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 2020 which comprise the Group statement of comprehensive income, the Group and parent Company balance sheets, The Group and parent Company statements of cash flows, the Group and parent Company statements of changes in equity and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, 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: group financial statements as a whole	£1.6million (2019:£1.6million) 4.5% (2019: 4.9%) of Group profit before tax and exceptional items	
Coverage	96% (2019: 91%) of group profit before tax and exceptional items	
Key audit matters		**vs 2019**
Recurring risks	Revenue recognition	◀▶
New risk	Recoverability parent company's investment in subsidiaries and amounts owed by subsidiary companies	

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
Revenue recognition (£159.5 million; 2019: £159.5 million) *Refer to page 93 (accounting policy) and page 99 (financial disclosures)*	**Processing error** Revenue consists of fees earned on the sale of software, hardware and associated services. There are a high number of contracts and transactions and the process of recording accrued and deferred revenue is manual in nature. The effect of this matter is that we have to spend a significant proportion of audit effort on this balance which is the most material number in the Consolidated Income Statement, and therefore we consider this to be an area that had the greatest effect on the audit.	We performed the tests below rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: • **Tests of detail:** Using computer assisted audit techniques to analyse the entire population of material revenue streams to focus on unexpected revenue transactions or transactions with unusual attributes and assessed whether these postings were appropriate; • **Tests of details:** Assessing the appropriateness of deferred and accrued income at the year end with reference to the prior year and our knowledge of the billing pattern of each revenue stream; and • **Assessing transparency:** Considering the adequacy of the Group's disclosures, in respect of the revenue recognition policies and revenue streams.
Recoverability parent company's investment in subsidiaries and amounts owed by subsidiary companies Investment in subsidiaries: £106.9million; 2019: £96.8million) Amounts owed by subsidiary companies: £10.8million (2019: £13.7 million) *Refer to page 96 (accounting policy) and page 105 (financial disclosures).*	**Low risk, High value:** The carrying amount of the parent company's investments in subsidiaries and amounts owed by subsidiary companies represent 77% (2019: 79%) of the company's total assets. 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.	We performed the tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described Our procedures included: • **Tests of detail:** Comparing the carrying amount of 100% of investments and amounts owed by subsidiary companies 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. For the investments and amounts owed by subsidiary companies where the carrying amount exceeded the net asset value, our procedures included: • **Tests of detail:** Comparing the carrying amount of investments with an estimate of value in use based on forecast future cash flows. • **Benchmarking assumptions:** We challenged the Group's assumptions in relation to key inputs such as projected growth and discount rates to externally derived data; and • **Assessing transparency:** We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of investment in subsidiaries and amounts owed by subsidiary companies.

We no longer perform procedures over the valuation of the financial liability in respect of the put option over a non controlling interest in Dovetail Digital Limited as the Group settled the option in 2020. See note 25.

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 £1.6 million (2019: £1.6m), determined with reference to a benchmark of profit before tax and exceptional items (of which it represents 4.5% (2019 4.9%).

Materiality for the parent company financial statements as a whole was set at £1.2 million (2019: £1.2 million), determined with reference to a benchmark of parent company net assets, of which it represents 1.0% (2019: 1.3%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2019 : 75%) of materiality for the financial statements as a whole, which equates to £1.2 million (2019 : £1.2 million) for the group and £0.9 million (2019 : £0.9 million) for the parent Company.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

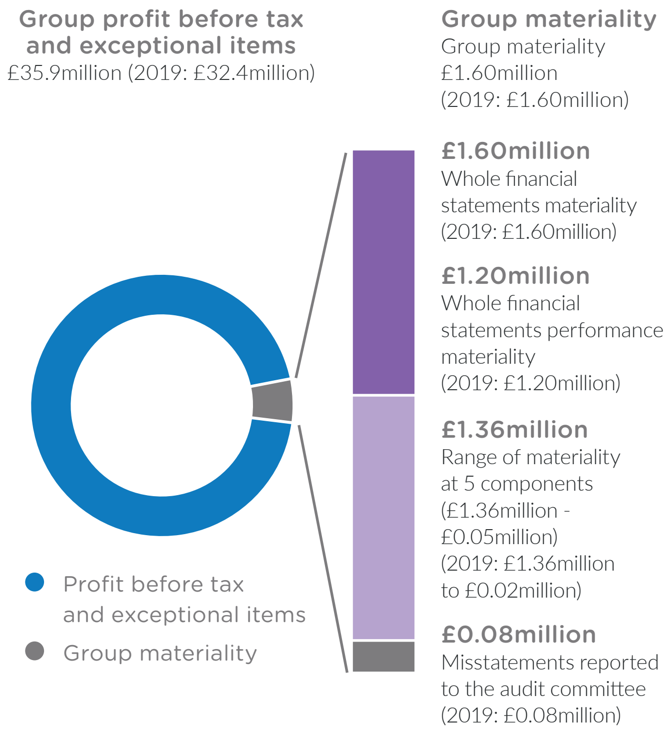
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.08 million (2019: £0.08 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 22 (2019: 22) reporting components, we subjected 5 (2019: 9) to full scope audits for group purposes.

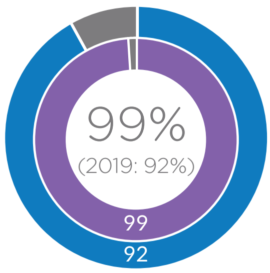
The components within the scope of our work accounted for the percentages illustrated opposite.

For the residual 17 components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

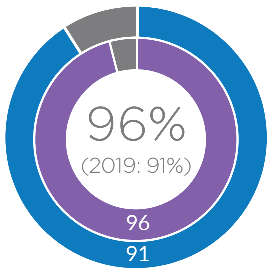
The work on all components subject to full scope audits for Group purposes, including the audit of the parent Company, was performed by the Group team using component materialities that ranged from £1.36 million to £0.05 million (2019: £1.36 million to £0.02 million), having regard to the mix of size and risk profile of the Group across the components.



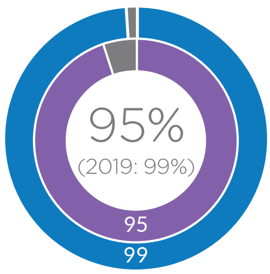
GROUP REVENUE



GROUP PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS



GROUP TOTAL ASSETS



- Full scope for group audit purposes 2019
- Full scope for group audit purposes 2020
- Residual components

4. Going concern

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was lower than expected trading volumes.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee and remuneration committee minutes.
- Considering remuneration incentive schemes and performance targets for directors including the EPS and TSR targets for management remuneration.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment we perform procedures to address the risk of management override of controls, and the risk of fraudulent revenue recognition in particular the risk that revenue is recorded in the wrong period from subscription fees and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We also performed procedures including:

Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation for all full scope components. These included those posted to unusual accounts.

Selecting a sample of accrued and deferred revenue entries across the Group and agreeing to supporting documentation to ensure accounting treatment was in line with IFRS 15.

Independent auditor's report continued

to the members of EMIS Group plc

5. Fraud and breaches of laws and regulations – ability to detect continued

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, data protection, employment law and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

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

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

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

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

7. 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

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 81, 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.

9. 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.

