myself and Kevin Boyd to have recent and relevant financial experience.

There have been no changes to the composition of the committee during 2017. The Board evaluates membership of the committee on an annual basis. The Board considered all members of the committee to be independent on appointment.

Biographical details of all of the Directors are set out on pages 38 and 39.

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 and as a committee have competence in the sector within which the Company operates.

The Chief Executive Officer, Chief Financial Officer, Head of Group Internal Audit, Group Financial Controller and senior representatives from the external auditor attend committee meetings by invitation to ensure that the committee is fully informed of material events within the business.

All Board members attend each committee meeting. The committee meets with KPMG bi-annually without Executive management present, to discuss matters relating to its remit and any issues relating to the audit. I also meet with the Chief Financial Officer and the Head of Group Internal Audit outside the formal meetings to ensure that any areas for discussion are dealt with on a timely basis.

How the committee discharged its responsibilities

The audit committee met four times during the year in accordance with its terms of reference and with the Group's financial reporting timetable.

The audit committee is assisted in discharging its responsibilities by Executive management reports, internal and external audit reports, engagement with the Executive management team and by regular business planning and performance presentations.

A self-assessment of the effectiveness of the audit committee was carried out during the year through the completion of questionnaires by committee members and regular attendees. 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.

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 half-year results statement.
- Considered the appropriateness of accounting policies, critical accounting judgements and key sources of estimation of uncertainty. To do this the committee reviewed information provided by the Chief Financial Officer and reports from the external auditor setting out its views on the accounting treatments and judgements in the financial statements.
- Reviewed going concern assumptions when considering half year and final results statements and long-term viability when considering the final results statement. Internal financial projections and the results of stress testing the financial models were taken into account.

Risk management and internal control

- Considered the effectiveness of the Group risk management process, including the work of the operational risk management committee, which includes the Executive Directors and other senior management.
- Oversaw a project to develop and roll-out an in-house, web-based risk management software application to enhance and further embed risk management across the business.
- Reviewed the principal business risks to ensure they are being adequately captured and reported to the Board and that the risk disclosures in the annual report are appropriate.

- Considered the effectiveness of internal control systems. There is continued focus on improving the quality and timeliness of internal financial reporting with the ongoing roll-out of Microsoft Dynamics AX.
- Monitored and reviewed the effectiveness of the Group's internal audit and finance functions, approving an increase in resources for internal audit in 2018.

Prevention of bribery, fraud and corruption

- Reviewed the measures in place for the prevention and detection of fraud including extensive internal quality assurance processes and the system of internal controls as set out in the corporate governance report.
- Ensured that arrangements are in place for the proportionate investigation of reports received through the independent external whistleblowing line.
- Reviewed how reports received via the whistleblowing line during the year were managed, including outcomes.
- Received assurance that employees have acknowledged receipt of the whistleblowing policy and associated reporting procedures.
- Reviewed the effectiveness of compliance with the UK 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 online training given to all employees upon joining the company and annually thereafter.
- Reviewed and approved the Group's anti-tax evasion policy.

External auditor

- 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.
- Agreed remuneration in respect of audit and non-audit services and ensured that the level of fees is appropriate to enable a robust, independent audit to be conducted.
- 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.

Report of the audit committee continued

Financial reporting – critical accounting judgements and key sources of estimation uncertainty

In preparing the 2017 financial statements, no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations, that have a material effect on the amounts recognised in the financial statements.

In applying the Group's accounting policies various estimates are made in arriving at the amounts recognised in the financial statements. The sources of estimation uncertainty that, at 31 December 2017, have a significant risk of resulting in a material change to the carrying value of assets and liabilities within the next year are with regard to the carrying value of computer software developed for external sale, revenue recognition and service level reporting charges. Full details are set out on page 88. The audit committee has considered each estimate, supported by detailed work papers presented by senior management, and is in agreement with the position reflected in the financial statements.

External audit

In accordance with its terms of reference, the committee annually reviews the audit requirements of the Group and the effectiveness and independence of the incumbent external auditor prior to any decision to re-appoint.

The committee is responsible for ensuring that the independence of the Group's external auditor is not compromised or put at risk of compromise. The committee reviews both the annual audit plan and output from the audit process as part of assessing the auditor's expertise and performance.

The company is excluded from the provisions of the EU Audit Directive and Regulation on the grounds that it is AIM quoted, however, we aim to voluntarily meet the regulatory requirements as a matter of good practice. KPMG has been the Group's external auditor since 2013 and as a result, following the completion of the 2017 audit, the current engagement partner, Johnathan Pass, will retire having reached five years in that position. The process of handover to his successor Frances Simpson is underway following meetings with both Executive management and the chairman of the audit committee. There are no current plans to put the external audit out to tender in the near future and, in accordance with the EU Audit Directive and Regulation, the Company would not be required to do so until 2023.

The committee uses an annual questionnaire-based approach to gather the opinions of key Directors and senior finance management to assess, amongst other criteria, the performance, quality and value provided by the external auditor. The external auditor regularly provides information relevant to assuring us about its own independence, objectivity and compliance with regulatory and ethical standards.

Provision of non-audit services by the external auditor

The audit committee monitors the nature and extent of non-audit services provided by the external auditor. The 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.

A summary analysis of remuneration paid to KPMG for audit and non-audit services during the year ended 31 December 2017 appears in note 6 to the financial statements on page 92. Fees for non-audit services continue to be within the 70% cap of the average audit fees for the preceeding three-year period as required by the forthcoming EU audit legislation.

Internal audit

EMIS Group maintains an in-house internal audit function which objectively reviews the Group's internal control processes in accordance with the Audit Charter, which is periodically reviewed and approved by the audit committee.

During the year, the committee considered and approved an updated internal audit strategy including the risk-based audit plan for 2018 and 2019. The committee also approved an increase in the resources assigned to internal audit, effective from 2018, including additional in-house staff and the use of external subject matter experts. This is expected to increase the level of assurance received by the committee, especially in specialist and technical areas.

The Head of Group Internal Audit maintains independence through direct access to me, without the need to refer to Executive management. He attends audit committee meetings by invitation and reports to the committee on internal audit, risk management and corporate governance matters. I periodically meet with him without management being present.

The internal audit plan is based primarily on output from the risk management process, but it is flexible and does include ad hoc investigations and other assurance work as it arises and as agreed by the committee. In recent years, the audit plan has included reviews of key risk areas including information security and governance, clinical safety governance, EMIS Health India governance arrangements, contract management and tendering processes, and a range of financial risk areas such as procure-to-pay, payroll and capital expenditure at locations across the Group. In addition, the function has undertaken a range of ad hoc work assignments, including whistleblowing investigations and reviews of corporate policies and procedures in areas such as fraud and whistleblowing arrangements.

Risk management

The committee is responsible for monitoring and developing the effectiveness of sound risk management and internal control systems. It fulfils this role by reviewing the risk management processes in place and the activities of the internal audit function.

The committee has reviewed and approved the Group risk management policy. The Group operates a structured risk management process with oversight from a newly-established risk management committee.

During the year the committee has reviewed and revised the Group's risk appetite.

For full details of the risk management process and risk appetite of the Group, see pages 19 and 20.

Effectiveness of internal control arrangements

On behalf of the Board the committee reviews the Group's internal control arrangements, as set out in the Corporate Governance report, including operational, financial and compliance controls. This review comprises both examination of particular areas of interest and also regular status updates received from senior management and internal audit at each of the committee's meetings.

Areas that have been considered throughout the year and subsequently include the following:

- understanding the nature of the failure of effective operation of controls which resulted in the service level reporting issue;
- reviewing the process improvements and other changes implemented by the business in response to this;
- reviewing the Group's confidential reporting (whistleblowing) arrangements and any matters raised through this process;
- following up on internal control reports and action plans from the Group's external and internal auditors;
- receiving updates and monitoring progress on the status of issues raised in internal audit reports; and
- assessing and validating management representations.

The committee is satisfied that appropriate actions have been, or are being, taken to remedy any significant weaknesses or failures identified as a result of these or other review processes and has reported such to the Board.

Robin Taylor

Chairman of the audit committee

13 March 2018

Report of the nomination committee



MIKE O'LEARY, CHAIRMAN OF THE NOMINATION COMMITTEE

Committee members

- Mike O'Leary (chairman)
- Kevin Boyd
- Andy McKeon
- Robin Taylor
- David Sides

Regular attendees

- Chief Executive Officer¹
- Chief Financial Officer¹
- Company Secretary

¹ By invitation.

What does the committee do?

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
- consideration of 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's terms of reference are reviewed and approved at least annually and are available on the Group's website. Non-executive Directors are appointed by a letter of appointment and details of their terms and those of the Executive Directors are set out on pages 60 to 62.

The committee comprises solely of independent Non-executive Directors and it met three times during the year. The committee chairman provided a verbal update to the Board following each committee meeting.

Dear Shareholder

I am pleased to present our report for the year ended 31 December 2017.

Review of activity during the year

Periodic reviews are carried out to ensure that the Board continues to have an appropriately skilled and experienced team that is well placed to address the changing business needs and the challenges faced in a fast moving and ever evolving healthcare market. David Sides was appointed to the Board in January 2017 to further strengthen the Board.

I believe it is essential that we continue to carry out regular reviews to ensure that your Board not only remains effective but is able to identify and respond to the changing environment within which we operate. The Board has the right balance of skills and independence which are important factors in ensuring its effectiveness and a key responsibility of the committee.

Following the announcement in December 2016 that Chris Spencer had indicated his intention to retire from his position as Chief Executive Officer and from the Board during 2017, a formal search began for his successor led by the committee. A comprehensive and robust recruitment process was undertaken in conjunction with executive search and leadership consulting firm, Spencer Stuart.

The process involved the drawing up of a detailed role and person specification. The key attribute of the specification was the requisite drive and experience to lead the Group to its next stage of development.

An extensive search of the market was then carried out which produced a long list before this was narrowed down to a short list for interview. Assessing the candidate's fit with EMIS Group's culture was an important element of the selection process. Together with my committee colleagues I met with a number of well qualified and experienced candidates. The Board as a whole interviewed each of the preferred candidates and carried out a thorough referencing process.

During the process the committee was mindful of the issue of Board diversity. The committee understands the importance of a diverse Board but also acknowledges the importance of ensuring that the selection of Directors and, in a wider context, employees throughout the Group, should be based upon a range of factors including skills, experience, qualifications, background and values. Accordingly, all vacancies are filled taking into account these wider factors and are not based to a disproportionate extent on any one factor such as gender or ethnicity. Notwithstanding this, there remains a strong commitment to improving diversity within the Board and this will be taken into account as part of any future Board appointment process. During the year the Board agreed a Board Diversity Policy which will be reviewed periodically.

Consideration was given to succession planning for the Board and senior management. Robin Taylor will retire from the Board in 2019 after nine years of service and the Committee has started to consider skills and expertise required to fill this role.

An evaluation of the committee's own performance and terms of reference was carried out. A questionnaire sent to each Director on the performance of the nomination committee concluded that specific tasks were handled both appropriately and in a timely manner.

Terms of reference for this committee are agreed to be appropriate and the Board is satisfied that the committee is adequately resourced to allow these to be met.

Mike O'Leary

Chairman of the nomination committee

13 March 2018

Report of the remuneration committee



ANDY MCKEON, CHAIRMAN OF THE REMUNERATION COMMITTEE

Committee members

- Andy McKeon (chairman)
- Kevin Boyd
- Mike O'Leary
- Robin Taylor
- David Sides

Regular attendees

- Chief Executive Officer¹
- Chief Financial Officer¹
- Group HR Director¹
- Company Secretary

¹ By invitation only.

What does the committee do?

The committee is responsible for:

- determining and agreeing with the Board the framework or broad policy for the remuneration of the Company's Chief Executive Officer, the Chairman of the Board, the Executive Directors and other members of the Executive management team, including pension and compensation payments;
- reviewing the ongoing appropriateness and relevance of the remuneration policy;
- approving the design of, and determining targets for, any performance-related pay schemes operated by the Company and approving the total annual payments made under such schemes;
- reviewing the design of all share incentive plans for approval by the Board and shareholders and determining each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to Executive Directors and other senior Executives and the performance targets to be used;
- determining the policy for, and scope of, pension and benefits arrangements for each Executive Director and other senior Executives; and
- oversight of overall remuneration issues for the Group, including gender pay reporting.

The committee's terms of reference are reviewed and approved at least annually and are available on the Group's website. Non-executive Directors are appointed by a letter of appointment and details of their terms are set out on pages 61 and 62.

The committee comprises solely independent Non-executive Directors and met ten times during the year. The committee chairman provided an oral update to the Board following each committee meeting.

Dear Shareholder

On behalf of the Board I am pleased to present the report of the remuneration committee for 2017. 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 was approved by shareholders at the AGM in April 2017 and; lastly, the annual report on remuneration.

The annual report sets out the remuneration paid to Directors in 2017 including bonus payments and long-term incentives and also includes the detail on how we intend to implement our remuneration policy in 2018.

As the Company is quoted on AIM, it is not required to comply with the UK Listing Authority Rules or the UK Corporate Governance Code; however, the committee has previously decided 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 the remuneration policy and 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 AGM on 1 May 2018 by way of an advisory vote.

