



Supporting our customers

EMIS Group plc

Annual report and accounts 2020

Company number 06553923 (England and Wales)

The UK leader in connected healthcare software and systems

SUPPORTING CUSTOMERS

EMIS Group supports the healthcare sector with technology that drives improvements to efficiency and enables better patient outcomes.

GROWTH

EMIS Group delivered resilient results during the pandemic, maintaining its track record of increasing dividends every year since flotation.

Strategic report

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Highlights

Business

Resilient financial performance and further strategic progress:

- Revenues, adjusted operating profit and adjusted operating margin maintained while recurring revenue, cash flow and reported operating profit all increased
- Successful transition to GP IT Futures framework, with leadership positions maintained or improved in key NHS markets
- Resilient business model with recurring revenue up 4% to £130.0m, representing 82% of total revenue (2019: 78%), £28m of new business delivered in the period and strong cash position of £53.0m (2019: £31.1m)
- Increased final dividend for tenth consecutive year

Financial

Total revenue	£159.5m	Recurring revenue ¹	£130.0m +4%
Reported operating profit	£35.8m +33%	Adjusted operating profit ¹	£39.3m
Reported cash generated from operations	£64.1m +28%	Adjusted cash generated from operations ¹	£58.9m +27%
Reported EPS	48.1p +34%	Adjusted EPS ¹	51.0p -1%
Net cash ¹	£53.0m +70%	Total dividend for the year	32.0p +3%

¹ Recurring revenue, adjusted operating profit, adjusted cash generated from operations, adjusted EPS and net cash are all alternative performance measures. See page 22 for further details and reconciliation to the relevant IFRS number.

We have the **No. 1** market share in primary care, A&E and community pharmacy

PURPOSE

Enable better care through technology innovation

Connecting care settings to improve patient experience and health outcomes

Empowering people through online access to clinically authored content and approved services

Delivering insight for clinicians to improve UK health and wellness

Segments

EMIS HEALTH

Primary, community and acute care

68%

of revenue in 2020

#1 in primary care

#2 in community

#1 in A&E

EMIS ENTERPRISE

Medicines management

22%

of revenue in 2020

#1 in community pharmacy

#2 in hospital pharmacy

#1 in community pharmacy service management solutions

Partners, analytics and other services

9%

of revenue in 2020

143 accredited partners

Patient-facing services

1%

of revenue in 2020

#1 patient services app

Our investment case

Strong positions in specialist markets

- Market leader delivering at scale: growing or maintaining market shares, number one or two in key UK healthcare markets
- Aligned with the NHS Long Term Plan, providing growth drivers for increasing investment into technology for the NHS
- 30-year track record as a provider of complex specialist clinical systems with high barriers to entry for potential competitors
- Appointed on 15 NHS contractual frameworks in England, Wales, Scotland and Northern Ireland
- Strategic player in the UK healthcare market central to supporting customers through the pandemic response

30+ years providing front line technology to the healthcare sector

Excellent financial strength and track record

- Unbroken track record of increasing dividend each year since IPO
- Compound growth rates since flotation in 2010 of 10% in revenue and 8% in adjusted operating profit
- Strong balance sheet with no debt
- Bank facilities in place
- Investment will not impact progressive dividend policy or require significant leverage

£53.0m net cash

New technology driving future growth and efficiency

- Investing for the future through the EMIS-X technology transformation programme
- Focussed on developing new, standards based, capabilities to connect care settings across the UK
- EMIS-X platform leverages new and existing in-house capabilities with the best of partner capabilities
- Significant progress in the development of new solutions and public cloud based capabilities as well as upgrades to existing systems
- EMIS-X delivers profit growth through new sales and more efficient platform and system maintenance

£21.2m R&D investment

Growing the business

- Return to growth expected in 2021 with continuation of building momentum over the coming years
- Strong pandemic response in EMIS Health validates potential to grow in this part of the business
- Positive opportunities in EMIS Enterprise in digital, analytics and expanding partner programme to drive future growth
- Commitment to invest for the mid-term with EMIS-X will deliver growth opportunities through the deployment of new technology-based solutions
- Acquisitions, such as the 2020 Pinnacle deal, accelerate speed to market

14.9m Covid-19 vaccinations supported by EMIS

High levels of earnings visibility and cash generation

Robust business model with high recurring revenue, typically around 80%

Long-term contracts in place across all major markets

Loyal customer base with low churn rates

Consistent strong cash generation

82% recurring revenue

Brands

The clinical software business, supplying essential technology to 10,000 healthcare organisations across every major UK health sector.

The UK's leading independent provider of patient-centric medical and wellbeing information and digital front door services for the UK public.

Our proactive strategy in challenging circumstances

The NHS faced one of the biggest challenges in its 72-year history with the outbreak of Covid-19. Technology played a pivotal role in the response and, as a major IT supplier to the NHS, EMIS Group had the tools to help the NHS front line and the reach to make a difference.

Guiding principle

It was clear from the outset that Covid-19 would have a huge impact. EMIS Group had one guiding principle to navigate through the pandemic: to do the right thing at all times by both customers and colleagues. The Group was committed to helping NHS front line staff in as many ways as it could, while supporting colleagues to balance work and family life, especially during lockdown periods.

Protecting colleagues

The health and wellbeing of colleagues was an absolute priority. The Group moved to homeworking in both the UK and India before the first lockdown was announced. Some key workers were required to visit customer sites during lockdown and EMIS supported them by providing full PPE and safety training.

Supporting the NHS user base

There was a 90% reduction in face-to-face GP appointments during the first lockdown, driving a need for digital alternatives for front line care. EMIS made video consultation capability available free of charge across England for the first three months of the pandemic and then helped customers continue using the service under NHS England funding. Its digital triage system, Online Consult, was free to use in Scotland and was widely used across England.

Behind the scenes, EMIS made rapid changes to core software systems, including new SNOMED-CT codes, shielded patient capability and Covid-19 care pathways in EMIS Web, allowing fast and accurate recording of Covid-19 patient consultation data. EMIS assisted in setting up "Covid hubs" to support the primary care response and provided essential infrastructure services and hardware to enable clinicians to work from home, as well as developing software to deliver Covid-19 test results automatically into all GP systems across England.

Outside primary care, the EMIS emergency department solution, Symphony, was adapted to support Covid-19 and non-Covid-19 streams throughout A&Es across the UK.

Innovative technology for community pharmacists

Community pharmacies provide a vital front line service. EMIS Group provided free access to video consultation software and several back-office services to help pharmacies continue to support their customers.

Technology integration was carried out at pace between ProScript Connect and Pinnacle's system, PharmOutcomes, to develop functionality to support shielded patients.

Helping the UK public

In the first two months of the pandemic, the Covid-19 information on Patient.info had 7.1 million views and the coronavirus symptom checker was used more than 700,000 times.

Patient Access was a vital digital tool for many patients to access healthcare services. Registered users increased from 8.4 million to 11.7 million during 2020, reaching 12 million in February 2021.

Vital research

EMIS is playing a key role to facilitate critical research into Covid-19. Explorer, from the EMIS-X Analytics suite, was used by:

- a number of NHS organisations for use cases including a Covid-19 data intelligence hub and winter operational planning;
- the NHS England OpenSAFELY Covid-19 research project, a collaboration between the University of Oxford, the London School of Hygiene & Tropical Medicine and system suppliers operating under direction from the Secretary of State; and
- the Oxford Royal College of General Practitioners (RCGP) Research and Surveillance Centre, to support national surveillance of Covid-19 and for recruitment into the University of Oxford's PRINCIPLE clinical trial.

EMIS continues to support a number of Covid-19 research programmes alongside academic and life science partners.

Supporting the vaccination programme

From December 2020 Pinnacle's system, Outcomes4Health, has been used by all healthcare professionals delivering vaccinations outside hospital settings to capture immunisation details at the point of care and share this with GPs and the National Immunisation Management Service (NIMS). To date, Outcomes4Health has been deployed in almost 1,400 vaccination centres and has supported 14.9 million vaccinations, as well as underpinning the NHS daily reporting on vaccination take-up.

The ongoing response

EMIS continues to provide vital support for the NHS as the country transitions to the next stage of managing the pandemic and the wider healthcare needs of the nation. Critical to the NHS is managing the deficit in care caused by the pandemic, such as missed long-term condition checks or late cancer diagnoses from patients staying away from the GP with symptoms that could lead to early detection. The business is developing a series of risk stratification tools to help primary care providers identify those most at risk and take a proactive approach to reducing the deficit as quickly as possible.

EMIS is also focussed on sustaining the digital transformation, providing the tools in key clinical systems to support the digital delivery of healthcare as well as services through Patient Access to enable the UK public to have a digital relationship with their GP or pharmacist.

Our colleagues

Duncan McCrae

Keeping our essential workers safe

During the first lockdown, a team of EMIS engineers helped configure more than 1,000 laptops for East London Health and Care Partnership at pace so that GPs could carry on providing essential healthcare from home.

Duncan McCrae, Technical Delivery Manager, was part of the team. He said: "We enabled the GPs to securely access EMIS Web and patient records to carry out remote consultations. The work took place in the CCG office – because of lockdown it was a vacant space that enabled us to maintain social distancing at all times. We were equipped with masks, gloves and hand gel."

Martin Wallis, digital programme manager for East London Health and Care Partnership, said: "The EMIS engineers, working as part of a team with NHS colleagues, provided tremendous help supporting front line staff in the fight against Covid-19. I'm convinced lives will have been saved through this work."

Our customers

Supporting the NHS front line

Taurus Healthcare, an out-of-hours provider and federation for all 19 GP practices in Herefordshire, joined forces with nurses and hospital specialists via EMIS Web to provide community care during the pandemic. The technology enabled the federation to set up a telephone or video service for patients with Covid-19, face-to-face clinics and a home visiting service for people with Covid-19 for the whole area, and a dedicated separate clinic for shielded patients. Clinicians also used EMIS Web to trial a "virtual" ward (for non-Covid-19 patients) where GPs and hospital doctors treat patients together using EMIS Web and avoid a hospital admission where possible.

"We could not have done it without EMIS Web", said Dr Mike Hearne, managing director of Taurus Healthcare. "It helped us to break down boundaries across the NHS and improve access to care 24/7."

Dr Mike Hearne

Our community

Dr Ian Wood

Supporting population health

EMIS Clinical Directors Dr Ian Wood and Dr Sarah Jarvis launched a questionnaire through Patient Access in April to capture patient-reported data about Covid-19 during the early, uncharted stage of the pandemic.

Jointly developed with the Oxford Royal College of General Practitioners Research and Surveillance Centre, the questionnaire was completed by more than 50,000 people.

Dr Wood said: "Crucially, this is patient-reported data, which gives us vital metrics such as subtle differences in symptoms, recovery periods or the wider economic impact on a patient's employment and finances."

The University of Oxford is using this data in Explorer as part of its surveillance of Covid-19. Dr Jarvis said: "Knowledge of the ongoing impact of the condition on a large scale will be invaluable in informing our decisions and treatments, to reduce the impact of the pandemic on the wider population."

More detail on EMIS's response to Covid-19 can be found online
www.emishealth.com/news-events/news/covid-19-response

A good outcome in a very challenging year

EMIS Group has performed well benefitting from 82% recurring revenue.

Dear Shareholder

When I took on the role of Non-executive Director in January 2020 and then Chair in May 2020, I did not anticipate I would be addressing you in my first annual report in the midst of a global pandemic. People's lives across the world changed in a matter of weeks and the crisis continues to have an unprecedented impact on economies and businesses globally. Despite these challenges, EMIS Group has performed well over the past year, benefitting from 82% recurring revenue. A particular highlight for me was the launch of EMIS-X Analytics, the first application from the EMIS-X platform.

Covid-19

On behalf of the Board, I want to express my enormous gratitude to our colleagues for their commitment and dedication during this challenging year. They managed the quick transition to remote working and have maintained high levels of service to our customers while supporting their families' and colleagues' wellbeing. This commitment meant that not only have we continued to operate effectively throughout the pandemic, we have maintained our focus on delivering the longer-term Group strategy. More information on the impact of Covid-19 on the business can be found on pages 4 and 5.

Our people

Our people are a major strength of the business and during 2020 we continued to attract and retain key talent, selecting and developing exceptional people who are motivated by our purpose.

There was a strong focus on culture during the year and we refreshed the Group values in the summer, reflecting both our key strengths and goals as a business. This challenging year has demonstrated how our employees work to help each other and our customers, as we united in the responsibility of supporting the NHS front line in every way we could. Moving to homeworking helped to break down the traditional communication barriers of geography or team structure to bring a greater degree of cross-group collaboration than ever before, which has been transformative to our way of working.

Board changes

As reported in the 2019 annual report and accounts, following completion of nine years of service, Mike O'Leary retired at the conclusion of the Annual General Meeting (AGM) on 6 May 2020, following which I took on the roles of Chair of the Board and nomination committee. I would like to thank Mike for his contributions to EMIS Group over an extended period and for his support in handing over the role of Chair. JP Rangaswami joined the Board on 1 March as Non-executive Director and will stand for election at the AGM on 6 May 2021. His biographical details are included on page 47 and in the notice of meeting.

Corporate governance

Corporate governance remains an important area of focus for the Board and underpins the sustainability of our business and the achievement of our strategy. During 2020, an external evaluation of Board performance was undertaken. The process and the outcomes are discussed in more detail on page 53. While no areas of material concern were identified, the process has helped in establishing new priorities for 2021.

Dividend

A final dividend of 16.0p per share is recommended by the Board. The dividend progression is in line with the capital allocation policy adopted by the Group and will result in a total dividend for the year of 32.0p. Subject to approval by shareholders at the AGM, the final dividend will be paid on 14 May 2021 to shareholders on the register on 16 April 2021.

Outlook

The results in 2020 were satisfactory, with revenues and adjusted profit both relatively flat and an increase in reported profit, which I believe is a good outcome in a very challenging year. Innovation remains key for our future and we have continued, and will continue, to invest in technology development.

The Board believes that the Group's strategy will deliver sustainable growth for both the EMIS Health and EMIS Enterprise areas of the business, whilst maintaining a strong balance sheet. Our strategy remains closely aligned with NHS policy in the short term as we navigate through the pandemic and in the mid and longer term as we work towards the digital future of the healthcare industry.

Patrick De Smedt

Chair

17 March 2021



Q&A

with Patrick De Smedt

Why did you decide to join EMIS Group?

The Group's purpose to enable better care through technology innovation truly inspires me. It's an exciting opportunity to join a business that is making a real difference to the UK healthcare landscape.

EMIS can make a significant contribution to improving the efficiency of the UK healthcare system – good technology used well can deliver better patient outcomes while also providing vital cost savings to the NHS. This has never been more important as we navigate the impact of Covid-19 and beyond.

I am passionate about the impact that technology can have on healthcare and I am looking forward to unlocking the potential of EMIS-X to enable our NHS customers to improve health outcomes.

What is the highlight of your first twelve months with EMIS Group?

I've had the privilege of immersing myself in the strong culture of the business, meeting exceptional people who are motivated by our purpose. This was evident in our response to the pandemic and I was proud to see how people from across the business pulled together to provide the NHS with the digital tools it needed, fast.

Outside the Covid-19 response, a real highlight was the smooth delivery of EMIS Health's transition to the new NHS GP IT Futures framework and Digital Buying Catalogue in England. The launch of EMIS-X Analytics in the second half of the year is the shape of things to come: next level innovation that will help drive transformation in the healthcare industry.

What's your view on the way EMIS Group responded to Covid-19?

We reacted quickly; within a very short timeframe, EMIS Group had the tools, processes and communication structures in place to implement homeworking for colleagues.

This meant we could quickly focus on two clear priorities: the wellbeing of our colleagues and keeping our software systems and support services up and running for our end users. We quickly managed to go over and above securing continuity of service, working with NHS Digital (NHSD) on new coronavirus insights and releasing new coronavirus-related functionality in EMIS Web and EMIS Anywhere (mobile device access enabling flexible working for GP practices). We had the approach that if we could help, we would help.

What are you most looking forward to in your future with EMIS Group?

This feels like a pivotal point in EMIS Group history; I've joined at a time when development of EMIS-X is underway and I am most looking forward to seeing what our customers can do with the platform in future.

As EMIS-X will allow us to provide NHS organisations with greater levels of integration and interoperability, we'll see some real shifts in the way healthcare is managed and delivered.

I'm also looking forward to seeing the release of new EMIS-X Analytics tools to provide users with insight derived from clinical data to improve the quality and efficiency of healthcare delivery.

What will you bring to the Board in your role as Chair?

I will focus on further strengthening the quality of the Board, bringing extensive experience of driving innovation and growth, as well as a strong customer focus. It's my goal to support the senior management team in delivering our strategic plan of innovation and growth, as well as improving the customer experience and investment in our talent, to strengthen the business and to maximise its potential.

I've joined at a time when development of EMIS-X is underway and I am most looking forward to seeing what our customers can do with the platform in future."

Another year of positive progress for the Group

EMIS is well positioned to respond to the challenges its customers face in 2021 and beyond.

Overview

2020 has been another year of positive progress for EMIS Group. While Covid-19 presented unprecedented challenges to the healthcare sector, it has also been a catalyst for change, leading to a more rapid adoption of digital healthcare that is here to stay. EMIS reacted quickly to the changing needs of our customers with a focus on supporting both the NHS and our colleagues through the pandemic in every way we can.

EMIS Group delivered a resilient financial performance during the period, with revenue and adjusted operating profit at very similar levels to 2019 while reported operating profit grew strongly. Over the year we increased our cash position by 70% and are pleased to be able to recommend an increased final dividend for the tenth consecutive year.

Our NHS and community pharmacy customers have done an incredible job in 2020, as have all our partners in the UK healthcare sector. The front line response to the pandemic has been outstanding and I am delighted to say that all my colleagues at EMIS have stepped up and helped our NHS heroes in every way possible, making a strong social contribution by supporting the clinicians that are delivering patient care on the front line.

Operational execution

EMIS's responsiveness and adaptability during the pandemic has enabled us to manage the business well throughout this challenging time. Early preparation meant that we moved 99% of our people to homeworking in both the UK and India ahead of the first formal

lockdown announcement in March 2020. We received positive feedback from our customers throughout this period and were pleased to support the NHS front line appropriately.

Our combination of homeworking and on-site working enabled us to continue to provide technical support to our end users during this busy time without any interruption to service. Importantly, no staff were furloughed and no redundancies took place during lockdown.

Our robust business model has been the foundation for our performance this year, with 82% recurring revenue (2019: 78%). In addition, our account management and sales model has yielded good results with £28m of new business delivered in the year.

The new business product mix delivered during 2020 was different to what we had expected at the start of the year, as a direct consequence of the pandemic. For example, we saw higher than usual hardware sales resulting from the need for rapid deployment of mobile working solutions during lockdown. Growth was delayed in some areas of the business, such as in the uptake of Patient marketplace services and sales in the community pharmacy market, as patients made fewer visits to community pharmacies during the first lockdown.

We have made further improvements in our customer support area, with formal service level agreement (SLA) performance significantly improving year on year. We are focussed on continuous improvement in customer and partner satisfaction into 2021 and beyond.

Pinnacle acquisition and integration

The business was strengthened in March 2020 with the acquisition of Pinnacle, owners and operators of the widely-used PharmOutcomes platform. The company has integrated well into the Group, both culturally and operationally, especially considering it was acquired at the beginning of the pandemic. Almost immediately following the acquisition, Pinnacle began working with the Patient team to provide a new GP patient referral service as part of Patient Access for Professionals, called Patient Access Connect. This allows practice staff to triage patients and refer them to a community pharmacist in instances where they do not need to see a GP, such as for a minor illness consultation.

Interoperability is progressing well between Pinnacle's core PharmOutcomes system and our existing community pharmacy system, ProScript Connect. In the summer, the two systems began to successfully exchange data to enable pharmacists to check for shielding patients who needed their medicines to be home delivered during the pandemic.

From December onwards, Pinnacle's Outcomes4Health system became the system used by healthcare professionals throughout England delivering vaccinations to capture and share essential immunisation information. It is being used by healthcare professionals in GP-led primary care, community pharmacy and mass vaccination centres, linking directly with NIMS for vital data exchange and sharing Covid-19 vaccination data back into the GP record. By 1 March 2021, Outcomes4Health had been deployed in almost 1,400 vaccination centres and has supported over 14.9 million vaccinations, as well as underpinning the NHS daily reporting on vaccination delivery.

£28m

new business delivered in the year

Our product roadmap

We continued to bring new talent into our global development team during the pandemic and now have 687 people in our core product development team representing 45% of our employees, with our team in Chennai continuing to go from strength to strength. This number has increased from 417 in 2018, with the growth funded through efficiency enhancements in other parts of our business.

Technology development continued in line with our product roadmap, including the early release of EMIS-X Analytics during the year, and we remain committed to continuing investment in new technology through 2021 and beyond.

The positive customer response to EMIS-X Analytics has been particularly encouraging since its launch in October 2020. We have secured pilot contracts with 25 NHS organisations for use of our Explorer analytics product to analyse and drive improvements to healthcare in local populations, including winter planning and identifying Covid-19 hotspots in the local area. We have been supporting large-scale epidemiological Covid-19 research with NHS England and researchers from Oxford University and the London School of Tropical Hygiene & Medicine, and have contracted with Oxford University and a global, science-led biopharmaceutical business to help recruit and screen patients for a major clinical research project in the treatment of Covid-19.

In addition we are collaborating with one of the top five global pharmaceutical companies to implement a neural network, and the first non-image based artificial intelligence deployed in healthcare, into EMIS Web to aid early detection of atrial fibrillation and reduce occurrence of strokes across the UK population.

Our culture

Our culture continues to evolve positively. During 2020 we moved to a flexible working culture, becoming a primarily homeworking business with plans for our office spaces to be transformed into collaboration hubs for team working, meetings and cross-group teamwork. We made this change in consultation with our staff, after our mid-year survey showed that 96% of UK staff were happy to work from home.

Following an employee survey on our culture at the beginning of 2020, we launched our updated corporate values in the second half of the year. The values are supportive, responsible, transformative and collaborative and they capture the essence of what makes EMIS a great place to work both in the UK and in India. We are committed to embedding these values as part of our Group culture through employee engagement and communication as we look to live the values during 2021 and beyond.

We believe it is very important to recognise our team members for the positive contributions they make on a daily basis, and so employee reward and recognition was another key focus area for us in 2020. This included the launch of a new "on demand" system where managers can immediately recognise great behaviour or achievements and reward the individual on the spot.

Employee wellbeing was also a big focus for us during 2020, with 28 volunteers trained as mental health first aiders for their colleagues. Their proactive engagement this year has made a notable difference across the business with a number of staff members personally recognising the invaluable support these volunteers have delivered in this area.

Focus on growth

With these solid foundations in place, the senior management team is focussed on translating our product development investment into growth. We expect to return to growth in 2021 and to build market momentum with our new product developments, which will lead to opportunities for higher levels of growth in 2022 and beyond.

Evolution of NHS structure

Integrated Care System (ICS) organisations have been growing in importance in recent years. These organisations are responsible for strategic plans to improve care for their local populations, including a focus on digital health. To succeed, ICSs will need effective, integrated solutions that enable data to flow between different healthcare settings and systems, including shared care records and population-level analytics. Our product development strategy is aligned with these priorities, for both existing and new products, and we have already restructured our sales and account teams in response to the growing importance of ICSs.

In February 2021, the Secretary of State for Health and Social Care proposed that ICSs be formalised as statutory legal bodies, in a White Paper entitled "Integration and Innovation: working together to improve health and social care for all." Under these proposals, ICSs would replace Clinical Commissioning Groups (CCGs) and partner with hospital trusts and social care services, holding the local budget. ICSs would be required to demonstrate integrated care pathways, underpinned by a new data sharing strategy.

We continue to closely monitor changes to the NHS organisational structure and as always, we will respond accordingly and adapt our business model as appropriate. We do not believe that the changes proposed in the White Paper are likely to have any material impact on the Group.

Summary and outlook

It is a privilege to lead EMIS Group.

Covid-19 has put healthcare at the centre of the global agenda. We believe that EMIS is well positioned to respond to the challenges our customers face in 2021 and beyond, with a combination of our innovative technology, leading market shares and strong recurring revenues that enable us to invest with confidence. The product development investment we have made in recent years means our current and emerging software is well suited to meet the evolving requirements of the healthcare industry both today and in the future.

As we now move forward, our customers require innovation and new solutions. EMIS remains focussed on the vision of a digital, connected healthcare world and we look forward to achieving great results for our customers, colleagues and shareholders.

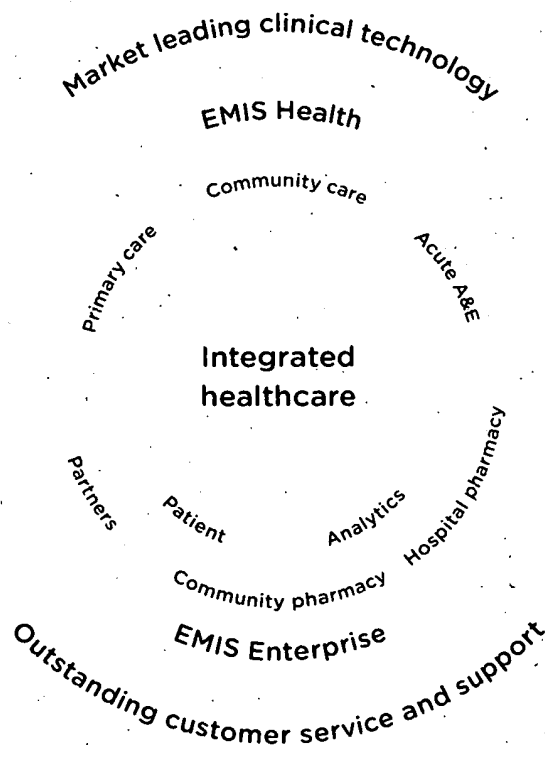


Andy Thorburn
Chief Executive Officer
17 March 2021

Joined-up healthcare through technology

OUR KEY INPUTS

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



Markets page 16

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

Responsible

EMIS Group employees are honest and transparent and act with integrity. EMIS people take ownership of the fact they have an important job to do in supporting UK healthcare.

Collaborative

EMIS Group is focussed on working as one joined-up team towards collective goals that deliver the Group purpose to enable better care through technology innovation.

Supportive

EMIS Group has a strong culture of caring for employees and customers alike. Throughout the business, people care and encourage others so everyone can perform at their best.

Transformative

EMIS Group helps to improve UK healthcare through its products and services. EMIS employees have a clear understanding of how they can contribute to make a real difference.

How we generate revenue

- Software subscription and support – recurring.
- Interface and connectivity charges – mainly recurring.
- Hardware and related services – mainly non-recurring.
- Other services – mixed recurring/non-recurring.
- Perpetual licences, training, consultancy and implementation – non-recurring.

Recurring revenue: 82%

Non-recurring revenue: 18%

Financial review page 42

How we add value

CUSTOMERS

We help make integrated care a reality across the healthcare industry.

24%

of CCGs use EMIS Health systems for both community care and 100% of primary care (2019: 24%)

CLINICIANS

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

10,000

healthcare organisations rely on our clinical systems daily

UK PUBLIC

We provide trusted healthcare information and digital services for the UK general public.

12 million

Patient Access registered users

SHAREHOLDERS

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

32.0p

dividend for the year

BUSINESS-TO-BUSINESS (B2B)

We provide B2B systems and services to enterprise customers in the healthcare market.

5,229

community pharmacies use our software to deliver better customer service and drive up revenue

EMPLOYEES

We are investing in technology innovation and software engineering roles as we accelerate new software development.

45%

of employees are dedicated to software and product development

Why customers choose us

Clinically focussed

We enable clinicians to provide safe and efficient care through excellent software and services – helping patients live longer, healthier lives.

Trusted supplier

Our software and services are used in every major healthcare setting – from GP surgeries to high street pharmacies, community, hospitals and specialist services.

Joining up patient care

Through innovative technology, we are giving more and more healthcare professionals access to the information they need to provide the best possible front line healthcare.