Frances Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
17 March 2021

Group statement of comprehensive income

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Continuing operations			
Revenue	5	**159,453**	159,507
Costs:			
Changes in inventories		**(47)**	(607)
Cost of goods and services		**(20,288)**	(14,800)
Staff costs[1]	9	**(63,374)**	(67,519)
Other operating expenses[2]		**(22,628)**	(27,599)
Depreciation of property, plant and equipment		**(5,089)**	(6,822)
Amortisation of intangible assets	14	**(12,251)**	(15,333)
Adjusted operating profit		**39,266**	39,273
Development costs capitalised	9, 14	**6,590**	7,363
Amortisation of intangible assets[3]	14	**(11,100)**	(14,449)
Reorganisation costs		**–**	(5,360)
Release of contingent acquisition consideration	25	**1,020**	–
Operating profit	6	**35,776**	26,827
Finance income	7	**89**	97
Finance costs	8	**(590)**	(595)
Share of result of joint venture and associate	17, 18	**858**	742
Other income[4]		**782**	–
Profit before taxation		**36,915**	27,071
Income tax expense	10	**(6,794)**	(5,022)
Profit for the period from continuing operations		**30,121**	22,049
Profit from discontinued operation, net of tax		**–**	476
Profit for the period		**30,121**	22,525
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**(41)**	(182)
Other comprehensive income		**(41)**	(182)
Total comprehensive income for the year		**30,080**	22,343
Attributable to:			
– Equity holders of the parent		**30,207**	22,476
– Non-controlling interest in subsidiary company		**(127)**	(133)
Total comprehensive income for the year		**30,080**	22,343

Earnings per share attributable to equity holders of the parent		**Pence**	Pence
Basic	11	**48.1**	36.0
Basic diluted	11	**47.6**	35.8
Basic – continuing operations	11	**48.1**	35.3
Basic diluted – continuing operations	11	**47.6**	35.1
Adjusted	11	**51.0**	51.4
Adjusted diluted	11	**50.4**	51.1

1 Including exceptional reorganisation costs of £nil (2019: £4,160,000).

2 Including an exceptional credit from release of contingent acquisition consideration of £1,020,000 (2019: £nil) and exceptional reorganisation costs of £nil (2019: £1,200,000).

3 Excluding amortisation of computer software used internally of £1,151,000 (2019: £884,000).

4 During the year the Group received £782,000 of previously unrecognised additional consideration in relation to the prior year disposal of the Specialist & Care business.

The notes on pages 92 to 114 are an integral part of these consolidated financial statements.

Group and parent company balance sheets

as at 31 December 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Non-current assets					
Goodwill	13	**52,177**	47,969	**–**	–
Other intangible assets	14	**33,118**	34,376	**1,466**	2,211
Property, plant and equipment	15	**19,870**	18,399	**–**	–
Investments	16	**–**	–	**106,872**	96,813
Amounts owed by subsidiary companies		**–**	–	**10,759**	13,726
Investment in joint venture and associate	17, 18	**353**	345	**–**	–
		105,518	101,089	**119,097**	112,750
Current assets					
Inventories		**613**	657	**–**	–
Current tax assets		**3,556**	–	**–**	–
Trade and other receivables	19	**29,993**	33,047	**5,195**	6,047
Property asset held for sale		**–**	2,475	**–**	–
Cash and cash equivalents		**53,008**	31,099	**29,113**	20,852
		87,170	67,278	**34,308**	26,899
Total assets		**192,688**	168,367	**153,405**	139,649
Current liabilities					
Trade and other payables	21	**(31,219)**	(23,437)	**(1,443)**	(1,297)
Deferred income		**(29,161)**	(28,820)	**–**	–
Current tax liabilities		**–**	(2,323)	**–**	–
Other financial liabilities	25	**(2,000)**	(480)	**(2,000)**	(480)
Lease liabilities	28	**(990)**	(640)	**–**	–
Amounts owed to subsidiary companies		**–**	–	**(44,779)**	(38,252)
		(63,370)	(55,700)	**(48,222)**	(40,029)
Non-current liabilities					
Deferred tax liability	24	**(2,289)**	(1,467)	**–**	–
Other financial liabilities	25	**(2,000)**	(3,708)	**(2,000)**	(3,708)
Lease liabilities	28	**(5,891)**	(3,294)	**–**	–
		(10,180)	(8,469)	**(2,000)**	(3,708)
Total liabilities		**(73,550)**	(64,169)	**(50,222)**	(43,737)
Net assets		**119,138**	104,198	**103,183**	95,912
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		**(3,594)**	(5,021)	**–**	–
Retained earnings		**69,260**	57,118	**49,286**	43,703
Other reserve		**1,794**	147	**2,219**	531
Equity attributable to owners of the parent		**119,138**	103,922	**103,183**	95,912
Non-controlling interest		**–**	276	**–**	–
Total equity		**119,138**	104,198	**103,183**	95,912

The notes on pages 92 to 114 are an integral part of these consolidated financial statements.

The financial statements on pages 88 to 114 were approved by the Board of Directors and authorised for issue on 17 March 2021 and are signed on its behalf by:

Andy Thorburn
Chief Executive Officer

Peter Southby
Chief Financial Officer

Company number 06553923 (England and Wales)

Group and parent company statements of cash flows

for the year ended 31 December 2020

		Group		Company	
	Notes	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Profit/(loss) before taxation		**36,915**	27,071	**23,039**	(684)
Finance income		**(89)**	(97)	**(256)**	(259)
Finance costs		**590**	595	**160**	181
Share of result of joint venture		**(858)**	(742)	**–**	–
Other income		**(782)**	–	**(782)**	–
Gain on sale of investment in subsidiary		**–**	–	**–**	(732)
Dividends received		**–**	–	**(22,650)**	–
Operating profit/(loss)		**35,776**	26,827	**(489)**	(1,494)
Operating profit of discontinued operation		**–**	162	**–**	–
Adjustment for non-cash items					
Amortisation of intangible assets		**12,251**	15,498	**745**	742
Depreciation of property, plant and equipment		**5,089**	7,001	**–**	–
Release of contingent acquisition consideration		**(1,020)**	–	**(1,020)**	–
Impairment loss on remeasurement of property asset held for sale		**–**	254	**–**	–
Loss on disposal of property, plant and equipment		**43**	544	**–**	–
Share-based payments		**1,440**	1,290	**–**	–
Operating cash flow before changes in working capital		**53,579**	51,576	**(764)**	(752)
Changes in working capital					
Decrease in inventory		**47**	607	**–**	–
Decrease/(increase) in trade and other receivables		**3,197**	(316)	**(211)**	(226)
Increase in trade and other payables		**7,751**	2,623	**211**	361
Decrease in deferred income		**(436)**	(4,431)	**–**	–
Adjusted cash generated from/(used in) operations		**58,851**	46,332	**(764)**	(617)
Development costs capitalised		**6,590**	7,363	**–**	–
Cash cost of exceptional items		**(1,303)**	(3,636)	**–**	–
Cash generated from/(used in) operations		**64,138**	50,059	**(764)**	(617)
Finance costs		**(141)**	(186)	**(115)**	(125)
Finance income		**87**	93	**256**	259
Tax paid		**(11,684)**	(4,466)	**–**	–
Net cash generated from/(used in) operating activities		**52,400**	45,500	**(623)**	(483)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(2,449)**	(4,983)	**–**	–
Proceeds from sale of property, plant and equipment		**2,500**	151	**–**	–
Development costs capitalised		**(6,590)**	(7,363)	**–**	–
Purchase of software		**(452)**	(773)	**–**	–
Increase in loan from subsidiary companies		**–**	–	**9,467**	29,369
Dividends received		**850**	700	**22,650**	–
Business combination	32	**(2,880)**	–	**(3,753)**	–
Acquisition of associate		**–**	(190)	**–**	(190)
Disposal of discontinued operation, net of cash disposed of		**782**	6,203	**782**	13,665
Net cash (used in)/generated from investing activities		**(8,239)**	(6,255)	**29,146**	42,844
Cash flows from financing activities					
Transactions in own shares held in trust		**474**	(3,069)	**–**	–
Payment of lease liabilities		**(1,511)**	(940)	**–**	–
Deferred contingent consideration	25	**(800)**	(1,012)	**(800)**	(1,012)
Dividends paid	12	**(19,860)**	(18,745)	**(19,860)**	(18,745)
Acquisition of non-controlling interest	25	**(555)**	–	**(555)**	–
Decrease/(increase) in loan to Employee Benefit Trust		**–**	–	**953**	(2,542)
Net cash used in financing activities		**(22,252)**	(23,766)	**(20,262)**	(22,299)
Net increase in cash and cash equivalents		**21,909**	15,479	**8,261**	20,062
Cash and cash equivalents at beginning of year		**31,099**	15,620	**20,852**	790
Cash and cash equivalents at end of year		**53,008**	31,099	**29,113**	20,852

The notes on pages 92 to 114 are an integral part of these consolidated financial statements.