Work of the committee

During 2017 the committee considered a range of issues including:

- 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 performance measures set for the bonus scheme and determining any awards made under it;
- reward structures for the Executive management and the wider management team, including remuneration arrangements for the new Chief Executive Officer appointed during 2017;
- all awards made under the Company share option plan (CSOP). The committee also approved the performance measures set for the CSOP;

- the vesting of the awards under the 2014 CSOP and 2014 Long-Term Incentive Plan (LTIP) and the separate 2014 LTIP award to the former Chief Executive Officer, Chris Spencer;
- all awards made under the LTIP. The committee also approved the performance measures set for the LTIP (which were revised to include a TSR element, as set out in last year's report);
- the CSOP and LTIP structure taking into account current market best practice and institutional investors' current guidelines. This included some minor rule changes;
- reviewing and consulting shareholders on a revised remuneration policy which was approved at the 2017 AGM. In reviewing the policy the committee took external advice on market developments and best practice in remuneration;
- the bonus and shareholding arrangements of the Chief Executive Officer and management of the Patient Platform business;
- a review of the committee's effectiveness during the year; and
- a review of the committee terms of reference.

Corporate performance

As outlined in the strategic report on pages 1 to 37, EMIS Group reported a steady underlying financial performance in 2017, delivering a slight reduction in adjusted operating profit (3%) and in adjusted earnings per share (4%), achieved despite a more challenging market environment and significant investment in the Patient business. Overall, trading for the year was in line with the Board's expectations and the Group increased its adjusted operating margin excluding Patient from 23.9% to 24.9%.

The Group's revenue visibility order book and pipeline remained strong, with the Group maintaining a high level of recurring revenue in the period.

However, since the year end, our position has been set back by the discovery of a service level reporting issue.

The committee has taken careful and detailed consideration of the overall performance of the Group and the impact of the failures in service level agreement reporting when determining remuneration matters for 2017 and 2018.

Remuneration for 2017

Andy Thorburn was appointed as Chief Executive Officer in May 2017 and the committee carried out a detailed assessment of the remuneration package (including base salary) that would be required to attract, retain and motivate a suitably qualified and experienced candidate taking into account the Company's remuneration policy. Andy Thorburn joined the Company on a base salary of £400,000 per annum. This was in line with his previous post but more than the salary paid to his predecessor, Chris Spencer, who had not received an increase in 2017 and had only accepted a part increase in 2016. As part of his appointment, Andy Thorburn was granted LTIP awards to the value of 150% of base salary which will vest in three years' time, subject to the satisfaction of performance conditions. He is also eligible to receive up to £30,000 for relocation expenses, receiving an

overnight allowance prior to relocating. Bonus and other remuneration arrangements were unchanged compared with his predecessor.

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 in the year did not meet the targeted level and therefore the committee concluded that, in line with the rules, no bonus payments would be made.

The 2015 LTIP performance conditions were not met and therefore the 2015 LTIPs have lapsed.

Further details about the variable pay awards are set out in the Directors' remuneration report on pages 56 to 67.

Implementation of policy for 2018

Base salaries – no increases are to be given to Executive Directors in 2018, but a 2% increase has been given to the wider workforce.

Decisions on bonus and LTIP levels for 2018 have not yet been taken at the time of preparing this report.

Gender pay reporting

The committee has taken a close interest in gender pay reporting. The final figures and commentary for EMIS Group were not available at the time of preparing this report but will be published shortly on the website within the statutory timescale.

Committee effectiveness

An annual effectiveness review was carried out and concluded that the committee continued to operate effectively, although it should keep under review the link between LTIP performance metrics and the Company's strategy and seek to have fewer meetings.

David Sides joined the committee upon his appointment to the Board on 1 January 2017 and has provided a strong contribution to the committee's deliberations during the year.

On behalf of the committee I hope that you will support the resolutions to be presented at the AGM in May 2018.

Andy McKeon

Chairman of the remuneration committee

13 March 2018

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 has applied since 28 April 2017 and the policy table is noted below.

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.	<p>Base salaries are usually 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 percentage salary increases across the wider employee population. There is no set maximum.</p> <p>Any changes usually take effect from 1 January each year.</p>	<p>While there is no maximum salary, 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:</p> <ul style="list-style-type: none"> • a material change in the size or complexity of the business or responsibility of the role; • development in the role; • changes in market practice; and • moving the salary of a newly appointed Executive Director to be aligned with a market competitive range over time. <p>Details of salary changes will be disclosed in the annual report for the relevant year.</p>	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. The committee has discretion to make a cash payment in lieu of pension contribution. Such a payment would not count for bonus or LTIP purposes.	Executive Directors receive a contribution or cash payment in lieu of up to 15% of salary.	None.
Share Incentive Plan (SIP)			
To provide market competitive benefits.	<p>Open to all UK tax resident employees of participating Group companies with at least one year's service. Executive Directors are eligible to participate.</p> <p>The plan is an HMRC tax qualifying 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.</p>	<p>Participants can purchase shares up to the limits allowed by the legislation from time to time (currently up to £1,800 per tax year).</p> <p>Matching shares may be awarded up to the limits allowed by the legislation from time to time.</p> <p>The Company currently offers to match purchases made through the plan at the rate of one free matching share for every three shares purchased.</p>	None.

Element	Operation	Opportunity	Performance metrics
Benefits			
To provide market competitive benefits.	<p>Benefits may include, but are not limited to, a car or car allowance and life insurance.</p> <p>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.</p>	<p>While no maximum level of benefits has been set, the value of benefits provided is set at a level which the committee considers to be appropriately positioned taking into account the role and individual circumstances; benefits provided are reviewed periodically.</p> <p>Benefits in respect of the year under review are disclosed in the annual report on remuneration.</p>	None.
Annual bonus			
To provide an incentive to drive the Executive Directors to deliver stretching performance and growth.	<p>Performance measures, targets and weightings are set by the committee at the start of the bonus period.</p> <p>At the end of each bonus period, the committee determines the extent to which targets have been achieved. 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.</p> <p>At the discretion of the committee, Executive Directors may be required to invest up to 40% of any after tax amount in shares, to be held until the minimum shareholding requirement is met.</p> <p>Bonuses are subject to clawback as described on page 59.</p>	<p>For Executive Directors, the maximum annual bonus opportunity is up to 150% of base salary.</p> <p>No bonus is payable until target performance is achieved. For target performance, the bonus level is up to 50% of the maximum payable for that year.</p>	<p>Performance is usually 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. A minimum of 80% of the bonus will be determined by financial 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.</p> <p>The range of performance required under each measure is calibrated with reference to external expectations and 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.</p>

Directors' remuneration report continued

Directors' remuneration policy continued

Policy table continued

Element	Operation	Opportunity	Performance metrics
Long-Term Incentive Plan (LTIP)			
To drive sustained long-term business performance, aid retention and align the interests of Executive Directors with shareholders.	Awards are made in the form of conditional share awards, or nil-cost options which vest subject to the achievement of pre-defined performance conditions measured over a three-year period.	The maximum award that may be granted to an Executive Director in respect of any financial year is 200% of salary. Ordinarily, awards are granted at the level of up to 100% of salary. Each year the committee determines the maximum LTIP opportunity, the measurement period and the threshold level. Threshold performance will result in up to 25% of maximum vesting for the period set rising to full vesting for maximum levels of performance in accordance with the progression set by the committee for the period in question.	Awards vest subject to performance measure(s) based on key financial metrics which may include, for example, measures based on EPS, and growth in share price.
	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.		The committee has discretion to adjust the performance measures and weightings to ensure that they continue to be linked to the delivery of Group strategy.
	Following the end of the performance period, and the vesting of any awards, Executive Directors are required to hold them for a further two years, subject to being permitted to dispose of shares to meet any resultant tax liability. During the holding period the shares are not subject to performance conditions.		The committee has the discretion to adjust the formulaic LTIP outcomes downwards to ensure that payments accurately reflect business performance over the performance period.
	LTIP awards are subject to clawback as described below this table.		

Notes to the policy table

Performance measurement selection

The aim of the 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 KPI for the year and are designed to encourage continuous performance improvement for the Group. Group financial performance targets relating to the 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 the KPI for the annual bonus plan because it is a clear measure of the underlying financial performance of the Group.

LTIP awards granted prior to 2017 vest based solely on EPS growth over three years. EPS was 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. LTIP awards granted in 2017 vest based on EPS growth and TSR performance over three years. This change followed shareholder consultation with the committee deciding to introduce a relative TSR measure alongside EPS, considering that two measures, rather than one, would give a better all-round view of performance. 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.

The committee retains the ability to adjust performance measures or targets if events occur (such as a change in Group strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the committee to determine that measures are no longer appropriate and that an amendment is required so that they achieve their original purpose.

Awards under the LTIP and deferred share awards may be adjusted in the event of a variation of the Company's share capital or other relevant event in accordance with the terms of the awards.

Malus and clawback provisions

Clawback applies if the figures on which awards were based are shown to be inaccurate or there is misconduct by the individual or action which has damaged EMIS Group's reputation or, in the case of LTIPs, if there is significant deterioration in financial performance. These provisions apply for one year after the award of a bonus and during the two-year retention period for an LTIP.

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 45 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.

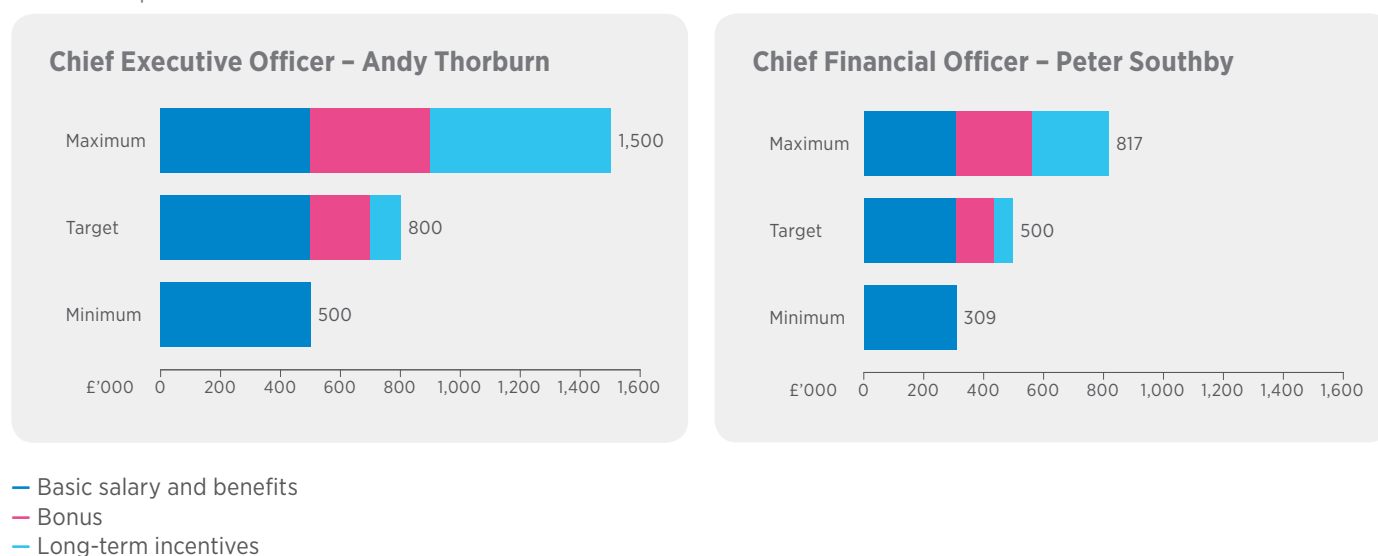
Shareholding guidelines

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 200% 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. Different shareholding requirements may be set for any newly appointed Executive Director.

Shares, and shares subject to nil-cost options which have vested but which remain unexercised, count towards the shareholding requirement on a net of assumed tax basis. Executive Directors are required to retain shares acquired under the LTIP (subject to sales to cover tax liabilities) until they have satisfied the guideline.

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 2018 and the potential split between different elements of remuneration under three different scenarios: "Minimum", "Target" and "Maximum" performance.



A decision has not yet been made on the level of bonus and LTIP awards for 2018. The figures are therefore based on the 2017 figures and further disclosure will be made in the 2018 annual report and accounts.

Directors' remuneration report continued

Directors' remuneration policy continued

Pay scenario charts for Executive Directors continued

Potential reward opportunities illustrated on page 59 are based on the remuneration policy, applied to the base salary as at 1 January 2018. It should be noted that LTIP awards granted in a year normally vest following the end of a three-year performance period and the projected value of LTIP amounts excludes the impact of share price movement over the vesting period. 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 63		
Annual bonus		No bonus payable	50%	100%
LTIP		No LTIP vesting	25%	150% ¹

1 150% applies to Andy Thorburn only. Maximum of 100% LTIP for Peter Southby.

Approach to recruitment remuneration – Executive Directors

When 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 rate, 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 tax qualifying 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 ordinarily being pro-rated to reflect the proportion of employment over the bonus period. Targets for the individual element will be tailored to the Executive.	Up to 150% 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 200% 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.

The committee may include additional elements of pay which it considers appropriate in circumstances which may include: interim appointments; Non-executive Directors taking on an Executive function on a short-term basis; and where the timing of the recruitment means that it would be inappropriate to provide a bonus or LTIP opportunity for the year, in which case the quantum in respect of the opportunity for the year of recruitment may be transferred to the subsequent year in order that reward is provided on a fair and appropriate basis. However, the committee's discretion is not uncapped. As noted above, salary, pension and benefits will be provided in line with the existing policy and non-performance-related incentives (such as a "golden hello") will not be offered. The committee may alter the performance measures and vesting periods of incentive remuneration and the deferral arrangements for the bonus or holding period for the LTIP to reflect the circumstances of the recruitment. The rationale for any exercise of this discretion will be explained in the following Directors' remuneration report.

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 remuneration and/or incentive arrangements forfeited on leaving a previous employer.

Any "buyout awards" would typically 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. Such awards would typically be subject to clawback.

In the event of the appointment of 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.