Care about our customers

Clinically led development teams work with our customers to develop systems. That is why we consistently meet the needs of end users.

Innovative

We are always looking at future technologies and trends to make sure we develop ground-breaking services that benefit patients, clinicians and NHS organisations.

Stakeholder engagement

Connecting with key stakeholders

To deliver the business' purpose, the EMIS Group Board considers the interests of its key stakeholders when making decisions. This ensures that the Directors are fulfilling their duties under Section 172 (s.172) of the Companies Act 2006, to ensure the long-term success of the Company.

These pages outline the priorities of employees, customers and shareholders, how the Board engages with these groups and the outcomes of this consideration throughout the year.

Regular updates from the Group executive team

Throughout the year, the Group executive team (GXT) updated the Board with information on important areas of business focus, in particular those relating to our key stakeholders as well as environmental, social and governance (ESG) matters. This ensured that the Board had a good understanding of the priorities of each stakeholder group to aid decision making.

More information on the Group's ESG activities can be found in the sustainability report on pages 34 to 41.

Other topics regularly reported to the Board include data security, customer satisfaction and performance against SLAs.

Direct engagement of Board members

Prior to Covid-19 restrictions, Board meetings were held at each of the Group offices to enable a first-hand understanding of the culture and how it varied between locations. Jen Byrne took on the role of designated Non-executive Director in 2019 to comply with requirements under the UK Corporate Governance Code 2018 ("the Code") and engage with the workforce on a regular basis. Before the pandemic, Jen took part in breakfast meetings with staff so that the Board had a better understanding of employee issues and the Group's culture. The Executive Directors are in daily contact with staff from across the business to understand key topics relating to both employees and customers and regular updates are provided to the Board. A number of Board members had meetings with shareholders during the year to discuss strategy and remuneration.

More information about how the Directors have discharged their duties under s.172 is available in the strategic report on pages 2 to 45.

Board considerations and decisions

Information flows regularly from the senior team to the Board. Below is a list of some of the topics considered throughout the year as the Directors discharged their duties.

People and culture

- Update on employee culture survey results and consideration of how to increase employee engagement
- Consideration of employee wellbeing as lockdown began
- Jen Byrne fed back on business culture
- Update on employee wellbeing as lockdown continued
- Decision to engage with employees on future office plans
- Decision to move to flexible working after considering employee flexible working survey results
- Consideration of proposed changes to employee remuneration including pension alignment and matching shares under the SIP

Strategy

- Update on Patient and consideration of shareholder value
- Consideration of interim dividend payment
- Update on GP IT Futures and EMIS-X Analytics launch
- Consideration and approval of interim report and dividend
- Consideration of M&A and shareholder value
- Update on service performance and decision to start a customer satisfaction working group
- Consideration of proposed environmental strategy and decision to build on this in 2021
- Consideration and approval of 2021 budget
- Consideration of product roadmap

Covid-19

- Consideration of impact of Covid-19 on dividend payment and business viability
- Consideration and decision to provide free video technology to customers during peak pandemic months
- Update on continuing to meet customer SLAs despite Covid-19

Governance

- Update on information security
- Data security update
- Update by Chair and Andy McKeon on investor meetings in relation to strategy and remuneration matters
- Agreed the appointment of JP Rangaswami to join the Board on 1 March 2021

KEY TO STRATEGIC PRIORITIES

- | | | |
|---------------------------------|-----------------------------|-----------------------|
| 1 Growth | 2 Technology transformation | 3 Customer experience |
| 4 Governance and simplification | 5 People focus | |

CUSTOMERS

Link to strategy 1 2 3 4 5

What is important to them

- Technology systems that help clinicians deliver patient care
- Customer satisfaction with our products and support service
- Good relationships

How we engage

- Feedback loop from the account team speaking to end users daily, fed into the senior team, GXT and Board.
- The commercial team engages regularly with strategic and national customers with openness and transparency, to build trust and collaborative working relationships.
- The Group undertakes customer satisfaction surveys and analysis of support statistics to look for ways to improve the customer experience.
- A wide range of communications channels keep customers up to date, including the support website, account management calls, customer seminars and online events and newsletters.

Considerations and outcomes

- EMIS considers the impact of the customer at every level of the business, from the Board to the service desk.
- The focus on improving customer satisfaction has been reinforced by the nomination of a GXT customer satisfaction champion, Bob Brown, who is driving improvement across the business.
- EMIS has created a real-time support dashboard to monitor call and live chat volumes and easily spot emerging patterns in support incidents to proactively manage issues even better.

Bob Brown Chief Operating Officer

I speak to our improving customer experience representatives from key areas of the business every day, to find out what is the most important thing for our customers right now: what is trending in support; what is in the pipeline from development; and what is the picture from account management? It focusses us on what we need to do across the business that day for customer satisfaction.”

More information can be found in the operational review on pages 24 to 27

Stakeholder engagement continued

KEY TO STRATEGIC PRIORITIES

- 1 Growth
- 2 Technology transformation
- 3 Customer experience
- 4 Governance and simplification
- 5 People focus

EMPLOYEES

Link to strategy 1 2 3 4 5

What is important to them

- Feeling engaged with the business and its overall purpose, especially during lockdown
- Wellbeing and work-life balance
- Feeling valued, trusted and empowered
- Being fairly rewarded and incentivised for their work

How we engage

- The Group ran a culture audit in early 2020 to discover what its employees thought of the culture and values.
- National and regional employee forums give employees a voice, providing employee feedback to HR, the leadership team and the Board.
- All business changes during 2020 began with a communicate and engage step – listening to employee views through surveys, conversations and speaking at team meetings.
- Shorter and more frequent employee surveys were issued during 2020 to capture employee feedback as the business navigated through the pandemic.
- Digital engagement was key during 2020 – utilising systems such as Teams and Workplace, for both business operations and building team relationships, ranging from CEO Q&A sessions to team quizzes.
- The designated Non-executive Director attended a breakfast briefing with colleagues from the Bolton office in January 2020 and attended the National Employee Forum in December 2020.

Considerations and outcomes

- Feedback from employees was considered in every decision relating to the Group’s working culture throughout 2020, including the outcomes of the culture audit and the shorter surveys during lockdown.
- The outcomes include a move to becoming mainly home based with our offices changing to collaboration hubs in future and updates to the Group values.
- Understanding employee views meant that wellbeing has been considered in every decision, vital during lockdown. EMIS launched a new wellbeing programme, Thrive, with an initial focus on financial and mental wellbeing.
- Feedback from staff led to the creation of specific employee forums to address important topics, such as flexible working and diversity and inclusion.
- EMIS improved its performance review process following employee feedback, focussing more on good quality conversations.
- The business increased employer pension contribution for lower level employees and is aiming to align contributions for all employees across the Group by 2023.
- From January 2021 there will be an increase to the Share Incentive Plan (SIP) from one matching share for every three purchased, to one matching share for every two purchased.
- Launch of EMIS Heroes, a reward platform, supported externally allowing cross-company e-cards, vouchers and awards to be provided in the UK and India.

Jacqui Summons
Group HR Director

We want our employees to feel empowered, trusted and valued. Flexible working is not just about a change in location, it is about every employee understanding and embracing our values. We want everyone to know that the work they do has a “golden thread” through to our business purpose, vision and goals and to be empowered to make a difference.”

More information can be found in the people section of the sustainability report on pages 40 and 41

SHAREHOLDERS

[Link to strategy](#) 1 2 3 4 5

What is important to them

- Staying up to date with EMIS Group strategy and business performance
- Knowing how Covid-19 impacted the business during 2020
- Timely and relevant communication
- Shareholder value
- Understanding the remuneration policy and management incentivisation

Andy Thorburn
Chief Executive Officer

We take an open and transparent approach with our shareholders and potential shareholders, particularly in the weeks following the full and half year results. Peter Southby and I take the time to meet shareholders (virtually during the pandemic) to answer any questions, provide clarity on any areas of specific interest and share as much information as we are able to within the confines of commercial confidentiality.”

How we engage

- A thorough approach to our regular reporting content, delivered through the annual report and accounts and half year report.
- A multi-media approach with the use of webinars and video interviews to accompany the full and half year results.
- The executive Board members offer opportunities for direct one-to-one Q&A sessions at the full and half year results, with analysts, investors and potential investors.
- Feedback from investors following the twice yearly roadshow meetings is shared with the Board and senior team.
- Board members met with shareholders during the year to discuss strategy and remuneration.
- The Group invited questions prior to the AGM in 2020, which was held as a closed meeting because of the pandemic.

Considerations and outcomes

- The Group takes advice and guidance from its advisers on what is important to shareholders in planning all communications, to ensure it addresses any new and emerging key topics.
- This information is fed into all communication channels, from digital to multi-media to hard copy formats.
- As an outcome, EMIS Group was shortlisted for the third year running in the AIM Awards, in the “best investor communication” and “best corporate governance” categories.
- Updates on the impact of Covid-19 on the business were issued in March, May and September, to keep shareholders up to date.
- Shareholder value was considered throughout the year in light of Covid-19, considering the impact of a dividend payment on the long-term viability of the business.

More information on how we engage with shareholders can be found in the corporate governance statement on page 51

Digital acceleration

Covid-19 has accelerated technology adoption in the NHS. The desire for a digitised NHS was already in place, as set out in the 2019 NHS Long Term Plan, and the pandemic served to drive the pace of change. Initiatives such as NHS England's "total triage" model set the agenda for more widespread data sharing and the digital delivery of front line healthcare; many believe these changes are here to stay.

The National Audit Office (NAO) reports that "digital transformation in the NHS will increase in importance as a result of the crisis" and NHS Confederation chief executive, Niall Dickson, has said we should see "virtual by default" as the new normal in key areas of delivery.

An RCGP survey of GPs in July 2020 reported that 88% of respondents said their surgery was equipped to deliver video or e-consultations, an increase from 5% before the pandemic.

Covid-19 has also shone a spotlight on the importance of data to protect public health. From tracking and monitoring the spread of the virus to understanding the risk factors for different population groups, data-driven analysis has become a critical tool.

The changing market gives EMIS an opportunity to do what it does best: grow, adapt, innovate, partner and most of all continue to be at the forefront of advancing technology for the UK IT healthcare sector.

KEY TO STRATEGIC PRIORITIES

- 1 Growth
- 2 Technology transformation
- 3 Customer experience
- 4 Governance and simplification
- 5 People focus

CONNECTED CARE [Link to strategy](#) 1 2 3 4 5

Market drivers

- The NAO reports that the government committed £4.7bn to deliver its digital transformation portfolio between 2016-17 and 2020-21 and that NHS England and NHS Improvement plan to maintain a higher level of spending on the portfolio.
- The government's spending review 2020 includes £559m to support modernisation of technology across the healthcare system.
- The NAO reports that "for interoperability to work, there must be national standards in place", including the SNOMED CT clinical coding standard and fast healthcare interoperability resource (FHIR), a standard for exchanging healthcare information.
- CCGs continue to merge into larger organisations as ICSs take responsibility for local healthcare strategy, with a requirement for interoperable IT.
- A white paper by the Secretary of State proposes that ICSs are formalised into statutory bodies replacing CCGs to take ownership of the strategic direction and budget for local healthcare populations.
- GP practices are grouping into Primary Care Networks (PCNs) to provide sustainable models of primary care. Their importance is increasing, for example they have been at the forefront of the vaccination programme.
- The UK government's use of a Control Of Patient Information (COPI) notice to centrally control data sharing for Covid-19 sets a new standard for access to research data at an unprecedented scale and speed.

How EMIS Group can help

- EMIS Web is accredited for SNOMED CT and is working with NHSD to deliver interoperability using FHIR interfaces. A&E system, Symphony, is already exchanging data with 111 services using FHIR.
- NHSD connectivity programmes launched to date include GP Connect, which enables secure data sharing, and the electronic prescription service between GP practices and pharmacies.
- EMIS-X is taking integrated care to the next stage, enabling efficient and seamless wide-scale interoperability across healthcare, from GPs to paramedics to social care.
- EMIS-X Analytics provides NHS customers with deeper, faster insight into healthcare data for essential Covid-19 research, other vital public health disease surveillance and the Covid-19 recovery plan to address unmet healthcare needs.
- EMIS Group technology is being used throughout the NHS to support the fight against Covid-19.

THE DIGITAL FRONT DOOR

Link to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

Market drivers

- The NHS Long Term Plan stated that all patients will have the right to online consultations by April 2020 and video consultations by 2021. The new GP contract mandates that all PCNs and practices will provide a "core digital offering" by April 2021.
- NHSX, NHS England and NHS Improvement accelerated the roll-out of video consultation solutions through central contracts in mid-2020.
- The pandemic caused both a drop in footfall into community pharmacies and an increase in awareness of the important role that community pharmacies play in front line healthcare, causing the sector to look at digital delivery of healthcare.
- The healthcare technology market is attracting global organisations such as Amazon and Microsoft, particularly in the area of medicines management, bringing consumer trends and expectations into the healthcare sector.
- The role of community pharmacies is changing towards a hub and spoke centralised medication management model and a shift towards service provision for patients, such as the Covid-19 vaccination.

How EMIS Group can help

- EMIS offers a range of options for primary care digital healthcare delivery, including online triage, video consultations and integrated telephone consultation software, as well as enabling clinicians to access EMIS Web from any location including their home.
- Patient Access users increased from 8.4 million to 11.7 million during 2020 as more people turned to digital solutions for their healthcare requirements, such as ordering repeat prescriptions, booking in-person and remote GP appointments or pharmacy services.
- EMIS Group built on its Patient marketplace offering by releasing Patient Access for Professionals, enabling community pharmacists to provide video consultations to their customers.
- 2021 will see the launch and scaling of new services for the UK public that allow community pharmacies to offer a consumer-style experience through Patient Access Smart Pharmacy, including tracking repeat prescription orders and opting for home delivery.
- EMIS is enabling the modernisation and digitalisation of the community pharmacy sector through hub and spoke powered by Smart Pharmacy, helping to build a sustainable community pharmacy model as competition in the digital space increases.
- Patient, Pinnacle and EMIS Community Pharmacy together will develop solutions for the provision of clinical services in a pharmacy setting.

Industry insight

Dr Shaun O'Hanlon Chief Medical Officer, EMIS Group

The digital transformation of healthcare during the pandemic has been nothing short of remarkable.

The total triage approach was readily adopted by patients and clinicians when the pandemic started, leading to unprecedented use of online consultations to manage demand and provide timely responses to patients. There is now a professional consensus that healthcare will never go back to how it was – a "digital front door" will create a sustainable model that will better enable a stretched service to meet the ongoing challenge of increasing healthcare demand.

Primary care is reorganising and GP practices are collaborating as PCNs, which have been able to set up agile, flexible ways of providing healthcare from the use of online triage and consultations to creating digital care pathways to support patient self-care. The Covid-19 vaccination programme is a terrific example of how PCNs have responded to the challenge.

Covid-19 has helped unlock the potential of technology for large-scale research, demonstrating how data analytics can provide a vital and rapid insight into the health of the population.

I expect we are witnessing a paradigm shift in how the NHS embraces digital technology and data analytics in a positive way to improve UK healthcare.

Looking ahead, the next step is the Covid-19 recovery phase. We will need to see the Covid-19 induced deficits in care for long-term conditions, mental health, screening and cancer diagnosis addressed rapidly. This will require advanced risk algorithms based on a clinical data-driven approach to prioritise patients for assessment and intervention.

The global digital transformation in healthcare will be sustained and further accelerated – healthcare will never return to the way it was before 2020.

The leading provider of healthcare technology

EMIS Group's vision is to be the leading provider of innovative healthcare technology that improves people's lives. EMIS delivers this by providing connected care solutions for clinicians and a digital front door to healthcare for the UK public.

Driving the vision are five strategic principles – growth, technology transformation, customer experience, governance and simplification, and people focus – which unite the Group in its purpose to enable better patient care.

EMIS is strategically aligned with current and future NHS policy, particularly focussed on the common goal to digitise and integrate healthcare. When technology is joined up, healthcare services can operate in a co-ordinated, efficient and effective way that has a positive impact on patient outcomes and experience, from reduced waiting times to more meaningful interactions with clinicians. That is vital to all of EMIS's customers. EMIS Group's strategy enables the vision of integrated care to become a reality, creating a joined-up NHS across all major settings.

Risk management page 28

Key performance indicators page 20

2 TECHNOLOGY TRANSFORMATION

EMIS Group's purpose is to enable better care through innovation. Its technology strategy is all about accelerating the transformation clinicians' experience of delivering healthcare, as well as the patients' digital experience, the healthcare analytics space and the process of medicines management for the acute and community pharmacy markets.

EMIS has a clear development roadmap for both new and existing products. The business will create agile building blocks that enable technology transformation at the necessary speed and pace required for its customers.

More information about how EMIS's technology transformation is aligned with market need is in the markets section on pages 16 and 17 and details of the technology improvements delivered during 2020 are in the operational review on pages 24 to 27.

1 GROWTH

EMIS's priorities are aligned to meet market needs and the business is focussed on growth through investment in technology and product innovation.

EMIS-X will be a key driver for growth; in the mid-term it will be the UK's first integrated clinical platform serving all of the Group's major healthcare markets. The Group continues to develop its range of patient-facing services delivered through Patient Access, creating opportunities for growth in the community pharmacy market, as well as growing the EMIS-X Analytics suite.

The EMIS partner programme will drive growth through the creation of a complete technology ecosystem for customers.

More information on how EMIS has delivered growth in both the EMIS Health and EMIS Enterprise segments is in the operational review on pages 24 to 27.

3 CUSTOMER EXPERIENCE

Customer satisfaction is a key cornerstone of EMIS's strategy – the business aims to delight its customers through every product and service interaction. EMIS has invested a lot of time and energy in this area in recent years to measure and improve customer satisfaction in all of its major markets.

From meeting SLAs to improving call answering times to delivering training, when it is important to the customer it becomes a priority for EMIS. This also means clinical safety is at the heart of EMIS Group's actions – particularly when it comes to software development. Clinicians always put patient care first and therefore so does every EMIS employee.

Find more information in the stakeholder engagement section on pages 12 to 15 and the operational review on pages 24 to 27.

4 GOVERNANCE AND SIMPLIFICATION

Governance is a key priority for EMIS – whether that is data security, clinical safety, business integrity or ensuring the business is performing optimally.

The business' commitment to good governance is embedded in every part of the organisation. A series of "golden rules" governs the Group's operating processes and the risk management committee (RMC) proactively drives down exposure to risk. One of EMIS's values is responsible, which helps keeps governance at the forefront of mind for employees. The business does everything it can to ensure that governance is enabling rather than limiting by ensuring processes are both simple and effective.

Find more information about EMIS's governance principles and processes in the sustainability section on pages 34 to 41.

5 PEOPLE FOCUS

EMIS's strategy to attract, retain, inspire and reward its employees will help the business reach the next stage of growth through technology innovation.

EMIS employees worked exceptionally hard during 2020 to support the fight against Covid-19. Driving positive change is a key motivator for EMIS employees and the pandemic really showed their determination and commitment. The business now moves forward into 2021 with the same unswerving focus to deliver the technology and support that makes a difference to the UK healthcare front line.

EMIS strives to be an employer of choice through reward and recognition, clear values and purpose and excellent engagement and communication. Find more information about the Group's people strategy in the stakeholder engagement section on pages 12 to 15 and in the sustainability section on pages 34 to 41.

Case study

A fantastic response from EMIS customers

Researchers have hailed a "fantastic" response from GP practices who stepped forward to contribute patient data for vital Covid-19 research at the University of Oxford – tripling the amount of data available. In the first three months 1,700 practices had stepped forward to contribute.

Alex Eavis, Director of EMIS-X Analytics at EMIS Group, said: "The data came from a daily pseudonymised feed from participating practices provided by EMIS. We gave researchers at the University first access to EMIS-X Analytics technology ahead of the official launch in October 2020.

"The response from GPs followed a joint appeal in March 2020 by EMIS and the Oxford Royal College of General Practitioners Research and Surveillance Centre (Oxford RCGP RSC) at Oxford University, requesting practices to share their data under strict governance guidelines."

Professor Simon de Lusignan, Director of the RSC, said he was "delighted" by the response from GPs. "We had a resource before but it is on a fantastic scale now and is already helping us to answer important questions about Covid-19.

"The sheer numbers coming forward have surprised and delighted me, but primary care has really stepped up to the plate on all fronts in this crisis. It would be difficult to do this research without carefully coded primary care data. For example, ethnicity is well recorded by many GP practices, and this was vital to help us understand the impact of Covid-19 on BAME communities."

The data enabled the researchers to understand the spread of Covid-19, including tracking when it peaks, which helped to inform strategy on local social distancing and lockdown during mid to late 2020. It was also used to evaluate rapid Covid-19 finger prick tests against swab tests. Some practices took part in rapid clinical trials of antibiotics to reduce the duration and severity of the virus.

Key performance indicators

Measuring our performance

The Group's key performance indicators (KPIs) monitor progress towards the achievement of its objectives.

Total revenue²

£159.5m

2020	159.5	
2019	159.5	
2018	149.7	170.1
2017	142.4	160.4
2016	144.5	158.7

DESCRIPTION

Total revenue is a reflection of the level of business that customers choose to place with the Group. It is important as a measure of the attractiveness of the Group's products to the market.

[Financial review pages 42 to 45 >](#)

STRATEGIC FOCUS

Total revenue was consistent with the previous year. This reflects customer confidence in the Group's products and was in line with the Board's expectations during a challenging period in difficult markets due to the impact of Covid-19.

LINK TO STRATEGIC PRIORITIES

1 2 3 4 5

LINK TO REMUNERATION

R

Adjusted operating profit^{1,2}

£39.3m

2020	39.3	
2019	39.3	
2018	35.9	37.6
2017	36.8	37.4
2016	38.3	38.8

DESCRIPTION

This is the key measure of the Group's underlying financial profitability, as defined in the alternative performance measures (APM) section on page 22, excluding exceptional items and expensing development costs as incurred.

STRATEGIC FOCUS

The unchanged result in the year was reflective of a combination of a consistent level of revenue with a lower gross margin sales mix, offset by reduced staff costs and operating expenses. The Group's target continues to be to increase operating margins towards 30%, which implies a faster rate of growth in profit than in revenue, to be delivered by operational leverage and greater efficiency in the Group's systems.

LINK TO STRATEGIC PRIORITIES

1 2 3 4 5

LINK TO REMUNERATION

R

Adjusted earnings per share (EPS)^{1,2}

51.0p -1%

2020	51.0	
2019	51.4	
2018	45.1	47.4
2017	46.4	47.2
2016	48.7	49.4

DESCRIPTION

Adjusted EPS represents the best measure of underlying profit attributable to shareholders, as set out in the APM section on page 22.

STRATEGIC FOCUS

The marginal decrease in adjusted EPS in the year was broadly consistent with the adjusted operating profit which was flat on the previous period. As a key measure of shareholder return and driver of executive long-term incentive plans, EMIS Group's strategy is to focus on driving improvements in this metric in future through delivering sustainable business growth.

LINK TO STRATEGIC PRIORITIES

1 2 3 4 5

LINK TO REMUNERATION

R

¹ Adjusted operating profit and adjusted EPS are APMs. See page 22 for further details.

² Continuing operations excluding Specialist & Care business.

Continuing operations and discontinued Specialist & Care business.

KEY TO STRATEGIC PRIORITIES

- 1 Growth 2 Technology transformation 3 Customer experience
4 Governance and simplification 5 People focus

KEY TO REMUNERATION

- R Link to remuneration R No link to remuneration

Total dividend for the year
32.0p +3%

2020	32.0
2019	31.2
2018	28.4
2017	25.8
2016	23.4

DESCRIPTION

This measure records the amount of dividend paid out per share relating to the financial year.

STRATEGIC FOCUS

The Board's recommendation of a 3% increase in the dividend is a reflection of the Board's commitment as set out in the capital allocation policy (see page 77) to increase direct returns to shareholders over time in line with underlying earnings growth.

LINK TO STRATEGIC PRIORITIES

1 2 3 4 5

LINK TO REMUNERATION

R

Employee engagement
81% +11%

2020	81
2019	70
2018	70
2017	65
2016	65

DESCRIPTION

This metric reflects overall employee engagement and includes the Group-wide average response to regular surveys on engagement, belief, loyalty and satisfaction including communication and support during the pandemic. The engagement score is the weighted average across a number of pulse surveys in the UK and India during 2020.

STRATEGIC FOCUS

The strong engagement level recorded in 2020 reflects the Group's focus on supporting its employees through the pandemic, especially during the lockdown periods, and uniting in the common goal of helping the NHS through Covid-19. The Group is committed to continual improvement of its working culture and will continue with regular pulse surveys to measure engagement throughout 2021.

LINK TO STRATEGIC PRIORITIES

1 2 3 4 5

LINK TO REMUNERATION

R

Research and development (R&D) investment²
£21.2m +2%

2020	21.2
2019	20.7
2018	18.7 19.0
2017	16.8 ¹ 17.1
2016	17.0 17.3

DESCRIPTION

This measures the level of R&D investment in the Group's software products and is a key measure of the Group's commitment to ensuring that it not only maintains its existing portfolio but is also investing in developing the products of the future.

STRATEGIC FOCUS

The increase in investment in the year is consistent with the Group's strategic focus on preparing new products for the evolving healthcare market, including Patient and the EMIS-X clinical platform, as well as enhancing existing products such as EMIS Web.

LINK TO STRATEGIC PRIORITIES

1 2 3 4 5

LINK TO REMUNERATION

R

Alternative performance measures (APMs)

This annual report and accounts contains certain financial measures (APMs) that are not defined or recognised under IFRS but are presented to provide readers with additional financial information that is evaluated by management and investors in assessing the performance of the Group.

This additional information presented is not uniformly defined by all companies and may not be comparable with similarly titled measures and disclosures by other companies. These measures are unaudited and should not be viewed in isolation or as an alternative to those measures that are derived in accordance with IFRS.

Recurring revenue

Recurring revenue is the revenue that annually repeats either under contractual arrangement or by predictable customer habit. It highlights how much of the Group's total revenue is secured and anticipated to repeat in future periods, providing a measure of the financial strength of the Group. It is a measure that is well understood by the Group's investor and analyst community and is used for internal performance reporting.

	2020 £'000	2019 £'000
Reported revenue	159,453	159,507
Non-recurring revenue	(29,410)	(34,538)
Recurring revenue	130,043	124,969

Adjusted operating profit, adjusted operating margin and adjusted EPS

Adjusted operating profit is operating profit from continuing operations excluding exceptional items, the effect of capitalisation and amortisation of development costs and the amortisation of acquired intangible assets. The same adjustments are also made in determining the adjusted operating margin of the Group and its segments and also in determining adjusted EPS. The EPS calculation further adjusts for the related tax and non-controlling interest effects of the operating profit adjustments.

The Board considers this adjusted measure of operating profit to provide the best metric of assessing underlying performance, as:

- it excludes exceptional items (items are only classified as exceptional due to their nature or size);
- it excludes any one-off goodwill impairment;
- by expensing capitalised development costs (and also not amortising these costs) it reflects the underlying in-year cash cost of development of software for external sale, as development is considered to be a core ongoing operating function of the business; and
- it excludes the amortisation of acquired intangibles arising from business combinations which varies year on year dependent on the timing and size of any acquisitions. This is consistent with the presentation of the amortisation of the Group's own software intangibles.

These metrics are used internally for reporting business unit performance and in determining management and executive remuneration. They are commonly used by other software companies and are also well understood by the Group's investor and analyst community.