Group and parent company statements of changes in equity

for the year ended 31 December 2020

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 2019	633	51,045	(1,913)	51,884	611	399	102,659
Adjustment on initial application of IFRS 16	–	–	–	(125)	–	–	(125)
Profit for the year	–	–	–	22,658	–	(133)	22,525
Transactions with owners							
Share acquisitions less sales	–	–	(3,108)	–	–	10	(3,098)
Share-based payments	–	–	–	1,290	–	–	1,290
Deferred tax in relation to share-based payments	–	–	–	156	–	–	156
Dividends paid (note 12)	–	–	–	(18,745)	–	–	(18,745)
Option over non-controlling interest (note 25)	–	–	–	–	(282)	–	(282)
Other comprehensive income							
Currency translation differences	–	–	–	–	(182)	–	(182)
At 31 December 2019	633	51,045	(5,021)	57,118	147	276	104,198
Profit for the year	–	–	–	30,248	–	(127)	30,121
Changes in ownership interest							
Non-controlling interest acquisition (note 25)	–	–	–	(406)	–	(149)	(555)
Transactions with owners							
Share acquisitions less sales	–	–	1,427	–	–	–	1,427
Share-based payments	–	–	–	1,440	–	–	1,440
Deferred tax in relation to share-based payments	–	–	–	40	–	–	40
Dividends paid (note 12)	–	–	–	(19,860)	–	–	(19,860)
Contingent acquisition consideration (note 25)	–	–	–	680	(1,000)	–	(320)
Option over non-controlling interest (note 25)	–	–	–	–	2,688	–	2,688
Other comprehensive income							
Currency translation differences	–	–	–	–	(41)	–	(41)
At 31 December 2020	**633**	**51,045**	**(3,594)**	**69,260**	**1,794**	**–**	**119,138**

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserve £'000	Total equity £'000
At 1 January 2019	633	51,045	61,563	813	114,054
Loss for the year	–	–	(405)	–	(405)
Transactions with owners					
Share-based payments	–	–	1,290	–	1,290
Dividends paid (note 12)	–	–	(18,745)	–	(18,745)
Option over non-controlling interest (note 25)	–	–	–	(282)	(282)
At 31 December 2019	633	51,045	43,703	531	95,912
Profit for the year	–	–	23,323	–	23,323
Transactions with owners					
Share-based payments	–	–	1,440	–	1,440
Dividends paid (note 12)	–	–	(19,860)	–	(19,860)
Contingent acquisition consideration (note 25)	–	–	680	(1,000)	(320)
Option over non-controlling interest (note 25)	–	–	–	2,688	2,688
At 31 December 2020	**633**	**51,045**	**49,286**	**2,219**	**103,183**

The notes on pages 92 to 114 are an integral part of these consolidated financial statements.

Notes to the financial statements

for the year ended 31 December 2020

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The financial statements of the Group and parent company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("adopted IFRS").

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

The preparation of financial statements in conformity with adopted IFRS requires the use of accounting estimates and judgements that affect the reported amounts of assets and liabilities and of revenues and expenses. It also requires management to exercise its judgement in the application of accounting policies. The critical accounting judgements and key sources of estimation uncertainty in the 2020 financial statements are set out in note 2.

Going Concern

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

The Directors have prepared cash flow forecasts covering a period of at least twelve months from the date of approval of these financial statements. These forecasts, including consideration of reasonably possible downside scenarios linked to the principal risks and uncertainties set out in the strategic report, and sensitised non-recurring revenues reflecting plausible impacts of Covid-19 on the ability of the Group to deliver implementations, show that the Group will continue to operate with significant cash reserves and would not need to utilise the facility in place (see note 22). Based on this assessment the Directors have a reasonable expectation that the Group and Company have adequate resources to continue existence for at least 12 months from the date of approval of these financial statements and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 £23,323,000 (2019: loss of £405,000).

1.3 Changes in accounting policy and disclosure

(a) New and amended standards adopted by the Group

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

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

None of these standards has had a material impact on the financial statements.

(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 2020 and consequently have not been applied by the Group in these financial statements. These standards are not expected to have a material impact on the Group's results.

- Annual Improvements to IFRS Standards 2018-2020 Cycle
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

1.4 Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December 2020.

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 in which they occur.

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

1. Summary of significant accounting policies continued

1.4 Basis of consolidation continued

Joint ventures and associates

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

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

1.5 Operating segments

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

1.6 Revenue recognition

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

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

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

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

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

1.7 Intangible assets

(a) Goodwill

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

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

(b) Computer software developed for external sale

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

1. Summary of significant accounting policies continued

1.7 Intangible assets continued

(b) Computer software developed for external sale continued

The costs incurred in the development stage for substantially new or enhanced products are assessed against the IAS 38 criteria and considered for recognition as an asset when they meet those criteria. These costs are generally incurred in developing the detailed product design, software configuration and interfaces, in the coding of software, in its integration with hardware, and in its testing. Development expenditure directed towards incremental improvements in existing products, remedial work and other maintenance activity does not qualify for recognition as an intangible asset.

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

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

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

(c) Other intangible assets

Intangible assets acquired in a business combination are initially recognised at their fair value. Other intangible assets are initially recognised at cost. Intangible assets are subsequently stated at this value less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of the asset, as shown below:

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

1.8 Property, plant and equipment

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

Freehold property	2%
Leasehold property	Life of lease
Computer equipment	16.67–33%
Fixtures, fittings and equipment	10-25%
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.

In the current financial year no impairment losses were recognised. In relation to one project, capitalised development costs with a carrying value of £2,368,000 are sensitive to future revenue forecasts, whereby a 1% reduction in future forecasted revenues would lead to a value in use reduction of approximately £200,000, and an equivalent impairment in the asset.

1.10 Taxation

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

The current tax payable is based on the taxable profit for the year. Taxable profit differs from accounting profit as reported in the Group statement of comprehensive income because it includes or 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.

1. Summary of significant accounting policies continued

1.10 Taxation continued

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

1.11 Share-based payments

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

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

1.12 Retirement benefit costs

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

1.13 Foreign currency

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

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

1.14 Exceptional items

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

1.15 Inventories

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

1.16 Own shares held in trust

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

1.17 Financial instruments

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

(a) Financial assets

Trade receivables

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

Notes to the financial statements continued

for the year ended 31 December 2020

1. Summary of significant accounting policies continued

1.17 Financial instruments continued

(a) Financial assets continued

Investments

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

Cash and cash equivalents

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

Assets held for sale

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

(b) Financial liabilities

Trade payables

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

Bank borrowings

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

Equity instruments

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

Contingent acquisition consideration

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

Put option arrangements

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

1.18 Dividends

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

1.19 Leases

The Group leases property, office equipment and motor vehicles. The Group is not a lessor.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate adjusted to reflect factors specific to the lease such as the term and the type of asset leased.

The lease liability is measured at amortised cost using the effective interest method. In certain circumstances. the lease liability will be remeasured, such as when a change in the Group's assessment of whether it will exercise a purchase or termination option takes place. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment and lease liabilities on the face of the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Critical accounting judgements and key sources of estimation uncertainty

In preparing the 2020 financial statements no significant judgements have been made in the process of applying the Group's accounting policies, and no significant estimations have been made that could have a material effect on the amounts recognised in the financial statements.

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

Following the acquisition of the remaining non-controlling interest in Dovetail Digital Limited, and the related de-recognition of the put option liability (see note 25), this is no longer considered to be a key source of estimation uncertainty. A source of estimation uncertainty is with regard to capitalised development costs.

Carrying amount of computer software developed for external sale

Computer software developed for external sale is a significant intangible asset, with a net book value of £16,736,000 at 31 December 2020 (with the largest carrying values relating to the Group's EMIS-X and ProScript Connect products). Estimates are required with regard to the period of time over which economic benefits are generated from it. If the useful economic life of all computer software developed for external sale was reduced by one year, the current year amortisation charge would increase by £885,000, and assets with a cost equating to approximately 44% of the 31 December 2020 net book value have not yet commenced amortisation. There were no significant changes to estimated useful economic lives during the year. Products/software development projects are unique, with eligibility for capitalisation separately considered for each. Typically amortisation commences when the software has been installed and is available for use, and the asset is then amortised over the period for which software is expected to be used by the customers and markets it serves.