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:

Executive Director	Position	Effective date of contract	Notice period	
			From Company	From Director
Andy Thorburn	Chief Executive Officer	1 May 2017	Twelve months	Twelve months
Peter Southby	Chief Financial Officer	1 October 2012	Twelve months	Twelve months

Remuneration policy for the Chairman and the 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.	<p>The Chairman and Non-executive Directors receive a basic fee for their respective roles. Additional fees may be paid to Non-executive Directors for additional services such as chairing a Board committee or acting as the Senior Independent Non-executive Director. Expenses related to the Non-executive's duties, such as travel and accommodation or secretarial support, may also be reimbursed.</p> <p>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.</p>	<p>Fee increases are applied in line with the outcome of the annual review. Fees for the year commencing 1 January 2018 are set out in the annual report on remuneration.</p> <p>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.</p>	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 above. 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.

Directors' remuneration report continued

Directors' remuneration policy continued

Non-executive Directors' service contracts continued

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

Non-executive Director	Date of first appointment	Date of last appointment	Unexpired term as at 31 December 2017	Notice period
Mike O'Leary	17 March 2011	17 March 2017	2 years 2 months	3 months
Robin Taylor	1 March 2010	24 March 2017	1 year 2 months	3 months
Kevin Boyd	9 May 2014	9 May 2017	2 years 4 months	3 months
Andy McKeon	1 February 2013	30 September 2015	9 months	3 months
David Sides	1 January 2017	—	2 years	3 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. A payment in lieu of notice (consisting of salary, benefits and pension contributions for the relevant portion of the notice period) may be made. 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. The holding period that applies to vested LTIP awards ceases when an individual leaves.

Reason for leaving

Timing of vesting

Treatment of awards

Annual bonus

"Good leaver"	Usually paid at the same time as continuing employees. Pro-rata payments may also be made early on compassionate grounds to a "good leaver".	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" – awards which are still subject to performance conditions	Continue until the normal vesting date or vest immediately, at the discretion of the committee. In the event of the death of a participant, the award would vest immediately.	Outstanding awards vest to the extent the performance conditions are reasonably considered to be likely to be satisfied and the awards are pro-rated to reflect the length of the performance 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 performance 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 remuneration policy was implemented during the financial year ending 31 December 2017.

Remuneration committee membership in 2017

The committee met ten times during the year under review. The members of the committee and their attendance record at meetings during the year are set out on page 45.

During the year, the committee sought internal support from the Chief Executive Officer, the Chief Financial Officer and the Group HR Director, who attend 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. None of these officers was 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. The committee evaluates the support provided by its advisers on a regular basis and during 2016 appointed Deloitte as its principal external adviser. Deloitte is available to provide independent advice on a wide range of remuneration matters including current market practice, benchmarking of Executive pay, LTIP performance measures, the remuneration policy and incentive scheme design. Deloitte is also retained as tax adviser to the Group.

The committee is satisfied that the Deloitte team provides independent remuneration advice to the committee. Deloitte is a member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com.

Summary of shareholder voting at the 2017 AGM

There was an advisory vote on the remuneration policy at the AGM in 2017. Of the 41,231,786 votes cast, 39,800,837 (96.5%) of the votes were for the resolution, with 1,430,949 (3.5%) against and 2,807 votes withheld.

There was an advisory vote on the remuneration report at the AGM in 2017. Of the 41,212,702 votes cast, 41,111,840 (99.8%) of the votes were for the resolution, with 100,862 (0.2%) against and 21,891 votes withheld.

The results of the votes were published on the website after the meeting.

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 2017 and the prior year:

	Andy Thorburn ⁶ £'000		Chris Spencer ⁷ £'000		Peter Southby £'000	
	2017	2016	2017	2016	2017	2016
Base salary	288	—	212	318	254	250
Taxable benefits ¹	30	—	9	20	18	15
Pension ²	40	—	16	48	38	38
Annual bonus ³	—	—	—	—	—	—
Share schemes ^{4,5}	—	—	1	221	1	155
Total	358	—	238	607	311	458

1 Taxable benefits consist primarily of a car allowance or company car and private fuel benefit plus private medical insurance, business travel and subsistence (where taxable).

2 During the year the Executive Directors received 15% of base salary as employer contributions. At the request of Peter Southby £28,000 of employer pension contributions was commuted to a cash payment in accordance with the remuneration policy.

3 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 2017 can be found in the Annual report on remuneration on page 64.

4 The 2016 figures have been restated to show the values of the 1 May 2014 LTIP at the point of vesting, in compliance with Schedule 8 of the Large and Medium-Sized Companies and Group (Accounts and Reports) Regulations 2008. During 2017 Chris Spencer exercised options for a gain of £445,000 and Peter Southby exercised options for a gain of £143,000. The 28 April 2015 LTIP award, with an EPS performance target to 31 December 2017, has lapsed. For further information on LTIP awards vesting and exercised during the year see page 64.

5 The total amount shown includes the value of matching shares awarded under the SIP.

6 Andy Thorburn was appointed to the Board on 1 May 2017.

7 Chris Spencer retired from the Board on 30 April 2017. His base salary includes a payment in lieu of notice of £106,000.

Directors' remuneration report continued

Annual report on remuneration continued

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 2017 and the prior year:

	Base fee £'000		Committee chairmanship fees £'000		Total £'000	
	2017	2016	2017	2016	2017	2016
Mike O'Leary	85	85	5	5	90	90
Robin Taylor	40	40	5	5	45	45
Andy McKeon	40	40	5	5	45	45
Kevin Boyd	40	40	—	—	40	40
David Sides	40	—	—	—	40	—

Incentive outcomes for the year ended 31 December 2017

Bonus

During the year ended 31 December 2017, 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 subject to clawback. Corporate targets set by the committee require Executive Directors to deliver significant stretch performance to achieve maximum bonus.

The targets set at the start of 2017 were not met. The committee considered whether to take into account investment in Patient, but also acknowledged the impact of the failures in service level agreement reporting. It concluded that the targets had not been met and according to the rules, decided that no bonuses would be payable.

For 2017 the targets were as follows:

- 0% of salary if the Group adjusted profit was below £41.0m (before adjusting for investment in Patient business);
- 50% of salary if the Group adjusted profit was or exceeded £41.0m; and
- if the Group adjusted profit was greater than £41.0m then the bonus would increase pro rata to Group adjusted profit up to a maximum of 100% at £43.7m.

Long-term incentive awards vesting

The 2015 LTIP performance conditions were not met and therefore the 2015 LTIPs have lapsed.

Long-term incentive awards exercised

Chris Spencer, Chief Executive Officer, exercised options on 11 April 2017 over 25,229 ordinary shares of 1p each granted at nil cost under the Company's LTIP, which were awarded on 16 January 2014 (and had been the subject of performance conditions) and disposed of 11,858 ordinary shares at a price of £9.13 per ordinary share to fund the tax and national insurance obligations. He exercised further options on 17 May 2017 over 22,705 ordinary shares of 1p each granted at nil cost under the Company's LTIP, which were awarded on 1 May 2014 (and had been the subject of performance conditions) and disposed of 10,672 ordinary shares at a price of £9.44 per ordinary share to fund the tax and national insurance obligations.

Peter Southby, CFO, exercised options on 17 May 2017 over 15,136 ordinary shares of 1p each ordinary shares granted at nil cost under the Company's LTIP, which were awarded on 1 May 2014 (and had been the subject of performance conditions) and disposed of 7,114 ordinary shares at a price of £9.44 per ordinary share to fund the tax and national insurance obligations.

All of the above ordinary shares were acquired by JY Trustees Limited on behalf of the EMIS Group plc Employee Benefit Trust.

Scheme interests awarded in 2017

2017 Long Term Incentive Plan

In 2017, the following awards were granted under the LTIP:

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
Andy Thorburn	1 May 2017	44,518	898.5p	1 May 2020	£399,994
	4 September 2017	21,953	911.0p	1 May 2020	£199,992
Peter Southby	21 April 2017	28,241	898.5p	21 April 2020	£253,745

Performance conditions for 2017 awards

Awards granted in 2017 include two performance targets. 80% of the award is subject to a performance target based on the Company's compound annual earnings per share growth (EPS) and 20% of the award is subject to a performance target comparing the Company's total shareholder return (TSR) against the FTSE SmallCap. Both performance targets are measured over three financial years 2017–2019.

Performance level	EPS growth	% award to vest	TSR	% award to vest
Below base target	Below 5% p.a.	0%	Below median	0%
Base target	5% p.a.	20%	Equal to median	5%
Maximum target	15% p.a.	80%	Upper quartile	20%

To the extent that base target is exceeded, the percentage of award shares vesting increases pro rata between the base target and maximum target.

2017 SIP awards

During the year under review, Peter Southby was awarded matching shares under the SIP as a result of his own personal contributions in acquiring partnership shares. The value of these was less than £1,000. There were no performance conditions attached to the SIP awards. Peter Southby participates in the SIP to the maximum extent permitted by the HMRC. The Company offers 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 2017.

Payments to past Directors

There were no payments to past Directors for the year ended 31 December 2017 with the exception of Chris Spencer exercising an LTIP option post-retirement. Details are on page 64.

In line with the exit payment policy, Chris Spencer received payment equivalent to four months base salary in lieu of notice. Remuneration received during the year is stated in the single total figure of remuneration on page 63. His awards outstanding under the LTIP, awarded in 2015 and 2016, will vest at the normal vesting date subject to satisfaction of the existing performance conditions and be calculated on a pro-rata basis to his leaving date. As noted on page 64, the performance conditions for the 2015 LTIPs have not been met and have therefore lapsed.

Relative importance of spend on pay

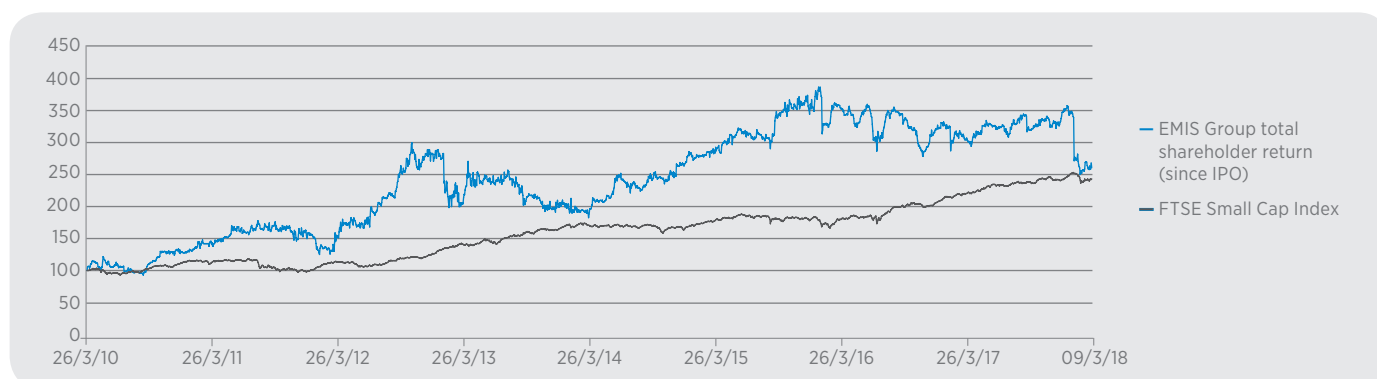
The table below shows the Group's expenditure on shareholder distributions (including dividends) and total employee pay expenditure for the financial years ending 31 December 2016 and 31 December 2017.

	Total employee expenditure	Distributions to shareholders
2017	£79.9m	£16.2m
2016	£77.2m	£14.7m
% change	4%	10%

Directors' remuneration report continued

Annual report on remuneration continued

TSR performance



The graph above compares the value of £100 invested in EMIS Group plc shares, including re-invested dividends, with the FTSE SmallCap 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, including those acquired through the SIP, as at 31 December 2017 were as follows:

Director	Ordinary shares at 31 December 2017	Ordinary shares at 31 December 2016
Andy Thorburn	—	—
Peter Southby	20,320 ¹	12,059
Mike O'Leary	1,000	1,000
Robin Taylor	1,800	1,800
Andy McKeon	1,626	1,626
Kevin Boyd	7,000	2,500
David Sides	2,000	—

¹ This includes matching shares awarded under the SIP which may be subject to forfeiture under certain circumstances.

Since the year end SIP shares have continued to be awarded each month, for which monthly Regulatory Information Service announcements have been made. This has resulted in Peter Southby holding an additional 48 shares, which include matching shares awarded under the SIP which may be subject to forfeiture in certain circumstances.

Implementation of remuneration policy for 2018

Base salary

The base salaries for the Executive Directors in 2018 are set out in the table below. The letter from the chairman of the remuneration committee on page 55 includes further detail.

Executive Director	Base salary from 1 January 2017 to 31 December 2017	Base salary from 1 January 2018 to 31 December 2018	Percentage increase
Andy Thorburn	£400,000 ¹	£400,000	0%
Peter Southby	£253,750	£253,750	0%

¹ Base salary from date of appointment of 1 May 2017.

Pension

For 2018, Executive Directors will continue to receive a contribution equivalent to 15% of base salary.

Annual bonus

Decisions on the level and performance measures for annual bonuses have not yet been taken. When set, the specific targets will be deemed commercially sensitive but will be published retrospectively in the Annual Report for 2018.

Bonus payments will continue to be delivered in cash and will continue to be subject to the following 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

Decisions on award of performance shares for 2018 have not yet been taken. Details of any awards in the 2018 financial year will be provided in next year's annual report on remuneration.

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.

LTIP awards are subject to clawback during the two-year retention period for an LTIP.

SIP

Executive Directors, subject to eligibility, will be able to continue to participate in the SIP on the same basis as in the 2017 financial year.

Chairman and Non-executive Director fees

Fee levels of the Chairman and Non-executive Directors are subject to annual review taking into account appropriate FTSE comparators and the level of engagement of the Chairman and other Non-executive Directors. The Board agreed that no change be made to the fees payable in 2018.