	2020 £'000	2019 £'000
Reported operating profit	35,776	26,827
Development costs capitalised	(6,590)	(7,363)
Amortisation of computer software developed for external sale	4,276	7,132
Amortisation of intangible assets arising on business combinations	6,824	7,317
Exceptional reorganisation costs	–	5,360
Exceptional release of contingent acquisition consideration	(1,020)	–
Adjusted operating profit	39,266	39,273

A reconciliation of adjusted earnings used in the adjusted EPS calculations is shown below:

	2020 £'000	2019 £'000
Profit attributable to equity holders	30,248	22,658
Profit from discontinued operation, net of tax	–	(476)
Development costs capitalised	(6,590)	(7,363)
Amortisation of computer software developed for external sale	4,276	7,132
Amortisation of intangible assets arising on business combinations	6,824	7,317
Exceptional reorganisation costs	–	5,360
Exceptional release of contingent acquisition consideration	(1,020)	–
Other income	(782)	–
Tax and non-controlling interest effect of above items	(925)	(2,319)
Adjusted profit attributable to equity holders	32,031	32,309

Adjusted cash generated from operations

The Group's adjusted cash generated from operations adjusts for capitalised development cost expenditure and the cash costs of exceptional items, consistent with the adjusted operating profit metric used by the Group. This provides a meaningful metric for the underlying cash the Group generates having accounted for the cash cost of all development expenditure and adding back the cash cost of non-recurring exceptional items.

	2020 £'000	2019 £'000
Reported cash generated from operations	64,138	50,059
Development costs capitalised	(6,590)	(7,363)
Cash cost of exceptional items	1,303	3,636
Adjusted cash generated from operations	58,851	46,332

Net cash/(debt)

The Group uses net cash/(debt), defined as cash and cash equivalents less total borrowings (excluding IFRS 16 lease liabilities), as a supplementary measure in evaluating its liquidity, as it indicates the level of cash available to the Group and provides an indicator of the overall balance sheet strength. It is used in the calculation of the leverage ratio under its bank facility arrangements. For the period ended 31 December 2020 the Group was in a net cash position, with no borrowings.

Case study

London pharmacy group gives green light to online portal

A London pharmacy group that introduced digital services during the Covid-19 pandemic has increased flu vaccinations and carried out thousands of digital consultations.

Since rolling out Patient Access for Professionals twelve months ago, the Green Light Pharmacy Group has increased the number of flu jabs given at its 13 branches across London by 20%. Its co-owner Paras Shah said Patient Access had allowed it to "reach a huge number of people we would not have been able to otherwise" during the pandemic.

It has enabled pharmacists to offer both physical and virtual appointments via video or telephone and has generated over £80k in turnover for the pharmacy group. Patients can book appointments through the pharmacy, the Patient Access app or website, and join video consultations directly from their mobile device, desktop, or laptop. It also gives community pharmacists a virtual marketplace for their services.

Patients with the Green Light Pharmacy Group have booked 3,976 appointments online and in addition the group has carried out 4,000 flu jabs.

Patient Access is a trusted app and this in turn has increased our patients' trust in us. During the lockdowns, people used it to book remote consultations at home, by phone or video."

"We definitely would have struggled more during the pandemic without it," said Paras. "Patient Access is a trusted app and this in turn has increased our patients' trust in us. During the lockdowns, people used it to book remote consultations at home, by phone or video. They found it very easy to use and it has helped keep our customers and staff safer, by reducing visits to the pharmacy. We haven't had to close any of our branches for a single day."

He added: "We have definitely increased our visibility among patients, and it has been an invaluable tool for highlighting what we can offer - well over 30 patient services, including medication use reviews, blood pressure checks, minor ailment consultations and travel vaccinations. It is a great tool for pharmacy groups of any size."

Sima Jassal MRPharmS, Head of Pharmacy, EMIS said: "We are delighted that Patient Access has helped our pharmacy customers during a very difficult year. Green Light Pharmacy Group is a fantastic example of how community pharmacy is using technology to extend its clinical role and offer patients a great service."

"During the pandemic, people have used digital health services much more and we believe Patient Access will become a familiar way for patients to access valuable advice, clinical services and care from their local community pharmacy."

Focussed on integrated care

Developing healthcare solutions in alignment with market need and NHS policy.

EMIS Health

The EMIS Health segment comprises business areas where revenues are generated from NHS organisations. This includes the primary, community and acute A&E markets and operates under the EMIS brand.

Market shares

EMIS maintained its UK GP market leadership position with a market share of 57% (2019: 57%). The Group holds a joint market leadership position in Acute A&E at 21% (2019: 23%) and the number two market position in community at 20% (2019: 21%).

NHS primary care frameworks

EMIS transitioned to the GP IT Futures framework in January 2020. The framework governs the provision of the majority of EMIS Group's clinical IT system-related services to GPs in England and is due for review in March 2023. The related Digital Buying Catalogue, which facilitates procurement, will run on an ongoing basis.

EMIS developed a number of enhanced features in EMIS Web during 2020 in response to the framework, including FHIR capability, an upgrade to SNOMED CT and integration with the Medicines and Healthcare products Regulatory Agency (MHRA) Yellow Card for reporting medication contraindications.

Framework mini-tender processes are anticipated to occur on a regular basis through the coming years in both Scotland and England. This has reinforced the clear focus of the Group to provide products that exceed customer expectations and to excel in customer service and delivery.

In Scotland, as an approved supplier on the NHS National Services Scotland (NSS) framework, EMIS continues to work closely with NSS to deliver the technology to support its health and care strategy. EMIS continues to keep the existing GP system, PCS, up to date for its Scottish customers, such as adding new clinical code terms to support the management of Covid-19, raising flags for patients on the shielding list and delivering population data for Public Health Scotland.

In Northern Ireland, EMIS has secured an extension to the GP Systems of Choice (GPSoC) framework until April 2022 so that it can continue to provide GP systems under the existing arrangements. EMIS is working on various Northern Ireland-specific enhancements to EMIS Web and continues to support its Covid-19 response.

EMIS has agreed a further extension to provide primary care systems in Wales as NHS Wales Informatics Service (NWIS) published its new framework in March 2021. EMIS and NWIS continue to work together on strategic projects to accelerate the digitisation of unscheduled care, such as refreshing the technology infrastructure.

40m patient records are held
in our hosted systems

Industry insights

Continued focus on EMIS-X

The development of EMIS-X continues. The development roadmap is linked to strategic customer priorities, with close alignment of the product, development and delivery functions. EMIS's 89-strong clinical team (2019: 71) continues to play a vital role throughout the development process, ensuring that EMIS's products and systems deliver what front line clinicians need on a daily basis.

Working with technology partners, EMIS-X will bring to the market the very best combination of in-house and partner technology as the platform for all future EMIS clinical systems.

Improving customer experience

EMIS is focussed on its relationships with customers in all major markets, with the intention that all customer touchpoints provide a high-quality experience for the end user.

In 2019, EMIS upgraded its support and service platform to ServiceNow, enabling support to be delivered digitally as well as through more traditional routes such as ringing into a call centre. During 2020 usage of digital support channels increased, with 66% of support incidents being logged digitally by the end of the year (2019: 30%).

EMIS's support services will continue to improve during 2021. The Group's new in-house dashboard will give a detailed insight into support performance, helping to pinpoint emerging trends before they become a problem and enabling more proactive management of issues. It will give a greater oversight of call and digital chat statistics, to highlight where any improvements can be made to make customer service even better.

Enhanced features for Symphony customers

EMIS continues to develop new functionality into existing systems, particularly to enable interoperability.

In September 2020, Symphony became the first system accredited by NHS Digital to support direct electronic appointment booking from 111. Call handlers send referral appointments directly into an Emergency Department, urgent treatment centre or same day emergency care environment using Symphony. This supports the NHS Long Term Plan for the 111 service to become the first line of defence for urgent care.

As well as integration with 111, Symphony 3.0 was updated to enable improved workflows and help manage social distancing.

Remote consulting will continue

Dr Rob Walter

Clinical Intelligence Director, EMIS Group

Dr Rob Walter is a practising GP and the Clinical Intelligence Director at EMIS, working closely within the clinical team to ensure that EMIS's systems meet customers' needs perfectly. He has been working with EMIS for more than 15 years and has been a practising GP in Dumfries for 20 years. Rob brings direct front line experience into the business and last year shared his insight into how primary care has adapted and evolved during the pandemic.

"In March 2020 our practice quickly adopted a process of telephone triage for all appointments, ensuring a safe and accessible service. We were able to conclude most consultations over the phone, supplementing with video calls or emailed photographs, with very few patients requiring further assessment face-to-face.

"By 2021 we are now in a well-established rhythm, workload has increased and consultations are increasingly more challenging as we deal with more complex pent up social and mental health issues, lacking the non-verbal clues that are an integral part of a traditional consultation.

"The "Dr Finlay" style family doctor is increasingly scarce, particularly in busy metropolitan areas with younger mobile service users. General practice will never be the same again and remote consulting will continue to be the mainstay of our consultations.

"I speak regularly with my EMIS colleagues to discuss how we can develop our systems to help as primary care evolves. I've written a number of internal communications articles for the rest of the business to share the journey of the past 12 months, helping them understand the reality of delivering care digitally and my thoughts on the challenges going forward.

"Our challenge as an IT company is to support practices during this rapid and significant transition so that the human side of medicine is not lost, and vulnerable patients are not digitally excluded."

Opportunity for growth

New services launched for community pharmacists, patients and in the healthcare analytics space.

EMIS Enterprise

The EMIS Enterprise segment comprises business areas where revenues are derived predominantly from B2B healthcare sector sources, including medicines management across both community and hospital pharmacy, the Patient business and the life sciences sector. It operates under the EMIS and Patient brands.

Market shares

The Group improved its market-leading position in community pharmacy during 2020 at 38% (2019: 36%) and its number two market position in hospital pharmacy with a market share of 36% (2019: 35%).

Supporting community pharmacies to play a greater role

The NHS Long Term Plan outlined the intention for a greater range of clinical services to be provided in a community pharmacy setting to alleviate pressure on primary care.

During 2020, EMIS launched Clinical Service Hub (CSH) in ProScript Connect, which enables customers to deliver and record services they provide under the Patient Group Direction (PGD) initiative. Patients are able to book these services via Patient Access.

CSH is the first cloud-based ProScript Connect module to be developed, offering the potential for further interoperability and additional services in future.

The pandemic changed the way community pharmacists delivered their services and EMIS successfully provided solutions to manage and deliver repeat prescriptions and offer digital consultations.

Patient: delivering digitally

During 2020, as a direct consequence of the pandemic, the UK public needed digital routes to healthcare more than ever before. This was reflected in increased usage of the healthcare services provided by the Patient Access app and website.

Registered users increased during the year to 11.7 million and subsequently to 12.0 million in February 2021 (2019: 8.4 million):

- booking 2.5 million digital or face-to-face GP appointments (2019: 6.7 million), a reduction from the previous year reflecting the lower numbers of GP appointments across the sector due to the pandemic;
- ordering 23.5 million repeat prescriptions (2019: 20.2 million); and
- booking 41,415 private pharmacy consultations and 15,356 pharmacy NHS flu vaccinations across web, iOS and Android (2019: 14,000 pharmacy consultations and 8,700 flu vaccinations).

Patient.info continues to be one of the UK's leading medical information sites, offering more than 6,000 patient-facing and professional articles including over 100 about Covid-19. Eighty million unique users viewed 166 million pages during 2020 (2019: 42 million users, 109 million page views).

480m items are dispensed annually by our community pharmacy customers

The increase in usage of both the website and the existing Patient Access services provides a platform for growth of future Patient Access offerings, as the NHS increasingly looks to provide the UK public with a digital front door to healthcare services.

Patient Access will be launching its new Smart Pharmacy service during 2021, which will enable patients to order, track, and opt for home delivery of their medications from their local pharmacy. It offers community pharmacies a strong proposition in the face of increasing online competition as Smart Pharmacy will provide patients with regular updates on the progress of their prescription, taking pressure from the front desk of busy GP practices.

Another new service successfully launched recently has been a Patient and Pinnacle co-developed solution for community pharmacists to provide minor ailment treatments under the Public Health England Community Pharmacy Consultation Service (CPCS) framework. A new signposting feature in EMIS Web, called Patient Access Connect, allows clinicians and surgery staff to directly refer patients to their local pharmacy.

More information on how Patient's services are aligned with the NHS's aim to create a digital front door can be found in the markets section on pages 16 and 17.

The partner programme: a powerful ecosystem

The partner programme continued to perform strongly in 2020 with the number of partners offering products that interoperate with EMIS clinical systems increasing to 143 (2019:113). The Group continues its approach of partnering with best of breed technology to provide solutions to its customers. No single business can offer everything in a market as complex and varied as healthcare, but together EMIS's ecosystem can solve problems for customers in a better and faster way. EMIS already offers a strong proposition through EMIS Web and in future the business will develop even more integration through EMIS-X.

With the increased focus on the digitisation of healthcare, the EMIS partner programme has been strengthened during 2020 with the addition of companies such as Arc Health, providing technology to enable video consultation in care homes.

EMIS-X Analytics opportunities in enterprise markets

In 2020, *Explorer* and *Visualiser*, the first products from the EMIS-X Analytics suite, were launched to the market. EMIS-X Analytics is a high performance cloud analytics suite that provides a range of powerful processing tools designed to curate, aggregate and query large healthcare data sets at speed and scale. It offers significant potential for EMIS Group to grow the business over time with opportunities in both the NHS and life sciences.

EMIS-X Analytics has been used to facilitate a number of national and regional Covid-19 research programmes, such as NHS England's OpenSAFELY programme, a collaboration between the University of Oxford, the London School of Tropical Hygiene and Medicine and system suppliers. Led by NHS doctors Ben Goldacre and Liam Smeeth, OpenSAFELY is a new secure analytics platform for electronic health records in the NHS, created to deliver urgent results during the pandemic.

Industry insights

Supporting public health

Dr Sarah Jarvis, MBE, FRCGP
Clinical Director, Patient Platform Limited

Dr Sarah Jarvis is a GP, Clinical Director at Patient.info and a regular contributor to health discussions in the media. She combines her unique perspective and knowledge to provide clinical guidance to Patient and the wider EMIS business, making sure Patient content and services are what the public needs.

"It's so important to me that the general public gets accurate and reliable health information. It helps people take control of their health and make informed decisions, leading to better outcomes.

"I try and bring all my external experience to Patient to feed into Patient.info. Since the pandemic began I've given more than 800 media interviews, mainly about Covid-19. It's armed me with a very clear picture on what the public wants to know. We have developed a dedicated coronavirus information hub at Patient and by sharing my insights with the Patient team, we have been able to ensure we're answering all the questions the public are most interested in. There are more than 100 editorials on every aspect of the pandemic.

"I provide clinical insight on the new services we've developed to help Patient Access provide a digital front door to GP and pharmacy services. I have a weekly briefing with the Deputy Chief Medical Officer for England, and along with information from gov.uk and the Office of National Statistics, I make sure I'm providing the latest information and guidance.

"All Patient Access services follow strict governance processes and are in line with NHS guidance. I've also been keeping my colleagues at EMIS up to speed on all the latest information on Covid-19 as it evolves with regular Q&A sessions. In short, alongside the rest of the EMIS clinical team, we do everything we can to support patient care for the nation."

Principal risks and uncertainties

Management of risk

Risk management remains a key priority for EMIS Group to sustain the success of the business in years to come. Each area of the business identifies, evaluates and manages risk according to the Board policy.

The risk management framework

The Board is responsible for the proactive risk management policy, to ensure that EMIS Group has a structured and appropriate approach to risk. Each area of the business has a clear focus to identify, evaluate and manage risk in line with Group strategic priorities and risk appetite.

The risk management process is overseen by the RMC, which has formal terms of reference and is chaired by the Chief Financial Officer. Other regular attendees include the Chief Executive Officer, Director of Legal and Administrative Services, Company Secretary and Head of Group Internal Audit as well as senior managers from across the business. The committee met monthly throughout 2020, increasing to fortnightly in 2021; the output from the meetings is reported to the audit committee, which maintains oversight of the RMC.

The RMC reviews a consolidated Group risk register at least twice a year before it is submitted to the main Board for consideration. A robust assessment of the principal risks is carried out annually by the Board. The audit committee also reviews and challenges the principal risks and mitigating controls identified by management. Group internal audit provides independent, objective assurance on key risks through a programme of audit reviews.

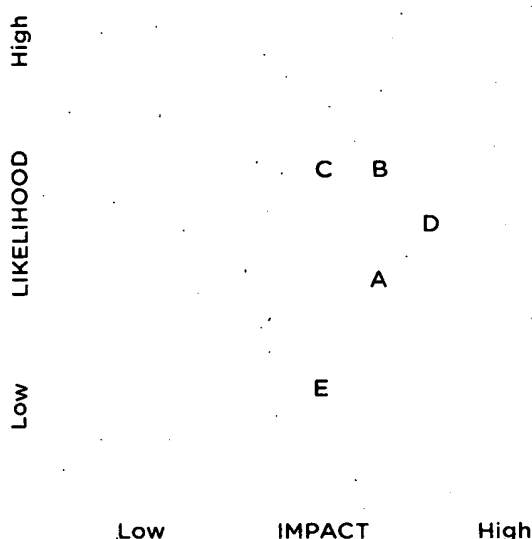
Risks are evaluated using consistent measurements of likelihood and financial and reputational impact, both before and after mitigating controls are taken into account. Risk registers and risk scores are independently verified by the Head of Group Internal Audit. A named risk owner is responsible for ensuring that adequate mitigating controls are in place and operating effectively for individual risks and that, where a risk exceeds the Group's risk appetite, there is an action plan to address this with appropriate timescales. During 2020, internal audit extended this process to incorporate an ongoing risk quality scoring exercise to identify and implement areas for improvement in identifying, documenting and mitigating risks.

In addition to the RMC, regular reporting on risks exceeding appetite is provided to the GXT for discussion at their meetings.

Impact of the UK leaving the European Union (Brexit)

As reported in previous years, the Board continues to believe that Brexit will have minimal direct effect on the Group as it is not a significant exporter or importer of goods or services within the European Union. There are potential indirect effects including exchange rate volatility affecting the value of sterling, changes in legislation and increased pressure on NHS budgets that could have a negative impact on the Group's prospects, but these are not considered likely to be material. However, it will continue to keep the market consequences of the terms under which the UK left the EU under review as those develop in the future.

Principal risks heat map



The risk heat map above provides a graphical representation of the principal risks and uncertainties. It shows the assessment of the relative impact and likelihood of each risk (after mitigation), along with an indication of the year on year movement of each risk described in detail on pages 30 to 33. The likelihood increased in risk A due to acceleration of change and increased competitor threat. The likelihood decreased in risk C due to implementation of various measures from the culture survey and succession planning. The likelihood decreased in risk D due to work on the security programme and increased level of maturity.

- A Healthcare structure and procurement changes
- B Software (product) development
- C People and culture
- D Information governance and cyber security
- E Clinical safety

Board of Directors Ownership and monitoring

Audit committee
Independent review
and challenge

**Risk management
committee**
Review and input

Group internal audit
Independent, objective
review function

GXT
Operational risk input
Corporate risk review

Divisional and functional risk registers

Risk appetite

The Board, with input from the GXT, has defined its risk appetite across a range of risk categories as outlined opposite, along with detailed statements to support these basic levels of risk appetite. Although there are areas where EMIS Group is prepared to take higher levels of risk, the risk management framework is designed to manage down to an acceptable level the risk of significant financial or reputational impact, with rewards being commensurate with the level of risk being taken within a reasonable timeframe. These statements provide management with guidance on how much and what types of risk the Board is prepared to accept when management is making business decisions.

The Board reviews and revises its risk appetite as its understanding of the level and nature of risk in the business develops or as its appetite for taking risk changes. Acceptable risk appetite levels have remained consistent throughout 2020.

Risk appetite parameters have been built into the Group's web-based risk management application. Any area where exposure is assessed as exceeding the Board's defined risk appetite is flagged and assigned to specific members of the GXT to determine what action is required. Such risks are monitored by the RMC and remedial actions are tracked.

Emerging risks

Emerging risks differ from principal risks, or other lesser risks in the risk management system. They have a higher degree of uncertainty around when, or even if, they may occur; therefore their impact cannot readily be assessed. Emerging risks have the potential to increase in significance and affect the performance of the Group and its ability to meet its strategic objectives. Their timeline may be well beyond the current three-year time horizon applied to future risks. As their status changes and they become more certain and more quantifiable, they may move into the risk registers as clearer, better defined risks. The RMC is the recognised forum for identifying, assessing and reporting on any significant emerging risks facing the Group. In addition, a number of horizon scanning and emerging risk sessions are held with risk champions across the Group to identify and mitigate any such risks which are deemed significant.

Impact of Covid-19

As reported in the 2019 annual report and accounts, during the early weeks of 2020 EMIS Group set up an internal operational task force to respond to the emerging risk of Covid-19. The internal operational task force has continued to review the advice and guidance issued by the UK and Indian government and public health bodies. It responds accordingly to protect the health and safety of employees and anyone with whom they come into contact.

The impact of Covid-19 has accelerated the requirement for joined-up technology across multiple settings and need for availability of data. The Group prioritised the continuity and availability of its technologies for end users and has updated its customer-facing software systems to reflect the latest government advice.

The Group has a robust business continuity plan in place and has not experienced any significant supply chain issues.

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

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

The adoption of a flexible working approach has resulted in the majority of employees now working from home. There has been regular engagement and consultation with employees during this period and an increased focus on mental health and wellbeing. Some of the Group's people, such as engineers, are required to visit customers as part of their role and have continued to do so in a safe and secure manner with appropriate protective measures put in place. All employees have been provided with additional equipment where necessary to perform their duties and technology has been utilised extensively. It is recognised that home working can increase cyber security risks - these are being addressed, along with ensuring effective collaboration between teams and individuals to prevent the risk of decline in product development and innovation.

The Group has modelled scenarios as part of its going concern and viability statement assessments which have demonstrated EMIS's resilience to a downturn in trading. The Group will continue to take proactive action to mitigate the ongoing challenge from Covid-19, both to keep people safe and healthy and to reduce the impact on all the Group's stakeholders.

Principal risks

The principal risks and uncertainties identified by management, and how they are being managed, are set out on pages 30 to 33. These risks are not intended to be an extensive analysis of all risks that may arise in the ordinary course of business or otherwise. The principal risks facing the Group have not materially changed although a number of additional mitigations have been put in place during the year.

The principal financial risks are separately disclosed in note 3 to the financial statements on page 97.

Principal risks and uncertainties continued

A

Healthcare structure and procurement changes

DESCRIPTION OF RISK

The commercial success of the Group is dependent on the healthcare sector's strategic direction to use IT to reduce costs and improve efficiency. There is a risk that the Group's products and services are not in line with the sector's strategies, or that these will change as plans continue to evolve. A recent White Paper published by the Secretary of State for Health and Social Care proposes ICSSs take control of local healthcare budgets, bringing a risk of non-alignment with these organisations.

The NHS represents a significant proportion of the Group's revenues; how it is organised and procures goods and services could affect the Group's ability to sell effectively to this market.

The Group's appointment to the GP IT Futures framework in 2019 and the nature of the Digital Buying catalogue has reduced the level of risk, however the framework imposes obligations for continuous development and interoperability, as well as future competitive tender processes at a local level. There is a risk that new competitors, including major global technology companies, may impact the Group's market share and financial returns.

WHY IS IT A RISK?

The English primary care market currently represents the largest single area of revenue for the Group. While the Group has successfully been appointed to the GP IT Futures framework, there is a risk that the Group may not be included on future frameworks which govern procurement in this important area.

Failure to achieve interoperability with third party systems could have a significant impact on the Group's ability to meet the government's healthcare technology requirements and to sell its products and services to the NHS and other private sector customers in the longer term.

Increased competition may affect the ability of the Group to maintain its market shares or current pricing.

B

Software (product) development

The Group provides innovative and interoperable IT healthcare systems that are critical to the efficient and effective operation of a wide range of healthcare organisations. Developing excellent, robust and reliable software systems is essential to the ongoing success of the business.

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

To achieve its objectives, the Group has acquired several businesses across a range of healthcare sectors. There is a risk that these businesses do not function effectively as a group, impacting on the success of product integration across the sectors.

The technical or physical failure of the Group's systems could lead to disruption or complete service denial of high-profile public or B2B services.

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

Failure to deliver modern, interoperable software platforms that integrate healthcare services could have a significant impact on the Group's ability to sell its products and services to the NHS and others in the longer term. This is a reputational risk as EMIS Group is the leading connected healthcare IT supplier to the NHS.

C

People and culture

The Group is reliant on the skills and knowledge of its people, but especially in software development and infrastructure, clinical safety and information technology systems. The Group may not be able to recruit or retain an appropriate calibre of employees.

The Group's response to Covid-19 resulted in a decision for a permanent change in working patterns based on a new flexible way of working mainly from home. The nature and speed of this change can create short-term disruption and uncertainty and lead to the loss of skills and knowledge.

Workload is high for many people, particularly as a result of Covid-19; which can lead to poor physical and/or mental wellbeing, reducing productivity.

Failure to recruit or retain appropriate numbers of suitably qualified people in critical areas could lead to a deterioration in the quality of products and services. This could lead to failure to meet customers' needs, loss of business and the Group failing to deliver expected financial returns.

Low level engagement caused by a poor culture could risk the retention of critical employees and/or a reduction in productivity.

Lack of succession planning could lead to the loss of key talent.

Single points of failure may result in loss of critical knowledge where these are not mitigated.

KEY TO STRATEGIC PRIORITIES

- | | | |
|---------------------------------|-----------------------------|-----------------------|
| 1 Growth | 2 Technology transformation | 3 Customer experience |
| 4 Governance and simplification | 5 People focus | |

HOW WE MITIGATE THE RISK

EMIS Group has the following measures in place:

- EMIS Group aligns its strategies with planned and published government policy on healthcare and technology through close engagement with the NHS at strategic and tactical levels. This ensures products meet the essential requirements of the NHS's current and future major frameworks;
- Increasing diversification of the Group's business reduces reliance on the NHS as a revenue source, with a stated target of achieving a balance between NHS and non-NHS revenues over time through organic growth and acquisition;
- Focus on the ongoing GP IT Futures call off competitions over the lifetime of the catalogue and frameworks;
- The Group is focussed on its relationships with strategic customers to keep pace with any changes to NHS structure and adapt its business model accordingly, such as the increase in influence of ICSs;
- EMIS Group has continued to invest significantly in clear, product-led strategies;
- EMIS-X will provide extensive integration and interoperability across both Group and third party products and will serve both the NHS and the broader healthcare sector;
- EMIS Group strives to ensure it is perceived as a supplier of connected healthcare IT solutions and regularly monitors key markets and competitors; and
- Customer satisfaction measures regularly reviewed to resolve issues on a timely basis.

The Group has in place a range of mitigating controls, including:

- Investment in new development, product and project management talent and technologies;
- Adoption of strategic product portfolio management;
- Improved in-life software management processes including software defects, enhancements and clinical safety;
- Continued development of best practice standards and ways of working across all areas of the product life cycle, validated by specialist third parties such as Gartner;
- Close liaison between product and sales teams to create commercially attractive product propositions;
- Aligning product and development teams to specific business and strategic areas with cross-functional teams to apply direct feedback from users and customers throughout the software life cycle;
- Central team responsible for the architecture of the Group's software, ensuring that its platform continues to evolve as new technologies emerge; and
- Board-level responsibility for product and acquisition integration with a clear strategic plan and regular monitoring in light of the changing healthcare market.

Key mitigating actions in place include:

- Continued empowerment and accountability through the Group's matrix organisational structure;
- Group-wide refresh and communication of new business values;
- Investment in line manager training to manage teams remotely;
- Focus on engaging employees and internal communication, particularly during Covid-19;
- A clear and transparent performance management process;
- Team management objectives included in bonus achievement of senior leaders and formal recognition programme EMIS Heroes;
- Development of succession plans for GXT and senior leadership team (SLT) key roles including identification and mitigation of single points of failure;
- Operating a regularly reviewed and externally benchmarked pay and benefits framework to ensure greater consistency across the Group;
- A general focus on physical, financial and mental wellbeing, with an increased number of mental health first aiders in place to support colleagues; and
- Widening the women's network and creation of two more diversity and inclusion groups, all led and participated in by employees.

OPPORTUNITY FOR EMIS GROUP

The opportunity for EMIS Group is to align its strategy to policy, so that its products and services deliver the integrated and interoperable solutions that the market is seeking to procure. This positions the Group as a trusted high-tech supplier delivering at every level from end-user experience through to government strategy.