3. Financial risk management

3.1 Financial risk factors

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

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

Credit risk

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

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

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

Liquidity risk

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

Details of the Group's borrowings and the maturity profile of the Group's financial liabilities are disclosed in notes 22 and 23.

Interest rate risk

The Group has limited exposure to interest rate risk with no borrowings at 31 December 2020. The Group has an undrawn £30,000,000 credit facility in place, further details of which are disclosed in note 22.

The Group's current assets include cash and cash equivalents at the year end amounting to £53,008,000, on which interest received is subject to fluctuations in market rates.

Price risk

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

3.2 Capital risk management

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

The Group's objectives when managing capital are:

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

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

The Group's reserves include:

Own shares held in trust – an Employee Benefit Trust holds shares in the Company to facilitate share-based payments to employees and the operation of 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. Following the acquisition of the non-controlling interest in Dovetail Digital Limited (see note 25), other reserves no longer contains any amounts in respect of equity-settled contingent acquisition consideration or the put option over the purchase of the non-controlling interest.

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4. Operating segments

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

The Directors have presented segmental information to reflect the Group's structure, activities and the markets being served. The Group has two operating and reportable segments, both involved with the supply and support of connected healthcare software and systems:

- EMIS Health; and
- EMIS Enterprise.

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

The previously reported Specialist & Care operating segment was classified as a discontinued operation following its sale on 2 April 2019 and therefore the information presented below relates to continuing operations only.

Segmental information

	2020			2019		
	EMIS Health £'000	EMIS Enterprise £'000	Total £'000	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Segmental result						
Revenue	107,773	51,680	159,453	100,858	58,649	159,507
Segmental operating profit as reported internally	25,088	15,688	40,776	23,268	17,511	40,779
Development costs capitalised	4,643	1,947	6,590	6,216	1,147	7,363
Amortisation of development costs	(2,559)	(1,717)	(4,276)	(5,500)	(1,632)	(7,132)
Amortisation of acquired intangible assets	(3,350)	(3,474)	(6,824)	(3,813)	(3,504)	(7,317)
Reorganisation costs	–	–	–	(4,135)	(1,225)	(5,360)
Release of contingent acquisition consideration	–	1,020	1,020	–	–	–
Segmental operating profit	23,822	13,464	37,286	16,036	12,297	28,333
Group operating expenses			(1,510)			(1,506)
Operating profit			35,776			26,827
Net finance costs			(501)			(498)
Share of result of joint venture and associate			858			742
Other income			782			–
Profit before taxation			36,915			27,071
Segmental assets and liabilities						
Segmental assets as reported internally	35,012	14,608	49,620	40,719	13,169	53,888
Goodwill and other intangible assets	51,906	33,389	85,295	53,646	28,699	82,345
	86,918	47,997	134,915	94,365	41,868	136,233
Group assets			4,412			690
Investment in joint venture and associate			353			345
Group cash and cash equivalents			53,008			31,099
Total assets			192,688			168,367
Segmental liabilities as reported internally	44,061	25,692	69,753	33,758	25,319	59,077
Group liabilities			3,797			5,092
Total liabilities			73,550			64,169
Other segmental information						
Additions to property, plant and equipment	2,963	3,663	6,626	5,829	955	6,784
Depreciation of property, plant and equipment	3,412	1,677	5,089	6,160	662	6,822
Additions to computer software used internally	349	103	452	569	204	773
Amortisation of computer software used internally	823	328	1,151	619	265	884

Revenue excludes intra-group transactions on normal commercial terms from the EMIS Health segment to the EMIS Enterprise segment totalling £3,017,000 (2019: £4,442,000).

Revenue of £112,711,000 (2019: £98,994,000) is derived from the NHS and related bodies.

Revenue of £3,990,000 (2019: £5,022,000) is derived from customers outside the UK. Non-current assets held outside the UK total £959,000 (2019: £1,079,000).

5. Revenue

Following the 1 January 2020 commencement of the NHS GP IT Futures framework governing over a quarter of the Group's revenues, which introduced a single software as a service payment for GP Systems in England, and in order to better reflect the evolution of the business and its core revenue streams monitored internally, the Group has revised the way in which it analyses revenue. The revised analysis of revenue from continuing operations, including comparative information restated on the same basis, is presented below.

	2020			2019		
	EMIS Health £'000	**EMIS Enterprise £'000**	**Total £'000**	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Software subscription and support	**77,032**	**22,456**	**99,488**	73,451	20,730	94,181
Interface and connectivity charges	**5,023**	**15,261**	**20,284**	2,892	18,957	21,849
Hardware and related services	**12,799**	**4,502**	**17,301**	8,056	5,103	13,159
Other services	**7,795**	**5,602**	**13,397**	7,929	4,101	12,030
Perpetual licences, training, consultancy and implementation	**5,124**	**3,859**	**8,983**	8,530	9,758	18,288
	107,773	**51,680**	**159,453**	100,858	58,649	159,507

6. Operating profit

	2020 £'000	2019 £'000
The following have been charged/(credited) in arriving at operating profit:		
Research and development expenditure	**21,166**	20,697
Development costs capitalised:		
– Software for external sale	**(6,590)**	(7,363)
Depreciation of property, plant and equipment:		
– Depreciation of owned assets	**3,636**	5,936
– Depreciation of leased assets	**1,453**	886
Amortisation of intangible assets:		
– Computer software used internally	**1,151**	884
– Computer software developed for external sale	**4,276**	7,132
– Arising on business combinations	**6,824**	7,317
Exceptional reorganisation costs:		
– Staff costs	**–**	4,160
– Impairment loss	**–**	254
– Other property costs	**–**	946
Exceptional release of contingent acquisition consideration (note 25)	**(1,020)**	–
Operating lease rentals:		
– Land and buildings	**193**	473
– Plant, machinery and motor vehicles	**75**	337

The total research and development cost shown above of £21,166,000 (2019: £20,697,000) principally relates to relevant staff and directly related costs. Software development costs amounting to £6,590,000 (2019: £7,363,000) have been capitalised in accordance with the criteria set out in IAS 38.

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

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

	2020 £'000	2019 £'000
Audit of these financial statements	**40**	39
Amounts payable to the Company's auditor and associated companies in respect of:		
– Audit of the financial statements of subsidiaries of the Company	**200**	153
– All other services (including half year review)	**25**	19
	276	211

Notes to the financial statements continued

for the year ended 31 December 2020

7. Finance income

	2020 £'000	2019 £'000
Bank interest	**88**	97
Foreign exchange gain	**1**	–
	89	97

8. Finance costs

	2020 £'000	2019 £'000
Interest payable and bank fees	**139**	150
Interest on lease liabilities	**386**	181
Amortisation of bank loan issue costs	**65**	96
Foreign exchange loss	**–**	168
	590	595

9. Employees

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

	2020 Number	2019 Number
Management and administration	**92**	138
Software support and development	**1,138**	1,037
Sales, maintenance and training	**294**	369
Others	**55**	122
	1,579	1,666
Relating to continuing operations	**1,579**	1,575
Relating to discontinued operation	**–**	91
	1,579	1,666

Staff costs were:

	2020 £'000	2019 £'000
Wages and salaries	**59,701**	66,650
Social security costs	**6,123**	6,792
Pension costs – defined contribution plans	**2,600**	2,652
Share Incentive Plan (note 27)	**100**	93
Share option expense (note 27)	**1,440**	1,290
	69,964	77,477
Dealt with as follows:		
Charged in Group statement of comprehensive income:		
– continuing operations	**63,374**	67,519
– discontinued operation	**–**	2,595
Capitalised in the development of software for external sale	**6,590**	7,363
	69,964	77,477

10. Income tax expense

	2020 £'000	2019 £'000
Income tax:		
– UK current year tax charge	**7,159**	7,305
– Overseas current year tax charge	**184**	199
– Adjustment in respect of prior years	**(656)**	(370)
Total current tax	**6,687**	7,134
Deferred tax:		
– UK current year	**(792)**	(2,456)
– Adjustment in respect of prior years	**685**	344
– Deferred tax rate change	**214**	–
Total deferred tax	**107**	(2,112)
Total tax charge in Group statement of comprehensive income	**6,794**	5,022
Factors affecting the tax charge for the year		
Profit before taxation	**36,915**	27,071
Taxation at the average UK corporation tax rate of 19% (2019: 19%)	**7,014**	5,143
Tax effects of:		
– (Income)/expenses not chargeable/allowable in determining taxable profit	**(315)**	31
– Adjustment in respect of prior years	**29**	(26)
– Joint venture reported net of tax	**(163)**	(141)
– Effect of overseas tax rates	**15**	15
– Deferred tax rate change	**214**	–
Tax charge for the year	**6,794**	5,022

The total current year tax charge includes a credit of £nil (2019: £1,018,000) in respect of exceptional items.