Directors' report

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2017.

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 a number of trading subsidiary companies. The principal trading subsidiaries are:

- Egton Medical Information Systems Limited and Ascribe Limited, trading under the EMIS Health and Egton brands;
- Digital Healthcare Systems Limited, trading as EMIS Specialist;
- Medical Imaging UK Limited and MIDRSS Limited trading as EMIS Care;
- Rx Systems Limited trading as EMIS Health Community Pharmacy; and
- Patient Platform Limited, carrying on the business of Patient.info.

EMIS Group is the UK leader in connected healthcare software and services. Its solutions are widely used across every major UK healthcare setting from primary, community & acute care, to high street pharmacies and specialist care services. EMIS Group helps healthcare professionals in over 10,000 organisations share vital information, facilitating better, more efficient healthcare and supporting longer and healthier lives.

EMIS Group serves the following healthcare markets under the EMIS Health brand:

- Primary, Community & Acute Care, as the UK leader in clinical management systems for healthcare providers and commissioners. EMIS Health products, including the flagship EMIS Web, hold over 40 million patient records and are used by more than 100,000 professionals in nearly 6,000 healthcare organisations.
- Community Pharmacy, with the UK's single most used integrated community pharmacy and retail system.
- Specialist Care, as England's leading provider of diabetic eye screening software and other ophthalmology-related solutions.

These markets are also supported by other EMIS Group businesses:

- under the Patient brand, a leading independent provider of patient-centric medical and wellbeing information and related transactional services;
- under the Egton brand, providing specialist ICT infrastructure, hardware and engineering services, and non-clinical software into health and social care; and
- under the EMIS Care brand, providing healthcare screening programmes such as diabetic eye screening.

The Company is incorporated in England and Wales and domiciled in the UK, Company number 06553923. The address of its registered office is Rawdon House, Green Lane, Yeadon, Leeds LS19 7BY.

Capital allocation policy

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

- Reinvestment for growth – we invest in the infrastructure, technology and intellectual capital to drive growth in our core markets, through constant product innovation and integration.
- Regular returns to shareholders – we pay a regular dividend to shareholders, representing 40% to 50% of underlying adjusted earnings, increasing the proposed full year dividend for 2017 by 10%.
- Acquisition – we supplement our organic growth by acquiring companies with promising technologies and in markets adjacent to, and consistent with, our current capabilities, such as Intelate in 2016.
- Balance sheet leverage and return of excess capital – we will maintain an efficient balance sheet, appropriate to our investment requirements and mindful of the preferences of all our shareholders. While we are prepared to take on additional debt if circumstances warrant, we aim to return excess capital to shareholders when appropriate.

Dividends

Subject to shareholder approval at the AGM on 1 May 2018, the Board proposes paying a final dividend of 12.9p per ordinary share (2017: 11.7p) on 4 May 2018 to shareholders on the register at the close of business on 3 April 2018. This would make a total dividend of 25.8p per ordinary share for 2017 (2016: 23.4p).

Substantial interests in shares

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

	31 December 2017 %	1 March 2018 %
Liontrust Investment Partners LLP	10.39	10.39
Primestone Capital	9.12	9.12
Octopus Investments	5.79	6.01
NFU Mutual Insurance Society Ltd	5.21	5.23
Evenlode Investment	4.86	4.86
Invesco Trimark	4.14	5.11
GVQ Investment Management	3.77	4.04
Phillip Woodrow	3.46	3.46
Heronbridge Investment Management	0.00	3.85

Directors and their interests

The Directors of the Company who served during the year ended 31 December 2017 and subsequently are as follows:

Mike O'Leary

Chairman

Chris Spencer (to 30 April 2017)

Chief Executive Officer

Andy Thorburn (from 1 May 2017)

Chief Executive Officer

Peter Southby

Chief Financial Officer

Robin Taylor

Senior Independent Non-executive Director

Kevin Boyd

Independent Non-executive Director

Andy McKeon

Independent Non-executive Director

David Sides

Independent Non-executive Director

Re-election of Directors

Directors are subject to annual re-election in line with best practice 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 63 to 67.

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.

Research and development

Research and development expenditure in the year amounted to £17.1m (2016: £17.3m) of which £4.4m (2016: £5.7m) was capitalised.

Share capital

As at 27 March 2018 and 31 December 2017, the Company had 63,311,396 (31 December 2016: 63,311,396) ordinary shares of 1p 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 2017 the EBT held 348,841 (2016: 464,867) ordinary shares of 1p each. The EBT has waived its right to dividends.

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

The rules of the LTIP and CSOP set out the consequences in the event of a change of control. Further information is given in the Directors' remuneration policy on page 62.

Directors' indemnities and liability insurance

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

Directors' report continued

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 and marital status. 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 other members of the GXT, management meetings, informal briefings, team meetings and the Company's intranet, Workplace pages and website. Employee involvement is an essential element in the development of the business and during the year a staff survey was again carried out for all employees to have their say about what it feels like to work for EMIS Group.

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 2017 (2016: Enil).

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 37. The revenue, trading results and cash flows are explained in the financial review on pages 30 to 33.

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

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

During the year the Group successfully concluded its scheduled refinancing, securing a new revolving credit facility with Barclays and Lloyds at a reduced cost. The facility is for an initial £30m over a three-year period, commencing 30 June 2017, with an accordion arrangement to increase it up to £60m and further options to extend it up to a maximum of five years, to 30 June 2022. At 31 December 2017 the facility was undrawn.

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

AGM notice

The notice convening the AGM to be held on 1 May 2018, 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/annual-general-meeting.

Auditor and statement as to disclosure of information to the auditor

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. 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 for re-appointment will be proposed at the AGM.

Corporate governance and employee information

The Company's statement on corporate governance can be found in the corporate governance report on pages 40 to 47 of this annual report and accounts. The sustainability policy report, on pages 34 to 37 includes details about the Company's pay practices. The corporate governance report forms part of this Directors' report and is incorporated into it by cross-reference.

By order of the Board

Christine Benson
Company Secretary

13 March 2018

Viability statement

The Directors have voluntarily adopted the provisions of Section C.2.2 of the Code, assessing the prospects of the Group. The Directors have taken into account the Group's current position and business model and have assessed the potential impact of the principal risks and uncertainties facing the Group.

The Directors have determined that the four-year accounting period to 31 December 2021 constitutes an appropriate period over which to assess the Group's prospects and viability. This is the period focussed on by the Board during its strategic planning process and is consistent with typical contract lengths across much of the Group (three to five years). It is aligned with the Group's goodwill and other intangible impairment testing and also the Group's funding facilities, which cover the period to 30 June 2022.

While the formal assessment period extends to December 2021, the Board considers that the Group's longer-term prospects are likely to be positive beyond this time horizon as a result of increasing market demand for its products, market growth, its strong competitive positions and contractual visibility.

For the purpose of making this viability statement, the Board has taken into account its ongoing 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 four-year bottom-up strategic plan, the first year of which represents the Group's annual operating budget, together with the ability of the Group to raise finance and undertake mitigating actions to avoid the occurrence or reduce the impact of the principal risks.

In assessing viability, enhanced modelling and stress testing is performed, using severe but plausible scenarios on the financial impact of risks materialising in the following areas: healthcare structure and procurement; product integration and inter-operability; software development; recruitment and retention; information governance/cyber security; and clinical safety. Further details on each of these are set out on pages 21 to 23.

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. In the event of these scenarios arising, various options are available to the Group in order to maintain liquidity, including: utilisation of undrawn debt facility; reduction to cost base; reduction to non-essential capital expenditure; and amendment to dividend policy.

The Directors have made their viability assessment based on the following key assumptions:

- the political environment in which the NHS exists will not result in major structural change to the market in which the Group operates; and
- funding for the business will continue to be available in all plausible market conditions.

Taking into account the Group's current position and principal risks and uncertainties, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2021.

Statement of Directors' responsibilities

in respect of the annual report

The directors are responsible for preparing the Annual Report and the Group and parent Company 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

1. Our opinion is unmodified

We have audited the financial statements of EMIS Group plc ("the Company") for the year ended 31 December 2017 which comprise the Group statement of comprehensive income, Group and parent company balance sheets, Group and parent company statements of cash flows, Group and parent company statements of changes in equity and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Overview

Materiality:	£1.4m (2016: £1.5m)
group financial statements as a whole	5.0% (2016: 4.4%) of group profit before tax and exceptional items (defined as reorganisation/cost reduction programme and service level reporting charges)

Coverage	96.1% (2016: 97.9%) of group profit before tax and exceptional items
-----------------	--

Risks of material misstatement		vs 2016
Event driven	New: Service level reporting charges	▲
	Revenue recognition	◀▶
Recurring risks	Recoverability of parent company's investment in subsidiaries and debt due from group entities	◀▶

Independent auditor's report continued

to the members of EMIS Group plc

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

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

	The risk	Our response
Service level reporting charges (£11.2m; 2016: £nil) <i>Refer to page 50 (Audit Committee Report) and page 100 (financial disclosures).</i>	Subjective estimate An exposure has arisen from the failure to meet certain service levels and operational reporting obligations specified in the service level reporting agreement with NHS Digital. There are uncertainties involved in estimating the negotiated settlement outcome and the estimated cost of remediation of the backlog of unfixed reportable issues.	Our procedures included: <ul style="list-style-type: none"> • Our forensic expertise: used our own forensic specialist to assess the nature, scale and completeness of identified breaches by inspecting the service level agreement, minutes of meetings held with NHS Digital and the Department of Health and interviewing commercial, operational and project level staff; • Tests of detail: obtained the base data extracted from the underlying systems and developed our own estimates of the potential settlement amount based on our understanding of the terms of the service level agreement and our assessment of the nature and scale of the identified breaches, to challenge the estimates made by the group; • Tests of details: For the backlog of unfixed reportable issues requiring remediation, we challenged the estimates made by the group by evaluating historical experience with similar issues and through discussions with the development team; and • Assessing transparency: considered the adequacy of the Group's disclosures in respect of the provision recognised in relation to service level agreement reporting charges.
Revenue recognition (£2.9m) <i>Refer to page 50 (Audit Committee Report), page 84 (accounting policy) and page 91 (financial disclosures).</i>	Subjective estimate: The revenue on certain contracts in the Acute business is recognised using the percentage of completion method, which requires judgements around the progress made to date and estimated efforts to complete the contract.	We selected a sample of contracts and challenged the estimates made by the group around the stage of completion. Our procedures included: <ul style="list-style-type: none"> • Historical comparisons: considered historical accuracy of estimates in respect of completed contracts; • Tests of details: assessed the performance of the contracts by inspecting customer correspondence and other third party evidence such as customer acceptance of the milestones achieved to date and post-year end; • Personnel interviews – evaluated the judgements made through discussions with project level staff; and • Assessing transparency: Assessing the adequacy of the group's disclosures about the degree of estimation involved in revenue recognition.

	The risk	Our response
<p>Recoverability of parent company's investment in subsidiaries and debt due from group entities (Parent company only) (Investments - £67.4m; 2016: £67.4m)</p> <p>(Debt due from group entities - £52.1m; 2016: £47.6m)</p> <p><i>Refer to page 83 (accounting policy) and page 97 (financial disclosures).</i></p>	<p>Low risk, high value</p> <p>The carrying amount of the parent company's investments in subsidiaries and debt due from group entities represents 94% (2016: 94%) of the company's total assets.</p> <p>Their recoverability is not at a high risk of significant misstatement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Tests of detail: Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. <p>For the investments where the carrying amount exceeded the net asset value, our procedures included:</p> <ul style="list-style-type: none"> • Tests of detail: Comparing the carrying amount of investments with an estimate of value in use based on forecast future cash flows; and • Assessing transparency: Assessing the adequacy of the parent company's disclosures in respect of the investment in subsidiaries and group debtor balance.

Independent auditor's report continued

to the members of EMIS Group plc

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

Materiality for the group financial statements as a whole was set at £1.4m (2016: £1.5m), determined with reference to a benchmark of Profit before tax and exceptional items (defined as reorganisation costs and service level reporting charges) of £27.9m, of which it represents 5% (2016: 4.4%).