LINK TO STRATEGIC PRIORITIES

1 2 3 4 5

The opportunity is to build on the Group's strong history as a market innovator and instigator of positive change, with new software development that is both technologically leading edge and in alignment with customer requirements.

LINK TO STRATEGIC PRIORITIES

1 2 3 4 5

The Group's strategy to become an employer of choice will lead to improved recruitment and retention of talent. Attracting and retaining highly skilled, motivated employees will lead to better business performance, enhancing the Group's good reputation as well as financial return.

LINK TO STRATEGIC PRIORITIES

1 2 3 4 5

Principal risks and uncertainties continued

D

Information governance and cyber security

DESCRIPTION OF RISK

The Group holds significant volumes of confidential and sensitive personal data, particularly in the areas of hosting patient care records and processing employee data.

Hosting personal data (in particular special category data such as patient care records) carries risks associated with information security, data protection and system reliability, including loss, theft and corruption of data. Breaches may arise in relation to any of the three pillars of information security: confidentiality, integrity or availability.

Most reported data breach incidents are owing to human error in inadvertently disclosing data, but attacks and malware incidents continue to rise. Recent media reports now report an increase in blanket attacks by cyber criminals often backed by hostile nation states. This means civilian and commercial organisations are being targeted due to value of the personal and personal sensitive data held.

WHY IS IT A RISK?

EMIS Group's trusted reputation rests on its integrity and the quality of stewardship it applies in respect of its customers' sensitive data.

The Data Protection Act 2018 (incorporating EU GDPR) and the Networks and Information Systems Directive (NISD) have ensured that data security and information governance controls are appropriate and continually maintained. Where data is breached, the Information Commissioner's Office (ICO) has not hesitated in leveraging substantial fines to the organisations found with weak controls. In a recent case the ICO fined British Airways £20m.

Breaches could lead to claims for damages and reputational damage. "Class action" style claims are increasingly being brought on behalf of affected individuals where individual claims might be relatively modest but when multiplied by the number of individuals involved the sums can become very significant.

E

Clinical safety

As a provider of critical IT systems to healthcare providers, the Group is exposed to a range of clinical risks.

These include risks associated with the use of clinical content and algorithms in the Group's products, which clinicians use in day-to-day patient care.

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

The Group's Patient business provides technology-based enabling tools for clinicians. There are no direct clinical services provided by Patient.

There is a risk of clinical harm to patients should the software used by healthcare professionals fail to provide accurate, reliable and timely data. This could include alerts regarding a patient's known allergies, existing medication or other relevant personal information. These risks may be amplified where Group systems interoperate with third party applications.

KEY TO STRATEGIC PRIORITIES

- | | | |
|---------------------------------|-----------------------------|-----------------------|
| 1 Growth | 2 Technology transformation | 3 Customer experience |
| 4 Governance and simplification | 5 People focus | |

HOW WE MITIGATE THE RISK

An information governance (IG) framework has been established including the following key features:

- culture placing data and information governance at the heart of everything we do;
- revised oversight structure includes a data governance board, responsible for enforcement of policy and compliance activities undertaken by the Data Protection Officer, Senior Information Risk Owner and Caldicott Guardian;
- all employees are required to complete annual online IG training provided by the NHS's *e-learning programme and internal information security training modules*; and
- key policies and procedures are reviewed annually to meet corporate and regulatory compliance.

The Group has implemented a continual security improvement programme, which is raising the standards of technical and non-technical controls across EMIS through detailed reviews and assessments. This is combined with greater emphasis on security culture and human behaviour with training, education and increasing awareness. The programme includes:

- physical security improvement measures at data centres;
- penetration testing and vulnerability scanning;
- maintaining compliance to ISO 27001, ISO 22301, ISO 9001, ISO 20000 and Cyber Essentials Plus;
- building resilience to social engineering and phishing attacks;
- cloud security measures for cloud platforms and services;
- specialist cyber responders to manage breaches;
- investment in the latest industry-leading security tools to prevent and detect cyber events/incidents; and
- cyber insurance.

Most clinical risks are allied to other principal risks. Failures in software development, recruitment and information governance could lead to clinical harm to patients.

Mitigating actions specific to clinical risk management include:

- Chief Medical Officer and a network of Clinical Safety Officers in place with responsibility for clinical safety across the Group;
- policies and procedures designed to meet the regulatory requirements of NHSD's clinical risk management standard DCB 0129;
- policies and processes in place to meet regulatory standards for embedded algorithms and decision support;
- accredited clinicians identify and mitigate potential clinical risks in new software development, releases and updates;
- weekly KPI reports and a monthly clinical governance board chaired by the Group Chief Medical Officer; and
- oversight by external regulators.

OPPORTUNITY FOR EMIS GROUP

With a clear, dedicated focus on information governance and cyber security, the Group is able to operate in the healthcare market with confidence in its processes, products and services, inspiring, in turn, confidence in customers and end users.

LINK TO STRATEGIC PRIORITIES

1 2 3 4 5

EMIS Group's priority is to deliver the highest standards of clinical safety. This is an unswerving focus that runs through the Group's culture, creating an opportunity to continue to build the trust of the healthcare profession, leading to increased software and service sales and customer retention.

LINK TO STRATEGIC PRIORITIES

1 2 3 4 5

A sustainable future

Every element of the Group's ESG approach helps EMIS deliver its purpose to enable better care through technology innovation. The Group sets high standards in these areas, helping to foster strong relationships with its employees and customers, manage its corporate responsibilities and have a positive impact on communities.

Our community

Doing the right thing for UK healthcare and the global communities in which we work and live

250

Computers donated to help schools manage learning at home

Our responsibilities as a business

A high standard of clinical and data governance underpins everything we do

6

data governance board members oversee processes and policies

Our environmental responsibility

Establishing a sustainability policy for our business

50%

of EMIS fleet is now electric or hybrid

Our people and culture

Creating a strong working culture of people united by our business purpose

30%

increase in take-up of the SIP during 2020

OUR COMMUNITY

Why it is a priority for EMIS Group

As a key software supplier to the healthcare sector, EMIS Group plays a critical role in the day-to-day working lives of many clinicians, from GPs to community nurses to pharmacists. By supporting front line healthcare professionals with the technology systems that manage everyday healthcare, they are empowered to deliver the best patient care possible to the nation.

Covid-19

Doing the right thing for UK healthcare has always been the Group's core principle and this has never been more critical as the sector united to combat the pandemic. During 2020 and into 2021, EMIS Group stood up to help the NHS front line deliver essential Covid-19 care while ensuring that day-to-day healthcare continued to be delivered supported by digital enhancements. Details of EMIS's response to Covid-19 can be found on pages 4 and 5.

Our community case studies

QCovid

In February 2021, up to 1.5 million people were identified as being at a higher risk from Covid-19 using the QCovid risk prediction model (more information on page 35). Approximately 700,000 people would have already been vaccinated as part of the over-70s cohort and an additional 800,000 adults were prioritised for a vaccination as a result.

Deputy chief medical officer for England Dr Jenny Harries said: "For the first time, we are able to go even further in protecting the most vulnerable in our communities.

"Those most vulnerable to Covid-19 can benefit from both the protection that vaccines provide, and from enhanced advice, including shielding and support, if they choose it."

The UK public

EMIS Group has long provided reliable healthcare information through Patient.info, at no charge to either the public or the NHS. This proved to be an essential resource during the pandemic; the website's coronavirus information was viewed 20 million times from March 2020 to February 2021.

Patient.info's Dr Sarah Jarvis became one of the public's trusted experts on Covid-19 advice, making the up-to-date healthcare information that was published on Patient.info more broadly available through the media to reach many more people. Read Dr Jarvis's story on page 27.

Recycling used hardware for schools

The Group was able to help the wider community during the pandemic by supplying computer equipment to schools local to its head office, free of charge. As part of the Waste, Electrical and Electronic Equipment (WEEE) recycling initiative, EMIS provides a service to its NHS customers to collect and ethically dispose of technology hardware no longer required by customers. To help schools manage learning during lockdown, EMIS Group has securely reconfigured and donated more than 250 laptops and PCs so far for pupils to use at home. This initiative will continue in 2021.

The apprenticeship scheme

EMIS has partnered with Code Nation for the second year to run its apprenticeship programme to tackle the technology industry's skills gap and to encourage more people to consider software development as a career. The programme focusses on helping people with no prior coding experience to begin a career in development. Since the scheme began, EMIS has hired 14 apprentice junior developers, who received a twelve-week training course on the basics of coding from Code Nation before joining the business.

Charity partnership

EMIS continued to raise money for Mind during 2020. Despite the challenges of lockdown, employees organised many digital and socially distanced fundraising activities, including the Mind Marathon, MasterChef challenges, "switching-off to game-on" and one employee's year-long Land's End to John o'Groats running mileage challenge. This has given staff a positive focus during lockdown for wellbeing, as well as benefitting the charity.

QCovid: supporting not-for-profit research

In early 2021, the NHS adopted the QCovid risk model to fast-track vaccinations for the vulnerable. QCovid was developed using the QResearch database – a not-for-profit initiative between the University of Oxford and EMIS.

The University of Oxford turned its research into a risk prediction model called QCovid, and NHS Digital used this to develop a population risk assessment to prioritise those patients most at risk for vaccination and support.

The research was commissioned by England's Chief Medical Officer Chris Whitty and funded by the National Institute of Health Research. It found that there are several health and personal factors which, when combined, could mean someone is at a higher risk from Covid-19. These include characteristics like age, ethnicity and body mass index, as well as certain medical conditions and treatments.

Our community case studies

Supporting local schools

"In the third national lockdown I teamed up with Pudsey Computers to ask local business to donate any unused computer equipment to be given to local schools. We are very grateful to EMIS for donating redundant computer equipment, which has been recycled by Pudsey Computers with funding from local councillors. This equipment is already in use by many pupils living in Pudsey to help with their online learning during lockdown.

"We started with local high schools and we have nine primary schools in Pudsey too. It is just taking that pressure off for families and helping the schools."

Councillor Simon Seary, Pudsey Ward

Jon Kelly's apprenticeship story

"I joined EMIS as a Junior Software Developer in 2020 through the apprenticeship scheme. Before that I had worked in a call centre, a job I didn't enjoy but it was my route out of homelessness.

"When I heard about the opportunity at EMIS I bent over backwards to get on the Code Nation course – I've never been so focussed. For the first time I felt that what I was doing could result in a career.

"I used NHS apps to help me when I was struggling and now I am on the other side of it and working on software to help the healthcare industry to help people.

"It's challenging but I enjoy it. I spent 15 years of my life being unhappy and now I am happy and excited about the future."

Jon Kelly, Junior Software Developer

Sustainability continued

“Good governance makes what we strive to do possible and sustainable. It’s about how we work collectively day-to-day, doing the right things in the right way to deliver the best products and services to our customers. It underpins everything: our talent, our strategy and ultimately is essential to our success.”

Peter Southby
Chief Financial Officer

OUR RESPONSIBILITIES AS A BUSINESS

Why it is a priority for EMIS Group

As the guardian of more than 40 million patient records, EMIS takes clinical and data governance extremely seriously with a low risk appetite in this area. A high standard of clinical and data governance underpins everything EMIS does, from processing employee data internally to helping customers to safely and securely share vital patient information.

The data governance board

The Group ensures that its data governance processes and policies are kept front of mind for all employees.

During 2020 EMIS Group introduced a data governance board, chaired by Group Chief Medical Officer and Caldicott Guardian, Dr Shaun O’Hanlon. The board oversaw a policy and process review with the support of internal and external experts, and introduced additional safeguards to ensure the business continues to operate to ever-higher standards in this area. All staff were required to read and sign a new data governance policy and a set of overarching golden rules.

The new policy mandates that anyone processing any personal data (patient, customer, consumer or employee) must have relevant approval before they can proceed. Data stewards have been given responsibility and accountability for handling this data and enforcing the process throughout the organisation.

The data governance golden rules are reinforced in the organisation through regular communication and mandatory annual training on the relevant policies. This is closely linked with the corporate value of being responsible; colleagues are educated and empowered to act responsibly within the appropriate governance framework to maintain EMIS’s high standards.

The Group’s ISO 20001 accreditation provides external validation to customers that EMIS’s processes and policies meet international standards.

Empowering connected care

A core component of the EMIS Group purpose is connecting care settings to improve patient experience and health outcomes. This can only be done through strong data governance controls: ensuring that all data required is safely and securely available through EMIS systems. Any interoperable data sharing initiative must always take into account both the benefit of instant accessibility for clinicians needing essential patient data at the point of care and the need to protect medical and

89

people in the clinical team
provide real-life clinical insight

personal data through strict privacy and security measures in the system. EMIS ensures that the right, appropriately authorised data is shared across the healthcare industry resulting in reduced patient waiting times, better patient outcomes and more time for clinicians to focus on patient care.

Clinical governance

Clinical safety is EMIS Group's number one priority. The Group's Chief Medical Officer and a network of experienced working clinicians and Clinical Safety Officers have overall responsibility for clinical safety at EMIS. They work across the organisation and input into development, support and product management processes to ensure clinical safety is embedded in every part of the creation and delivery of healthcare technology. The 89-strong clinical team includes clinicians from a wide range of settings, from primary to A&E to community pharmacy, to bring real-life clinical experience into the culture of the organisation and educate the rest of the business on the reality of front line healthcare. The Group's regulatory compliance team ensures that all software solutions are compliant with relevant directives pertaining to medical devices, enabling EMIS to safely bring innovative technology to the market such as algorithms and artificial intelligence (AI).

The Group continues to develop the EMIS-X Analytics suite to provide essential insight into UK health and wellness. Its strong clinical and data governance ethos and processes ensure that customers of EMIS-X Analytics operate with strict access control technology to deliver compliance with GDPR and NHS Information Governance for security, privacy and protection.

With these strong clinical governance standards in place, EMIS can offer the capability for improved meaningful research at large-scale healthcare population level, going over and above protecting data but making it available for wide-scale improvements to patient outcomes on a population level.

Cyber security

Cyber security is a top priority to keep EMIS's systems and data secure. Moving to homeworking has led to an additional review and improvement of controls to respond to new risks associated with the changed working environment. The Group has deployed new security and monitoring tools in response to the fast evolving cyber threat landscape and upskilled employees by raising security awareness and promoting good security hygiene. The Group will continue to invest in cyber defences in order to keep pace with evolving threats and will adjust the security strategy and plans accordingly, aligned to the business strategy.

Governance and risk management

EMIS Group has strong governance processes in place, overseen by the Chief Financial Officer. The Group Portfolio Management Office provides governance of all new initiatives, to ensure that EMIS is investing in the right programmes and projects and is delivering them as efficiently and effectively as possible. The operational executive team is a cross-functional management group to ensure the business meets its KPIs. The RMC proactively manages and mitigates risk across the business, with regular meetings and an action-driven approach to reducing risk.

More information on how EMIS Group mitigates risk in the areas of data and clinical security and the role of the RMC can be found on pages 28 to 33. Details on EMIS Group's corporate governance and compliance with the Code can be found on pages 48 to 54, including its policies on bribery and corruption, data security, code of ethics and whistleblowing.

Our responsibilities as a business case studies

Understanding our customers

"I started my career on the service desk of one of the UK's largest banks and quickly learnt the impact technology has on every business. That experience is why I'm so passionate about our customers having the best support from EMIS.

"I like to immerse myself in the reality of the healthcare front line so I can see things from our end users' points of view. A few years ago before I joined EMIS, I had the opportunity to shadow a busy Emergency Department in the North West on a Friday night. During the evening the department experienced technology difficulties that compounded what was already a stressful shift. I saw first hand the impact of technology when it goes right and when it goes wrong.

"My experiences give me a drive to make sure our technology does everything it can to help our busy customers deliver the best possible patient care."

Bob Brown, Group Chief Operating Officer

111 integration

At Wye Valley NHS Trust, 111 operators are electronically booking patient appointments in their hospitals' emergency departments – or with urgent care services such as GP out of hours services and minor injuries units – via EMIS's Emergency Department system, Symphony.

The technological advancement enables 111 operators and patients to discuss appointment options in real time, avoiding cancellations and missed appointments. Previously 111 operators could only signpost patients to the preferred area of care.

The integration also gives emergency department clinicians access to patient information prior to the appointment, reducing administration time and preventing unnecessary repetition. This means that patients can be rapidly assessed, diagnosed and, in some cases, treated without being admitted to a ward.

Sustainability continued

OUR ENVIRONMENTAL RESPONSIBILITY

Why it is a priority for EMIS Group

There is increasing interest from all stakeholder groups in businesses' impact on the environment. Sustainable business practices will play an increasing importance in EMIS Group's ability to grow successfully and maintain profitability over the long term.

As a software development business, EMIS's activities are largely office and latterly home based and do not involve any energy-intensive processes or generate significant waste. Nonetheless, EMIS is committed to reducing its environmental impact and is developing a new Group-wide environmental strategy to establish and measure improvement in this area. This will build on what it has achieved so far and embrace its new remote, flexible and collaborative ways of working across a simplified and reduced property portfolio. EMIS is at the start of its journey to measure and improve its impact on the environment and the business is committed to working towards "carbon neutral" status with a long-term ambition to be carbon neutral by 2030.

From 1 January 2020, EMIS is required to measure its energy and carbon data under the Streamlined Energy and Carbon Reporting (SECR) requirements.

Key areas

The Group's environmental aims fit seamlessly with the new corporate values. EMIS's environmental responsibility will focus on the following key areas:

- energy, waste, plastics and carbon management;
- sustainable sourcing, procurement and supply chain;
- sustainable travel and fleet management;
- creation of an energy procurement policy; and
- sustainable buildings including data centre management.

This will be underpinned with visible monitoring and a process of continuous improvement.

EMIS Group was re-accredited for ISO 14001 Environmental Management system during 2020, internationally recognised as the leading environmental management system.

Actions taken to date:

To minimise the impact on the environment, EMIS has:

- reduced the number of fleet vehicles over the year and reduced the proportion of fossil-fuel powered vehicles, with 50% of the EMIS fleet now electric or hybrid;
- fitted vehicle trackers to the fleet to further enhance reporting and reduce the impact on the environment;
- offered the cycle to work scheme to all UK employees;
- prioritised energy-efficient IT and facilities equipment during replacement and upgrade programmes;
- mandated that a travel portal be used for booking all national and international travel Group-wide to enable data review, working towards more sustainable travel;
- implemented energy-efficient technologies during building redevelopment work and within the data centres; and
- used video conferencing and instant messaging software to help limit business travel for internal meetings and enable employees to work from home.

Targets and goals for 2021

- Development of EMIS's environmental strategy, formalising the commitment to environmental improvements, and agreement of an action plan to implement this.
- Establish targets by the end of the first quarter of 2021 for improvements following the first year of reporting under SECR, using baseline data from 2020.
- Evaluation of business processes under Scope 3 emissions and agree a plan for measuring Scope 3 from 1 January 2022.
- Creation of a partner programme to focus on delivering sustainable prosperity for communities and businesses through working on environmental projects. This will include developing the relationship with the Yorkshire Climate Action Coalition.
- Installation of six vehicle charging points at one of EMIS's sites by the end of the third quarter of 2021.
- As the business is predominantly homeworking, review the fleet policy by the second quarter of 2021, with an aim to reduce the number of fleet vehicles further. EMIS's long-term ambition is to have an all hybrid/electric fleet by 2025.

Our environmental responsibility case study

Improving efficiency of the data centre

"During 2020 EMIS added a loading bay outside its primary data centre to improve energy efficiency. This means that deliveries can be processed without impacting the consistent room temperature required for optimal performance of the equipment.

"Previously when equipment was delivered, the controlled temperature would fluctuate and there would be an energy requirement to re-stabilise the room.

"Deliveries can now be unpacked and packaging disposed of without the risk of contaminating the room with dust particles. Dust particles can block fans, which can reduce the efficiency and life span of the equipment.

"The external doors can be closed prior to the internal doors being opened. This results in the air conditioning units not having to compensate for an increase in demand, reducing energy consumption."

Philippa Steventon, EMIS Health and Safety Manager

The impact of Covid-19

In addition to the actions already undertaken as part of the Group's overall sustainable business approach, Covid-19 resulted in some significant changes to the Group's impact on the environment during 2020:

- as a result of lockdown restrictions and reduced employee mobility, business mileage fell by 53% to 1,224,371 (2019: 2,620,977);
- moving to flexible remote working reduced the Group's property portfolio with a 5% reduction in floor space over the year;
- the Group's offices are undergoing transformation to collaboration hubs, including improved energy-efficient lighting and energy management systems. More energy-efficient LED lighting has been implemented in communal office areas; and
- recycled electrical waste volume reduced by 47% and confidential waste by 69%.

SECR statement

EMIS measures and reports its energy and carbon data across its UK business, providing comprehensive data to assess its overall environmental impact for Scope 1 and 2 and mandatory Scope 3. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Mandatory Scope 3 covers indirect emissions from the grey fleet. EMIS will look to measure energy and carbon data from across the Group from 2021. EMIS's SECR statement includes all emission sources required under the 2019 regulations for the financial year ended 31 December 2020 and uses the UK government's GHG conversion factors for company reporting. This is EMIS's first year of reporting and the Group will be using the 2020 reporting year as the benchmark for 2021. The report uses the metric of revenue (£m) as the intensity ratio. EMIS intends to give higher priority to this objective in the coming years, including measurement of Scope 3 emissions as part of an ongoing commitment to continual improvement. Scope 3 includes all other indirect emissions that occur in a company's value chain.

Intensity ratio	£'m	kWh/ revenue £'m	tCO ₂ e/ revenue £'m
Total revenue 2020	159.5	30,981	7.33

Combined consumption kWh

Scope 1 (26%)

Scope 2 (73%)

Scope 3 (1%)

Combined tCO₂e

Scope 1 (27%)

Scope 2 (72%)

Scope 3 (1%)

Carbon emission sources	Travel and utilities	kWh 2020	tCO ₂ e 2020 ¹
Scope 1	Natural gas	95,899	18
	Other fuels	8,398	2
	Transport (company cars)	1,160,732	292
Total Scope 1		1,265,029	312
Scope 2	Electricity	3,599,437	839
Scope 3 (mandatory)	Transport (grey fleet)	77,023	19
Total gross values		4,941,489	1,170

¹ Figures have been rounded to the nearest whole number.

Sustainability continued

OUR PEOPLE AND CULTURE

Why it is a priority for EMIS Group

As a healthcare technology business, the Group's success is built on the intellectual capital of its people. EMIS Group's purpose of improving UK health outcomes is a key motivator for many colleagues. The aim of the leadership team and the HR function is to enable, empower and strengthen this drive through the creation of a positive working culture.

Group values

Following a survey on Group culture, EMIS Group launched new corporate values to capture the spirit of the business: responsible, collaborative, transformative and supportive. The values are fundamental to achieving the Group's vision of being the leading provider of innovative healthcare technology that improves people's lives. Across the business, employees are actively encouraged to live the values. They are linked to employee recognition and reward, objective setting and review and play a large part in internal communications.

Employee engagement

EMIS extended the number of its employee forums as a key method of employee engagement. Representatives from every area of the business seek and feed back views from colleagues and the national and local forums help the business to talk to employees about important changes.

EMIS's strong internal communications programme was key to engagement through the year. The Group sent more regular staff update emails and ran more of Andy Thorburn's "Ask Andy" all employee open Q&A online sessions than ever before, as well as utilising *Workplace for informal and social engagement*. In a mid-year survey, 90% of respondents felt the business could not have done more to communicate since moving to homeworking.

Supporting wellbeing

It has never been more important to support employee wellbeing than during the pandemic. Supporting colleagues has always been an important part of EMIS culture and the Group increased activity in this area during the year. It launched a dedicated wellbeing programme, Thrive. In a staff survey, 90% of people said the business had supported their mental health and wellbeing.

EMIS appointed more voluntary mental health first aiders, to bolster the existing programme and bring the total number of volunteers to 28. There were regular staff engagement sessions throughout the year, focussed on downtime away from work, such as quizzes, cookalongs and inspirational speakers.

Flexible working

Covid-19 transformed the way EMIS operates overnight. The Group was quick to adapt to homeworking and, despite the challenges of lockdown, employees began to embrace the change. In mid-2020 EMIS sought employees' views on the new way of working through a direct survey and via the employee forums. Key positives fed back included less time commuting, a better work-life balance and more flexibility for families and those with caring responsibilities. EMIS formed a working group to engage with staff to shape plans to continue this approach, becoming a mainly homeworking business with key office spaces to be transformed into collaboration hubs.

A diverse and inclusive culture

EMIS already had a successful women's network in both the UK and India, which had led to positive change such as improvements to the flexible working policy. The programme was extended during 2020 to become a broader diversity and inclusion network comprising three groups: BAME, LGBTQ+ and the women's network. All three diversity and inclusion groups are driven by employees with active engagement from HR to ensure inclusivity is embedded into EMIS's everyday culture.

EMIS Group's annual gender pay gap (GPG) report showed a significant reduction in the headline metric for the third consecutive year from 10.3% in 2019 to 6.4%. The Group will publish information in line with the requirements of the Equality Act 2010 (Gender Pay Gap Information) Regulations on an annual basis.

Equal opportunities

EMIS strives to build an inclusive culture that encourages, supports and celebrates the diverse voices of its employees. The Group is committed to ensuring that all of its employees and prospective employees are treated fairly and equitably. EMIS is focussed on providing a working environment that operates on equality of opportunity and freedom from harassment or unlawful discrimination on the grounds of race, sex, pregnancy and maternity, marital or civil partnership status, gender reassignment, disability, religion or beliefs, age, or sexual orientation; EMIS's dignity at work policy sets out this commitment. All employees are treated fairly and equally.

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

Gender diversity

GXT

Female (30%)
Male (70%)

Senior management (and their direct reports)¹

Female (36%)
Male (64%)

All employees

Female (32%)
Male (68%)

¹ Senior management as defined by the Code.

Modern Slavery Act

The Group is committed to conducting business responsibly. It seeks to ensure that its supply chains operate to those same high standards, including in relation to employment practices, workplace conditions and, more specifically, the prevention of forced, bonded and trafficked labour. This is upheld through the Group's policies and processes and is fully supported by the Board. The steps taken to help manage the risks outlined by the legislation are detailed in the modern slavery statement, which is published annually on the Group's website and can be found at www.emisgroupplc.com/investors/corporate-governance.

REWARD AND RECOGNITION

SIP

The SIP encourages tax-advantaged employee ownership of the Group's shares and is offered to all UK employees with over six months' service. The scheme was relaunched during 2020 to raise awareness of the benefits, resulting in an increase in take-up of just under 30%. 25% of eligible employees now contribute to the scheme (2019: 19%).

During the year the scheme provided one matching share for every three shares purchased by employees. In 2021 EMIS has enhanced this to one matching share for every two shares purchased by employees. In April 2020 the Group offered a free share award to 1,044 eligible UK employees and offered the shares on an opt-out basis, which resulted in 100% take-up.

Pension contribution

In 2020 92.5% of UK employees had pension contributions paid on their behalf into a pension scheme (2019: 92%). New employees are auto-enrolled into the Group scheme.

Over the last six years EMIS has consistently increased pension contributions year on year. By April 2020, standard pension contributions had been uplifted to a minimum 10% (5% employee and 5% employer). In 2021 a further 0.5% increase in the minimum level of the employer pension contribution has been applied, taking this to 5.5%. This is part of a plan over the medium term to align employer contribution across EMIS grades.

Benefits in Chennai

Some benefits are structured differently for colleagues in Chennai, to take account of local legislation and market practice. EMIS colleagues in India have access to unlimited online healthcare consultations, including with GPs and specialist clinicians and for Covid-19. This service has the ability to link to local pharmacy stores for home delivery of medication. The workforce in Chennai is provided with health insurance coverage for both themselves and their family.

Values-based recognition: EMIS Heroes

EMIS reviews its benefit provision every year to reward and recognise employee performance. Despite Covid-19, EMIS delivered all the planned remuneration changes in the year and improved benefits. During 2021, performance, market relativity and increased responsibility will drive most changes in basic salary and the Group will look to support its lower paid employees.

