19 March 2015

EMIS Group plc
("EMIS Group" or "the Group")

Preliminary Results for the financial year ended 31 December 2014

EMIS Group plc (AIM: EMIS.L), the UK leader in connected healthcare software and services, today announces its results for the year ended 31 December 2014.

Financial highlights

	2014	2013	**Change**
Revenue			
Total revenue	**£137.6m**	£105.5m	**30%**
Recurring revenue	**£102.7m**	£81.4m	**26%**
Operating profit			
Reported	**£29.1m**	£24.9m	**17%**
Adjusted[1]	**£32.6m**	£26.1m	**25%**
Cashflow and debt			
Cash generated from operations[2]	**£38.3m**	£32.6m	**17%**
Net debt	**£11.8m**	£13.5m	**-13%**
Earnings per share			
Reported	**35.3p**	32.6p	**8%**
Adjusted[1]	**39.5p**	34.0p	**16%**
Dividends			
Proposed final	**9.2p**	8.0p	**15%**
Total for year	**18.4p**	16.0p	**15%**

[1] Excludes release of contingent acquisition consideration, exceptional items, capitalisation and amortisation of development costs and amortisation of acquired intangibles. Earnings per share calculations also adjust for the related tax and non-controlling interest impact.
[2] Stated after deduction of capitalised development costs of £6.5m (2013: £6.1m).

Operational highlights

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

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

Primary & Community Care

- Market leading position in UK primary care maintained with 53.1% market share (2013: 53.0%)
- GP System of Choice (GPSoC) Framework agreement (Lots 1 & 2) secured

- 4,261 EMIS Web GP practices now live (2013: 3,327)
- Momentum continues in Community, Children and Mental Health (CCMH): contract wins in excess of £14m, strong pipeline, implementations progressing well and market share grown from 3% to 8%

Community Pharmacy

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

Secondary & Specialist Care

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

Current Trading & Outlook

- Group continues to trade well and in line with the Board's expectations
- Strong revenue visibility, cross-group pipelines and earnings enhancement expected from 2013 and 2014 acquisitions
- Growth opportunities in primary, CCMH, community pharmacy and secondary & specialist markets
- Preparing for post National Programme contract re-letting opportunity in primary care

Chris Spencer, Chief Executive Officer of EMIS Group said:

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

"Key achievements for the year included establishing closer integration of the Group's cross-healthcare products and services, concluding major contracts for GP Systems of Choice (GPSoC) Lots 1 and 2, largely completing the roll-out of EMIS Web for GPs in England while securing opportunities elsewhere including Northern Ireland. We have also achieved organic revenue growth and increased visibility across the business, delivering high levels of profitability and cash generation in line with our expectations, and further strengthening our already solid balance sheet.

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

There will be an analyst meeting today at 09.30 am at MHP Communications, 60 Great Portland Street, London W1W 7RT. Please contact Charlie Barker at MHP Communications on 0203 128 8540, emis@mhpc.com, for details.

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Notes to Editors

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

EMIS Group serves the following healthcare settings:

- Primary and Community Care, under the EMIS brand, the UK leader in clinical IT systems for GPs and commissioners. EMIS products, including the flagship EMIS Web, hold over 40 million patient records and are used by nearly 6,000 healthcare organisations, including community-based teams. EMIS's Patient website is the UK's leading independent provider of patient-centric medical and well-being information and related transactional services.
- Community Pharmacy, under the Rx Systems brand, the UK's single most used integrated community pharmacy and retail system.
- Secondary and Specialist Care, under the Ascribe, Indigo 4, Digital Healthcare and Medical Imaging brands. Ascribe is a leading software provider to 81% of the UK's NHS Acute Trusts and Boards, focused primarily on Hospital Pharmacy, A&E (holding over 30 million patient records), Mental Health and Patient Administration Systems. Digital Healthcare and Medical Imaging are England's leading providers of diabetic eye screening and other ophthalmology-related solutions.

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

CHIEF EXECUTIVE'S OVERVIEW

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

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

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

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

GROUP STRATEGY

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

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

- **Strategic customer engagement.** The GP Systems of Choice (GPSoC) framework procurement was successfully completed for Lots 1 and 2 and Lot 3 is well under way. The Group began to work with primary care customers that used new (enterprise) funding models. The Group continued to engage in the consolidation of the market place at a local level with a doubling of 100% EMIS Clinical Commissioning Groups (CCGs)/Health Boards where all the GP practices use EMIS Web to 38 by the year end. Procurement engagement began with the Group's first "supermarket" pharmacy customer. EMIS Group Pioneer (pan-healthcare) economies were identified and engagement began. Relationships were developed with five patient advocacy charities (including Diabetes UK and Macmillan);
- **Divisional restructuring/integration.** The Group management structure was re-designed and all management positions have now been filled including Duane Lawrence, the Managing Director of Secondary Care, Steve Butcher, the Group Director of Marketing, and Nicola Cliffe, the Group Human Resources Director. The Group's marketing proposition was further developed and promoted around joining up healthcare across all its sectors with a special focus on promoting EMIS as "not only a GP system supplier", with particular success in the CCMH space. The Primary Care (EMIS Web) Community and Children's and the Secondary Care Mental Health teams were merged and secured three combined contract wins. The Community Pharmacy engineering team was integrated into the Egton (engineering) division;