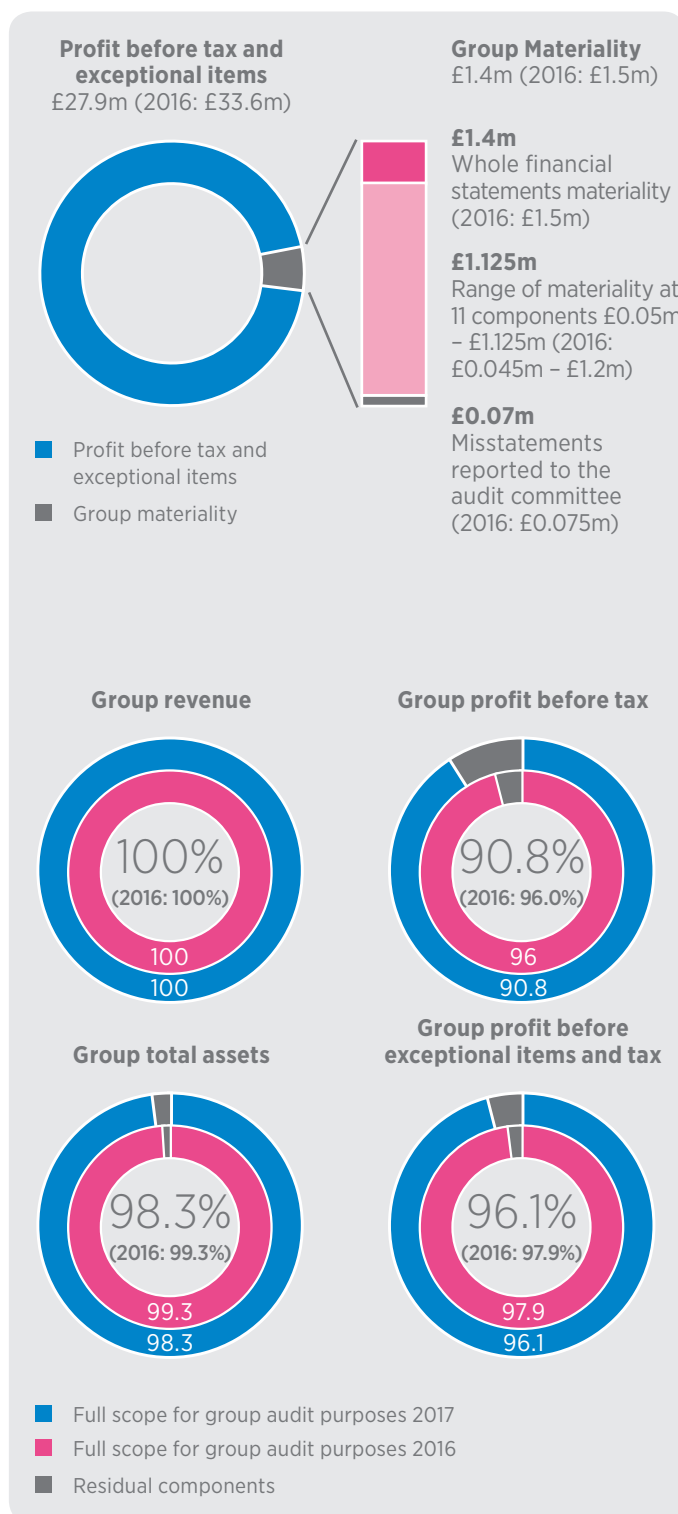
Materiality for the parent company financial statements as a whole was set at £1.0m (2016: £1.2m), determined with reference to a benchmark of company net assets, of which it represents 1.5% (2016: 1.6%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.07m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 18 (2016: 23) reporting components, we subjected 11 (2016: 14) to full scope audits for group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

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



4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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

John Pass

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

13 March 2018

Group statement of comprehensive income

for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Revenue	5	160,354	158,712
Costs:			
Changes in inventories		(182)	609
Cost of goods and services		(14,492)	(14,760)
Staff costs ¹	9	(75,162)	(71,197)
Other operating expenses ²		(40,119)	(31,750)
Depreciation of property, plant and equipment		(4,506)	(4,504)
Amortisation of intangible assets	14	(15,253)	(13,571)
Adjusted operating profit		37,406	38,753
Development costs capitalised	9, 14	4,426	5,684
Amortisation of intangible assets ³	14	(14,204)	(12,652)
Reorganisation/cost reduction programme ⁴		(5,800)	(3,630)
Service level reporting charges ⁵		(11,188)	—
Impairment of goodwill	13	—	(4,616)
Operating profit	6	10,640	23,539
Finance income	7	3	188
Finance costs	8	(302)	(425)
Share of result of joint venture	17	596	499
Gain on sale of associate		—	1,532
Profit before taxation		10,937	25,333
Income tax expense	10	(2,074)	(5,208)
Profit for the year		8,863	20,125
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		30	27
Other comprehensive income		30	27
Total comprehensive income for the year		8,893	20,152
Attributable to:			
– equity holders of the parent		8,083	19,128
– non-controlling interest in subsidiary company		810	1,024
Total comprehensive income for the year		8,893	20,152
Earnings per share attributable to equity holders of the parent		Pence	Pence
Basic	11	12.8	30.4
Diluted	11	12.8	30.3

1 Including reorganisation/cost reduction programme costs of £5,688,000 (2016: £3,387,000).

2 Including contract asset depreciation of £1,285,000 (2016: £1,955,000), reorganisation/cost reduction programme costs of £112,000 (2016: £243,000), service level reporting charges of £11,188,000 (2016: £nil) and goodwill impairment of £nil (2016: £4,616,000).

3 Excluding amortisation of computer software used internally of £1,049,000 (2016: £919,000).

4 The reorganisation costs in 2017 and cost reduction programme costs in 2016 relate to redundancy and restructuring costs.

5 The service level reporting charges relate to the NHS Digital reporting issue and reflect the estimated cost of settling the issue with NHS Digital and the cost of remediating the software code to address the problem backlog present at the year end, together with associated professional fees. The charges are fully provided at 31 December 2017.

The notes on pages 82 to 105 are an integral part of these consolidated financial statements.

Group and parent company balance sheets

as at 31 December 2017

		Group		Company	
	Notes	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Non-current assets					
Goodwill	13	50,336	50,336	—	—
Other intangible assets	14	50,508	60,617	3,565	3,729
Property, plant and equipment	15	22,037	22,187	—	—
Investments in subsidiaries	16	—	—	67,404	67,356
Investment in joint venture	17	98	152	—	—
		122,979	133,292	70,969	71,085
Current assets					
Inventories	18	1,633	1,815	—	—
Trade and other receivables	19	40,148	39,970	3,314	3,264
Current tax assets		1,128	—	—	—
Cash and cash equivalents	31	13,991	4,303	677	—
Amounts owed by subsidiary companies		—	—	52,119	47,623
		56,900	46,088	56,110	50,887
Total assets		179,879	179,380	127,079	121,972
Current liabilities					
Trade and other payables	21	(20,207)	(21,089)	(621)	(926)
Current tax liabilities		—	(1,918)	—	—
Bank loans	22, 31	—	(1,951)	—	(1,951)
Bank overdraft	22, 31	—	(2,782)	—	(11,168)
Amounts owed to subsidiary companies		—	—	(48,494)	(34,072)
Deferred income		(33,736)	(28,418)	—	—
Provision	24	(11,188)	—	—	—
		(65,131)	(56,158)	(49,115)	(48,117)
Non-current liabilities					
Deferred tax liability	25	(6,734)	(9,080)	—	—
		(6,734)	(9,080)	—	—
Total liabilities		(71,865)	(65,238)	(49,115)	(48,117)
Net assets		108,014	114,142	77,964	73,855
Equity					
Ordinary share capital	26	633	633	633	633
Share premium	26	51,045	51,045	51,045	51,045
Own shares held in trust		(2,293)	(2,275)	—	—
Retained earnings		51,289	58,239	24,067	19,958
Other reserve		2,057	2,027	2,219	2,219
Equity attributable to owners of the parent		102,731	109,669	77,964	73,855
Non-controlling interest		5,283	4,473	—	—
Total equity		108,014	114,142	77,964	73,855

The notes on pages 82 to 105 are an integral part of these consolidated financial statements.

The financial statements on pages 78 to 105 were approved by the Board of Directors and authorised for issue on 13 March 2018 and are signed on its behalf by:

Andy Thorburn **Peter Southby**
Chief Executive Officer **Chief Financial Officer**

Company number 06553923 (England and Wales)

Group and parent company statements of cash flows

for the year ended 31 December 2017

	Notes	Group		Company	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash generated from operations	30	48,834	43,657	(1,027)	(1,757)
Finance costs		(359)	(328)	(181)	(292)
Finance income		3	4	13	6
Tax paid		(8,139)	(7,655)	—	714
Net cash generated from/(used in) operating activities		40,339	35,678	(1,195)	(1,329)
Cash flows from investing activities					
Purchase of property, plant and equipment		(6,198)	(5,413)	—	—
Proceeds from sale of property, plant and equipment		329	527	—	—
Development costs capitalised		(4,426)	(5,684)	—	—
Purchase of software		(718)	(987)	—	(1,928)
Increase in loan from subsidiary company		—	—	10,430	3,204
Dividends received		650	400	20,086	20,000
Business combinations		—	(3,849)	—	(4,045)
Proceeds from sale of associate		—	1,532	—	—
Net cash (used in)/generated from investing activities		(10,363)	(13,474)	30,516	17,231
Cash flows from financing activities					
Increase in loan to Employee Benefit Trust		—	—	—	192
Transactions in own shares held in trust		(30)	579	—	—
Bank loan repayments		(2,000)	(5,500)	(2,000)	(5,500)
Dividends paid		(15,476)	(14,006)	(15,476)	(14,006)
Net cash used in financing activities		(17,506)	(18,927)	(17,476)	(19,314)
Net increase/(decrease) in cash and cash equivalents		12,470	3,277	11,845	(3,412)
Cash and cash equivalents at beginning of year		1,521	(1,756)	(11,168)	(7,756)
Cash and cash equivalents at end of year	31	13,991	1,521	677	(11,168)

Group cash and cash equivalents of £13,991,000 (2016: £1,521,000) comprise cash of £13,991,000 (2016: £4,303,000) and a bank overdraft of £nil (2016: £2,782,000).

The notes on pages 82 to 105 are an integral part of these consolidated financial statements.

Group and parent company statements of changes in equity

for the year ended 31 December 2017

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 2016	633	51,045	(2,929)	52,848	2,000	3,449	107,046
Profit for the year	—	—	—	19,101	—	1,024	20,125
Transactions with owners							
Share acquisitions less sales	—	—	654	(75)	—	—	579
Share-based payments	—	—	—	473	—	—	473
Deferred tax in relation to share-based payments	—	—	—	(102)	—	—	(102)
Dividends paid (note 12)	—	—	—	(14,006)	—	—	(14,006)
Other comprehensive income							
Currency translation differences	—	—	—	—	27	—	27
At 31 December 2016	633	51,045	(2,275)	58,239	2,027	4,473	114,142
Profit for the year	—	—	—	8,053	—	810	8,863
Transactions with owners							
Share acquisitions less sales	—	—	(18)	(12)	—	—	(30)
Share-based payments	—	—	—	550	—	—	550
Deferred tax in relation to share-based payments	—	—	—	(65)	—	—	(65)
Dividends paid (note 12)	—	—	—	(15,476)	—	—	(15,476)
Other comprehensive income							
Currency translation differences	—	—	—	—	30	—	30
At 31 December 2017	633	51,045	(2,293)	51,289	2,057	5,283	108,014

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserve £'000	Total equity £'000
At 1 January 2016	633	51,045	18,914	2,219	72,811
Profit for the year	—	—	14,652	—	14,652
Transactions with owners					
Share acquisitions less sales	—	—	(75)	—	(75)
Share-based payments	—	—	473	—	473
Dividends paid (note 12)	—	—	(14,006)	—	(14,006)
At 31 December 2016	633	51,045	19,958	2,219	73,855
Profit for the year	—	—	19,047	—	19,047
Transactions with owners					
Share acquisitions less sales	—	—	(12)	—	(12)
Share-based payments	—	—	550	—	550
Dividends paid (note 12)	—	—	(15,476)	—	(15,476)
At 31 December 2017	633	51,045	24,067	2,219	77,964

The notes on pages 82 to 105 are an integral part of these consolidated financial statements.

Notes to the financial statements

for the year ended 31 December 2017

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, interpretations issued by the IFRS Interpretations Committee 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.

After careful enquiry and review of available financial information, including projections of profitability and cash flows, the Directors believe that it is 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 of the 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 £19,047,000 (2016: £14,652,000).

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, none of which have had a material impact on the financial statements:

- Amendments to IAS 7: Disclosure Initiative.
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses.

(b) Adopted IFRS not yet applied

A number of new standards, amendments or interpretations have been issued but are not mandatory for the year ended 31 December 2017 and consequently have not been applied by the Group in these financial statements. The principal standards and amendments of relevance for the Group are detailed below.

(i) IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018)

The Group intends to adopt IFRS 15 retrospectively in its consolidated financial statements for the year ending 31 December 2018. IFRS 15 replaces all existing revenue requirements in IFRS and sets out principles for recognising revenue that must be applied using a five step model. Revenue should only be recognised when (or as) control of goods or services is passed to the customer, when distinct 'performance obligations' are met, at the amount to which the entity expects to be entitled.

The Group has completed its assessment of IFRS 15 and has not identified any material differences between the Group's current revenue recognition policy and the requirements of IFRS 15. Materially all of the Group's licence revenues are derived from software subscription fees, which result in performance obligations being met 'over time' rather than at a 'point in time'. It is therefore appropriate that these licence revenues continue to be recognised over the period that the software is provided to the customer.

The Group's sale of hardware has a performance obligation that is met at a point in time, being the point in time when hardware is delivered or installed. Revenue recognition for hardware is unchanged under IFRS 15. The performance obligations for the Group's other material revenue streams, set out in note 5, are satisfied over time, either as the service is provided or the project delivered. Revenue recognition would not change for these under IFRS 15.

Often the Group's contracts with customers involve the delivery of multiple components. Judgement will be required here to determine whether these should be 'bundled' together or treated as distinct and accounted for as separate performance obligations. It is not expected that this aggregation will change either the period over which revenue is recognised or how the Group's significant revenue streams (as set out in note 5) are classified and reported.

IFRS 15 requires that the incremental costs of obtaining a contract, including sales commissions paid to employees, are recognised in line with the transfer of goods/services to the customers. For those relevant costs that are currently expensed as incurred, recognising these over the period that performance obligations are satisfied would not result in a material change to the financial results for the year.

1. Summary of significant accounting policies *continued*

1.3 Changes in accounting policy and disclosure *continued*

(b) Adopted IFRS not yet applied *continued*

(ii) IFRS 9 Financial Instruments (effective date 1 January 2018)

IFRS 9 Financial Instruments replaces IAS 39 Financial instruments: Recognition and Measurement and will be adopted by the Group for the year ending 31 December 2018. IFRS 9 covers the requirements for assessing the impairment of financial assets. The Group's policy, in accordance with IAS 39, is to make specific provisions against high risk trade receivable balances, where balances are in dispute or where doubt exists about the customer's ability to pay.