Recognition is an integral part of EMIS's supportive culture and a new values-based recognition programme was introduced in 2020 in both the UK and India. Employees are encouraged to send colleagues e-cards to show appreciation to those delivering exceptional performance, and managers are invited to give a small financial instant reward for significant demonstration of one or all of the Group's values. 1,300 e-cards and monetary awards were sent during 2020.

Our people and culture case studies

Wellbeing in Chennai

"Here in Chennai we moved to home working before the official lockdown for Covid-19 was announced. It was a big change for us as we had been office based for five years and had built up a good working culture. We wanted to make sure that we all kept connected while we were at home. We organised multiple sessions through Teams on a range of wellbeing subjects, benefitting from external speakers including doctors and financial experts to help us learn more about Covid-19 and how we could better manage our finances.

"It was also important to us to offer more holistic wellbeing sessions to colleagues and we held a number of yoga and meditation sessions online for colleagues to help them unwind and de-stress. We plan to do more in 2021!"

Sivasankari Sankaran, HR Manager, Chennai

The value of the SIP

"I signed up to the SIP as soon as I was eligible as I believe it's counterintuitive not to! The benefits on the contributions, which have recently been increased by EMIS, mean this method of saving is more beneficial to me than putting money into savings accounts at the current time. Investing through the SIP has also led to me feeling more engaged with the business and its success.

"To me it makes absolute financial sense and it's a good option for the risk averse given the nature of our business. I have been investing for more than five years and I'm glad I signed up as early as I could when I joined the Company as I have accumulated a healthy amount to go towards a house deposit or future travelling."

Priya Patel, Legal Counsel

Creditable performance during the pandemic

Recurring revenue, cash flow and reported operating profit all increased.

The results for the year ended 31 December 2020 represent a creditable performance given the challenges faced by the business during the Covid-19 lockdown periods. The Group's revenues, adjusted operating profit and adjusted operating margin were unchanged on the comparative period while recurring revenue, cash flow and reported operating profit and margin all increased.

Group revenue of £159.5m (2019: £159.5m) included revenue of £2.2m from the Pinnacle acquisition, completed on 9 March 2020. Recurring revenue grew by 4% to £130.0m (2019: £125.0m), representing 82% (2019: 78%) of the Group's total revenue.

Adjusted operating profit for the year, as set out in the table below, was £39.3m (2019: £39.3m), including £0.7m from Pinnacle. Reported operating profit, in the absence of any exceptional charges and including the release of contingent acquisition consideration of £1.0m, increased to £35.8m (2019: £26.8m). A reconciliation between the operating profit measures is given in the Group statement of comprehensive income and in the appendix to this report.

Segmental performance

The table on page 43 sets out the summary segmental performance.

Driven in part by higher than usual hardware sales resulting from the need for rapid deployment of mobile working solutions during lockdown, revenue increased by 7% in EMIS Health to £107.8m (2019: £100.9m). These additional sales and reduced operating costs delivered an 8% increase in adjusted operating profit to £25.1m (2019: £23.3m), notwithstanding the Group's continued investment in developing its strategic roadmap.

While recurring revenue increased, performance in the EMIS Enterprise division reflected a subdued market and a strong comparative period. In the absence of significant licence deals and with delayed implementations during lockdown, revenue was 12% lower at £51.7m (2019: £58.6m), and adjusted operating profit reduced by 10% to £15.7m (2019: £17.5m).

Revenue

The NHS GP IT Futures framework, governing over a quarter of the Group's revenues, took effect in 2020. This introduced a single "software as a service payment" for GP systems in England and therefore, 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 is summarised below:

- **software subscription and support**, higher at £99.5m (2019: £94.2m), reflecting the inclusion of the acquired Pinnacle revenues and higher revenues from the Group's existing customers;
- **interface and connectivity charges**, lower at £20.3m (2019: £21.8m) with business growth offset by a particularly strong comparative period for partner on-boarding;
- **hardware and related services**, which grew to £17.3m (2019: £13.2m) as a result of Covid-19 related hardware sales in the primary care market;
- **other services**, where revenues were higher at £13.4m (2019: £12.0m) with increased digitisation project work; and
- **perpetual licences, training, consultancy and implementation**, where lower revenues of £9.0m (2019: £18.3m) reflected the unusually high level of licence deals in the comparative period and reduced implementation activity during the Covid-19 lockdowns.

The high level of recurring revenue and the strength of the Group's customer relationships give the Group confidence to invest in developing future products and services, while providing good visibility of future financial performance.

Recurring revenue grew by **4%**

Summary segmental performance

	EMIS Health 2020 £'m	EMIS Health 2019 £'m	EMIS Enterprise 2020 £'m	EMIS Enterprise 2019 £'m	Total 2020 £'m	Total 2019 £'m
Revenue	107.8	100.9	51.7	58.6	159.5	159.5
Adjusted segmental operating profit	25.1	23.3	15.7	17.5	40.8	40.8
Group expenses					(1.5)	(1.5)
Adjusted operating profit¹					39.3	39.3
Adjusted operating margin	23.3%	23.1%	30.4%	29.9%	24.6%	24.6%

¹ Excludes capitalisation and amortisation of development costs, amortisation of acquired intangibles and exceptional items. See page 22 for alternative performance measures.

Profitability

Adjusted operating profit was unchanged on the comparative period at £39.3m (2019: £39.3m). This was delivered despite a lower gross margin revenue mix by careful cost control through the year, while at the same time increasing the level of investment in development to £21.2m (2019: £20.7m). The adjusted operating margin was also consistent with the comparative period at 24.6% (2019: 24.6%).

Total staff costs excluding exceptional reorganisation costs were 1% lower than in 2019, although year-end staff numbers increased to 1,591 (2019: 1,527) and the average headcount was also higher at 1,579 (2019: 1,575). The increase in staff numbers was driven principally by the expansion of the Indian development team to 410 people (2019: 332).

Reported operating profit increased by 33% to £35.8m (2019: £26.8m), reflecting the release of contingent consideration no longer payable on the 2018 Dovetail acquisition, the absence of exceptional reorganisation costs in 2020, and lower levels of capitalised development cost amortisation charge.

During the year a final contingent payment under the sale agreement of £0.8m was received from the acquirer for the Specialist & Care business, disposed of in 2019, and this payment was recognised as other income.

Taxation

The tax charge for the year was £6.8m (2019: £5.0m). The effective tax rate for the year before the deferred tax rate change, release of contingent acquisition consideration, other income and share of result of joint venture and associate was 19.1% (2019: 19.2%).

Earnings per share (EPS)

Adjusted basic and diluted EPS were 1% lower at 51.0p and 50.4p respectively (2019: 51.4p and 51.1p). The statutory basic and diluted EPS were both higher at 48.1p and 47.6p respectively (2019: 36.0p and 35.8p).

Dividend

Subject to shareholder approval at the Annual General Meeting on 6 May 2021, the Board proposes an increase in the final dividend to 16.0p (2019: 15.6p) per ordinary share, payable on 14 May 2021 to shareholders on the register at the close of business on 16 April 2021. This would make a total dividend of 32.0p (2019: 31.2p) per ordinary share for 2019. This is 3% higher than in the prior year, reflecting a balance of the challenging trading environment experienced in 2020 with the consistent underlying growth of the Group and its positive future prospects.

Financial review continued

Cash flow and net cash

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

	2020 £'m	2019 £'m
Cash from operations:		
Cash generated from operations	64.1	50.1
Less: capitalised development costs	(6.6)	(7.4)
Adjusted cash generated from operations	58.8	46.3
Cash cost of exceptional items	(1.3)	(3.6)
Net cash generated from operations	57.5	42.7
Business combinations	(4.2)	(1.2)
Business disposal	0.8	6.2
Net capital expenditure	(0.4)	(5.6)
Transactions in own shares	0.5	(3.1)
Tax	(11.7)	(4.5)
Dividends	(19.9)	(18.7)
Lease payments	(1.5)	(0.9)
Finance/other	0.8	0.6
Change in net cash in the year	21.9	15.5
Net cash at end of year	53.0	31.1

Cash generated from operations increased to £64.1m (2019: £50.1m). Adjusted cash from operations is stated after adding back the cash cost of items relating to the 2019 exceptional reorganisation costs of £1.3m (2019: £3.6m) and after deducting capitalised development costs. On this adjusted basis, cash flow from operations was 27% higher than in 2019, due to improved working capital including £7.3m of VAT payments deferred until 2021.

The Group completed the acquisition of the Pinnacle business during the year for initial cash consideration, net of cash acquired, of £2.9m. It also paid a final balance of £0.8m of deferred contingent consideration further to the 2018 Dovetail acquisition and £0.6m for the acquisition of the remaining 10% share capital of Dovetail. The Group received £0.8m of consideration in respect of the 2019 disposal of the Specialist & Care business.

Net cash spent on capital expenditure (excluding capitalised development costs) was tightly controlled at £0.4m (2019: £5.6m). Capital additions in the year included £1.8m on computer equipment, £0.4m on internal systems and software and £0.7m on property assets offset by proceeds from sales (principally of the former head office property) of £2.5m (2019: £0.2m).

After transactions in own shares, tax, dividends, lease payments and finance/other transactions, the total net cash inflow of £21.9m resulted in a year-end net cash position of £53.0m (2019: £31.1m). At 31 December 2020, the Group had available undrawn bank facilities of £30.0m committed until June 2021, reducing to £15.0m for the twelve-month period ending 30 June 2022. An accordion arrangement is in place to increase the quantum up to £60.0m, reducing to £30.0m for the twelve-month period ending 30 June 2022.



Peter Southby
Chief Financial Officer
17 March 2021

REVENUE ANALYSIS

Software subscription
& support: 62%

Interface and connectivity
charges: 13%

Hardware and related
services: 11%

Other services: 8%

Perpetual licences,
training, consultancy
and implementation: 6%

Recurring: 82%

Non-recurring: 18%

Total revenue³
£159.5m

2020	159.5	
2019	159.5	
2018	149.7	170.1
2017	142.4	160.4
2016	144.5	158.7

Recurring revenue^{2,3}
£130.0m +4%

2020	130.0	
2019	125.0	
2018	120.6	140.7
2017	115.8	133.5
2016	114.8	128.5

Reported operating profit³
£35.8m +33%

2020	35.8	
2019	26.8	
2018	27.7	28.7
2017	10.6	10.9
2016	23.5	29.1

Adjusted operating profit^{1,2,3}
£39.3m

2020	39.3	
2019	39.3	
2018	35.9	37.6
2017	36.8	37.4
2016	38.3	38.8

Reported cash generated from operations
£64.1m +28%

2020	64.1	
2019	50.1	
2018	49.9	
2017	48.8	
2016	43.7	

Adjusted cash generated from operations²
£58.9m +27%

2020	58.9	
2019	46.3	
2018	54.5	
2017	49.7	
2016	41.1	

Reported EPS³
48.1p +34%

2020	48.1	
2019	36.0	
2018	34.7	36.1
2017	12.8	13.2
2016	30.4	38.9

Adjusted earnings per share (EPS)^{1,2,3}
51.0p -1%

2020	51.0	
2019	51.4	
2018	45.1	47.4
2017	46.4	47.2
2016	48.7	49.4

Total dividend for the year
32.0p +3%

2020	32.0	
2019	31.2	
2018	28.4	
2017	25.8	
2016	23.4	

1 Excludes capitalisation and amortisation of development costs, amortisation of acquired intangibles and exceptional items as set out in the Group statement of comprehensive income on page 88. Earnings per share calculations also adjust for the related tax and non-controlling interest impact.

2 These are alternative performance measures. See page 22 for further details and reconciliation to the relevant IFRS number.

3 Continuing operations excluding Specialist & Care business. Continuing operations and discontinued Specialist & Care business.

Board of Directors

Patrick De Smedt Non-executive Chair

APPOINTED
January 2020

BOARD COMMITTEES¹

R N

SKILLS AND EXPERIENCE

International business experience including a diverse portfolio of main board-level appointments in public and private equity-backed companies varying in size up to multi-billion pound turnover.

Entire executive career spent in the software sector, primarily with Microsoft, across a range of largely general management roles throughout Europe.

Experience in manufacturing, construction, recruitment and financial services sectors.

Expertise in driving innovation and growth, bringing focus to customer centricity and development of successful go-to-market strategies.

EXTERNAL APPOINTMENTS

CURRENT

Senior independent director, PageGroup plc

Chair, Divitias Holdco Limited

Chair, Bytes Technology Group plc

PREVIOUS

Chair of Microsoft Europe, Middle East and Africa, vice president of Microsoft Western Europe, general manager (founder) of Microsoft Benelux, non-executive director of Kodak Alaris Holdings Ltd, non-executive director and chair of the remuneration committee of Victrex plc, senior independent director and chair of the remuneration committee of Morgan Sindall Group plc, senior independent director and chair of the remuneration committee of Anite plc and non-executive interim chair of KCOM Group plc

Andy Thorburn Chief Executive Officer

APPOINTED
May 2017

BOARD COMMITTEES

None

SKILLS AND EXPERIENCE

Over 20 years' experience in the software industry in the UK and internationally.

Ability to drive significant growth in revenues and profitability for companies through organic growth as well as mergers and acquisitions.

Track record in creating value in software and communications industries.

Over 30 years' experience in senior management and executive positions.

EXTERNAL APPOINTMENTS

CURRENT
None

PREVIOUS

Group chief operating officer of Digicel Group, chief executive officer of Digicel Caribbean and Central America, chief executive officer of Digicel Jamaica, chief executive officer/president roles at Intec Telecom Systems plc, Chronicle Solutions Ltd and a number of Benchmark Capital Portfolio companies (including Kalido Inc. and Orchestria Ltd) and a managing director within BT Group

Peter Southby Chief Financial Officer

APPOINTED
October 2012

BOARD COMMITTEES

None

SKILLS AND EXPERIENCE

Over 25 years' experience in finance, mainly in a public company environment, with over half of this at board level.

Proven ability in corporate transactions, including fundraising, acquisitions and disposals.

Detailed knowledge of strategy across multiple industry sectors, with a focus on support services. Institute of Chartered Accountants in England and Wales (Fellow).

EXTERNAL APPOINTMENTS

CURRENT
None

PREVIOUS

Finance director at ENER-G plc and Augean plc, senior financial positions at White Young Green plc and Leeds United plc and trained with Arthur Andersen as audit manager

Andy McKeon CBE Senior Independent Non-executive Director

APPOINTED
September 2015¹

BOARD COMMITTEES

A R N

SKILLS AND EXPERIENCE

Deep knowledge of the NHS and extensive experience in shaping health policy.

Extensive knowledge of European and American healthcare.

Advocate for change that benefits patients.

Broadly based NED experience across the private and public sectors.

Over 20 years' senior and board-level management experience in major organisations.

EXTERNAL APPOINTMENTS

CURRENT

Chair, The Nuffield Trust

PREVIOUS

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

¹ Having previously served on the Board between February 2013 and April 2015.

Kevin Boyd
Independent
Non-executive Director

APPOINTED
May 2014

BOARD COMMITTEES

A R N

SKILLS AND EXPERIENCE

Considerable senior management and listed company experience.

Real-time financial experience and software systems knowledge.

Experience of running complex business and corporate transactions.

Institute of Chartered Accountants in England and Wales (Fellow).

Institution of Engineering and Technology (Fellow).

EXTERNAL APPOINTMENTS

CURRENT

Non-executive director, Polypipe Group plc

Non-executive director, Bodycote plc

PREVIOUS

Group chief financial officer at Spirax-Sarco Engineering plc, Oxford Instruments plc and Radstone Technology plc, finance director at Siroyan Ltd and held senior financial positions at TI Group plc

Jen Byrne
Independent
and designated
Non-executive Director

APPOINTED
May 2019

BOARD COMMITTEES

A R N

SKILLS AND EXPERIENCE

Extensive commercial experience in the global software sector.

Strong track record in using technical insight to deliver challenging and technically complex engineering programmes.

In-depth knowledge of finance and engineering.

A strategic thinker with experience of companies in a growth phase.

Strong leadership skills

EXTERNAL APPOINTMENTS

CURRENT

Chief operating officer, G-Research

Non-executive director, RUAG Holding AG

PREVIOUS

15 years at the Lockheed Martin Corporation, latterly as vice president, space and missiles systems

JP Rangaswami
Independent Non-
executive Director

APPOINTED
1 March 2021

BOARD COMMITTEES

A R N

SKILLS AND EXPERIENCE

An insightful, independent-minded and creative technology leader.

Highly relevant experience in the data analytics sector in both operational and strategic, data-focussed and technology roles, with specialist experience in data governance, standards, best practices and techniques.

Strong understanding of the challenges of working in a regulated environment from a decade in the financial services sector.

EXTERNAL APPOINTMENTS

CURRENT

Non-executive director, Allfunds Bank SAU

Non-executive director, DMGT plc

Non-executive director, Admiral Group plc

Non-executive director, National Bank of Greece

Trustee, Web Science Trust

Trustee, Cumberland Lodge

Member of board of governors, Hammersmith Academy

PREVIOUS

Chief data officer and group head of innovation, Deutsche Bank; chief scientist, Salesforce.com; chief scientist, managing director and chief information officer, BT Group; head of alternative market models and global chief information officer, Dresdner Kleinwort; various roles with multinational hardware, software, services and consulting organisations

Board of Directors key

Executive

Non-executive

Committee membership

- A Audit committee
 - N Nomination committee
 - R Remuneration committee
- Chair of committee:

Summary of skills brought to EMIS Group

Technology/software experience:

Healthcare experience:

Financial experience:

Previous PLC board experience:

Driving growth and innovation:

Chair's introduction to governance

Good corporate governance

Dear Shareholder

On behalf of the Board I am pleased to present the EMIS Group plc governance report for the year ended 31 December 2020.

The Board recognises the value and importance of good corporate governance and the framework in place underpins the Group's ability to achieve its strategic goals. Governance arrangements are reviewed on an ongoing basis to ensure that they remain fit for purpose. As the Group operates within the healthcare sector, it is particularly important

the focus remains on the safety and security of the Group's products as well as balancing the interests of all our stakeholders. As a business quoted on AIM we have continued to apply the Code voluntarily as best practice.

This governance section of the annual report including the corporate governance statement, the audit committee report, the nomination committee report and the Directors' remuneration report describes how the Group has applied the main principles contained within the Code. Our statement of compliance, required for AIM companies, can also be found on our website at www.emisgroupplc.com/investors/corporate-governance.

Compliance with the Code

The Group remains committed to high standards of corporate governance. During the year the Group has complied with the Code with the exception of two provisions relating to remuneration matters, specifically the existence of a post-employment shareholding policy (which will be implemented taking effect from the next grant of Long-Term Incentive Plan (LTIP) awards in 2021) and the alignment of pension contribution rates for Executive Directors with the wider workforce for which there is now a defined plan in place. More detail on these areas of non-compliance can be found on page 49.

S.172 statement UK Companies Act 2006

The Board recognises its responsibility to take into consideration the needs and concerns of all our stakeholders as part of our discussion and decision-making process. As a Board and as a business we strive to care for our colleagues, help our customers deliver a better experience for patients and healthcare professionals, and support our wider communities. More details on how we engage with our stakeholders can be found in the strategic report on pages 12 to 15 and the corporate governance statement on pages 49 to 54.

Patrick De Smedt
Chair
17 March 2021



COMPLIANCE STATEMENT

This corporate governance statement has been prepared in accordance with the principles of the UK Corporate Governance Code 2018 ("the Code"). During the year, the Group was compliant with the Code with the exception of Provision 36 – post-employment shareholding requirement and Provision 38 – pension alignment, which are explained in more detail on page 49.

1. Board leadership and Company purpose

- Led by strong and experienced Chair
- Alignment of purpose, strategy and values with Group culture
- Effective engagement with stakeholders

Read more on pages 50 to 52

2. Division of responsibilities

- Majority of independent Non-executive Directors
- Regular dialogue between Board and management
- Policies, processes, information, time and resources for effective leadership in place

Read more on pages 52 and 53

Corporate governance statement

Introduction

This statement explains the key features of the Group's governance structure and how it complies with the Code. The Code is published by the Financial Reporting Council (FRC) and is available at www.frc.org.uk.

Compliance with the Code

The Group is committed to achieving and maintaining the highest standards of corporate governance. During 2020, the Group was compliant with the Code except for:

- Provision 36 – the Group did not comply with the requirement to develop a formal policy for post-employment shareholding requirements. However a policy will be implemented from the next grant of LTIP awards in 2021 to comply with this provision; and
- Provision 38 – the Group did not comply with the requirement that pension contribution rates for Executive Directors, or payments in lieu of pension, are aligned with those available to the workforce. Employer pension contributions for EMIS Group staff range from 5.5% to 10% of base salary (dependent on seniority) and are set at 15% for Executive Directors. During 2020 the committee agreed that incumbent Executive Directors' employer pension contributions will be capped at the 2020 cash amount for the next two years and by 2023 their employer pension contributions will be aligned to those of the wider workforce. Pension contributions for any new Executive Directors will be no higher than those for other senior staff.

Details and explanations of the application of the principles of corporate governance are set out in the following sections of this corporate governance statement.

2020 MEMBERSHIP AND BOARD ATTENDANCE

The attendance record for Board members during the year ended 31 December 2020 is set out below.

Number of meetings attended¹

Executive Directors

Andy Thorburn

Peter Southby

Non-executive Directors

Patrick De Smedt
(Chair)²

Kevin Boyd

Andy McKeon

Jen Byrne

Mike O'Leary³

- 1 There were seven scheduled meetings and three ad hoc meetings.
- 2 Patrick De Smedt was appointed as Chair on 6 May 2020.
- 3 Mike O'Leary retired from the Board on 6 May 2020.

3. Composition, succession and evaluation

- Board with wide experience and relevant skills
- External Board evaluation to assess the Board's effectiveness
- Regular review of succession plans

Read more on page 53

4. Audit, risk and internal control

- Oversight of internal audits and risk reviews
- Formal and transparent policies and procedures in place
- Annual review and challenge of the principal and emerging risks in the context of the strategy

Read more on pages 53 and 54

5. Remuneration

- Remuneration policy consistent with the Code and supporting strategy
- Executive remuneration aligned to the Group's purpose and values
- Alignment of outcomes with interests of shareholders

Read more on pages 62 to 76

Corporate governance statement continued

Board leadership and Company purpose**Role of the Board**

The Board's principal role is to provide effective leadership of the Group and to establish and align the Group's purpose, strategy, values and culture. It is responsible to shareholders for delivering shareholder value by developing the overall strategy and supporting the development of the direction of the Group. The Board is also responsible for overseeing the Group's external financial and other reporting and for ensuring that appropriate risk management and internal control systems are implemented and maintained. These responsibilities are largely exercised through the audit committee, which reports on its activities on pages 55 to 59.

The Board has a schedule of matters reserved to it including, but not limited to:

- Strategy and long-term objectives;
- Financial statements, dividend payments and accounting policies and practices;
- Approval of the Group budget;
- Measuring performance using KPIs, both financial and non-financial;
- Capital structure;
- Internal controls and risk management;
- Acquisitions and disposals;
- Major capital expenditure;
- Legal (including major contracts), health and safety and insurance issues;
- Approval of policies adopted by the Group; and
- Board structure and the appointment of advisers.

The business model on pages 10 and 11 explains the basis on which the Group generates and preserves value over the longer term. The strategy of the Group and its achievements in 2020 are outlined on pages 18 and 19.

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

Board operation

The Board meets as often as necessary to discharge its duties.

The number of Board meetings held during 2020, together with the Directors' attendance records, is set out on page 49. Details on the number of committee meetings held during the year together with the Directors' attendance records can be found in the committee reports on pages 55, 60 and 63. The location for Board meetings is usually rotated around the Group's principal sites in order to provide opportunities for the Board to meet management and employees and develop a better understanding of the Group's operations and culture. Since March 2020 meetings have been held virtually instead due to Covid-19. This will continue to be the case until it is safe to have face-to-face meetings again.

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

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

The Chair ensures that input is sought and obtained from any Director who is unable to attend a Board meeting and provides a verbal update following the meeting to complement the minutes. There is ongoing contact between the Chair, Executive Directors and Non-executive Directors between Board meetings.

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

TENURE (BOARD)

0-3 years: 4

4-6 years: 1

7+ years: 2

STANDING AGENDA ITEMS

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

- Strategy;
- Financial results and KPIs;
- Sales pipeline and forecasts;
- Management accounts and commentary;
- Reports from the Chief Executive Officer on operational matters and the Chief Financial Officer on financial matters;
- Regular presentations from members of the GXT;
- Mergers and acquisitions;
- Progress reports on major projects;
- Analysts' forecasts;
- Board committee updates;
- Investor relations engagement;
- Legal, governance and regulatory matters; and
- Implementation of actions agreed at previous meetings.

KEY TOPICS CONSIDERED BY THE BOARD IN 2020

- Acquisition of Pinnacle;
- Approval of appointment of JP Rangaswami;
- Banking facilities;
- Employee engagement and culture;
- Presentations on product roadmap, information security, EMIS-X Analytics, service performance and customer service satisfaction strategy, environmental strategy, tech strategy and cyber security;
- Review, debate and challenge of the corporate strategy and plan;
- Risk management and internal controls, including a robust assessment of the principal risks;
- 2021 Group budget;
- Group operating model;
- Financial results announcements, presentations, report and accounts and market updates (annual and half year);
- Investor engagement;
- The Group's viability statement and capital allocation policy, including dividends;
- Consideration of ESG matters;
- Board evaluation;
- Management information and KPIs;
- Half yearly update on environmental/health and safety matters; and
- Operational efficiency, including service level reporting.

Stakeholder engagement

The Board recognises its responsibility to take into consideration the needs and concerns of the Group's stakeholders as it discusses matters and makes decisions.

Relations with shareholders

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

The main day-to-day engagement with shareholders and prospective investors is carried out by the Chief Executive Officer and Chief Financial Officer. During the year, formal programmes of meetings with analysts and institutional shareholders took place immediately after the results announcements, supplemented by ad hoc meetings and calls at other times.

Feedback from these meetings and regular market updates prepared by the Group's broker and other advisers are presented to the Board to ensure the Directors have a good understanding of shareholders' views. The Chair and the Senior Independent Director are also available separately to shareholders to discuss strategy and governance issues. Feedback from any such communications is provided to the Board at the next scheduled meeting. The Chair and Chair of the remuneration committee consulted with a number of shareholders in 2020 to seek views on strategy and remuneration matters.

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

The AGM will be held at 9.00am on Thursday 6 May 2021 at the offices of EMIS Group plc, Fulford Grange, Micklefield Lane, Rawdon, Leeds LS19 6BA. Due to the pandemic, shareholders are asked not to attend in person but to vote by proxy. The notice of the AGM is available on the Group's website and sets out the business of the meeting and an explanatory note. In line with good governance, voting on all resolutions at this year's AGM will be conducted by way of a poll. Should a shareholder have a question that they would have raised at the meeting, they are able to send this by email to investorrelations@emisgroupplc.com (marked for the attention of the Company Secretary). Answers to questions will be published on the website following the AGM.

Workforce engagement

Jen Byrne, the designated Non-executive Director, usually meets with groups of employees around the business on a regular basis. This was restricted to one meeting during the pandemic.

Local, national and focussed topic employee forums were established during the year to increase workforce engagement. Representatives fed back employee views on a number of important topics, such as the move to homeworking, diversity and inclusion. This was especially important to ensure that employee views were heard during the pandemic lockdown periods when the established approach of face-to-face workforce engagement could no longer take place.

Jen Byrne attended one meeting of the National Employee Forum during the year. The feedback from these forum meetings is shared with the Board on a six-monthly basis. Further information on workforce engagement can be found in the sustainability report on pages 34 to 41 and the stakeholder engagement section on pages 12 to 15.

More detail on how the Group has engaged with different stakeholder groups during the year can be found on pages 12 to 15.