The decision of the UK government not to reduce the UK corporation tax rate from 19% to 17% from 1 April 2020 resulted in a one-off deferred tax charge of £214,000 in the year, with a corresponding increase in the Group's net deferred tax liability. In March 2021 the UK government announced that the UK corporation tax rate for large companies would rise to 25% from 1 April 2023. However, as this had not been substantively enacted at the balance sheet date, deferred tax assets and liabilities have not been remeasured. Had the change been substantively enacted at the balance sheet date, the estimated impact would be to increase the Group's net deferred tax liability by approximately £300,000.

11. Earnings per share (EPS)

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

Earnings	2020 £'000	2019 £'000
Profit for the period	**30,121**	22,525
Total comprehensive income attributable to non-controlling interest	**127**	133
Basic earnings attributable to equity holders	**30,248**	22,658
Profit from discontinued operation, net of tax	**–**	(476)
Basic earnings from continuing operations attributable to equity holders	**30,248**	22,182
Development costs capitalised	**(6,590)**	(7,363)
Amortisation of development costs and acquired intangible assets	**11,100**	14,449
Reorganisation costs	**–**	5,360
Release of contingent acquisition consideration	**(1,020)**	–
Other income	**(782)**	–
Tax and non-controlling interest effect of above items	**(925)**	(2,319)
Adjusted earnings attributable to equity holders	**32,031**	32,309

Weighted average number of ordinary shares	2020 Number '000	2019 Number '000
Total shares in issue	**63,311**	63,311
Shares held by Employee Benefit Trust	**(447)**	(425)
For basic EPS calculations	**62,864**	62,886
Effect of potentially dilutive share options	**634**	378
For diluted EPS calculations	**63,498**	63,264

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11. Earnings per share (EPS) continued

EPS	2020 Pence	2019 Pence
Basic	**48.1**	36.0
Basic diluted	**47.6**	35.8
Basic – continuing operations	**48.1**	35.3
Basic diluted – continuing operations	**47.6**	35.1
Adjusted	**51.0**	51.4
Adjusted diluted	**50.4**	51.1

12. Dividends

	2020 £'000	2019 £'000
Final dividend for the year ended 31 December 2018 of 14.2p	**–**	8,950
Interim dividend for the year ended 31 December 2019 of 15.6p	**–**	9,795
Final dividend for the year ended 31 December 2019 of 15.6p	**9,798**	–
Interim dividend for the year ended 31 December 2020 of 16.0p	**10,062**	–
	19,860	18,745

A final dividend for the year ended 31 December 2020 of 16.0p amounting to approximately £10,067,000 will be proposed at the Annual General Meeting on 6 May 2021. If approved, this dividend will be paid on 14 May 2021 to shareholders on the register on 15 April 2021. 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 2021.

13. Goodwill

Group	EMIS Health £'000	EMIS Enterprise £'000	Discontinued Operation £'000	Total Group £'000
Cost				
At 1 January 2019	41,810	22,342	8,605	72,757
Disposal of business	–	–	(8,605)	(8,605)
At 31 December 2019	41,810	22,342	–	64,152
Acquisition of business (note 32)	–	4,208	–	4,208
At 31 December 2020	**41,810**	**26,550**	**–**	**68,360**
Accumulated impairment losses				
At 1 January 2019, 31 December 2019 and 31 December 2020	**8,825**	**7,358**	**–**	**16,183**
Net book value				
At 31 December 2020	**32,985**	**19,192**	**–**	**52,177**
At 31 December 2019	32,985	14,984	–	47,969
At 1 January 2019	32,985	14,984	3,989	51,958

Impairment tests for goodwill

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

On completion of the acquisition of the remaining non-controlling interest and settlement of all contingent acquisition consideration related to Dovetail (see note 25), goodwill of £1,622,000 that was previously allocated to the Dovetail CGU was reallocated to the Partners and Analytics CGU to better reflect where the benefits of the goodwill will accrue. The settlement of the put option over the non-controlling interest at an amount lower than the previously estimated fair value was deemed to be an indicator of potential impairment, and the goodwill was tested accordingly, with the result being that no impairment was required.

13. Goodwill continued

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

	2020 £'000	2019 £'000
EMIS Health		
Primary, Community & Egton	**21,857**	21,857
Acute NHS	**11,128**	11,128
	32,985	32,985
EMIS Enterprise		
Community Pharmacy	**6,756**	6,756
Acute Medicines Management	**6,606**	6,606
Partners and Analytics	**1,622**	1,622
Pinnacle	**4,208**	–
	19,192	14,984
	52,177	47,969

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

The value in use for each allocation of goodwill has been calculated using pre-tax cash flows from internal budgets for the year ending 31 December 2021 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% (2019: 3.5%) until 31 December 2025 and then 1% into perpetuity (2019: 1%) for all CGUs. The pre-tax cash flows have been discounted back to 31 December 2020 using a discount rate of between 10.1% and 11.1% (2019: 10.1% to 13.1%). The exercise has confirmed that there has been no impairment in any CGU.

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

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

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 2019	7,025	50,735	41,352	36,304	135,416
Additions	773	7,363	–	–	8,136
Disposal of business	–	–	(1,011)	(5,320)	(6,331)
At 31 December 2019	7,798	58,098	40,341	30,984	137,221
Additions	452	6,590	–	–	7,042
Acquisition of business (note 32)	–	–	2,989	962	3,951
At 31 December 2020	**8,250**	**64,688**	**43,330**	**31,946**	**148,214**
Accumulated amortisation and impairment					
At 1 January 2019	4,283	36,544	27,376	22,364	90,567
Charged in year – continuing	884	7,132	4,589	2,728	15,333
Charged in year – discontinued	–	–	32	133	165
Disposal of business	–	–	(716)	(2,504)	(3,220)
At 31 December 2019	**5,167**	**43,676**	**31,281**	**22,721**	**102,845**
Charged in year – continuing	1,151	4,276	4,412	2,412	12,251
At 31 December 2020	**6,318**	**47,952**	**35,693**	**25,133**	**115,096**
Net book value					
At 31 December 2020	**1,932**	**16,736**	**7,637**	**6,813**	**33,118**
At 31 December 2019	2,631	14,422	9,060	8,263	34,376
At 1 January 2019	2,742	14,191	13,976	13,940	44,849

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14. Other intangible assets continued

The accounting policy for intangible assets is set out in note 1.7. The remaining average amortisation period for software developed for external sale is five years. At 31 December 2020 software acquired on business combinations had a remaining amortisation period of one year for Ascribe, three years for Dovetail, and six years for Pinnacle. Customer relationships have a remaining amortisation period of three years with the exception of Indigo 4 Systems (four years) and Pinnacle (six years).

Company intangible assets comprise computer software developed for external sale with a cost of £3,729,000 (2019: £3,729,000; 2018: £3,729,000) and accumulated amortisation of £2,263,000 (2019: £1,518,000; 2018: £776,000).