IFRS 9 requires a consideration of the likelihood of default of trade receivables; firstly by splitting out the high risk balances and continuing to provide for these separately, and then applying a 'loss rate' to the remaining balance where it is known from experience that the loss rate is not nil. On the basis that the Group has little or no history of unprovided trade receivable write off (with the majority of these balances with various parties within the government-supported National Health Service) it is not expected that the impact will be material.

(iii) IFRS 16 Leases (effective date 1 January 2019)

IFRS 16 covers the requirements for the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. This is a significant departure from the current standard, IAS 17 Leases, and will result in most of the Group's operating leases being brought onto the balance sheet (and the associated operating lease charge, currently charged to operating profit, being replaced with a finance cost and depreciation charge).

The Group is in the process of assessing the impact of this standard, which will be first applied for the year ending 31 December 2019. Details of the Group's operating leases, currently accounted for under IAS 17 Leases, can be found in note 28.

The other new standards, amendments or interpretations issued but not adopted in these financial statements are set out below:

- IFRS 17 Insurance Contracts (effective date 1 January 2021).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date 1 January 2021).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date 1 January 2019).
- Annual Improvements to IFRS Standards 2014-2016 Cycle (effective date 1 January 2018).
- Amendments to IAS 40: Transfers of Investment Property (effective date 1 January 2018).
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective date 1 January 2019).
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date 1 January 2018).
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective date 1 January 2019).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date 1 January 2019).

1.4 Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December 2017.

Subsidiaries

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

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

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

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

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

Notes to the financial statements continued

for the year ended 31 December 2017

1. Summary of significant accounting policies continued

1.4 Basis of consolidation continued

Joint ventures

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 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. Where necessary, adjustments are made to bring the accounting policies used into line with those used by the Group.

1.5 Operating segments

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

1.6 Revenue recognition

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

The Group recognises revenue when the amount can be reliably measured, 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 and 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 Acute Care) 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. Specialist & Care service contract revenues are recognised as delivered over the period of supply. Advertising revenues generated in the Patient segment are recognised as advertisements are displayed.
- 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.
- Revenue from hardware sales is recognised when ownership passes.
- Revenue from training, consultancy and system implementations, and revenue from licences of a perpetual nature, 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 Acute Care), 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.

1. Summary of significant accounting policies continued

1.7 Intangible assets continued

(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.

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 in the Group statement of comprehensive income.

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

Notes to the financial statements continued

for the year ended 31 December 2017

1. Summary of significant accounting policies continued

1.10 Taxation

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

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

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

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

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

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

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

1.11 Leasing

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

1.12 Share-based payments

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

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

1.13 Retirement benefit costs

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

1.14 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.

1. Summary of significant accounting policies *continued*

1.14 Foreign currency *continued*

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

1.15 Inventories

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

1.16 Own shares held in trust

The shares in the Company held by The EMIS Group plc Employee 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 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.

Notes to the financial statements continued

for the year ended 31 December 2017

2. Critical accounting judgements and key sources of estimation uncertainty

In preparing the 2017 financial statements no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations, that have a material effect on the amounts recognised in the financial statements.

Details of estimates are set out below.

Carrying amount of computer software developed for external sale

Computer software developed for external sale is the Group's most significant intangible asset, with a net book value of £17,856,000 at 31 December 2017, principally relating to the Group's EMIS Web and ProScript Connect products. Estimates are required with regard to when to commence the amortisation of capitalised development spend and also the period of time over which economic benefits are generated from it. Products / software development projects are unique, with eligibility for capitalisation separately considered for each. Typically amortisation commences when the software has been installed and is available for use, and will be amortised over the period for which software is expected to be used by the customers and markets it serves.

Revenue recognition

The Group has various different types of revenue, including revenue from long-term software installation contracts (principally within Acute Care) and revenue from shorter term installations or software roll-outs that span the reporting period-end. Estimates of the stage of completion are required to determine the amount of revenue to be recognised in relation to these. For the year ended 31 December 2017 this principally related to the Group's training, consultancy and implementation revenues, of which revenue of £2,897,000 has been recognised for software installations ongoing as at 31 December 2017.

Service level reporting charges

Service level reporting charges of £11,188,000 have been recognised in the comprehensive statement of income, relating to the NHS Digital reporting issue. Estimates have been made with regard to the anticipated cost of settling the issue with NHS Digital and the cost of remediating the software code to address the problem backlog present at the year end, together with associated professional fees. It is expected that all software defects will be remedied and settlement costs paid during 2018, and accordingly the total anticipated cost of £11,188,000 has been recognised as a provision within current liabilities.

During the year management have reassessed the key sources of estimation uncertainty. The following is now no longer considered to carry a significant risk of material change to the carrying value of assets and liabilities within the next year.

Carrying amount of goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. The net book value of the Group's goodwill at 31 December 2017 was £50,336,000, allocated to its five cash-generating units. Considered a key source of estimation uncertainty in prior periods, when underperformance of acquired businesses resulted in impairment charges, sensitivity analysis performed for the current financial year indicates that no reasonably possible change to the underlying assumptions would result in a material impairment. There have been no acquisitions by the Group during 2017.

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 and Audit Committee. An assessment of the risks is provided to the Board at regular intervals and is discussed to ensure that the risk mitigation procedures are compliant with Group policy and that any new risks are appropriately managed.

Credit risk

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

There is some concentration of risk, as the Group trades extensively with various parties within the National Health Service. However, the Group has longstanding relationships with its large number of end users and, in addition to the normal credit management processes, the nature of these relationships assists 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.

3. Financial risk management continued

Interest rate risk

The Group has limited exposure to interest rate risk with no borrowings at 31 December 2017. The Group successfully concluded its scheduled refinancing during 2017, securing a new revolving credit facility with Barclays and Lloyds effective from 30 June 2017. The facility is for an initial £30m over a three-year period with an accordion arrangement to increase it up to £60m and further options to extend it up to a maximum of five years. Details of the interest rates and repayment terms are disclosed in note 22.

The Group's current assets include cash and cash equivalents at the year end amounting to £14.0m, on which interest received is subject to fluctuations in market rates.

Price risk

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

3.2 Capital risk management

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

The Group's objectives when managing capital are:

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

The Group is profitable and has high cash conversion 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.

Since 2013 the Group has presented its results split into three segments: Primary & Community Care; Community Pharmacy; and Secondary & Specialist Care. The Primary & Community Care and Secondary (Acute) Care businesses are now under common leadership, and Patient has been established as a separate entity. Accordingly the Directors have revised the segmental information in 2017 to better represent the Group's present structure, activities and the markets being served. The Group has four operating, and reportable segments, all involved with the supply and support of connected healthcare software and services:

- Primary, Community & Acute Care;
- Community Pharmacy;
- Specialist & Care; and
- Patient.

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. The Board considers this to provide the best measure of underlying performance as it excludes non-recurring costs, amortisation of acquired intangibles arising from business combinations and reflects the underlying in-year cost of development of software for external sale, as development is considered to be a core ongoing operating function of the business. Items are classified as exceptional due to either their nature or size. Exceptional items in 2017 relate to service level reporting charges and reorganisation costs. 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.

Notes to the financial statements continued

for the year ended 31 December 2017

4. Operating segments continued

Segmental information

	2017					2016				
	Primary, Community & Acute Care £'000	Community Pharmacy £'000	Specialist & Care £'000	Patient £'000	Total £'000	Primary, Community & Acute Care £'000	Community Pharmacy £'000	Specialist & Care £'000	Patient £'000	Total £'000
Segmental result										
Revenue	117,583	21,895	17,993	2,883	160,354	120,565	21,425	14,163	2,559	158,712
Segmental operating profit/(loss) as reported internally	34,896	5,627	139	(1,870)	38,792	33,792	4,876	213	1,489	40,370
Development costs capitalised	3,843	—	—	583	4,426	3,757	1,927	—	—	5,684
Amortisation of development costs	(7,324)	(163)	—	—	(7,487)	(6,013)	—	—	—	(6,013)
Amortisation of acquired intangible assets	(5,483)	(576)	(658)	—	(6,717)	(5,405)	(576)	(658)	—	(6,639)
Reorganisation/cost reduction programme costs	(5,267)	(133)	(216)	(184)	(5,800)	(2,707)	(140)	(783)	—	(3,630)
Service level reporting charges	(11,188)	—	—	—	(11,188)	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—	—	(4,616)	—	(4,616)
Segmental operating profit/(loss)	9,477	4,755	(735)	(1,471)	12,026	23,424	6,087	(5,844)	1,489	25,156
Group operating expenses					(1,386)					(1,617)
Operating profit					10,640					23,539
Net finance costs					(299)					(237)
Share of result of joint venture					596					499
Gain on sale of associate					—					1,532
Profit before taxation					10,937					25,333
Segmental assets and liabilities										
Segmental assets as reported internally	52,173	5,751	5,514	1,050	64,488	54,432	5,204	3,238	701	63,575
Goodwill and other intangible assets	80,360	11,899	7,923	662	100,844	89,715	12,656	8,582	—	110,953
	132,533	17,650	13,437	1,712	165,332	144,147	17,860	11,820	701	174,528
Group assets					458					397
Investment in joint venture					98					152
Group cash and cash equivalents					13,991					4,303
Total assets					179,879					179,380
Segmental liabilities as reported internally	(58,226)	(7,688)	(4,652)	(678)	(71,244)	(47,514)	(8,877)	(3,037)	(122)	(59,550)
Group liabilities					(621)					(954)
Group bank loans and overdraft					—					(4,734)
Total liabilities					(71,865)					(65,238)
Other segmental information										
Purchase of property, plant and equipment	3,875	520	1,313	71	5,779	5,637	443	738	9	6,827
Depreciation of property, plant and equipment	4,854	312	615	10	5,791	5,887	187	381	4	6,459
Purchase of computer software used internally	714	—	—	4	718	817	85	—	85	987
Amortisation of computer software used internally	1,007	17	—	25	1,049	913	1	—	5	919

4. Operating segments continued

Segmental information continued

Revenue excludes intra-group transactions on normal commercial terms from the Primary, Community & Acute Care segment to the Community Pharmacy segment totalling £4,545,000 (2016: £4,254,000) and from the Primary, Community & Acute Care segment to the Specialist & Care segment totalling £211,000 (2016: £97,000).

Revenue of £114,749,000 (2016: £112,396,000) is derived from the NHS and related bodies.

Revenue of £8,801,000 (2016: £7,270,000) is derived from customers outside the UK. Non-current assets held outside the UK total £1,076,000 (2016: £663,000).

5. Revenue

Revenue is analysed as follows:

	2017 £'000	2016 £'000
Licences	55,117	54,762
Maintenance and software support	41,404	38,654
Other support services	32,462	29,340
Training, consultancy and implementation	12,411	14,572
Hosting	11,609	13,120
Hardware	7,351	8,264
	160,354	158,712

6. Operating profit

	2017 £'000	2016 £'000
The following have been included in arriving at operating profit:		
Research and development expenditure	17,061	17,326
Development expenditure capitalised:		
– Software for external sale	(4,426)	(5,684)
– Software used internally	(341)	(305)
Depreciation of property, plant and equipment:		
– Depreciation of owned assets	5,791	6,459
Amortisation of intangible assets:		
– Computer software used internally	1,049	919
– Computer software developed for external sale	7,487	6,013
– Arising on business combinations	6,717	6,639
Reorganisation/cost reduction programme costs	5,800	3,630
Service level reporting charges	11,188	—
Impairment of goodwill	—	4,616
Operating lease rentals:		
– Land and buildings	1,363	2,276
– Plant, machinery and motor vehicles	875	882

The total research and development cost shown above of £17,061,000 (2016: £17,326,000) principally relate to relevant staff and directly related costs. Software development costs amounting to £4,426,000 (2016: £5,684,000) have been capitalised in accordance with the criteria set out in IAS 38.

Notes to the financial statements continued

for the year ended 31 December 2017

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:

	2017 £'000	2016 £'000
Audit of these financial statements	37	26
Amounts payable to the Company's auditor and associated companies in respect of:		
– Audit of the financial statements of subsidiaries of the Company	174	125
– Other tax advisory services	—	58
– All other services	22	30
	233	239

7. Finance income

	2017 £'000	2016 £'000
Bank interest	3	4
Foreign currency gain	—	184
	3	188

8. Finance costs

	2017 £'000	2016 £'000
Bank loan interest	178	328
Amortisation of bank loan issue costs	77	97
Foreign currency loss	47	—
	302	425

9. Employees

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

	2017 Number	2016 Number
Management and administration	224	184
Software support and development	954	956
Sales, maintenance and training	421	470
Others	307	265
	1,906	1,875

Staff costs were:

	2017 £'000	2016 £'000
Wages and salaries	69,400	67,543
Social security costs	7,044	6,588
Pension costs – defined contribution plans	2,830	2,523
Share incentive plan (note 27)	58	59
Share option expense (note 27)	597	473
	79,929	77,186
Dealt with as follows:		
– Charged in Group statement of comprehensive income	75,162	71,197
– Capitalised in the development of software for external sale	4,426	5,684
– Capitalised in respect of computer software used internally	341	305
	79,929	77,186

10. Income tax expense

	2017 £'000	2016 £'000
Income tax:		
– UK current year tax charge	3,589	7,178
– Overseas current year tax charge	167	129
– Adjustment in respect of prior years	730	(422)
Total current tax	4,486	6,885
Deferred tax:		
– UK current year	(1,713)	(1,677)
– Adjustment in respect of prior years	(699)	—
Total deferred tax	(2,412)	(1,677)
Total tax charge in Group statement of comprehensive income	2,074	5,208
Factors affecting the tax charge for the year		
Profit before taxation	10,937	25,333
Taxation at the average UK corporation tax rate of 19.25% (2016: 20%)	2,105	5,067
Tax effects of:		
– Expenses/income not allowable/taxable in determining taxable profit	44	707
– Adjustment in respect of prior years	31	(422)
– Joint venture reported net of tax	(115)	(100)
– Effect of overseas tax rates	(21)	—
– Deferred tax rate change	30	(44)
Tax charge for the year	2,074	5,208

The total current year tax charge includes a credit of £3,270,000 (2016: £726,000) in respect of exceptional items. The adjustments in respect of prior years principally relate to revisions made to claims for research and development expenditure.