Corporate governance statement continued

Board leadership and Company purpose continued
Conflicts of interest

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

Division of responsibilities**Board structure**

Patrick De Smedt was appointed to the Board as Non-executive Director and Chair designate on 1 January 2020 and assumed the role of Chair following the retirement of Mike O'Leary on 6 May 2020. JP Rangaswami was appointed to the Board on 1 March 2021 as Non-executive Director. Biographies of each Director are provided on pages 46 and 47. Their respective Board and committee responsibilities are outlined below and in the committee reports.

The process of making appointments to the Board is led by the nomination committee. Further information on succession planning can be found in the nomination committee's report on pages 60 and 61.

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

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

BOARD GENDER

Male: 86%

Female: 14%

Chair

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

Patrick De Smedt, as Chair, is responsible for the leadership and effectiveness of the Board.

The Chair's responsibilities include:

- chairing the Board, the nomination committee and shareholder meetings (including the AGM);

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

On his appointment, Patrick De Smedt met the Code's requirement for independence. There have been no significant changes to his other commitments during the year which could impact his ability to perform his duties for the Group.

Chief Executive Officer

The Chief Executive Officer, Andy Thorburn, is responsible for the implementation of the approved strategic and financial objectives of the Group. To assist in this, the Chief Executive Officer leads the GXT, which consists of the Chief Financial Officer, the Group Chief Operating Officer, the Chief Executive Officer of EMIS Health and Enterprise, the Director of EMIS-X Analytics, the Chief Executive Officer of Patient, the Group HR Director, the Group Chief Medical Officer, the Group Chief Technology Officer, the Group Business Development Director and Chief Technology Officer. The GXT has a monthly call with a focus on cross-group integration and operational performance.

The Chief Executive Officer's responsibilities include:

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

Senior Independent Director

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

Non-executive Directors

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

The Non-executive Directors play a key role in developing and reviewing proposals on strategy, actively participating in the annual strategy forum. They strengthen governance through leading and participating in the Board committees, providing a wide range of experience and independence. This aids the Board in developing a broader understanding and in evaluating the implications, risks and consequences of decisions.

BOARD – EXECUTIVE/ NON-EXECUTIVE MEMBERSHIP

Chair – Non-executive: 1

Executive Directors: 2

Non-executive Directors: 4

Independence

Patrick De Smedt, Kevin Boyd, Andy McKeon, Jen Byrne and JP Rangaswami were considered by the Board to be independent at the time of their appointments. Each Non-executive Director is considered to be independent as to character and judgement and to be free of relationships and other circumstances that might impact their independence. The Chair and Non-executive Directors meet at least annually without the Executive Directors present.

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

Time commitments

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

Composition, succession and evaluation

Nomination committee and diversity

The nomination committee is responsible for leading the Board appointments process and for considering the size, structure and composition of the Board. Full details of the work of the committee are set out in the nomination committee report on pages 60 and 61.

The Board is satisfied that the size of the Board and its committees and the balance of Executive and Non-executive members is such that no individual or small group of individuals can unduly influence its decisions. The Board is made up of a majority of independent Non-executive Directors and at the date of this report, comprised the Chair, four independent Non-executive Directors and two Executive Directors who collectively possess an appropriate balance of expertise appropriate to lead the Group's business. The Non-executive Directors have a broad range of UK and international business knowledge and experience, as well as specific skills in the NHS, healthcare, digital technology, finance, corporate transactions and risk management. A skills matrix reflecting this experience is included in the Directors' biographies on page 47.

The Executive Directors do not hold any external directorships.

Annual re-election of Directors

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

Board and committee effectiveness

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

When considering Board appointments, a wide variety of factors is taken into account, including the balance of skills, experience, independence, knowledge of the Group and diversity, including gender.

An evaluation of the performance of the Board and its committees was conducted in 2020 by external evaluator Independent Audit, using its "Thinking Board" online questionnaire. The questionnaire was circulated for completion by members and regular attendees of the Board and of each principal committee, covering all aspects of good governance. Directors were required to assess their satisfaction with the operation of the Board and its committees, as well as effectiveness of these bodies in fulfilling the key responsibilities set out in their respective terms of reference. The external evaluator presented the findings of the self-assessment to the Board in January 2021, which concluded that the Board meets its regulatory requirements and that appropriate processes are in place for setting the strategic direction of the Group. Board discussions are open and constructive, and members are encouraged to express their views in an independent fashion. A few themes were highlighted from the evaluation which the Board will focus on in 2021.

Each committee also concluded that it continued to be effective and that all members were considered to have made valuable contributions.

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

Appointment and induction

The process for the appointment of new Directors is rigorous and transparent. All new Directors undergo a comprehensive induction and development programme which is designed to help Directors to start to contribute positively to the Board as quickly as possible. Further information on appointments and induction is contained in the report of the nomination committee on pages 60 and 61.

Audit, risk and internal control

Audit committee composition

The committee is responsible for overseeing the Group's external financial reporting and associated announcements, considering risk management, internal controls procedures and the work of the external and internal auditors. Full details of the work of the committee are set out in the audit committee report on pages 55 to 59.

Accountability

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

The Group has a range of governance-related policies and procedures in place. Full details are set out on page 54.

Internal control

The Board is accountable to its shareholders and seeks to balance its interests with those of a broader range of stakeholders. The Board has ultimate responsibility for the Group's internal control arrangements and for reviewing their effectiveness, which guide and direct the Group's activities to support delivery of its strategic, financial, operational and other objectives and safeguard shareholders' investment and the Group's assets. The Board governs through clearly defined committee structures, which support the work of, and are accountable to, the Board.

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

The Board sets policies and seeks and obtains on an ongoing basis, both directly and through the audit committee, assurance regarding the existence and operation of appropriate internal controls to mitigate key strategic, financial, operational, compliance and reputational risks.

Corporate governance statement continued

Audit, risk and internal control continued**Internal control** continued

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

The key features of the Group's overall control frameworks, all of which were in place throughout 2020 and up to the date of approval of this report, are set out below:

- Delegated limits of authority in place;
- An appropriate finance function across the Group with suitably qualified and experienced professionals;
- A comprehensive weekly and monthly financial and operational performance reporting system which covers, amongst other things, operating results, cash flow, balance sheet information, forecasts and comparisons against budgets;
- Letters of representation issued to all senior management and senior Group finance officers in respect of key risks, internal controls, business relationships and financial controls for the financial year under review;
- A control and risk self-assessment (CRSA) process which provides a mechanism for management to assess compliance with key controls across various business areas and against which Group internal audit independently validates management's assessment;
- A risk management committee meeting on a regular basis to review and monitor risk and mitigating controls across the Group; and
- Regular updates to the Board from management on property, insurance, litigation, human resources, sustainability and health and safety matters.

During the year the Group implemented a Group project management office (GPMO), which provides a robust framework for decision making and monitoring progress on major projects.

A change qualification process and an investment committee were also introduced, which operate to ensure that projects requiring resources are stringently reviewed and authorised where appropriate.

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

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

The Group's businesses hold eight ISO certifications against the following five standards: ISO 27001: Information Security, ISO 9001: Quality, ISO 20000: Service Management, ISO 14001: Environmental and ISO 22301: Business Continuity.

A single management system covers all five standards and five of the eight certifications.

Throughout 2020, the Group maintained the ISO certifications both in the UK and in India. In the UK, the Bolton office was successfully added into the scope of the EMIS Group ISO 20000 certification. The Group continues to review and make improvements to the implementation of these standards. In addition, the Group has also maintained the Cyber Essentials Plus certification during 2020.

In 2021, the Group plans to consolidate and update the ISO certifications, including bringing Pinnacle and Community Pharmacy under scope of the EMIS Group ISO 27001 certification.

Financial planning and monitoring

EMIS Group sets annual budgets, which are subject to Board approval, and also prepares five-year projections. The Board reviews business

performance when it meets. Summary financial information, including actual performance versus budget and expected future performance, is provided to all Board members as part of the Board papers. The monthly reporting cycle includes a twelve-month rolling forecast.

Policies, procedures and authorisation limits

The programme to define, create and embed Group-wide policies in key areas continued throughout 2020.

Policies and documented procedures in place include:

- Group finance manual and delegated authority limits;
- Group expenses policy;
- Group treasury policy;
- Group anti-tax evasion policy;
- Group share dealing code;
- Group anti-bribery and corruption policy;
- Group human resource and staff welfare policies;
- Group health, safety and environmental policies;
- Group code of ethics and standards of business conduct;
- Group data governance policy;
- Group information security policy;
- Group social media policy;
- Group contract management process;
- Group anti-fraud policy; and
- Group whistleblowing policy.

The Group whistleblowing procedures include a confidential reporting hotline operated by an external, independent service provider. The policy and reporting hotline continue to be internally promoted. All employees were required to acknowledge that they have read and understood the policy and procedures during the year. Employees were also required to formally acknowledge that they have read and understood the social media policy and data governance policy and golden rules during the year.

Risk management

The approach to risk management, risk appetite and the principal risks themselves are set out on pages 28 to 33.

Internal audit

The Group has an established risk-based internal audit function. The Head of Group Internal Audit leads the team of internal auditors and manages a co-sourcing arrangement with Deloitte which supplements internal resources with specialist knowledge and expertise in areas such as cyber security, data privacy, clinical safety governance and culture.

The Head of Group Internal Audit reports administratively to the Chief Financial Officer, but operates independently and has direct and unfettered access to the Chair of the audit committee. These reporting lines are kept under constant review to ensure the function maintains its independence from management. The function provides regular and timely updates on its activities to the audit committee. The work of internal audit is further described in the report of the audit committee on pages 55 to 59.

Remuneration

Remuneration is addressed separately in the report of the remuneration committee and the Directors' remuneration report on pages 60 to 76.

Christine Benson
Company Secretary
17 March 2021



Oversight of the financial reporting process

Dear Shareholder

I am pleased to present the report of the audit committee for the financial year ended 31 December 2020.

The audit committee provided oversight of the financial reporting process in order to ensure that the information provided to the shareholders is fair, balanced and understandable and allows accurate assessment of the Group's position, performance, business model and strategy.

During the year the committee also continued to oversee the risk management and internal control systems and was satisfied that the controls over the accuracy and consistency of information presented are robust.

2020 MEMBERSHIP AND ATTENDANCE

Number of meetings attended

Kevin Boyd (Chair)

Andy McKeon

Jen Byrne

Patrick De Smedt¹

- 1 Patrick De Smedt was a member of the committee from the date of his appointment to the Board on 1 January 2020 until his appointment as Chair of the Board on 6 May 2020.
- Other regular attendees are the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the Group Finance Directors, the Head of Group Internal Audit, representatives from KPMG, the external auditor and the Company Secretary.
 - The committee meets at least four times a year; it met four times in 2020.
 - All committee members were considered independent upon their appointment.
 - Kevin Boyd is considered to have recent and relevant financial experience.
 - The committee as a whole has significant experience relevant to the industry sector the Group operates in.
-

KEY RESPONSIBILITIES

The committee reviews its terms of reference on an annual basis. These describe the committee's responsibilities in detail and they are available on the Group's website.

The committee assists the Board in meeting its responsibilities relating to financial reporting and internal control and risk management. It provides oversight and ensures that formal and transparent arrangements are in place in the following areas:

- Financial reporting, which includes responsibility for reviewing the year-end and half year financial reports;
- Oversight of the external audit process and management of the relationship with the Group's external auditor;
- Risk management and related controls and compliance;
- Internal audit, including monitoring of the Group's internal audit function, its processes and findings; and
- Provision of whistleblowing facilities and prevention of bribery and other types of fraud and corruption.

The committee acknowledges and embraces its role in protecting the interests of shareholders. It also considers the interests of other stakeholders and it is committed to monitoring the integrity of the Group's reporting.

Report of the audit committee continued

KEY ACTIVITIES IN 2020

Financial reporting

- Reviewed the full year results including the annual report and accounts, the preliminary results statement and the report from the external auditor.
- Reviewed the half year results statement.
- Assisted the Board in ensuring that the annual report is fair, balanced and understandable.
- Reviewed the going concern assumption when considering the half year and final results statement and also considered longer-term viability.
- Assessed and considered the potential impact on the business of Covid-19.
- Considered the appropriateness of accounting policies, critical accounting judgements and key sources of estimation of uncertainty.

External audit

- Reviewed and approved the 2020 audit plan and strategy including fees.
- Assessed the effectiveness of the external audit process.
- Agreed appropriateness of remuneration in respect of audit and non-audit services.

Internal audit

- Reviewed the key findings from internal audit reports conducted during 2020.
- Monitored progress against the 2020 approved internal audit plan.
- Reviewed and approved the scope and areas of focus for year three (2021) of the approved three-year internal audit plan (2019-2021).

Risk and internal control

- Monitored and assessed the Group's risk management process.
- Confirmed the Group's risk appetite.
- Monitored developments in the Group's risk management processes by reviewing minutes and action plans from operational risk management committee meetings and reviewing risk KPIs.
- Assisted the Board in its assessment of the Group's principal risks and emerging risks and its review of the effectiveness of risk management and internal control processes.
- Reviewed detailed information security and business continuity reports and action plans from operational management.
- Received progress reports from senior management in respect of key internal projects, including support improvements and cyber security.
- Monitored and reviewed the effectiveness of the Group's internal audit and finance functions.

Compliance

- Reviewed the Group's whistleblowing arrangements, confirming that they are operating effectively.
- Monitored anti-bribery and corruption training results.
- Reviewed and approved the Group's treasury policy.
- Reviewed the committee's terms of reference.

Composition and governance

Patrick De Smedt was appointed as a Non-executive Director and member of the committee on 1 January 2020. In line with the Code, Patrick De Smedt was only a member of the committee up to his appointment as Board Chair on 6 May 2020. The Board evaluates committee membership on an annual basis. Biographical details of the Directors are set out on pages 46 and 47. Further information on the composition of the Board can be found on page 53.

The Board believes that the current members have sufficient skills, qualifications and experience to discharge their duties in accordance with the committee's terms of reference and as a committee has the appropriate understanding of the sector within which the Group operates.

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

Committee evaluation

The audit committee undertakes an annual evaluation of its performance and effectiveness. For 2020 an external evaluation was carried out by way of an online questionnaire which was circulated for completion by members and regular attendees. The external evaluator presented the findings of the self-assessment to the committee in January 2021, which concluded that the committee had performed effectively and that the skills and experience of the members remained relevant. No areas of concern were highlighted during this review although a number of recommendations were made to improve the committee's effectiveness.

Financial reporting

Since the audit committee last reported, it has reviewed the full year results including the annual report and accounts, the preliminary results statement and the report from the external auditor. In reviewing the statements and determining whether they were fair, balanced and understandable, the committee considered the work and recommendations of management as well as the report from the external auditor. The committee also reviewed the half year results statement.

The committee considered the appropriateness of accounting policies, critical accounting judgements and key sources of estimation uncertainty. To do this, the committee reviewed information provided by the Chief Financial Officer and reports from the external auditor setting out its views on the accounting treatments and judgements in the 2020 financial statements. In preparing the 2020 financial statements, no judgements or significant estimates have been made in the process of applying the Group's accounting policies that could have a material effect on the amounts recognised in the financial statements. Other areas of estimation are detailed below.

Sources of estimation uncertainty

In applying the Group's accounting policies, various estimates are made in arriving at the amounts recognised in the financial statements. There are no sources of estimation uncertainty at 31 December 2020 that have a significant risk of resulting in a material change to the carrying value of assets and liabilities within the next year. A source of estimation uncertainty is in respect of capitalised development costs where the committee is updated at least twice a year on the carrying value, including detail on projects underway and projects completed, with the largest carrying values relating to the Group's EMIS-X product.

The committee is satisfied that an asset is only recognised when the criteria of IAS 38 are met, including the demonstration of technical feasibility, the existence of a market and the availability of resources to complete the project. Based on their knowledge of the products, and the markets in which EMIS Group operates, the committee is in agreement with the estimates of Useful Economic Life (UEL) over which capitalised development expenditure is amortised. The UEL is different for each unique product and reviewed every six months for appropriateness. Amortisation is accelerated if the UEL is assessed to be shorter than was previously expected.

Further details are set out in note 2 to the accounts.

The source of estimation uncertainty previously reported in relation to the fair value of the financial liability representing the put option in place over the 10% of share capital of Dovetail Digital Limited not owned by the Group has been removed following the acquisition of the remaining 10% of share capital on 15 October 2020.

Going concern

The committee reviewed papers from management on going concern assumptions when considering half year and final results statements and on long-term viability when considering the final results statement. This included an assessment of the potential impact from Covid-19-related lockdown restrictions in the first quarter of 2021, as set out in the viability statement on page 80. Internal financial projections and the results of stress testing the financial models were taken into account.

External audit

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

The committee meets regularly with the external auditor, both with and without management present.

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

External auditor effectiveness review

The auditor is considered to be effective in the performance of its duties. The committee uses an annual questionnaire-based approach to gather the opinions of Directors and senior management, with findings (and areas for improvement) shared with the auditor. The external auditor regularly provides information relevant to assuring us about its own independence, objectivity and compliance with regulatory and ethical standards.

Provision of non-audit services by the external auditor

The audit committee monitors the nature and extent of non-audit services provided by the external auditor. The committee is consulted prior to engagement of the external auditor for non-audit work and formally approves all non-audit services. Consideration is given to any perceived threat to independence prior to the procurement of non-audit services from the external auditor, with other external advisers used where appropriate.

A summary of fees paid to KPMG for audit and non-audit services during the year ended 31 December 2020 is provided in note 6 to the financial statements on page 99. Fees for non-audit services continue to be considerably below the 70% cap of the average audit fees for the preceding three-year period as required by EU audit legislation.

Report of the audit committee continued

External auditor effectiveness review

Qualification and expertise	Independence and objectivity	Planning and organisation
Resources	Non-audit services review	Quality
The committee considers that the external auditor has appropriate resources and expertise to conduct the audit.	Non-audit services provided by KPMG were reviewed and are not considered to have affected the auditor's independence.	The committee considered there to be an effective audit planning process in place.
		The committee also considered the quality of external auditor reporting (including recommendations) to be appropriate.

Internal audit

EMIS Group maintains an in-house internal audit function, co-sourced with an external audit services provider, which objectively reviews the Group's internal control processes in accordance with the audit charter. The charter was reviewed and approved by the committee in 2018 and it remained in place and relevant in 2020.

The committee previously approved a three-year risk-based audit plan to run from 2019 through to 2021. The final year of this plan covering 2021 was reviewed, amended as required and approved during the year. Internal audit's resources are kept under constant review, and the current combination of internal staff and a co-sourced internal audit agreement with Deloitte was felt to be appropriate and sufficient to obtain adequate assurance over the Group's internal controls and key risks. The co-source arrangement ensures enhanced audit coverage of technical and specialist areas, such as clinical safety, data governance and cyber security.

During 2020, the Group introduced a CRSA process to further embed awareness and responsibility for control and risk within the business. This annual assessment covered key business areas across the Group including functions such as finance, human resources, clinical safety, software development and Group support operations. The results of the first assessment were reported to the committee in December 2020 and a plan of action for continuous improvement was approved, supported by internal audit reviews commencing in 2021.

The original three-year internal audit plan for 2019 to 2021 was formulated utilising input from the Board and committee members, the Group's external auditor and the internal audit co-source partner and using output from the risk management process. The plan remains flexible and includes time for ad hoc investigations and other high-risk assurance work as it arises and as agreed by the committee. The audit plan for 2021 includes key risk areas such as cyber security, business continuity planning, clinical safety, succession planning, cloud security, software development and the environment along with a range of financial risk areas such as procurement, capital expenditure and month-end reporting at all locations across the Group including India.

The next three-year internal audit plan covering 2022 to 2024 will be presented to the Board and committee members for approval during 2021.

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

Risk management

The committee is responsible for monitoring and developing the effectiveness of risk management and internal control systems on behalf of the Board.

The Group has a Board-approved risk management policy and operates a structured risk management process with oversight from the RMC, which met monthly in 2020 but now meets fortnightly and includes the Chief Executive Officer and the Chief Financial Officer. The committee reviews action plans from the RMC meetings.

During the year, the committee continued to monitor the Group's risk appetite, which remains unchanged.

The committee reviewed the Group's principal risks to ensure they are being adequately captured and reported to the Board and that the risk disclosures in the annual report are appropriate. The RMC is the recognised forum for identifying, assessing and reporting on any significant emerging risks facing the Group. Emerging risks are risks that are particularly uncertain and difficult to quantify but which have the potential to become more significant over time. They usually have longer expected timelines than principal risks or other risks detailed in the risk registers and the potential impact can increase quickly.

For full details of the risk management process, principal risks and risk appetite statements of the Group, see pages 28 to 33.

Auditor rotation timeline

The Company is excluded from the provisions of the EU Audit Directive and Regulation on the grounds that it is AIM quoted.

However, we aim to voluntarily meet the regulatory requirements as a matter of good practice. KPMG has been the Group's external auditor since 2013 with the current partner, Fran Simpson, appointed in 2018. Under the EU Audit Directive and Regulation, the Company would not be required to put the external audit out to tender until 2023.

2013:
KPMG appointed

2018:
Partner rotation
- Fran Simpson took over from
John Pass after five years

2023:
Competitive tender unless
specific circumstances
require an earlier tender

Effectiveness of internal control arrangements

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

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

- Suitability and effectiveness of core financial systems in place across the Group;
- Reviewing the Group's IT-related internal control arrangements and any actions proposed to continue to strengthen this position;
- Receiving updates on business continuity plans in place across key areas of the Group;
- Reviewing the Group's confidential reporting (whistleblowing) arrangements and any matters raised through this process;
- Following up on internal control reports and action plans from the Group's external and internal auditors;
- Reviewing and approving its own terms of reference;
- Reviewing the Group's control and risk self-assessment process and findings;
- Receiving updates and monitoring progress on the status of issues raised in internal audit reports; and
- Assessing and validating management representations.

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

The committee's action plan for 2021

Looking ahead to 2021, the committee's focus will remain on the key audit and assurance areas of the business, and on its oversight of financial and other regulatory requirements. The action plan for 2021 will focus on:

- Reviewing and making recommendations in relation to the statutory, preliminary and half year financial results;
- Overseeing key financial policies and practices;
- Assessing the effectiveness of the internal audit function and monitoring its annual plan;
- Reviewing corporate governance policy and procedure including the whistleblowing and anti-bribery and corruption policies and procedures;
- Undertaking a thorough review of the annual report and accounts and ensuring that the narrative messages are consistent and accurately reflect the financial statements and that the information as a whole is fair, balanced and understandable; and
- Assessing the appropriateness and effectiveness of the risk management process, including overseeing management letters of representation and control and risk self-assessment.

Kevin Boyd
Chair of the audit committee
17 March 2021



Report of the
nomination committee

A focus on composition and succession planning

Dear Shareholder

I am pleased to present our report for the year ended 31 December 2020, which summarises our membership and activities during the year.

Board composition and succession planning

The committee continues its focus on Board composition and succession planning, including a review of the skills and experience needed to ensure a robust and sustainable leadership model for the Board, its committees and the wider management team.

The committee plays a vital role in ensuring the effectiveness of the Board and its ability to deliver long-term success for the business, including having the appropriate balance of skills, experience and knowledge on the Board to both reflect the changing needs of the business and anticipate and prepare for the future.

2020 MEMBERSHIP AND ATTENDANCE

Number of meetings attended¹

Patrick De Smedt (Chair)²

Kevin Boyd

Andy McKeon

Jen Byrne

Mike O'Leary³

1 There were three scheduled committee meetings and one ad hoc meeting.

2 Patrick De Smedt took over as Chair on 6 May 2020.

3 Mike O'Leary retired from the Board and as Chair of the nomination committee on 6 May 2020.

- Other regular attendees are the Chief Executive Officer, Chief Financial Officer and Company Secretary.
- The committee meets at least twice a year; it met four times in 2020.
- All committee members were considered independent upon their appointment.
- The committee Chair provided a verbal update to the Board following each committee meeting.
- Non-executive Directors are appointed by a letter of appointment and details of their terms and those of the Executive Directors are set out in the Directors' remuneration report.

KEY RESPONSIBILITIES

The committee's responsibilities are set out in its terms of reference, which are reviewed annually. The terms of reference can be found on the Group's website at www.emisgroupplc.com.

The committee is responsible for:

- Ensuring that the balance of Directors on the Board remains appropriate as the Group develops to ensure that the business can compete effectively in the marketplace;
- Identifying and nominating candidates to fill Board vacancies as and when they arise;
- Evaluation of the balance of skills, knowledge, experience and diversity of the Board to ensure the optimum mix; and
- Consideration of the succession planning for Directors and senior managers to ensure that there is a pipeline of high-calibre candidates and that succession is managed smoothly.

KEY ACTIVITIES IN 2020

Succession planning

- Review of succession plans for Executive Directors, GXT and critical positions.
- Review of development plans for senior management.

Board and committee composition

- Review of Board and committee composition and in particular the skills and experience required for new Non-executive Directors.
- Search process undertaken for an additional Non-executive Director.
- Recommended the appointment of JP Rangaswami as a Non-executive Director.
- Recommended the re-appointment of Kevin Boyd for a further three-year term.

Governance

- Reviewed the committee's terms of reference.
- Reviewed the time commitment required for Non-executive Directors.
- Carried out an external committee evaluation.

New Non-executive Director appointment

Having reviewed the balance of skills and pipeline of the Board, it was agreed that a search for a new Non-executive Director be undertaken. Spencer Stuart was engaged to assist with the search for an additional Non-executive Director and the committee prepared a description of the role and the capability required for the role.

A detailed search and selection process then followed. A wide range of candidates with a strong representation from a gender and ethnic diversity perspective was assessed against the agreed criteria, with a thorough process resulting in a shortlist of preferred candidates, which was given final consideration by the committee. The committee subsequently made recommendations to the Board, culminating with the appointment of JP Rangaswami as Non-executive Director with effect from 1 March 2021, subject to election by shareholders at the forthcoming AGM on 6 May 2021. Details of the experience and skills that JP Rangaswami brings to the Board can be found on page 47.

Diversity

The committee recognises the importance of a diverse Board and is mindful of the issue of Board diversity in its succession plans. It also acknowledges the importance of ensuring that the selection of Directors and, in a wider context, employees throughout the Group should be based upon a range of factors including skills, experience, qualifications, background and values. Accordingly, all vacancies are filled taking into account these wider factors and are not based to a disproportionate extent on any one factor such as gender or ethnicity.

Diversity of the Board was a key consideration for the committee during the year but the committee acknowledges that the Board's composition is not yet as diverse as it should be. In order to bring the widest range of perspectives to the Group, diversity should remain a key factor in determining appropriate nominations, which will help to promote creativity, innovation, debate, understanding and ultimately better overall decision making.

Director induction process

Following the appointment of any new Director, a full, formal and customised induction to the Group is delivered. On appointment, the Company Secretary provides information on the Group's business, including:

- Board and relevant committee minutes and Board papers from the last six months;
- Key policies, procedures and governance information about the Group, including the whistleblowing policy, anti-bribery and corruption policy, code of ethics and standards of business policy and share dealing code;
- Analysis of the Company's key shareholders and share capital;
- Guidance for Directors on their legal and regulatory responsibilities in an AIM-quoted company;
- Guidance on corporate governance and Board effectiveness; and
- Relevant information in the healthcare arena.

As part of the induction process the new Director will:

- Attend business briefings with the Chief Executive and the Chief Financial Officer;
- Attend meetings with other members of the GXT; and
- Visit all principal UK sites when appropriate to do so.

Further to the appointment of JP Rangaswami, a full, formal and customised induction is being carried out.

Committee evaluation

The nomination committee undertakes an annual evaluation of its performance and effectiveness. In 2020 an external evaluation was carried out by way of an online questionnaire. The external evaluator presented the findings of the self assessment to the committee, which concluded that there were no areas of concern highlighted during this review although a number of recommendations were made to improve the committee's effectiveness. It was agreed that continued focus on diversity be a priority for 2021.