- **Group product integration.** An integrated product roadmap has been developed and implementation has begun. Initial outcomes were demonstrated at an investor day on 3 June 2014 showing a fully integrated suite of cross-Group products, which enables the Group to offer new or enhanced services: examples include the growth of Pharmacy Access into the Community Pharmacy space. The Primary Care (EMIS Web) Community and Children's and the Secondary Care Mental Health product roadmaps were aligned. This ongoing integration will be further emphasised in 2015 by the use of the holistic EMIS Health divisional branding.
- **Optimisation of software specification and development**. Primary & Community Care ran a comprehensive training programme in agile development methodologies to improve quality and throughput. In Community Pharmacy a Medicine Manager/Electronic Health Record Viewer was completed and began to be rolled-out in England. Development of the Community Pharmacy next generation product addressing the supermarket segment also continued to plan. In Secondary Care a new Development Director was appointed and in Specialist Care a Public Health England update was developed and implemented across the whole of the English diabetic retinopathy estate. Across the Group, premises were refurbished in North Leeds for specific use as a development delivery hub and there was growth in the development teams in Bolton, Sheffield, Glasgow and Chennai.
- **Enterprise/federated and commissioning products.** Solutions to meet CCG and enterprise/federated primary care needs were created and released. A Group Health Analytics Service was established to provide Health Intelligence services and products with advanced solutions for the Group's markets.

OPERATIONAL REVIEW
Primary & Community Care

Primary Care
The Group's primary care market share rose slightly to 53.1% (5,138 GP practices) (31 December 2013: 53.0% (5,232 GP practices)). The primary care user base continues to be loyal and 78% of the Group's English GP practices have used an EMIS system for over 10 years.

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

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

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

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

- Blackpool;
- Southport and Ormskirk;
- North Somerset;
- Sirona (South Gloucestershire);
- Bristol;
- Glasgow;
- South Tyneside;
- First Community;
- Leeds (Occupational Health);
- St Andrew's (Physical Health);
- Gibraltar.

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

Patient

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

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

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

Hardware & Engineering

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

Community Pharmacy

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

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

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

Secondary & Specialist Care

Secondary Care

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

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

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

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

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

Specialist Care

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

On 22 December 2014 the Group acquired Medical Imaging (UK) Limited and MIDRSS Limited (Medical Imaging), together a leading provider of services delivering diabetic eye screening and ophthalmology imaging to the NHS in England and with a growing presence assisting Ireland's national health service. The acquisition furthers the strategic opportunity that the Group identified when acquiring Digital Healthcare in the provision of a full end-to-end managed diabetic retinopathy screening service. The initial purchase consideration, net of cash acquired, was £6.5m. Over 90% of its revenues are of a recurring nature. It has 63% of the outsourced English market (14% of the total market), and provides screening services to over 500,000 patients across 12 diabetic eye screening programmes. It is also expected to be earnings enhancing in its first full year.

FINANCIAL REVIEW

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

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

Revenue

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

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

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

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

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

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

Revenue mix

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

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

- licences, which increased to £43.8m (2013: £40.0m), due principally to growth in Primary Care & Community and to a full period benefit from the 2013 Secondary & Specialist Care acquisitions;
- maintenance & software support, driven significantly higher to £33.4m (2013: £17.7m) by incremental revenues from acquisitions and by a higher allocation to this revenue stream under the new GPSoC contract in effect from 1 April 2014;

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

Profitability

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

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

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

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

Taxation

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

Earnings per share ("EPS")

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

Dividend

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

Cash flow and net debt

The principal movements in net debt were as follows:

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

Net cash generated from operations was 17% higher than the previous year at £38.3m (2013: £32.6m), the increase follows the growth in the business, partly offset by a £2.7m net outflow in working capital, reflecting the timing of Research & Development tax credits and contract receipts. The Group typically has a seasonal cash flow profile, with stronger inflows in the first half reflecting the timing of annual licence renewals.

The Group completed two acquisitions in the year (Indigo 4 and Medical Imaging) for net cash consideration paid in 2014 of £10.3m. Further amounts of up to £3.0m may become payable in 2015 and 2016 in respect of the Medical Imaging acquisition, and these have been fully provided for. As noted above, £2.3m of contingent consideration in respect of the 2013 Ascribe acquisition has been paid in early 2015.