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 December 2018	12,098	46,888	7,376	331	66,693
Recognition of right-of-use asset on initial application of IFRS 16	2,859	–	78	912	3,849
Adjusted balance as at 1 January 2019	14,957	46,888	7,454	1,243	70,542
Additions	1,915	3,018	1,383	468	6,784
Disposals	(2,697)	(32,973)	(4,643)	(224)	(40,537)
Reclassification to asset held for sale	(3,204)	–	(540)	–	(3,744)
Effect of movements in exchange rates	(155)	(26)	(1)	–	(182)
At 31 December 2019	10,816	16,907	3,653	1,487	32,863
Additions	3,651	1,805	479	691	6,626
Acquisition of business (note 33)	151	–	31	22	204
Disposals	(1)	(1,299)	–	(28)	(1,328)
Effect of movements in exchange rates	(204)	(45)	(3)	–	(252)
At 31 December 2020	**14,413**	**17,368**	**4,160**	**2,172**	**38,113**
Accumulated depreciation and impairment					
At 31 December 2018	2,218	38,964	4,273	238	45,693
Recognition of right-of-use asset on initial application of IFRS 16	318	–	–	–	318
Adjusted balance as at 1 January 2019	2,536	38,964	4,273	238	46,011
Charged in period – continuing	725	4,712	827	558	6,822
Charged in period – discontinued	–	37	124	18	179
On disposals	(1,248)	(32,676)	(3,392)	(217)	(37,533)
Impairment loss	254	–	–	–	254
Reclassification to asset held for sale	(762)	–	(507)	–	(1,269)
Effect of movements in exchange rates	5	(4)	(1)	–	–
At 31 December 2019	1,510	11,033	1,324	597	14,464
Charged in period – continuing	1,320	2,700	495	574	5,089
On disposals	–	(1,251)	–	(9)	(1,260)
Effect of movements in exchange rates	(22)	(27)	(1)	–	(50)
At 31 December 2020	**2,808**	**12,455**	**1,818**	**1,162**	**18,243**
Net book value					
At 31 December 2020	**11,605**	**4,913**	**2,342**	**1,010**	**19,870**
At 31 December 2019	9,306	5,874	2,329	890	18,399
At 1 January 2019	9,880	7,924	3,103	93	21,000

At 31 December 2020, the net carrying amount of assets held for sale was £nil (2019: £2,475,000).

16. Investments

Company	£'000
At 1 January 2019	109,555
Disposal of investment in subsidiary	(12,932)
Acquisition of investment (note 18)	190
At 31 December 2019	96,813
Acquisition of non-controlling interest	555
Capital contribution	1,751
Acquisition of business (note 32)	7,753
At 31 December 2020	**106,872**

During the year the Company made a capital contribution to Dovetail Digital Limited in respect of the capitalisation of an intra-group receivable balance of £1,751,000.

The undertakings whose results and financial position are consolidated within the Group financial statements for the year ended 31 December 2020 are as follows:

	Country of incorporation	% of issued ordinary shares held
ASC Computer Software (NZ) Limited	New Zealand	100
ASC Computer Software PTY Limited	Australia	100
Ascribe Group Limited	England & Wales	100[2]
Ascribe Holdings Limited	England & Wales	100
Ascribe Limited	England & Wales	100
Ascribe Limited (Kenya)[1]	Kenya	100
Dovetail Digital Limited	England & Wales	100[2]
Egton Limited[1]	England & Wales	100[2]
Egton Medical Information Systems Limited	England & Wales	100[2]
EMIS Health Community Pharmacy Limited[1]	England & Wales	100[2]
EMIS Health India Private Limited	India	100[2]
EMIS Health Limited[1]	England & Wales	100[2]
Footman Walker Associates Limited[1]	England & Wales	100
Healthcare Gateway Limited	England & Wales	50
Patient Platform Limited	England & Wales	100[2]
Protechnic Exeter Limited[1]	England & Wales	100
Rx Systems Limited	England & Wales	100[2]
Pinnacle Systems Management Limited	England & Wales	100[2]
Pinnacle Health Partnership LLP	England & Wales	100[2]
Scroll Bidco Limited	England & Wales	100

1 Dormant.

2 Held directly by EMIS Group plc.

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

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

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

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

The Group has a 50% interest in the ordinary share capital of HGL, acquired on formation for £1.

Aggregate amounts relating to HGL are as follows:

	2020 £'000	2019 £'000
Revenues	4,391	4,153
Profit before taxation	2,119	1,829
Profit after taxation	1,716	1,483
Current assets	1,164	1,489
Current liabilities	(996)	(1,330)
Net assets	168	159
Group's interest in net assets of investee at beginning of year	155	113
Share of total comprehensive income	858	742
Dividends received	(850)	(700)
Group's interest in net assets of investee at end of year	163	155

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

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

	2020 £'000	2019 £'000
Carrying amount of investment in associate	190	190
Share of profit from continuing operations	–	–

19. Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables and other receivables	16,439	17,960	190	122
Accrued income	7,389	9,608	–	–
Prepayments	6,165	5,479	566	533
Loan to Employee Benefit Trust	–	–	4,439	5,392
	29,993	33,047	5,195	6,047

Prepayments include unamortised bank fees of £37,000 (2019: £84,000). 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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade receivables and other receivables	**16,439**	17,960	**190**	122
Cash at bank	**53,008**	31,099	**29,113**	20,852
	69,447	49,059	**29,303**	20,974

No collateral security is held.

Trade receivables and other receivables

Reporting date balances fall within the following categories:

	Group	
	2020 £'000	2019 £'000
UK governmental health bodies	**8,607**	7,821
Community pharmacies and associated wholesalers	**4,407**	4,316
Other third party receivables	**3,425**	5,823
	16,439	17,960

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

	Group	
	2020 £'000	2019 £'000
December	**8,857**	13,604
November	**3,506**	1,946
October and earlier	**4,577**	3,053
Gross carrying amount	**16,940**	18,603
Impairment provision	**(501)**	(643)
Net carrying amount	**16,439**	17,960

During the year a provision for impairment of £38,000 was created (2019: £341,000), utilisation of the provision amounted to £180,000 (2019: £865,000) and £nil (2019: £95,000) of provision was disposed of.

Cash at bank

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

	Group	
	2020 £'000	2019 £'000
Aa3	**627**	1,830
A1	**30,090**	14,864
A3	**19,972**	13,281
Baa1	**1,533**	811
Baa2	**786**	313
	53,008	31,099

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21. Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade payables	**5,692**	4,380	**153**	135
Accrued expenses	**12,244**	13,160	**1,290**	1,162
Other tax and social security	**13,283**	5,897	**–**	–
	31,219	23,437	**1,443**	1,297

22. Borrowings

At 31 December 2020, the Group had available undrawn bank facilities of £30,000,000 committed until June 2021, reducing to £15,000,000 for the twelve-month period ending 30 June 2022. An accordion arrangement is in place to increase the quantum up to £60,000,000, reducing to £30,000,000 for the twelve-month period ending 30 June 2022. Unamortised bank fees of £37,000 (2019: £84,000) have been presented within prepayments in trade and other receivables. The financial covenants in place for these facilities are adjusted EBITA interest cover and net debt to adjusted EBITDA leverage. All covenants were comfortably met during the year and are projected to be met for the remaining period of the facilities.