Patrick De Smedt

Chair of the nomination committee
17 March 2021



Report of the remuneration committee

Committed to best practice

Dear Shareholder

On behalf of the Board I am pleased to present the Directors' remuneration report for the year ended 31 December 2020. This report is divided into three sections: my letter, our proposed new 2021 remuneration policy, which includes changes to pension contributions and post-employment shareholding guidelines, and the annual report on remuneration, showing how our current policy was applied during the year, outcomes for our Executive Directors and our intentions for 2021.

The remuneration report will be presented at the AGM on 6 May 2021 by way of an advisory vote.

Corporate performance

2020 has been another year of positive progress for the Group. While Covid-19 presented unprecedented challenges to the healthcare sector, it has led to a more rapid adoption of technology that is here to stay.

EMIS Group delivered a resilient financial performance during the period, with revenue and adjusted operating profit at very similar levels to 2019, while reported operating profit grew strongly with increased dividends for the tenth consecutive year. Over the year we increased our cash position by 70%. No employees have been furloughed.

The committee has taken overall Group performance including the experience of shareholders and other stakeholders into consideration when determining remuneration matters for 2020 and 2021.

Remuneration for 2020

Executive Directors were eligible to receive a bonus depending primarily on the level of Group adjusted profit achieved. Performance targets also included other financial and strategic measures. Performance met the on-target levels and the remuneration committee therefore approved the payment of bonuses of 50% of salary to Andy Thorburn and Peter Southby. The bonuses are lower than those for 2019.

In 2020 the Group granted LTIP awards to support and incentivise effective implementation of our published strategy. The structure, amounts and performance targets for these awards were included in the Directors' remuneration report, which was approved by shareholders at the AGM in May 2020 with a majority of 85.34% of the votes cast.

The 2018 LTIP performance conditions were partially met, which will result in a vesting of 41.8% of the total award on the third anniversary of the award.

Further details about the variable pay awards are set out in the Directors' remuneration report on pages 65 to 76.

Discretion

I can confirm that, having reviewed the Company's and Executive Directors' performance in the round, the committee did not make use of its discretionary powers in 2020.

Changes to remuneration policy for 2021

The committee reviewed the current policy and determined that the following changes be made to align EMIS with recent best practice market developments and the 2018 Code, specifically:

- Incumbent Executive Directors' employer pension contributions will be capped at the 2020 cash amount for the next two years and by 2023 their employer pension contributions as a percentage of salary will be aligned to the wider workforce; and
- Introduction of a post-employment shareholding requirement for a period of one year at the level of the share ownership requirement or, if lower, the shareholding at the date of leaving. The post-employment shareholding requirement applies to shares vesting (net of tax) from awards granted from 2021 onwards only.

Implementation of policy for 2021

Salary increases will be applied for lower paid employees and, other than this, salary increases have been limited to those being promoted, taking on increased responsibilities or to address a market relativity issue. A 0.5% employer pension contribution increase has also been provided to the lower grades of the wider workforce, taking the minimum level to 5.5%. This is part of a plan to align employer contribution across EMIS grades.

Andy Thorburn and Peter Southby will not be awarded a salary increase in 2021. Pension contributions for the Executive Directors will be capped as noted above.

There will be no increases to Non-executive Directors' fees in 2021.

We have reviewed the bonus arrangements for Executive Directors and the senior management team. Important factors in our deliberations included EMIS's strategy and the need to keep our Executives incentivised in line with market expectations. The committee decided to make use of the maximum potential afforded by our remuneration policy to set bonus levels for 2021 at 150% of salary for Executive Directors and, while continuing primarily to set targets according to adjusted profit, to incorporate other financial and strategic performance measures. Major shareholders were consulted on these changes early in 2021. Adjusted profit and other financial measures will continue to account for 80% of the bonus opportunity. Target bonus levels remain at 50% of maximum. The maximum bonus will only be paid in the event of extremely high levels of performance. The committee intends to introduce an ESG measure into variable pay in 2022.

In line with arrangements approved by shareholders in 2019 an ordinary LTIP award of 150% of salary for Andy Thorburn and 100% for Peter Southby will be granted in 2021. The award will vest in three years' time subject to the achievement of performance conditions. Targets and further details of the 2021 awards are set out on page 76. From January 2021 the benefit to the wider UK workforce (including the Executive Directors) under the SIP was increased, now providing one matching share for every two shares purchased by employees (previously one matching share for every three purchased). There will be a free share award to all eligible UK employees in April 2021, for those with more than six months' service.

UK Corporate Governance Code

The Company is quoted on AIM and adopts the Code. We remain committed to best practice in remuneration policy and have clearly defined terms of reference which are reviewed annually and listed on our website at www.emisgroupplc.com/investors. The committee reviewed its compliance with the Code and concluded that the remuneration arrangements complied with the Code other than on two aspects, namely pension alignment and post-employment shareholding requirements. As noted above changes to the policy are proposed to address these issues.

Gender pay reporting

Information on the GPG for 2019 was published in 2020 and showed a mean gap of 10.3% (a 39% reduction from the previous year) for EMIS Group. After an analysis of the data, further improvement plans were implemented which included expanding the returners' programme, which is aimed to support those returning from long-term leave through continuous development. GPG data for 2020 has just been published showing a further drop of the mean gap from the previous year to 6.4%. Work is now underway to agree plans for the next year to reduce the GPG further. The women's network will lead any activity and is looking, as an example, at interventions which will support women at EMIS with the physical and emotional impact of the menopause and wider understanding of this amongst the line manager population.

Committee effectiveness

An external annual effectiveness review was carried out in 2020 by way of an online questionnaire which was circulated for completion by members and regular attendees. The external evaluator presented the findings of the self-assessment to the committee in January 2021, which concluded that the committee continued to operate effectively. No areas of concern were highlighted during the review, although it was noted that it was time to review the remuneration strategy and more could be done to align it with EMIS's overall strategy.

On behalf of the committee I hope that you will support the resolution to be presented at the AGM in May 2021.

Andy McKeon

Chair of the remuneration committee
17 March, 2021



2020 MEMBERSHIP AND ATTENDANCE

Number of meetings attended

Andy McKeon (Chair)

Patrick De Smedt

Kevin Boyd

Jen Byrne

- Other attendees to committee meetings by invitation include the Chief Executive Officer, Chief Financial Officer, Group HR Director and Company Secretary.
- Representatives from Mercer Limited, EMIS Group's principal external adviser, attend on invitation.
- The committee meets at least twice a year. It met four times in 2020.
- All committee members were considered independent upon their appointment.

KEY RESPONSIBILITIES

The committee is responsible for:

- Oversight of overall remuneration policy issues for the Group, including gender pay reporting and adherence to legal obligations such as the National Minimum Wage;
- Determining the framework for remuneration of the Company's Executive Directors, the Chair of the Board and other members of the senior management team;
- Determining the policy for pension and benefits arrangements for each Executive Director and other senior executives;
- Approving the design of, and determining targets for, any performance-related pay schemes operated by the Group and approving the total annual payments made under such schemes;
- Reviewing the design of all share incentive plans for approval by the Board and shareholders and determining each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to Executive Directors and other senior executives and the performance targets to be used;
- Reviewing and noting annually the remuneration arrangements, policies and trends across the Group; and
- Reviewing annually the terms of reference for the committee.

Report of the remuneration committee continued

KEY ACTIVITIES IN 2020

Directors' remuneration

- Evaluated Directors' remuneration.
- Reviewed the 2019 Directors' remuneration report prior to its approval by the Board and subsequent approval by shareholders at the 2020 AGM.
- Considered pension contributions and post-employment shareholding requirements.

Executive remuneration

- Reviewed the GXT's remuneration packages and wider remuneration across the Group with the aim of recognising best practice, aligning with shareholder objectives and encouraging behaviours to maintain the long-term success of the business.
- Reviewed Group performance against the 2019 annual bonus plan targets and set metrics to apply to the 2020 bonus plan.
- Reviewed LTIP criteria and approved the 2020 awards.
- Reviewed performance for LTIP awards granted in 2017.

Human resources and policy

- Reviewed the GPG analysis.
- Considered the policies and incentives implemented across the Group in the last twelve months.
- Considered the benefit of the SIP and agreed to increase the matching shares from one matching share for every three purchased to one matching share for every two purchased from January 2021.

Governance

- Undertook a comprehensive review of the remuneration policy.
- Considered compliance with the Code.
- Reviewed the committee's terms of reference.
- Carried out an external committee evaluation.

Directors' remuneration report

Directors' remuneration policy

The remuneration policy aims to ensure that members of the Board and Executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the Group. The policy outlined on pages 65 to 71 will apply from 6 May 2021. The main changes from the existing policy relate to pensions, post-employment shareholding and the terms of the SIP which applied to all staff from January 2021.

Policy table

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

Element	Operation	Opportunity	Performance metrics
Base salary			
To recognise the individual's skills and experience and provide a competitive base reward to attract and retain Executive Directors.	<p>Base salaries are usually reviewed annually, taking into account the individual's performance, responsibility, skills and experience; Group performance and market conditions; salary levels for similar roles at relevant comparators (including companies of a similar size and sector); and pay levels and percentage salary increases across the wider employee population. There is no set maximum.</p> <p>Any changes will normally take effect from 1 April each year.</p>	<p>While there is no maximum salary, any increase will typically be in line with those awarded to the wider employee population. The committee has discretion to award higher increases in circumstances that it considers appropriate such as:</p> <ul style="list-style-type: none"> • A material change in the size or complexity of the business or responsibility of the role; • Development in the role; • Changes in market practice; and • Moving the salary of a newly appointed Executive Director to be aligned with a market competitive range over time. <p>Details of salary changes will be disclosed in the annual report in the relevant year.</p>	None.
Pension			
To provide a market competitive retirement benefit.	The Group makes contributions to the private pension schemes or other appropriate arrangements for the Executive Directors. The committee has discretion to authorise cash payments in lieu of pension contribution. Such a payment would not count for bonus or LTIP purposes.	Executive Directors receive a contribution or cash payment in lieu of up to 15% of their 2020 base salary. This is capped for 2021 and 2022 and thereafter employer pension contributions will be aligned to the wider workforce. Pension contributions for any new Executive Directors will be no higher than those for other senior staff.	None.
Share Incentive Plan (SIP)			
To provide market competitive benefits.	<p>Open to all UK tax resident employees of participating Group companies with at least six months' service.</p> <p>The plan is an HMRC tax qualifying plan that allows an employee to purchase shares using gross pay. If an employee agrees to purchase shares, the Group matches purchased shares with an award of matching shares which are subject to continued employment for three years. Dividends accrue on purchased shares and matching shares and are reinvested into additional shares.</p> <p>From time to time, EMIS Group may offer all employees free share awards up to the HMRC approved limits.</p>	<p>Participants can purchase shares up to the limits allowed by the legislation from time to time (currently up to £1,800 per tax year).</p> <p>Matching shares may be awarded up to the limits allowed by the legislation from time to time.</p> <p>The Company currently offers to match purchases made through the plan at the rate of one free matching share for every two shares purchased (previously one free matching share for every three shares purchased).</p>	None.

Directors' remuneration report continued

Directors' remuneration policy continued

Policy table continued

Element	Operation	Opportunity	Performance metrics
Benefits			
To provide market competitive benefits.	<p>Benefits may include, but are not limited to, a car allowance and life insurance. Executives Directors are eligible for any benefits offered to the wider workforce in their geography.</p> <p>In certain circumstances, the committee may also approve the provision of additional allowances relating to the relocation of an Executive Director and other expatriate benefits to perform his or her role.</p>	<p>While no maximum level of benefits has been set, the value of benefits provided is set at a level which the committee considers to be appropriately positioned taking into account the role and individual circumstances; benefits provided are reviewed periodically.</p> <p>Benefits in respect of the year under review are disclosed in the annual report on remuneration.</p>	None.
Annual bonus			
To provide an incentive to drive the Executive Directors to deliver stretching performance and growth.	<p>Performance measures, targets and weightings are set by the committee at the start of the bonus period.</p> <p>At the end of each bonus period, the committee determines the extent to which targets have been achieved. The committee has the discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards to ensure that payments accurately reflect business performance over the performance period, e.g. in the event of unforeseen circumstances outside of management control.</p> <p>At the discretion of the committee, Executive Directors may be required to invest up to 40% of any after tax amount in shares, to be held until the minimum shareholding requirement is met.</p> <p>Bonuses are subject to clawback for a period of one-year after award.</p>	<p>For Executive Directors, the maximum annual bonus opportunity is up to 150% of base salary.</p> <p>For target performance, the bonus level is up to 50% of the maximum payable for the year. Threshold payments are no more than 25% of the maximum payable for the year.</p>	<p>Performance is usually assessed on an annual basis, using a combination of the Group's main KPIs for the year. Measures may include financial and non-financial metrics as well as the achievement of strategic and personal objectives. A minimum of 80% of the bonus will be determined by financial objectives. The principal financial performance measure currently assessed is Group adjusted profit; however, the committee has the discretion to adjust performance measures and weightings to ensure that they continue to be linked to the delivery of Group strategy.</p> <p>The range of performance required under each measure is calibrated with reference to external expectations and the Group's internal budgets. Any personal element is based on the strength of the Executive Director's personal performance over the course of the year against agreed objectives.</p>

Element	Operation	Opportunity	Performance metrics
Long-Term Incentive Plan (LTIP)			
To drive sustained business performance, aid retention and align the interest of Executive Directors with shareholders.	<p>Awards are made in the form of conditional share awards, or nil-cost options which vest subject to the achievement of pre-defined performance conditions normally measured over a three-year period.</p> <p>At the start of each performance period, the committee reviews the award levels and performance conditions to ensure they remain appropriate and sets performance targets which it considers to be appropriately stretching.</p> <p>Following the end of the performance period, and the vesting of any awards, a two-year "holding period" applies. This may be structured as either: (1) a requirement that the Executive Directors retain for the holding period the shares they acquire, subject to being permitted to dispose of shares to meet any resultant tax liability; or (2) a restriction that prevents the Executive Directors from exercising any vested share awards until the end of the holding period. Where the holding period is operated on the latter basis, the committee may make additional payment (in cash or additional shares) in respect of shares that vest to reflect the value of dividends which would have been paid on these shares during the period beginning with the date of vesting and ending with the date on which the share award may be exercised (and this payment may assume that the dividends were reinvested in additional shares on such basis as the committee may determine). Where awards vest over a longer period than three years, the holding period will be reduced so that the maximum period between an award and the right to dispose of shares will be five years. During the holding period the shares are not subject to performance conditions.</p> <p>LTIP awards are subject to clawback for a period of up to two years following vesting.</p>	<p>Ordinarily a single award of up to 200% of base salary which normally vests after three years may be awarded. In respect of 2021, this award will be 150% of salary for the Chief Executive Officer and 100% for the Chief Financial Officer. Each year the committee determines the maximum LTIP opportunity, the measurement period and the threshold level. Threshold performance will result in up to 25% of maximum vesting for the period set, rising to full vesting for maximum levels of performance in accordance with the targets set by the committee for the period in question.</p>	<p>Awards vest subject to performance measure(s) based on key financial metrics which may include, for example, measures based on EPS and absolute or relative growth in share price.</p> <p>The committee has discretion to adjust the choice of performance measures and weightings to ensure that they continue to be linked to the delivery of Group strategy.</p> <p>The committee has the discretion to adjust formulaic LTIP outcomes to ensure that payments accurately reflect business performance over the performance period.</p>
Share ownership requirements			
To ensure alignment of the long-term interests of Executive Directors and shareholders.	<p>Executive Directors are required to acquire a minimum shareholding equivalent to 200% of base salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer. Executive Directors are required to retain shares acquired under the LTIP (subject to sales to cover tax liabilities) until they have satisfied the guideline.</p>	Not applicable.	None.

Directors' remuneration report continued

Directors' remuneration policy continued

Policy table continued

Element	Operation	Opportunity	Performance metrics
Post-employment share ownership requirements			
To ensure alignment of the long-term interests of EMIS and its shareholders post-employment.	Executive Directors are required to hold the lower of their share ownership requirement or their shareholding at the date of leaving. This applies for a period of one year post-employment. The requirement applies to shares vesting (net of tax) from awards granted from 2021 onwards only.	Not applicable.	None.

Notes to the policy table

Performance measurement selection

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

LTIP awards are based on EPS growth and Total Shareholder Returns (TSR) performance normally over three years.

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

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

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

Malus and clawback provisions

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

Remuneration policy for other employees

The approach to annual salary reviews is consistent across the Group, with consideration given to individual performance, skills, experience and responsibility, Group performance and market conditions, and salary levels for similar roles in relevant comparators. Opportunities and specific performance conditions vary by organisational level with business area-specific metrics incorporated where appropriate. A senior management group of approximately 63 individuals is eligible to participate in the LTIP. Award sizes vary by organisational level. Specific cash incentives are also in place to motivate, reward and retain staff below Board level. All UK-based employees are eligible to participate in the Company's SIP scheme on the same terms.

Pay scenario charts for Executive Directors

The charts below provide estimates of the potential future reward opportunity for each of the two current Executive Directors for 2021 and the potential split between different elements of remuneration under three different scenarios: minimum, target and maximum performance.

CHIEF EXECUTIVE OFFICER -
ANDY THORBURN

Maximum	1,720
Target	800
Minimum	493
£'000	0 250 500 750 1,000 1,250 1,500 1,750 2,000

CHIEF FINANCIAL
OFFICER - PETER SOUTHBY

Maximum	1,007
Target	533
Minimum	330
£'000	0 250 500 750 1,000 1,250 1,500 1,750 2,000

Basic salary and benefits Bonus Share schemes

Potential reward opportunities illustrated on page 68 are based on the remuneration policy, applied to the base salary as at 1 April 2021. It should be noted that LTIP awards granted in a year normally vest following the end of a three-year performance period and the projected value of LTIP amounts excludes the impact of share price movement over the vesting period. All other elements of actual pay delivered, however, will be determined by the following factors:

	Component	Minimum	Target	Maximum
Fixed	Base salary	2021 salary		
	Pension	Contribution rate applied to 2020 salary ¹		
	Other benefits	Benefits as provided in the single figure table on page 72		
Annual bonus		No bonus payable	50% of maximum (75% of salary)	150% of salary
LTIP		No LTIP vesting	25% of maximum (37.5% and 25% of salary for Chief Executive Officer and Chief Financial Officer respectively)	150% and 100% of salary for Chief Executive Officer and Chief Financial Officer respectively

¹ Pension contributions capped at the 2020 salary for the next two years.

Approach to recruitment remuneration - Executive Directors

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

Component	Approach	Maximum value
Base salary	The base salaries of new appointees will be determined by reference to the individual's role, responsibilities, experience and skills, relevant market data, internal relativities and their current basic salary. Where new appointees have initial basic salaries set below market rate, any shortfall may be managed with phased increases over a period of years subject to their development in the role.	Not applicable.
Pension	New appointees will be eligible to receive a pension contribution in line with existing policy.	
SIP	New appointees will be eligible to participate in the Company's HMRC tax qualifying all-employee share scheme, in line with the policy and the eligibility criteria.	
Benefits	New appointees will be eligible to receive benefits in line with the policy.	
Annual bonus	The annual bonus described in the policy table will apply to new appointees with the relevant maximum ordinarily being pro-rated to reflect the proportion of employment over the bonus period. Targets for the individual element will be tailored to the Executive.	Up to 150% of salary p.a.
LTIP	New appointees will be eligible for awards under the LTIP which will normally be on the same terms as awards made to other Executive Directors, as described in the policy table.	Up to 200% of salary p.a.

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

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

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

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

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

GOVERNANCE

Directors' remuneration report continued

Directors' remuneration policy continued

Approach to recruitment remuneration – Executive Directors continued

External appointments

It is the Board's policy to allow each Executive Director to take up one non-executive position on the board of another company, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. No such positions were taken and so no such fees were paid during the financial year.

Service contracts

The Executive Directors are employed under contracts of employment with the Group. Executive Directors' contracts are available to view at the Company's Registered Office. The principal terms of the Executive Directors' service contracts are as follows:

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

Remuneration policy for the Chair and the Non-executive Directors

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

The policy table below summarises the key components of remuneration for the Chair and Non-executive Directors.

Element	Operation	Opportunity	Performance metrics
Fees			
To reflect market competitive rates for the role, as well as individual performance and contribution.	The Chair and Non-executive Directors receive a basic fee for their respective roles. Additional fees may be paid to Non-executive Directors for additional services such as chairing a Board committee or acting as the Senior Independent Non-executive Director. Expenses related to the Non-executive Directors' duties, such as travel and accommodation or secretarial support, may also be reimbursed. Fees are reviewed annually with reference to information provided by remuneration surveys, the extent of the duties performed, time commitment and the size and complexity of the Group. Fee levels are benchmarked against sector comparators and appropriate listed companies of similar size and complexity.	Fee increases are applied in line with the outcome of the annual review. Fees for the year commencing 1 January 2021 are set out in the annual report on remuneration. There is no prescribed maximum fee. It is expected that increases to Non-executive Director fee levels will be in line with salaried employees over the life of the policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-executive Director role, the Board has discretion to make an appropriate adjustment to the fee level.	None.

Non-executive Directors' remuneration

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

Terms of appointment of the Non-executive Directors' letters of appointment

Non-executive Director	Date of appointment	Latest date of re-appointment	Latest expected retirement date	Notice period
Patrick De Smedt	1 January 2020	—	Close of AGM 2029	Three months
Kevin Boyd	9 May 2014	9 May 2020	Close of AGM 2023	Three months
Andy McKeon	1 February 2013	30 September 2018	Close of AGM 2022	Three months
Jen Byrne	8 May 2019	—	Close of AGM 2028	Three months
JP Rangaswami	1 March 2021	—	Close of AGM 2030	Three months

Exit payment policy

The Company's policy is to limit any payment made to a departing Director to contractual arrangements and to honour any pre-established commitments. A payment in lieu of notice (consisting of salary, benefits and pension contributions for the relevant portion of the notice period) may be made. As part of this process, the committee will take into consideration the Executive Director's duty to mitigate their loss.

The table below summarises how the awards under the bonus scheme and LTIP are typically treated in different leaver scenarios and a change of control. Whilst the committee retains overall discretion on determining "good leaver" status, it typically defines a "good leaver" in circumstances such as ill health, disability, death, redundancy, or any other reason as the committee decides. Final treatment is subject to the committee's discretion. The holding period that applies to vested LTIP awards ceases when an individual leaves, subject to any post-employment shareholding requirements that may apply.

Reason for leaving	Timing of vesting	Treatment of awards
Annual bonus		
"Good leaver"	Usually paid at the same time as continuing employees. Pro-rata payments may also be made early on compassionate grounds to a "good leaver".	Eligible for an award to the extent that performance targets are satisfied and the award is pro-rated for the proportion of the financial year served.
"Bad leaver"	No annual bonus payable.	Not applicable.
Change of control	Paid immediately on the effective date of change of control.	Eligible for an award to the extent that performance targets are satisfied up to the change of control and the award is pro-rated for the proportion of the financial year served to the effective date of change of control.
LTIP		
"Good leaver" – awards which are still subject to performance conditions	Continue until the normal vesting date or vest immediately, at the discretion of the committee. In the event of the death of a participant, the award would vest immediately.	Outstanding awards vest to the extent the performance conditions are or are reasonably considered to be likely to be satisfied and the awards are pro-rated to reflect the length of the performance period served unless the remuneration committee decides otherwise. In the event of the death of a participant during the performance period, the award would vest in full.
"Bad leaver"	Outstanding awards are forfeited.	Not applicable.
Change of control	Vest immediately on the effective date of change of control.	Outstanding awards vest subject to the satisfaction of performance conditions as at the effective date of change of control, and the award is pro-rated for the proportion of the performance period served to the effective date of change of control unless the remuneration committee decides otherwise.

Directors' remuneration report continued

Annual report on remuneration

The following section provides details of how the remuneration policy was implemented during the financial year ended 31 December 2020.

Remuneration committee membership in 2020

The members of the committee and their attendance record at meetings during the year are set out on page 63.

During the year, the committee sought internal support from the Chief Executive Officer, the Chief Financial Officer and the Group HR Director, who attend committee meetings by invitation from the Chair, to advise on specific questions raised by the committee and on matters relating to the performance and remuneration of senior managers where it was considered that their attendance would make a significant contribution. None of these officers were present for any discussions that related directly to their own remuneration. The Company Secretary attended each meeting as Secretary to the committee.

Independent advice

In undertaking its responsibilities, the committee seeks independent external advice as necessary. Since June 2019, Mercer has acted as the principal external adviser to the committee. Mercer is available to provide independent advice on a wide range of remuneration matters including current market practice, benchmarking of executive pay, LTIP performance measures, the remuneration policy and incentive scheme design. Mercer is subject to periodic performance evaluation in common with other advisers to the Group.

The committee is satisfied that Mercer provides independent remuneration advice to the committee. Mercer is a member and signatory of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK, details of which can be found at www.remunerationconsultantsgroup.com.

Summary of shareholder voting at the 2020 AGM

There was an advisory vote on the Directors' remuneration report at the AGM in 2020. Of the 46,320,127 votes cast, 39,529,679 (85.34%) of the votes were in favour of the resolution, with 6,788,868 (14.66%) against and 1,580 votes withheld. The results of the votes were published on the website after the meeting.

Single total figure of remuneration for Executive Directors

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2020 and the prior year:

	Andy Thorburn £'000		Peter Southby £'000	
	2020	2019	2020	2019
Base salary	409	400	271	265
Taxable benefits ¹	21	32	17	18
Pension ²	61	60	41	40
Annual bonus ³	205	252	135	167
Share schemes ⁴	402	70	160	30
Total fixed pay	491	492	329	323
Total variable pay	607	322	295	197
Total	1,098	814	624	520

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

2 During the year the Executive Directors received 15% of base salary as employer contributions. At the request of Peter Southby £35,000 (2019: £30,000) of employer pension contributions were commuted to a cash payment in accordance with the remuneration policy.

3 This is the total bonus earned in respect of performance during the relevant year. Annual bonuses are received in cash. Further details of annual bonus awards for 2020 can be found in the annual report on remuneration on page 73.

4 The amounts shown reflect the value of matching shares awarded under the SIP, the value of the free share award made under the SIP and the expected value of the 2018 LTIP awards that will vest in April 2021. Further details can be found on page 74. The values shown for 2019 have been updated from those shown in last year's annual report on remuneration to reflect the share price that applied on the date of vesting (1004p on 21 April 2020 for Peter Southby and 1016p on 1 May 2020 for Andy Thorburn).

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

The table below sets out a single figure for the total remuneration received by each Non-executive Director for the year ended 31 December 2020 and the prior year:

	Fees £'000	
	2020	2019
Patrick De Smedt ¹	121	–
Andy McKeon	53	49
Kevin Boyd ²	53	47
Jen Byrne ³	45	28
Mike O'Leary ⁴	42	105
Robin Taylor ⁵	–	17
David Sides ⁶	–	38

1 Patrick De Smedt was appointed to the Board on 1 January 2020.

2 Kevin Boyd became Chair of the audit committee on 8 May 2019.

3 Jen Byrne was appointed to the Board on 8 May 2019.

4 Mike O'Leary retired from the Board on 6 May 2020.

5 Robin Taylor retired from the Board on 8 May 2019.

6 David Sides resigned from the Board on 22 August 2019.

Incentive outcomes for the year ended 31 December 2020

Bonus

During the year ended 31 December 2020, Executive Directors were eligible to receive a bonus of up to 100% of salary, depending on the level of Group adjusted operating profit achieved and certain other financial and strategic targets. Target performance was calibrated to deliver a bonus of 50% of maximum. Bonuses are paid entirely in cash and are subject to clawback. Corporate targets set by the committee require Executive Directors to deliver significant stretch performance to achieve maximum bonus.