The main rate of UK corporation tax reduced to 19% from 1 April 2017 and will further reduce to 17% from 1 April 2020.

11. Earnings per share (EPS)

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

	2017 £'000	2016 £'000
Earnings		
Basic earnings attributable to equity holders	8,053	19,101
Reorganisation/cost reduction programme costs	5,800	3,630
Service level reporting charges	11,188	—
Impairment of goodwill	—	4,616
Gain on sale of associate	—	(1,532)
Development costs capitalised	(4,426)	(5,684)
Amortisation of development costs and acquired intangible assets	14,204	12,652
Tax and non-controlling interest effect of above items	(5,129)	(1,776)
Adjusted earnings attributable to equity holders	29,690	31,007

Notes to the financial statements continued

for the year ended 31 December 2017

11. Earnings per share (EPS) continued

	2017 Number '000	2016 Number '000
Weighted average number of ordinary shares		
Total shares in issue	63,311	63,311
Shares held by Employee Benefit Trust	(396)	(502)
For basic EPS calculations	62,915	62,809
Effect of potentially dilutive share options	203	215
For diluted EPS calculations	63,118	63,024
EPS		
	2017 Pence	2016 Pence
Basic	12.8	30.4
Adjusted	47.2	49.4
Basic diluted	12.8	30.3
Adjusted diluted	47.0	49.2

12. Dividends

	2017 £'000	2016 £'000
Final dividend for the year ended 31 December 2015 of 10.6p	—	6,656
Interim dividend for the year ended 31 December 2016 of 11.7p	—	7,350
Final dividend for the year ended 31 December 2016 of 11.7p	7,355	—
Interim dividend for the year ended 31 December 2017 of 12.9p	8,121	—
	15,476	14,006

A final dividend for the year ended 31 December 2017 of 12.9p amounting to approximately £8,124,000 will be proposed at the Annual General Meeting on 1 May 2018. If approved, this dividend will be paid on 4 May 2018 to shareholders on the register on 3 April 2018. The dividend is not accounted for as a liability in these financial statements and will be accounted for as an appropriation of distributable reserves in the year ending 31 December 2018.

13. Goodwill

Group	Primary, Community & Acute Care £'000	Community Pharmacy £'000	Specialist & Care £'000	Patient £'000	Total Group £'000
Cost					
At 1 January 2016	55,210	6,756	8,605	—	70,571
Acquisition of business	564	—	—	—	564
At 31 December 2016 and 31 December 2017	55,774	6,756	8,605	—	71,135
Accumulated impairment losses					
At 1 January 2016	16,183	—	—	—	16,183
Impairment of goodwill	—	—	4,616	—	4,616
At 31 December 2016 and 31 December 2017	16,183	—	4,616	—	20,799
Net book value					
At 31 December 2016 and 31 December 2017	39,591	6,756	3,989	—	50,336
At 1 January 2016	39,027	6,756	8,605	—	54,388

13. Goodwill continued

Impairment tests for goodwill

The Group's cash-generating units (CGUs) are: Primary & Community Care; Acute Care; Community Pharmacy; Specialist & Care; and Patient. These represent the lowest level at which goodwill is monitored for internal management purposes. The goodwill in Primary & Community Care is £21,857,000 (2016: £21,857,000) and in Acute Care is £17,734,000 (2016: £17,734,000).

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

The value in use for each allocation of the existing goodwill has been calculated using internal Group budgets for the year ending 31 December 2018 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% (2016: 3.5%) until 31 December 2022 and then 1% into perpetuity (2016: 1%) for all CGUs except Patient, which is based on management forecasts to 2020 followed by 3.5% growth in 2021 and 2022 and 1% growth into perpetuity. The pre-tax cash flows have been discounted back to 31 December 2017 using a discount rate of 9.1% in relation to Primary & Community Care and Acute Care (2016: 9.1%), 10.1% for Community Pharmacy and Specialist & Care (2016: 10.1%), and 11.1% for Patient. The exercise has confirmed that there has been no impairment in any CGU.

Sensitivity analysis has been performed on the key assumptions which indicated that no reasonably possible change to key assumptions would cause an impairment. No impairment would be recognised even if annual growth rates were reduced to zero.

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.

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 2016	4,540	34,843	36,061	36,041	111,485
Additions	987	5,684	—	—	6,671
Acquisition of business	—	—	259	263	522
At 31 December 2016	5,527	40,527	36,320	36,304	118,678
Additions	718	4,426	—	—	5,144
At 31 December 2017	6,245	44,953	36,320	36,304	123,822
Accumulated amortisation and impairment					
At 1 January 2016	1,369	13,597	16,471	13,053	44,490
Charged in year	919	6,013	3,553	3,086	13,571
At 31 December 2016	2,288	19,610	20,024	16,139	58,061
Charged in year	1,049	7,487	3,605	3,112	15,253
At 31 December 2017	3,337	27,097	23,629	19,251	73,314
Net book value					
At 31 December 2017	2,908	17,856	12,691	17,053	50,508
At 31 December 2016	3,239	20,917	16,296	20,165	60,617
At 1 January 2016	3,171	21,246	19,590	22,988	66,995

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. At 31 December 2017 software acquired on business combinations had a remaining amortisation period of four years for both Ascribe and Digital Healthcare, and two years for Indigo 4 Systems. Customer relationships have a remaining amortisation period of six years for Primary, Community & Acute Care, three years for Community Pharmacy, six years for Digital Healthcare, and seven years for both Indigo 4 Systems and Medical Imaging.

Company intangible assets comprise computer software developed for external sale with a cost of £3,729,000 (2016: £3,729,000; 2015: £1,801,000) and accumulated amortisation of £164,000 (2016: £nil; 2015: £nil).

Notes to the financial statements continued

for the year ended 31 December 2017

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 2016	11,227	33,856	4,901	3,539	53,523
Additions	441	4,999	1,338	49	6,827
Acquisition of business	—	2	—	—	2
Disposals	—	—	(1,163)	(1,620)	(2,783)
Exchange differences	56	12	31	17	116
At 31 December 2016	11,724	38,869	5,107	1,985	57,685
Additions	182	3,958	1,481	158	5,779
Disposals	(7)	(38)	(15)	(1,213)	(1,273)
Exchange differences	(14)	(3)	11	9	3
At 31 December 2017	11,885	42,786	6,584	939	62,194
Accumulated depreciation and impairment					
At 1 January 2016	1,224	26,339	2,041	1,887	31,491
Charged in year	328	4,660	825	646	6,459
On disposals	—	—	(1,161)	(1,324)	(2,485)
Exchange differences	—	6	18	9	33
At 31 December 2016	1,552	31,005	1,723	1,218	35,498
Charged in year	330	3,882	1,206	373	5,791
On disposals	(3)	(24)	(12)	(1,098)	(1,137)
Exchange differences	(2)	(1)	5	3	5
At 31 December 2017	1,877	34,862	2,922	496	40,157
Net book value					
At 31 December 2017	10,008	7,924	3,662	443	22,037
At 31 December 2016	10,172	7,864	3,384	767	22,187
At 1 January 2016	10,003	7,517	2,860	1,652	22,032

Included within property, plant and equipment are contract assets allocated to the data centre hosting services contract with an original cost of £22,621,000 (2016: £21,430,000) and accumulated depreciation of £20,066,000 (2016: £18,781,000). Depreciation of £1,285,000 (2016: £1,955,000) has been included in other operating expenses in the year. The net book value of these assets amounts to £2,555,000 (2016: £2,649,000).

16. Investments in subsidiaries

Company	£'000
At 1 January 2016	70,380
Acquisition of business	1,045
Impairment	(4,069)
At 31 December 2016	67,356
Capital contribution	48
At 31 December 2017	67,404

16. Investments in subsidiaries continued

The undertakings whose results and financial position are consolidated within the Group financial statements at 31 December 2017 are as follows:

	Country of incorporation	% of issued ordinary shares held
ASC Computer Software (NZ) Limited	New Zealand	100
ASC Computer Software PTY Limited	Australia	100
Ascribe Group Limited	England	100 ²
Ascribe Holdings Limited	England	100
Ascribe Limited	England	100
Ascribe Limited (Kenya)	Kenya	100
CBD-E Limited ¹ (dissolved 6 February 2018)	England	100
Digital Healthcare Limited	England	100 ²
Egton Limited ¹	England	100 ²
Egton Medical Information Systems Limited	England	100 ²
EMIS Care Limited ¹	England	100 ²
EMIS Health Community Pharmacy Limited ¹	England	100 ²
EMIS Health India Private Limited	India	100 ²
EMIS Health Limited ¹	England	100 ²
EMIS Health Primary Care Limited ¹	England	100 ²
EMIS Health Secondary Care Limited ¹	England	100 ²
EMIS Health Specialist Care Limited ¹	England	100 ²
Footman Walker Associates Limited ¹	England	100
Healthcare Gateway Limited	England	50
Indigo 4 Systems Limited	England	100
Intrelate Limited	Scotland	100 ²
Medical Imaging UK Limited	England	100 ²
MIDRSS Limited	Republic of Ireland	100 ²
Patient Platform Limited	England	100 ²
PinBellCom Group Limited ¹ (dissolved 6 February 2018)	England	100 ²
PinBellCom Limited ¹ (dissolved 6 February 2018)	England	100
Protechnic Exeter Limited ¹	England	100
Rx Systems Limited	England	78.9 ²
Scroll Bidco Limited	England	100

1 Dormant.

2 Held directly by EMIS Group plc.

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

All undertakings incorporated in England, with the exception of Healthcare Gateway Limited, have a registered office of Rawdon House, Green Lane, Yeadon, Leeds LS19 7BY. The registered office of Healthcare Gateway Limited is C/O IBB Solicitors, Capital Court, 30 Windsor Street, Uxbridge UB8 1AB.

Other registered offices are as follows: ASC Computer Software (NZ) Limited, Suite 6035, 17b Farnham Street, Parnell, Auckland, New Zealand; ASC Computer Software PTY Limited, Unit 1B, 5-7 Compark Circuit, Mulgrave, VIC 3170, Australia; Ascribe Limited (Kenya), PO Box 40296 - 00100, Nairobi, Kenya; Emis Health India Private Limited, Unit No. A1, Level 3, Shriram The Gateway SEZ, No. 16, G.S.T. Road, Perungalathur, Chennai-600 063, India; Intrelate Limited, Capella Building (10th floor), 60 York Street, Glasgow, Scotland G2 8JX; and MIDRSS Limited, The Care Centre Unit 3, Enterprise House, 36 Mary Street, Cork City, Co. Cork, Ireland.

Notes to the financial statements continued

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17. Investment in 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 was initially funded by loans from each joint venture party and at 31 December 2017 the Group was owed £169,000 (2016: £nil).

Aggregate amounts relating to HGL are as follows:

	2017 £'000	2016 £'000
Revenues	3,249	2,479
Profit before taxation	1,478	1,248
Profit after taxation	1,193	998
Current assets	1,716	1,954
Current liabilities	(1,519)	(1,650)
Net assets	197	304
Group's interest in net assets of investee at beginning of year	152	131
Share of total comprehensive income	596	499
Dividends received	(650)	(400)
Adjustment in relation to prior year tax	—	(78)
Group's interest in net assets of investee at end of year	98	152

18. Inventories

Group	2017 £'000	2016 £'000
Finished goods	1,633	1,815

19. Trade and other receivables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade receivables and other receivables	18,703	15,611	20	—
Prepayments and accrued income	21,445	24,359	435	394
Loan to Employee Benefit Trust	—	—	2,859	2,870
	40,148	39,970	3,314	3,264

Prepayments and accrued income include unamortised bank fees of £140,000 (2016: £nil). The loan to the Employee Benefit Trust is non-interest bearing and is repayable on demand.

20. Credit quality of financial assets

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade and other receivables	18,703	15,611	20	—
Cash at bank	13,991	4,303	677	—
	32,694	19,914	697	—

No collateral security is held.

Trade and other receivables

Reporting date balances fall within the following categories:

	Group	
	2017 £'000	2016 £'000
UK governmental health bodies	9,055	5,900
Community pharmacies and associated wholesalers	4,829	3,519
Other third party receivables	4,819	6,192
	18,703	15,611

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:

	2017 £'000	2016 £'000
December	10,368	9,343
November	4,379	2,543
October and earlier	3,956	3,725
	18,703	15,611

The Group carries a provision for impairment of trade receivables of £697,000 (2016: £318,000).

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	
	2017 £'000	2016 £'000
Aa2	—	808
Aa3	148	204
A1	12,634	777
A3	560	1,707
Baa1	126	—
Baa2	431	132
Baa3	92	81
Caa2	—	594
	13,991	4,303

Notes to the financial statements continued

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21. Trade and other payables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade payables	3,825	4,751	50	230
Accrued expenses	9,826	9,787	571	696
Other tax and social security	6,556	6,551	—	—
	20,207	21,089	621	926

22. Borrowings

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current				
Bank overdraft	—	2,782	—	11,168
Unsecured bank loans	—	1,951	—	1,951
	—	4,733	—	13,119

At 31 December 2017 the Group had an undrawn £30,000,000 revolving credit facility in place (inclusive of a £5,000,000 overdraft facility), with an accordion arrangement to increase it up to £60,000,000. These facilities are for an initial three-year period, commencing on 30 June 2017, with further options to extend up to a maximum of five years to 30 June 2022. Unamortised bank fees of £140,000 (2016: £49,000) have been presented within trade and other receivables. The financial covenants in place for these facilities are adjusted EBITA interest cover and net debt to adjusted EBITDA leverage. All covenants were comfortably met during the year and are projected to be so in the remaining period of the facilities.