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	2–5 years £'000	More than 5 years £'000
At 31 December 2020						
Trade and other payables due within one year	**31,219**	**31,219**	**31,219**	**–**	**–**	**–**
Contingent acquisition consideration	**4,000**	**4,000**	**2,000**	**2,000**	**–**	**–**
Lease liabilities	**6,881**	**8,903**	**1,347**	**1,149**	**2,627**	**3,780**
	42,100	**44,122**	**34,566**	**3,149**	**2,627**	**3,780**
At 31 December 2019						
Trade and other payables due within one year	23,437	23,437	23,437	–	–	–
Contingent acquisition consideration	1,500	1,500	480	1,020	–	–
Option over non-controlling interest	2,688	5,854	–	–	–	5,854
Lease liabilities	3,934	5,418	870	678	1,230	2,640
	31,559	36,209	24,787	1,698	1,230	8,494

24. Deferred tax

Group	Property, plant and equipment £'000	Intangible assets £'000	Other temporary differences £'000	Total £'000
At 1 January 2019	979	(5,801)	529	(4,293)
Credited to statement of comprehensive income – continuing operations	160	1,750	202	2,112
Credited to statement of comprehensive income – discontinued operation	–	31	–	31
Credited to equity	–	–	156	156
Disposal of discontinued operation	(18)	549	–	531
Effect of movements in exchange rates	–	–	(4)	(4)
At 31 December 2019	1,121	(3,471)	883	(1,467)
Credited/(charged) to statement of comprehensive income	656	(443)	(320)	(107)
Credited to equity	–	–	40	40
Acquisition of business (note 32)	–	(753)	–	(753)
Effect of movements in exchange rates	–	–	(2)	(2)
At 31 December 2020	**1,777**	**(4,667)**	**601**	**(2,289)**

24. Deferred tax continued

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:

	2020 £'000	2019 £'000
Deferred tax liabilities	(4,667)	(3,471)
Deferred tax assets	2,378	2,004
Net deferred tax liability	**(2,289)**	(1,467)

25. Other financial liabilities

Company and Group	2020 £'000	2019 £'000
Current		
Contingent acquisition consideration – Pinnacle	2,000	–
Contingent acquisition consideration – Dovetail	–	480
	2,000	480
Non-current		
Contingent acquisition consideration – Pinnacle	2,000	–
Contingent acquisition consideration – Dovetail	–	1,020
Option over non-controlling interest	–	2,688
	2,000	3,708

The current and non-current contingent consideration liabilities in respect of the Pinnacle acquisition are both payable in cash upon the achievement of specified profit targets. The possible minimum and maximum undiscounted amounts of contingent consideration payable in cash are £nil and £4,000,000 respectively. Estimated fair value has been measured based on the expected future amounts payable, as the impact of discounting is not material. This has been categorised as a level 3 fair value measurement under IFRS 13, as the inputs to the valuation such as the future performance of Pinnacle, are not based on observable market data.

During the year the Group acquired the remaining non-controlling interest in Dovetail for a cash payment of £555,000. Consequently the non-current financial liability in respect of the put option in place over the non-controlling interest was extinguished and the related liability de-recognised, with a corresponding movement within Other Reserves. Following a £40,000 increase since the 2019 year end, the fair value of the put option liability at the point of de-recognition was £2,728,000, and therefore the Group statement of changes in equity shows a net movement of £2,688,000 within Other Reserves.

In respect of the Dovetail contingent acquisition consideration, a payment of £480,000 was made during the year following the achievement of specified revenue targets, and additionally it was agreed that no further amounts would be payable, resulting in a corresponding credit to the Group statement of comprehensive income of £1,020,000.

A further payment of £320,000 was made during the year in respect of equity-settled contingent acquisition consideration initially recognised at a fair value of £1,000,000, resulting in a corresponding debit to Other Reserves, and the remaining equity-settled deferred consideration of £680,000 was reclassified to retained earnings.

The two payments together resulted in a total cash outflow of £800,000. The transactions have been accounted for in accordance with the Group's accounting policy on financial instruments as set out in note 1.17.

26. Share capital and share premium

	Ordinary shares of 1p each		Share premium
Company and Group	Number	£'000	£'000
At 1 January 2019, 31 December 2019 and 31 December 2020	**63,311,396**	**633**	**51,045**

All issued shares are fully paid. At 31 December 2020 the EMIS Group plc Employee Benefit Trust held 401,147 shares in the Company (2019: 512,231 shares).

The Employee Benefit Trust did not purchase any shares during the year.

During the year the Employee Benefit Trust disposed of 111,084 shares, representing 0.2% of the issued share capital of the Company, for total consideration of £967,000.

The maximum number of shares held by the Employee Benefit Trust during the year was 512,231, representing 0.8% 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 2020 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 2019	Granted	Lapsed	Exercised	At 31 December 2019	Granted	Lapsed	Exercised	**At 31 December 2020**
2011 Share Option Plan									
15 October 2014	6,102	–	–	(6,102)	–	–	–	–	**–**
27 April 2016	22,919	–	(22,919)	–	–	–	–	–	**–**
21 April 2017	51,708	–	(14,178)	–	37,530	–	(37,530)	–	**–**
20 April 2018	106,359	–	(39,555)	–	66,804	–	(8,790)	–	**58,014**
24 April 2019	–	83,500	(12,692)	–	70,808	–	(11,356)	–	**59,452**
2 April 2020	–	–	–	–	–	97,920	(9,945)	–	**87,975**
	187,088	83,500	(89,344)	(6,102)	175,142	97,920	(67,621)	–	**205,441**
Weighted average exercise price	876p	1,122p	947p	656p	972p	980p	941p	–	**985p**
Unapproved Option Scheme									
27 April 2016	1,545	–	(1,545)	–	–	–	–	–	**–**
	1,545	–	(1,545)	–	–	–	–	–	**–**
Weighted average exercise price	970p	–	970p	–	–	–	–	–	**–**
EMIS Group LTIP									
27 April 2016	137,636	–	(137,636)	–	–	–	–	–	**–**
21 April 2017	169,930	–	(39,465)	–	130,465	–	(120,483)	(7,287)	**2,695**
1 May 2017	44,518	–	–	–	44,518	–	(39,978)	–	**4,540**
4 September 2017	21,953	–	–	–	21,953	–	(19,714)	–	**2,239**
20 April 2018	285,043	–	(52,772)	–	232,271	–	(57,811)	–	**174,460**
6 November 2018	162,861	–	(5,866)	–	156,995	–	(4,400)	–	**152,595**
3 April 2019	–	22,643	–	–	22,643	–	–	–	**22,643**
24 April 2019	–	335,733	(31,557)	–	304,176	–	(44,308)	–	**259,868**
24 June 2019	–	439,781	–	–	439,781	–	(64,071)	–	**375,710**
9 September 2019	–	21,061	–	–	21,061	–	–	–	**21,061**
2 April 2020	–	–	–	–	–	390,669	(12,702)	–	**377,967**
18 September 2020	–	–	–	–	–	30,094	(3,097)	–	**26,997**
	821,941	819,218	(267,296)	–	1,373,863	420,763	(366,564)	(7,287)	**1,420,775**
Weighted average exercise price	0p	0p	0p	0p	0p	0p	0p	0p	**0p**

The number of vested options which had not been exercised at 31 December 2020 was 9,474 (2019: nil). The weighted average share price at the date of exercise for share options exercised in 2020 was £10.32 (2019: £10.84).

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

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

The key assumptions used in the valuations are shown on page 111. The fair values of options are determined using the Black Scholes model, with the impact of any market-based performance conditions determined using a Monte Carlo simulation.

27. Share-based payments continued

	2011 Share Option Plan					
Grant date	15 Oct 2014	27 April 2016	21 April 2017	20 April 2018	24 April 2019	2 April 2020
Exercise period	Oct 2017–Oct 2019	April 2019–April 2021	April 2020–April 2022	April 2021–April 2023	April 2022–April 2024	April 2023–April 2025
Share price at grant date	737p	970p	899p	853p	1,122p	980p
Exercise price	737p	970p	899p	853p	1,122p	980p
Expected volatility	35%	30%	30%	33%	25%	30%
Expected life (years)	3	3	3	3	3	3
Risk-free rate	2.37%	2.37%	2.37%	2.62%	0.82%	0.14%
Expected dividend yield	2.33%	2.19%	2.73%	3.05%	2.66%	3.18%
Fair value per option	164p	190p	164p	175p	158p	150p