The targets set for 2020 were as follows:

2020 bonus targets

- | | |
|---|--|
| <ul style="list-style-type: none"> Up to 70% of salary based on Group adjusted operating profit: | <ul style="list-style-type: none"> Below £37.4m results in no bonus payment; Exceeding £37.4m results in a bonus payment of 25% of salary; and Exceeding £43.4m results in a bonus payment of 70% of salary; performance between £37.4m and £43.4m results in a pro rata bonus payment calculated on a straight-line basis. |
| <ul style="list-style-type: none"> Up to 10% of salary for achieving the following other financial targets: | <ul style="list-style-type: none"> Delivering adjusted cash generated from operations at least equal to the 2019 level (£46.3m); and Ensuring that development investment was at least equal to the 2019 level (£20.7m). |
| <ul style="list-style-type: none"> Up to 20% of salary for achieving the following non-financial targets, the first and third of which were added to the plan after the Covid-19 crisis had begun: | <ul style="list-style-type: none"> Delivering high employee engagement levels in relation to homeworking and the new way of working, evidenced by employee surveys demonstrating that: <ul style="list-style-type: none"> at least 75% of employees confirmed that the business could not have done more in communicating with them during the pandemic; at least 80% of employees confirmed that expectations had been set regarding their workload and objectives; and at least 80% of employees confirmed that their managers arranged regular meetings so that they are in touch with their team members; Establishing a Group programme management office to improve operational efficiency; Implementing a proactive Covid-19 market and customer response plan; and Launching EMIS-X Analytics. |

Total bonus payable was capped at 50% of base salary unless adjusted operating profit was higher than in 2019 (£39.3m).

Group adjusted operating profit for the year was £39.3m, resulting in a bonus of 25% of salary being achieved. Other financial targets were met in full (with adjusted cash generated from operations at £58.9m and development investment at £21.2m). The strategic objectives were also met in full:

- On average 91% of employees confirmed that the business could not have done more in communicating with them during the pandemic; on average 84% of employees confirmed that expectations had been set regarding their workload and objectives; on average 95% of employees confirmed that their managers arrange regular meetings so that they are in touch with their team members;
- The Group programme management office was established in September 2020;
- A proactive Covid-19 market and customer response plan was implemented in March 2020. See our Covid-19 response on page 4; and
- EMIS-X Analytics was launched in October 2020.

The committee determined that a total bonus of 50% of salary was achieved as this was capped as noted above.

Directors' remuneration report continued

Annual report on remuneration continued

Incentive outcomes for the year ended 31 December 2020 continued

Long-term incentive awards vesting and exercised

For the 2018 LTIP awards, there were two elements. The first, based on EPS growth over the three years to 31 December 2020 with a weighting of 80% of the award, was partly met, resulting in 27.3% vesting of this element. The second element, based on TSR performance with a weighting of 20% of the award, was fully met resulting in 100% vesting of this element. Overall therefore, 41.8% of the total award will vest in April 2021, subject to continued employment. The performance targets for this award were as follows:

Performance level	EPS growth	% award to vest	TSR	% award to vest
Below base target	Below 3% p.a.	0%	Below median	0%
Base target	3% p.a.	20.00%	Equal to median	5.00%
Maximum target	10% p.a.	80.00%	Upper quartile	20.00%

Scheme interests awarded in 2020

Long-Term Incentive Plan

In 2020, the following awards were granted under the LTIP:

Executive Director		Date of grant	Awards made during the year	Market price at date of award	Normal vesting date	Face value at date of award £'000
Andy Thorburn	Ordinary annual award	20 April 2020	63,061	980p	20 April 2023	618
Peter Southby	Ordinary annual award	20 April 2020	27,843	980p	20 April 2023	273

Performance conditions for 2020 awards

The ordinary annual awards granted in April 2020 include two performance targets. 75% of the award is subject to a performance target based on compound annual EPS growth and 25% of the award is subject to a performance target comparing the Company's TSR against the FTSE SmallCap. Both performance targets are measured over three financial years, 2020 to 2022.

Ordinary annual award

Performance level	EPS growth	% award to vest	TSR	% award to vest
Below base target	Below 5% p.a.	0%	Below median	0%
Base target	5% p.a.	18.75%	Equal to median	6.25%
Maximum target	10% p.a.	75.00%	Upper quartile	25.00%

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

SIP awards

During the year under review, Andy Thorburn and Peter Southby were awarded matching shares under the SIP as a result of their own personal contributions in acquiring partnership shares. The value of these was less than £1,000 each. There were no performance conditions attached to the SIP awards. Andy Thorburn and Peter Southby participate in the SIP to the maximum extent permitted by the HMRC. In April 2020, Andy Thorburn and Peter Southby received a free share award under the SIP, both receiving 66 shares. The value of these was less than £1,000. Executive Directors participate in the SIP on the same terms as other employees.

Ad hoc payments

There were no ad hoc payments to any Directors for the year ended 31 December 2020.

Payments to past Directors

There were no payments to past Directors for the year ended 31 December 2020.

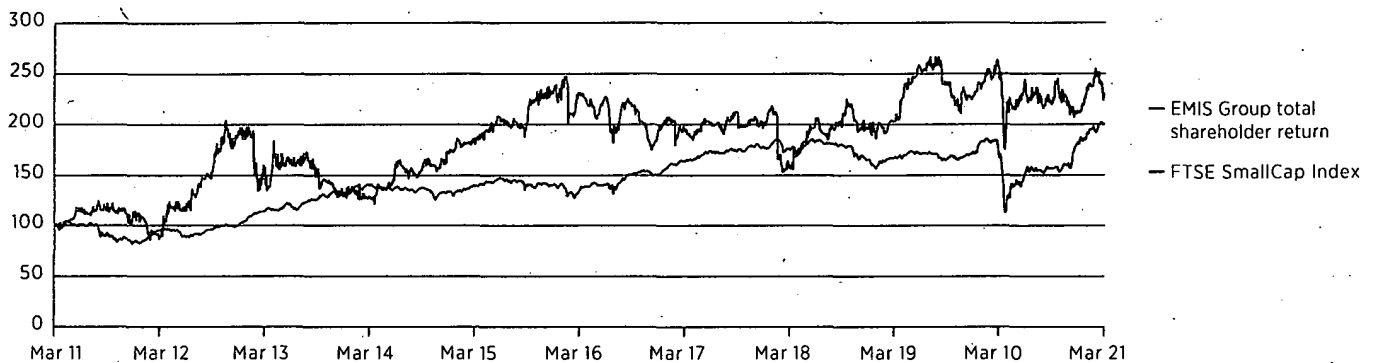
Relative importance of spend on pay

The table below shows the Group's expenditure on shareholder distributions (including dividends) and total employee pay expenditure for the financial years ended 31 December 2019 and 31 December 2020.

	Total employee expenditure	Distributions to shareholders
2020	£70.0m	£20.1m
2019	£74.9m ¹	£19.6m
% change	-7%	3%

¹ Includes £4.1m of exceptional staff costs.

TSR performance



The graph above compares the value of £100 invested in EMIS Group plc shares, including reinvested dividends, with the FTSE SmallCap Index in the last ten years. This index was selected because it is considered to be the most appropriate against which the total shareholder return of the Group should be measured.

Historical Chief Executive Officer pay

The table below details the Chief Executive Officer's single total figure of remuneration and incentive outcomes over the relevant financial year:

	2015	2016	2017	2018	2019	2020
Andy Thorburn (from 1 May 2017)						
Chief Executive Officer single figure (£'000)	n/a	n/a	358	922	814	1,098
Annual bonus (% of max)	n/a	n/a	0%	72%	63%	50%
LTIP vesting (% of max)	n/a	n/a	n/a	n/a	10%	42%
Chris Spencer (retired 30 April 2017)						
Chief Executive Officer single figure (£'000)	388	607	238	n/a	n/a	n/a
Annual bonus (% of max)	0%	0%	0%	n/a	n/a	n/a
LTIP vesting (% of max)	51%	48%	0%	n/a	n/a	n/a

Directors' interests

The beneficial interests of the Directors in the ordinary shares of the Company, including those acquired through the SIP, as at 31 December 2020 were as follows:

Director	Ordinary shares at 31 December 2020	Ordinary shares at 31 December 2019
Andy Thorburn ¹	42,608	32,315
Peter Southby ¹	25,737	23,857
Patrick De Smedt	10,000	n/a
Andy McKeon	4,947	3,626
Kevin Boyd	7,000	7,000
Jen Byrne	—	—
Mike O'Leary ²	1,000	1,000
Robin Taylor ²	n/a	1,800
David Sides ²	n/a	2,000

1 Includes matching shares and free shares awarded under the SIP which may be subject to forfeiture under certain circumstances.

2 Shares held at the date of resignation.

Since the year end SIP shares have continued to be awarded each month, for which monthly Regulatory Information Service announcements have been made. This has resulted in Peter Southby holding an additional 59 shares, which include matching shares awarded under the SIP which may be subject to forfeiture in certain circumstances.

Directors' remuneration report continued

Annual report on remuneration continued

Implementation of remuneration policy for 2021

The letter from the Chair of the remuneration committee on pages 62 and 63 includes further detail.

Base salary

The base salaries for the Executive Directors in 2021 are set out in the table below.

Executive Director	Base salary from 1 April 2020 to 31 December 2020	Base salary from 1 April 2021 to 31 December 2021	Percentage increase
Andy Thorburn.	£412,000	£412,000	0%
Peter Southby	£272,862	£272,862	0%

Pension

For 2021, Executive Directors will continue to receive a contribution equivalent to 15% of their 2020 base salary.

Annual bonus

The maximum bonus opportunity will be 150% of salary, with target set at 75% of base salary.

The specific targets are deemed commercially sensitive but will be published retrospectively in the annual report and accounts for 2021; 100% of salary will be dependent on adjusted operating profit, 20% on financial measures important to EMIS's strategy and 30% on strategic performance measures.

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

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

LTIP

In line with the proposals included in the Directors' remuneration report, which was approved by shareholders at the AGM in May 2020, an award will be made in April 2021 and will equate to 150% of salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer. The threshold vesting for EPS performance is 5% p.a. for this award. The performance metrics will be 75% based on EPS growth over the performance period and 25% based on relative TSR performance against the FTSE SmallCap. To the extent that base target is exceeded, the percentage of award shares vesting increases pro-rata between the base target and maximum target. In assessing performance against the EPS condition, the committee will take into account any material external changes that might impact EPS, including potential changes to the rate of corporation tax.

2021 award	EPS growth	% award to vest	TSR	% award to vest
Below base target	Below 5% p.a.	0%	Below median	0%
Base target	5% p.a.	18.75%	Equal to median	6.25%
Maximum target	10% p.a.	75.00%	Upper quartile	25.00%

Following the end of the performance period, and the vesting of any awards, a holding period applies such that the full vesting plus holding period is five years. Executive Directors are subject to the requirement to retain shares after the holding period to add to their beneficial shareholding until the minimum shareholding level relevant to the Executive Director is met.

LTIP awards are subject to clawback as explained in the policy.

SIP

Executive Directors, subject to eligibility, will be able to continue to participate in the SIP on the same basis as in 2020. From 1 January 2021 EMIS Group will provide one matching share for every two shares purchased (previously three shares).

Chair and Non-executive Director fees

Fee levels for the Chair and Non-executive Directors are subject to annual review taking into account appropriate comparators and the level of time commitment required. It was agreed that there would be no fee increases in 2021.

Directors' report

This section contains the remaining matters on which the Directors are required to report each year.

The Company is incorporated in England and Wales and domiciled in the UK with company number 06553923. The address of its Registered Office is Fulford Grange, Micklefield Lane, Rawdon, Leeds LS19 6BA.

General information and principal activities

EMIS Group plc ("the Company" or "the parent company") is an AIM-quoted company. The Company is the parent of a number of trading subsidiary companies. The principal trading subsidiaries are:

- Egton Medical Information Systems Limited, Ascribe Limited and Rx Systems Limited, trading under the EMIS brand;
- Patient Platform Limited, carrying on the business of Patient.info and Patient Access; and
- Pinnacle Systems Management Limited.

EMIS Group is the UK leader in connected healthcare software and systems. Its solutions are widely used across every major UK healthcare setting. EMIS Group's aim is to join up healthcare through innovative technology, helping healthcare professionals to deliver better, more efficient healthcare to the UK population, supporting longer and healthier lives.

EMIS Group has two core business segments: EMIS Health and EMIS Enterprise.

EMIS Health is a supplier of innovative integrated care technology to the NHS market, including primary, community, acute and social care.

EMIS Enterprise is focussed on growth in the B2B technology sector within the healthcare market, including management of medicines, partner businesses, life sciences and patient-facing services.

EMIS Group's brands include:

- EMIS, the clinical software business, supplying essential technology to 10,000 healthcare organisations across every major UK health sector;
- Patient, the UK's leading independent provider of patient-centric medical and wellbeing information and digital front door services to the UK public; and
- Pinnacle, a leading provider of service management solutions to the community pharmacy market.

Capital allocation policy

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

- Reinvestment for growth – the Group invests in the infrastructure, technology and intellectual capital to drive growth in its core markets, through constant product innovation and integration. At the current time, this is demonstrated by significant investment in the EMIS-X platform;
- Regular returns to shareholders – the Group pays a regular dividend to shareholders, representing typically between half and two-thirds of underlying adjusted earnings, and has increased the proposed full year dividend for 2020 by 3%;

- Acquisition – the Group supplements its organic growth by acquiring companies with promising technologies and in markets adjacent to, and consistent with, current capabilities. The Pinnacle acquisition in 2020 represents a good example of a transaction with these characteristics; and
- Balance sheet leverage and return of excess capital – the Group will maintain an appropriate balance sheet, consistent with its investment requirements and mindful of the preferences of both shareholders and customers. While the Group is prepared to take on additional debt if circumstances warrant, it aims to return excess capital to shareholders when appropriate.

Dividends

Subject to shareholder approval at the AGM on 6 May 2021, the Board proposes paying a final dividend of 16.0p per ordinary share (2020: 15.6p) on 14 May 2021 to shareholders on the register at the close of business on 16 April 2021. This would make a total dividend of 32.0p per ordinary share for 2020 (2019: 31.2p).

Directors

The Directors of the Company who served during the year ended 31 December 2020 and subsequently are as follows:

Patrick De Smedt¹
Chair

Andy Thorburn
Chief Executive Officer

Peter Southby
Chief Financial Officer

Andy McKeon
Senior Independent Non-executive Director

Kevin Boyd
Independent Non-executive Director

Jen Byrne
Independent Non-executive Director

JP Rangaswami²
Independent Non-executive Director

Mike O'Leary³
Former Chair

¹ Patrick De Smedt was appointed to the Board on 1 January 2020 and as Chair on 6 May 2020.

² JP Rangaswami was appointed as a Non-executive Director on 1 March 2021.

³ Mike O'Leary retired from the Board on 6 May 2020.

Re-election of Directors

Directors are subject to annual re-election in line with best practice. As a new appointment since the 2020 AGM, JP Rangaswami will stand for election at the AGM on 6 May 2021.

Directors' interests

Details of Directors' remuneration and interests in the share capital of the Company are given in the annual report on remuneration on pages 72 to 76. Details of Directors' service agreements are included in the remuneration policy on page 70. No Director has had any material interest in any contract of significance with the Company or any of its subsidiaries during the year under review.

Directors' report continued

Substantial interests in shares

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

Fund Manager	31 December 2020 %	2 March 2021 %
Liontrust Asset Management	11.51	11.56
Octopus Investments	8.26	8.29
M&G Investments	5.47	5.47
Evenlode Investment	4.56	4.56
Heronbridge Investment Management	4.04	3.94
MN Services	3.57	3.57
NFU Mutual	3.55	3.53
Investec Wealth and Investment	3.33	3.40

Research and development

Research and development expenditure in the year amounted to £21.2m (2019: £20.7m) of which £6.6m (2019: £7.4m) was capitalised.

Share capital

As at 31 December 2020 and 17 March 2021, the Company had 63,311,396 (31 December 2019: 63,311,396) ordinary shares of 1p each in issue. The shares are traded on AIM, a market operated by the London Stock Exchange. The rights and obligations attached to the shares are set out in the Company's Articles of Association which are available on the Company's website.

The Company has previously established an Employee Benefit Trust (EBT) to hold shares in the Company to facilitate share-based emolument payments and the Group SIP. As at 31 December 2020 the EBT held 401,147 (2019: 512,231) ordinary shares of 1p each. The EBT has waived its right to dividends.

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

The rules of the LTIP and Company Share Option Plan (CSOP) set out the procedure to be followed in the event of a change of control. Further information is given in the Directors' remuneration policy on page 71.

Purchase of own shares

The Directors' authority to make purchases of the Company's shares on its behalf is given by resolution of the shareholders annually at the Company's AGM.

There were no share buybacks during the year.

Directors' indemnities and liability insurance

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

Employees

Details of how the directors have engaged with employees are set out in the stakeholder engagement section on pages 12 to 15. The Company's policies in relation to equal opportunities are explained in the people section of the sustainability report on page 40.

Ethical business practices

The Group has a zero tolerance approach to bribery and corruption and is committed to ensuring that it has effective processes and procedures in place to counter the risk of bribery and corruption. A formal anti-bribery policy is in place and training for all employees is undertaken annually. The policy and training results are reviewed on a regular basis by the audit committee.

The Group has a comprehensive code of ethics and standards of business conduct document, which provides instruction and guidance to employees on expected behaviour when dealing with a wide range of stakeholders.

The Group has a whistleblowing policy, which is reviewed annually by the audit committee, and an associated reporting hotline operated by an external provider.

All employees are required to acknowledge receipt of these three policies and to confirm that they have read and understood them.

The Group has an anti-fraud policy statement and fraud response plan, which outlines the Group's position on dishonest behaviour and provides direction on managing suspected or actual fraud incidents.

Political donations

No political donations were made in 2020 (2019: £nil).

Going concern

The Group's activities and an outline of the developments taking place in relation to its products, services and marketplace are considered in the strategic report on pages 2 to 45. A commentary on the revenue, trading results and cash flows is provided in the financial review on pages 42 to 45.

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

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

The Group has in place a £30m revolving credit facility with Barclays and Lloyds, with an accordion arrangement to increase it up to £60m if required, through to 30 June 2021. The Barclays share of the facility is in place through to 30 June 2022, comprising a £15m revolving credit facility with an accordion arrangement to increase this to £30m.

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

AGM notice

The notice convening the AGM to be held on 6 May 2021, together with an explanation of the resolutions to be proposed at the meeting, is contained in a separate circular to shareholders and on the Group's website at www.emisgroupplc.com/investors/annual-general-meeting.

Auditor and statement as to disclosure of information to the auditor

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

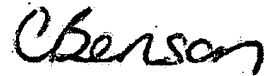
The auditor, KPMG LLP, has indicated its willingness to be re-appointed and, in accordance with Section 489 of the Companies Act 2006, a resolution for re-appointment will be proposed at the AGM.

Corporate governance

The Company's statement on corporate governance can be found on pages 49 to 54 of this annual report and accounts.

The directors' report, comprising the strategic report, the corporate governance report and the reports of the audit, remuneration and nomination committees, has been approved by the Board and signed on its behalf by:

Christine Benson
Company Secretary
17 March 2021



Viability statement

The Directors have voluntarily adopted Provision 31 of the Code, assessing the prospects of the Group. The Directors have taken into account the Group's current position and business model and have assessed the potential impact of the principal risks and uncertainties facing the Group.

The Directors have determined that the four-year accounting period to 31 December 2024 constitutes an appropriate period over which to assess the Group's prospects and viability. This is the period focussed on by the Board during its strategic planning process and is consistent with typical contract lengths across much of the Group (three to five years). It is aligned with the Group's goodwill and other intangible impairment testing and the earlier part of the period is also covered by the Group's funding facilities, which currently extend to 30 June 2022 and which the Group expects to be able to renew on comparable terms.

While the formal assessment period extends to December 2024, the Board considers that the Group's longer-term prospects are likely to be positive beyond this time horizon as a result of its investment in innovation, increasing market demand for its products, market growth, strong competitive positions and contractual visibility.

For the purpose of making this viability statement, the Board has taken into account its ongoing assessment of the principal risks facing the Group, including those that could potentially threaten its business model, future performance, solvency or liquidity. Each year, the Board considers a medium-term strategic plan, the first year of which represents the Group's annual operating budget, together with the ability of the Group to raise finance and undertake mitigating actions to avoid the occurrence or reduce the impact of the principal risks.

In assessing viability, enhanced modelling and stress testing are performed, using severe but possible scenarios on the financial impact of risks materialising. The modelled scenarios were:

Scenario 1

Increased market competition linked to the GP IT Futures framework results in reduction in related revenues.

All related revenues reduce by 5% from January 2022, by a further 5% from January 2023 and by a further 10% from January 2024. All other revenues are limited to a 2% growth rate.

Link to principal risks and uncertainties: **healthcare structure and procurement changes.**

Scenario 2

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

Revenues are reduced by 10% due to customer attrition and staff costs are reduced by 5% from January 2022 in response to customer losses.

Link to principal risks and uncertainties: **software (product development).**

Scenario 3

Failure to recruit or retain appropriate numbers of suitably qualified people in critical areas could lead to a deterioration in the quality of products and services. This could lead to failure to meet customers' needs, loss of business and the Group failing to deliver expected financial returns.

The annual staff attrition rate increases to 25% and new staff are 10% more expensive than leavers resulting in an effective 2.5% increase in staff costs from January 2021 onwards.

Link to principal risks and uncertainties: **people and culture.**

Scenario 4

There are failures to comply with information governance legislation, including the EU General Data Protection Regulation (GDPR).

Revenues reduce by 20% from January 2022, staff costs and operating expenses reduce by 10% from January 2022 and a fine of £1m is imposed by the Information Commissioner's Office in December 2021.

Link to principal risks and uncertainties: **information governance and cyber security.**

Further details on each of these are set out on pages 32 and 33.

In addition, the Board has also considered the possible impact of the ongoing business disruption arising as a result of Covid-19. Based on the Group's experience of 2020 trading, the Directors expect to be able to trade through any further disrupted periods resulting from the pandemic without this challenging its longer-term viability. The future impact of Covid-19 is considered likely to be only short-term in nature and has therefore only been specifically considered in assessing the going concern assumption.

The Group's strong contractual forward visibility of revenues, significant cash resources and strong cash conversion provide some inherent protection against unexpected shocks to the business model. In the event of these scenarios arising, various options are available to the Group in order to maintain liquidity, including: utilisation of undrawn debt facility; reduction to cost base; reduction to future investment capital expenditure; and amendment to dividend policy.

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

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

Taking into account the Group's current position and principal risks and uncertainties, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2024.

Statement of Directors' responsibilities

in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and they have elected to prepare the parent company financial statements on the same basis.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- Assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors have decided to prepare voluntarily a Directors' remuneration report in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements applied to the Company. The Directors have also decided to prepare voluntarily a corporate governance statement as if the Company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

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

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

We consider the annual report and accounts, 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.

On behalf of the Board



Andy Thorburn
Chief Executive Officer
17 March 2021



Peter Southby
Chief Financial Officer
17 March 2021

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
<p>Revenue recognition (£159.5 million; 2019: £159.5 million)</p> <p>Refer to page 93 (accounting policy) and page 99 (financial disclosures)</p>	<p>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.</p> <p>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.</p>	<p>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.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> • 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.
<p>Recoverability parent company's investment in subsidiaries and amounts owed by subsidiary companies Investment in subsidiaries: £106.9million; 2019: £96.8million)</p> <p>Amounts owed by subsidiary companies: £10.8million (2019: £13.7 million)</p> <p>Refer to page 96 (accounting policy) and page 105 (financial disclosures).</p>	<p>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.</p> <p>Their recoverability is not at a high risk of significant misstatement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.</p>	<p>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</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> • 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. <p>For the investments and amounts owed by subsidiary companies where the carrying amount exceeded the net asset value, our procedures included:</p> <ul style="list-style-type: none"> • Tests of detail: Comparing the carrying amount of investments with an estimate of value in use based on forecast future cash flows. • 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 profit before tax and exceptional items
£35.9million (2019: £32.4million)

Group materiality
Group materiality
£1.60million
(2019: £1.60million)

£1.60million
Whole financial statements materiality
(2019: £1.60million)

£1.20million
Whole financial statements performance materiality
(2019: £1.20million)

£1.36million
Range of materiality at 5 components
(£1.36million - £0.05million)
(2019: £1.36million to £0.02million)

£0.08million
Misstatements reported to the audit committee
(2019: £0.08million)

Profit before tax and exceptional items
Group materiality

GROUP REVENUE

99%
(2019: 92%)

99
92

96%
(2019: 91%)

96
91

GROUP TOTAL ASSETS

95%
(2019: 99%)

95
99

96
91

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

4.5. 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.

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.

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

FINANCIAL STATEMENTS

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		Company	
		2020 £'000	2019 £'000	2020 £'000	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)

FINANCIAL STATEMENTS
Group and parent company statements of cash flows

for the year ended 31 December 2020

	Notes	Group		Company	
		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.

Notes to the financial statements continued

for the year ended 31 December 2020

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

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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:

	2020 £'000	2019 £'000
Earnings		
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
	2020 Number '000	2019 Number '000
Weighted average number of ordinary shares		
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

Company and Group	Ordinary shares of 1p each		Share premium
	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

for the year ended 31 December 2020

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.moneyadvice.service.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 mandat  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

P ter 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

Company number

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DAC Beachcroft LLP

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Leeds LS1 2ND

Glossary

A&E	Accident & Emergency	GXT	Group Executive Team
AGM	Annual General Meeting	HGL	Healthcare Gateway Limited
AI	Artificial Intelligence	HMRC	Her Majesty's Revenue & Customs
AIM	Alternative Investment Market	HR	Human Resources
APM	Alternative Performance Measure	IAS	International Accounting Standard
B2B	Business-to-business	ICO	Information Commissioner's Office
BAME	Black, Asian and Minority Ethnic	ICS	Integrated Care System
CCG	Clinical Commissioning Group	IFRS	International Financial Reporting Standards
CEO	Chief Executive Officer	IG	Information Governance
CGU	Cash-Generating Unit	IPO	Initial Public Offering
Code	UK Corporate Governance Code 2018	ISO	International Organisation For Standardization
COPI	Control of Patient Information	KPI	Key Performance Indicator
CSOP	Company Share Option Plan	LGBTQ+	Lesbian, Gay, Bisexual, Transgender, Queer
CSRA	Control and Risk Self-Assessment	LTIP	Long-Term Incentive Plan
EBITA	Earnings before interest, tax and amortisation	NAO	National Audit Office
EBITDA	Earnings before interest, tax depreciation and amortisation	NHS	National Health Service
EBT	Employee Benefit Trust	NHSD	National Health Service Digital
EMIS	Egton Medical Information Systems	NHSX	An NHS organisation focussed on the digital transformation of care
EMIS Anywhere	Access to EMIS Web remotely	NIMS	National Immunisation Management Service
EMIS Enterprise	EMIS business areas where revenues are predominantly from private sector sources in healthcare business-to-business	NISD	Networks and Information Systems Directive
EMIS Health	EMIS business areas where revenues are generated from NHS organisations	NSS	National Services Scotland
EMIS Web	Market leading GP clinical software	NWIS	NHS Wales Informatics Service
EMIS-X	Cloud based platform	PCN	Primary Care Network
EMIS-X Analytics	A suite of data analytics tools	PGD	Patient Group Direction
ePMA	Electronic prescribing and medicines administration	PPE	Personal Protective Equipment
EPS	Electronic Prescription Service	R&D	Research and Development
EPS	Earnings Per Share	RCGP	Royal College of General Practitioners
ESG	Environmental, social and governance	RMC	Risk Management Committee
FHIR	Fast Healthcare Interoperability Resource	SECR	Streamlined Energy & Carbon Reporting Requirements
FMD	Falsified Medicines Directive	SIP	Share Incentive Plan
FRC	Financial Reporting Council	SLA	Service Level Agreement
FTSE	Financial Times Stock Exchange	SLT	Senior Leadership Team
GDPR	General Data Protection Regulations	SNOMED-CT	An interoperable standard for clinical coding
GP	General Practitioner	STP	Sustainability and Transformation Partnership
GPG	Gender Pay Gap	TSR	Total Shareholder Return
GPSoC	GP Systems of Choice	UEL	Useful Economic Life
GPMO	Group programme management office	WEEE	Waste Electrical and Electronic Equipment Recycling

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