23. Liquidity risk

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

	Carrying amount £'000	Contractual cash flow £'000	Less than 1 year £'000	1–2 years £'000	2–3 years £'000
At 31 December 2017					
Trade and other payables due within one year	20,207	20,207	20,207	—	—
At 31 December 2016					
Trade and other payables due within one year	(21,089)	(21,089)	(21,089)	—	—
External borrowings	(1,951)	(2,028)	(2,028)	—	—
Bank overdraft	(2,782)	(2,782)	(2,782)	—	—
	(25,822)	(25,899)	(25,899)	—	—

24. Provision

The provision at 31 December 2017 of £11,188,000 (2016: £nil) is in respect of service level reporting charges in relation to the NHS Digital reporting issue and reflects the estimated cost of settling the issue with NHS Digital and the cost of remediating the software code to address the problem backlog present at the year end, together with associated professional fees. The charges are fully provided at 31 December 2017.

25. Deferred tax

Group	Property, plant and equipment £'000	Intangible assets £'000	Other temporary differences £'000	Total £'000
At 1 January 2016	1,026	(12,054)	498	(10,530)
(Charged)/credited to statement of comprehensive income	(107)	1,600	184	1,677
Charged to equity	—	—	(102)	(102)
Acquisition of business	(26)	(94)	—	(120)
Exchange differences	—	—	(5)	(5)
At 31 December 2016	893	(10,548)	575	(9,080)
Credited/(charged) to statement of comprehensive income	36	2,478	(102)	2,412
Charged to equity	—	—	(65)	(65)
Exchange differences	—	—	(1)	(1)
At 31 December 2017	929	(8,070)	407	(6,734)

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

	2017 £'000	2016 £'000
Deferred tax liabilities	(8,444)	(10,966)
Deferred tax assets	1,710	1,886
	(6,734)	(9,080)

26. Share capital and share premium

Company and Group	Ordinary shares of 1p each		Share premium £'000
	Number	£'000	
At 1 January 2016, 31 December 2016 and 31 December 2017	63,311,396	633	51,045

All issued shares are fully paid. At 31 December 2017 the EMIS Group plc Employee Benefit Trust held 348,841 shares in the Company (2016: 464,867 shares).

During the year the Employee Benefit Trust purchased 91,442 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 207,468 shares, representing 0.3% of the issued share capital of the Company, for total consideration of £1,608,000.

The maximum number of shares held by the Employee Benefit Trust during the year was 464,867, representing 0.7% of the issued share capital of the Company.

Notes to the financial statements continued

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27. Share-based payments

At 31 December 2017 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 2016	Granted	Lapsed	Exercised	At 1 January 2017	Granted	Lapsed	Exercised	At 31 December 2017
2011 Share Option Plan									
11 October 2011	6,622	—	—	(5,203)	1,419	—	(1,419)	—	—
1 October 2012	9,960	—	(120)	(3,075)	6,765	—	(615)	(6,150)	—
2 May 2013	4,107	—	—	(2,738)	1,369	—	—	(1,369)	—
18 October 2013	75,375	—	(9,843)	(35,814)	29,718	—	(3,048)	(20,955)	5,715
15 October 2014	50,028	—	(9,687)	—	40,341	—	(8,635)	(24,248)	7,458
28 April 2015	46,014	—	(3,847)	—	42,167	—	(11,373)	—	30,794
27 April 2016	—	40,172	(1,030)	—	39,142	—	(7,983)	—	31,159
21 April 2017	—	—	—	—	—	82,566	(11,676)	—	70,890
	192,106	40,172	(24,527)	(46,830)	160,921	82,566	(44,749)	(52,722)	146,016
Weighted average exercise price	741p	970p	740p	656p	823p	899p	851p	713p	896p
Unapproved Option Scheme									
1 October 2012	7,236	—	(4,003)	—	3,233	—	—	(3,233)	—
18 October 2013	121,000	—	(121,000)	—	—	—	—	—	—
27 April 2016	—	2,317	—	—	2,317	—	—	—	2,317
	128,236	2,317	(125,003)	—	5,550	—	—	(3,233)	2,317
Weighted average exercise price	665p	970p	661p	—	878p	—	—	812p	970p
EMIS Group LTIP									
2 May 2013	22,286	—	—	(6,853)	15,433	—	(15,433)	—	—
16 January 2014	49,019	—	—	—	49,019	—	(23,790)	(25,229)	—
1 May 2014	269,686	—	(56,562)	—	213,124	—	(117,786)	(80,748)	14,590
28 April 2015	250,174	—	(40,812)	—	209,362	—	(73,864)	—	135,498
27 April 2016	—	235,977	(14,247)	—	221,730	—	(79,840)	—	141,890
21 April 2017	—	—	—	—	—	268,262	(93,647)	—	174,615
1 May 2017	—	—	—	—	—	44,518	—	—	44,518
4 September 2017	—	—	—	—	—	21,953	—	—	21,953
	591,165	235,977	(111,621)	(6,853)	708,668	334,733	(404,360)	(105,977)	533,064
Weighted average exercise price	27p	0p	0p	710p	16p	0p	27p	0p	0p

The number of vested options which had not been exercised at 31 December 2017 was 27,763 (2016: 42,504). The weighted average share price at the date of exercise for share options exercised in 2017 was £9.39 (2016: £9.01).

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 2013 LTIP scheme and at nil cost under all other LTIP schemes. Performance conditions apply to all outstanding awards under the 2011 Share Option Plan apart from the October 2013 award, and to all 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 on page 103. 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.

27. 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	27 April 2016	21 April 2017
Exercise period	October 2014–October 2016	October 2015–October 2017	May 2016–May 2018	October 2016–October 2018	October 2017–October 2019	April 2018–April 2020	April 2019–April 2021	April 2020–April 2022
Share price at grant date	528p	812p	730p	656p	737p	901p	970p	899p
Exercise price	528p	812p	730p	656p	737p	901p	970p	899p
Expected volatility	36%	30%	35%	35%	35%	26%	30%	30%
Expected life (years)	3	3	3	3	3	3	3	3
Risk-free rate	2.75%	1.00%	1.40%	1.40%	2.37%	2.37%	2.37%	2.37%
Expected dividend yield	2.35%	1.64%	2.20%	2.20%	2.33%	2.03%	2.19%	2.73%
Fair value per option	109p	153p	157p	141p	164p	152p	190p	164p

Unapproved Option Scheme

Grant date	1 October 2012	18 October 2013	27 April 2016
Exercise period	June 2015–July 2016	July 2016–October 2018	April 2019–April 2021
Share price at grant date	812p	656p	970p
Exercise price	812p	656p	970p
Expected volatility	30%	35%	30%
Expected life (years)	3	3	3
Risk-free rate	1.00%	1.40%	2.37%
Expected dividend yield	1.64%	2.20%	2.19%
Fair value per option	75p	89p	190p

EMIS Group LTIP

Grant date	2 May 2013	16 January 2014	1 May 2014	28 April 2015	27 April 2016	21 April 2017	1 May 2017	4 September 2017
Exercise period	July 2015–July 2017	January 2017–January 2024	May 2017–May 2024	April 2018–April 2025	April 2019–April 2026	April 2020–April 2027	May 2020–May 2027	September 2020–September 2027
Share price at grant date	710p	630p	635p	908p	970p	899p	934p	914p
Exercise price	710p	0p	0p	0p	0p	0p	0p	0p
Expected volatility	30%	35%	35%	26%	30%	30%	30%	30%
Expected life (years)	3	3	3	3	3	3	3	3
Risk-free rate	1.00%	2.37%	2.37%	2.37%	2.37%	2.37%	2.37%	2.37%
Expected dividend yield	1.90%	2.52%	2.52%	2.03%	2.19%	2.71%	2.71%	2.69%
Fair value per option	177p	584p	589p	854p	908p	836p	836p	843p

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 the lower of £1,800 a year or 10% of salary. These contributions are used to acquire shares in the Company at market price from the EMIS Group plc Employee Benefit Trust, which holds shares in the Company to satisfy Share Incentive Plan and other employee share scheme requirements.

For every three shares acquired by an employee the Company adds one free "matching" share. The matching shares allocated to members under the scheme during the year had a value of £58,000 (2016: £59,000).

Notes to the financial statements continued

for the year ended 31 December 2017

28. Operating lease commitments

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

Group	2017 £'000	2016 £'000
Land and buildings:		
– Due within one year	1,410	1,178
– Due between one and five years	3,543	3,902
– Due after five years	2,933	3,469
Plant, machinery and motor vehicles:		
– Due within one year	732	1,346
– Due between one and five years	588	1,351
	9,206	11,246

29. Capital commitments

At 31 December 2017 the Group had capital commitments principally in respect of computer equipment amounting to £1,100,000 (2016: £243,000).

30. Cash generated from operations

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Profit before taxation	10,937	25,333	19,046	13,937
Finance income	(3)	(188)	(14)	—
Finance costs	302	425	230	385
Share of result of joint venture	(596)	(499)	—	—
Gain on sale of associate	—	(1,532)	—	—
Dividends received	—	—	(20,086)	(20,000)
Operating profit/(loss)	10,640	23,539	(824)	(5,678)
Adjustment for non-cash items				
Amortisation of intangible assets	15,253	13,571	164	—
Depreciation of property, plant and equipment	5,791	6,459	—	—
Impairment of goodwill	—	4,616	—	—
Impairment of investment	—	—	—	4,069
Profit on disposal of property, plant and equipment	(193)	(229)	—	—
Share-based payments	550	473	—	—
Operating cash flow before changes in working capital	32,041	48,429	(660)	(1,609)
Changes in working capital				
Decrease/(increase) in inventory	182	(609)	—	—
Decrease/(increase) in trade and other receivables	581	(6,369)	(62)	(25)
(Decrease)/increase in trade and other payables	(466)	1,915	(305)	(123)
Increase in deferred income	5,308	291	—	—
Increase in provision	11,188	—	—	—
Cash generated from/(used in) operations	48,834	43,657	(1,027)	(1,757)

31. Change in net (debt)/cash

Group	2016 £'000	Cash flow £'000	Finance costs £'000	2017 £'000
Cash and cash equivalents	4,303	9,688	—	13,991
Bank overdraft	(2,782)	2,782	—	—
Bank loans due within one year	(1,951)	2,000	(49)	—
Net (debt)/cash	(430)	14,470	(49)	13,991

32. Pension commitments

Pension contributions of £2,830,000 (2016: £2,523,000) 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:

	2017 £'000	2016 £'000
Key management		
Salaries and other short-term employee benefits	3,220	3,118
Termination benefits	1,033	—
Post retirement benefits	159	212
	4,412	3,330
Directors' emoluments		
Aggregate emoluments	964	803
Gains on exercise of share options	588	20
Termination benefits	106	—
Pension costs – defined contribution plans	69	86
	1,727	909

Retirement benefits are accruing to two (2016: two) Directors under defined contribution personal pension schemes.

	2017 £'000	2016 £'000
Highest paid Director		
Aggregate emoluments	115	331
Gains on exercise of share options	445	7
Termination benefits	106	—
Pension costs – defined contribution plans	22	48
	688	386

Other related party transactions

	2017 £'000	2016 £'000
Transactions between the Group and:		
Joint venture – Healthcare Gateway Limited		
Sales of goods and services in year	1,383	854
Amounts owed to related party at year end	91	—
Key management personnel		
Sale of motor vehicles at market value	—	16

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 2017 totalled £52,119,000 (2016: £47,623,000). Amounts owed by the Company at 31 December 2017 totalled £48,494,000 (2016: £34,072,000).

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 2017 was £nil (2016: £13,119,000).

Five year Group financial summary

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Revenue	160,354	158,712	155,898	137,639	105,542
Adjusted operating profit ¹	37,406	38,753	36,553	32,639	26,065
Profit before tax	10,937	25,333	10,932	28,540	24,635
Earnings per share – basic	12.8p	30.4p	7.2p	35.3p	32.6p
Earnings per share – adjusted ¹	47.2p	49.4p	45.3p	39.5p	34.0p
Dividends paid to Company's shareholders	16,245	14,705	13,307	11,533	10,056
Dividends per ordinary share	25.8p	23.4p	21.2p	18.4p	16.0p
Total equity	108,014	114,142	107,046	114,908	104,123
Cash generated from operations ²	44,408	37,973	36,528	38,333	32,627
Net cash/(debt)	13,991	(430)	(9,109)	(11,817)	(13,491)
Average number of employees	1,906	1,875	1,863	1,611	1,356

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

² Stated after deduction of capitalised development costs and the cash impact of exceptional items.

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: Link Asset Services, The Registry, 34 Beckenham Road, Beckenham BR3 4TU, tel. 0871 664 0300, calls cost 12p per minute plus your phone company's access charge. If you are outside the UK, please call +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. The registrar is open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales. The registrar's website is www.signalshares.com. This will give you access to your personal shareholding by means of your investor code which is printed on your share certificate or statement of holding. 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 the 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 the Company's registrar, Link Asset Services, as set out above.

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

Andy Thorburn – Chief Executive Officer

Peter Southby – Chief Financial Officer

Non-executive

Mike O’Leary – Chairman

Robin Taylor – Senior Independent Non-executive Director

Kevin Boyd – Independent Non-executive Director

Andy McKeon – Independent Non-executive Director

David Sides – Independent Non-executive Director

Company Secretary

Christine Benson

Company number

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