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

	EMIS Group LTIP												
Grant date	27 April 2016	21 April 2017	1 May 2017	4 Sept 2017	20 April 2018	6 Nov 2018	3 April 2019	24 April 2019	24 June 2019	24 June 2019	9 Sept 2019	2 April 2020	18 Sept 2020
Exercise period	April 2019–April 2026	April 2020–April 2027	May 2020–May 2027	May 2020–May 2027	April 2021–April 2028	April 2021–April 2028	April 2021–April 2028	April 2022–April 2029	June 2023–June 2029	June 2024–June 2029	April 2022–April 2029	April 2023–April 2030	April 2023–April 2030
Share price at grant date	970p	899p	934p	914p	853p	909p	1,082p	1,122p	1,208p	1,208p	1,122p	980p	1,130p
Exercise price	0p	0p	0p	0p	0p	0p	0p	0p	0p	0p	0p	0p	0p
Expected volatility	30%	30%	30%	30%	33%	33%	25%	25%	24%	24%	24%	30%	33%
Expected life (years)	3	3	3	3	3	2.5	2	3	4	5	2.5	3	2.5
Risk-free rate	2.37%	2.37%	2.37%	2.37%	2.62%	2.62%	2.62%	0.82%	0.60%	0.63%	0.33%	0.14%	0.10%
Expected dividend yield	2.19%	2.71%	2.71%	2.69%	3.05%	2.98%	2.75%	2.66%	2.47%	2.47%	2.66%	3.18%	2.80%
Fair value per option	908p	836p	836p	843p	779p	831p	1,024p	1,036p	1,095p	1,068p	1,046p	891p	1,039p

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

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

For every three shares (two from January 2021) acquired by an employee the Company adds one free "matching" share. The matching shares, together with any free shares allocated to members under the scheme during the year, had a value of £594,000 (2019: £587,000).

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28. Leases

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

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

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets				Lease liabilities
	Land and buildings £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000	£'000
As at 1 January 2019	2,541	78	912	3,531	(3,784)
Additions	1,419	–	468	1,887	(1,887)
Disposal of business	(820)	–	–	(820)	820
Depreciation expense	(360)	(32)	(494)	(886)	–
Interest expense	–	–	–	–	(181)
Payments	–	–	–	–	940
Effect of movements in exchange rates	(141)	–	–	(141)	158
As at 31 December 2019	2,639	46	886	3,571	(3,934)
Additions	3,422	–	659	4,081	(4,081)
Acquisition of business	151	–	–	151	(156)
Depreciation expense	(858)	(32)	(563)	(1,453)	–
Interest expense	–	–	–	–	(386)
Payments	–	–	–	–	1,508
Effect of movements in exchange rates	(140)	–	–	(140)	168
As at 31 December 2020	**5,214**	**14**	**982**	**6,210**	**(6,881)**

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

	2020 £'000	2019 £'000
Interest on lease liabilities	**386**	181
Expenses relating to short-term leases	**266**	804
Expenses relating to leases of low value	**2**	6

	2020 £'000	2019 £'000
Total cash outflow for leases	**1,776**	1,750

29. Capital commitments

At 31 December 2020 the Group had capital commitments principally in respect of computer equipment amounting to £604,000 (2019: £277,000).

30. Pension commitments

Pension contributions of £2,600,000 (2019: £2,652,000) represent contributions paid on behalf of employees by the Group to various defined contribution schemes.

31. Related party transactions

Key management compensation

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

Key management	2020 £'000	2019 £'000
Salaries and other short-term employee benefits	**3,803**	3,895
Share-based payments	**1,026**	982
Termination payments	**–**	570
Post-retirement benefits	**187**	192
	5,016	5,639

Directors' emoluments	2020 £'000	2019 £'000
Aggregate emoluments	**1,403**	1,442
Pension costs – defined contribution plans	**67**	70
	1,470	1,512

Retirement benefits are accruing to two (2019: two) Directors under defined contribution personal pension schemes.

Highest paid Director	2020 £'000	2019 £'000
Aggregate emoluments	**635**	684
Pension costs – defined contribution plans	**61**	60
	696	744

The remuneration of the Directors of EMIS Group plc is set out in detail in the Directors' remuneration report on pages 65 to 76, with the disclosures required under AIM Rule 19 and Schedule 5 shown as audited.

Other related party transactions

Transactions between the Group and:	2020 £'000	2019 £'000
Joint venture – Healthcare Gateway Limited		
Sales of goods and services in year	**127**	140
Amounts owed by related party at year end	**–**	–

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 2020 totalled £10,759,000 (2019: £13,726,000). Amounts owed by the Company at 31 December 2020 totalled £44,779,000 (2019: £38,252,000).

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

Notes to the financial statements continued

for the year ended 31 December 2020

32. Business combination

On 9 March 2020, the Group completed the acquisition of Pinnacle Health Partnership LLP and Pinnacle Systems Management Limited, owners and operators of the widely-used PharmOutcomes platform.

PharmOutcomes is a secure, web-based service management solution used by more than 11,000 community pharmacies to record and manage nationally and locally commissioned patient services such as flu vaccinations, the Community Pharmacist Consultation Service and hospital discharge referral management. It allows local and national level analysis and reporting on the effectiveness of commissioned services, helping to improve the management of community pharmacy services.

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

	£'000
Intangible assets – computer software	2,989
Intangible assets – customer relationships	962
Property, plant and equipment	204
Inventories	3
Trade and other receivables	507
Cash and cash equivalents	873
Trade and other payables	(307)
Deferred income	(777)
Lease liabilities	(156)
Deferred tax liability	(753)
Total identifiable net assets	3,545
Goodwill	4,208
	7,753
Consideration:	
Cash consideration	3,753
Contingent consideration – cash-settled (note 25)	4,000
Total potential consideration	7,753
Cash and cash equivalent balances acquired	(873)
Contingent consideration not yet settled	(4,000)
Net cash cost of acquisition paid in year	2,880

Goodwill relates principally to the experienced staff within the business.

Fair values of assets and liabilities represent the best estimate of the fair values at the date of acquisition. The acquired software was measured at fair value using a multi period excess earnings valuation technique, which considers the present value of the net cash flows expected to be generated (excluding any cash flows related to contributory assets).

The post-acquisition contribution of the acquired business to Group revenue and adjusted operating profit in the year was £2,198,000 and £696,000 respectively. Had the acquisition occurred on 1 January 2020, the Group's revenue and adjusted operating profit for the period would have been £159,945,000 and £39,389,000 respectively.

In relation to the acquisition, costs of £184,000 have been expensed in the statement of comprehensive income.

Five-year Group financial summary

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Revenue	**159,453**	159,507	170,070	160,354	158,712
Recurring revenue[1]	**130,043**	124,969	140,681	133,537	128,483
Reported operating profit	**35,776**	26,827	28,740	10,640	23,539
Adjusted operating profit[1]	**39,266**	39,273	37,608	37,406	38,753
Profit before tax	**36,915**	27,071	29,170	10,937	25,333
Earnings per share – basic	**48.1p**	36.0p	36.1p	12.8p	30.4p
Earnings per share – adjusted[1]	**51.0p**	51.4p	47.4p	47.2p	49.4p
Dividends payable to Company's shareholders in respect of year	**20,129**	19,593	17,896	16,245	14,705
Dividends per ordinary share	**32.0p**	31.2p	28.4p	25.8p	23.4p
Total equity	**119,138**	104,198	102,659	108,014	114,142
Reported cash generated from operations	**64,138**	50,059	49,873	48,834	43,657
Adjusted cash generated from operations[1]	**58,851**	46,332	54,469	49,652	41,073
Net cash/(debt)[1]	**53,008**	31,099	15,620	13,991	(430)
Average number of employees	**1,579**	1,666	2,024	1,906	1,875

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

Shareholder information

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

Registrar
Any enquiries concerning your shareholding should be addressed to the Company's registrar. The registrar should be notified promptly of any change in a shareholder's address or other details at Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL, tel 0371 664 0300; calls are charged at the standard geographic rate and will vary by provider. If you are outside the UK, please call +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. The registrar is open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales. The registrar's website is www.signalshares.com. This will give you access to your personal shareholding by means of your investor code which is printed on your share certificate or statement of holding.

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

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

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

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

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

Board
Executive Directors
Andy Thorburn
Chief Executive Officer

Peter Southby
Chief Financial Officer

Non-executive Directors
Patrick De Smedt
Chair

Andy McKeon
Senior Independent Non-executive Director

Kevin Boyd
Independent Non-executive Director

Jen Byrne
Independent Non-executive Director

JP Rangaswami
Independent Non-executive Director

Company Secretary
Christine Benson

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