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

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

SUMMARY AND OUTLOOK

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

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

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

GROUP STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

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

Earnings per share attributable to equity holders of the parent	5	**Pence**	Pence
Basic		**35.3**	32.6
Diluted		**35.2**	32.6

[1] Including contract asset depreciation of £3,761,000 (2013: £3,241,000), exceptional transaction costs of £nil (2013: £1,144,000) and release of contingent acquisition consideration of £873,000 (2013: £nil).
[2] Excluding amortisation of computer software purchased externally of £447,000 (2013: £162,000).

GROUP BALANCE SHEET
As at 31 December 2014

	Notes	2014 £'000	2013 Restated[1] £'000
ASSETS			
Non-current assets			
Goodwill		**68,577**	59,264
Other intangible assets	7	**70,820**	67,204
Property, plant and equipment		**24,313**	24,610
Investment in joint venture and associates		**2,705**	2,760
		166,415	153,838
Current assets			
Inventories		**1,550**	1,431
Trade and other receivables		**28,732**	21,448
Cash and cash equivalents	9	**6,939**	4,167
		37,221	27,046
Total assets		**203,636**	180,884
LIABILITIES			
Current liabilities			
Trade and other payables		**(20,782)**	(16,705)
Current tax liabilities		**(1,246)**	(2,341)
Bank loans	9	**(12,902)**	(7,902)
Contingent acquisition consideration		**(2,750)**	(2,129)
Deferred income		**(29,985)**	(25,453)
		(67,665)	(54,530)
Non-current liabilities			
Bank loans	9	**(5,854)**	(9,756)
Deferred tax liability		**(12,709)**	(11,481)
Contingent acquisition consideration		**(2,500)**	(994)
		(21,063)	(22,231)
Total liabilities		**(88,728)**	(76,761)
NET ASSETS		**114,908**	104,123
EQUITY			
Ordinary share capital		**633**	633
Share premium		**51,045**	51,045
Own shares held in trust		**(3,718)**	(2,325)
Retained earnings		**60,109**	48,522
Other reserve		**2,111**	2,197
Equity attributable to owners of the parent		**110,180**	100,072
Non-controlling interests		**4,728**	4,051
TOTAL EQUITY		**114,908**	104,123

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

GROUP STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Cash generated from operations	8	**44,856**	38,725
Finance costs		**(455)**	(600)
Finance income		**10**	20
Tax paid		**(5,247)**	(5,073)
Net cash generated from operating activities		**39,164**	33,072
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6,873)**	(8,403)
Proceeds from sale of property, plant and equipment		**291**	219
Development costs capitalised	7	**(6,523)**	(6,098)
Purchase of software	7	**(1,765)**	(524)
Business combinations	10	**(10,250)**	(57,534)
Net cash used in investing activities		**(25,120)**	(72,340)
Cash flows from financing activities			
Share placing		**-**	26,322
Transactions in own shares held in trust		**(1,480)**	552
Bank loan repayments		**(7,000)**	(2,400)
Bank loans drawn down		**8,000**	17,000
Dividends paid	6	**(10,792)**	(9,146)
Net cash (used in)/generated from financing activities		**(11,272)**	32,328
Net increase/(decrease) in cash and cash equivalents		**2,772**	(6,940)
Cash and cash equivalents at beginning of year		**4,167**	11,107
Cash and cash equivalents at end of year	9	**6,939**	4,167

GROUP STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Share capital £'000	Share premium £'000	Own shares held in trust £'000	Retained earnings £'000	Other reserve £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2013	586	24,767	(2,877)	38,076	-	3,513	64,065
Profit for the year	-	-	-	19,391	-	538	19,929
Transactions with owners							
Share placing	44	26,278	-	-	-	-	26,322
Shares issued	3	-	-	-	2,219	-	2,222
Share acquisitions less sales	-	-	552	-	-	-	552
Share-based payments	-	-	-	195	-	-	195
Deferred tax in relation to share-based payments	-	-	-	6	-	-	6
Dividends paid (note 6)	-	-	-	(9,146)	-	-	(9,146)
Other comprehensive income							
Currency translation differences	-	-	-	-	(22)	-	(22)
Balance at 1 January 2014	633	51,045	(2,325)	48,522	2,197	4,051	104,123
Profit for the year	-	-	-	22,144	-	677	22,821
Transactions with owners							
Share acquisitions less sales	-	-	(1,393)	(87)	-	-	(1,480)
Share-based payments	-	-	-	270	-	-	270
Deferred tax in relation to share-based payments	-	-	-	52	-	-	52
Dividends paid (note 6)	-	-	-	(10,792)	-	-	(10,792)
Other comprehensive income							
Currency translation differences	-	-	-	-	(86)	-	(86)
Balance at 31 December 2014	**633**	**51,045**	**(3,718)**	**60,109**	**2,111**	**4,728**	**114,908**

NOTES TO THE PRELIMINARY ANNOUNCEMENT
for the year ended 31 December 2014

1. Basis of preparation

The financial information set out in this preliminary announcement does not constitute the company's statutory financial statements for the years ended 31 December 2014 or 2013 but is derived from those financial statements.

Statutory financial statements for 2013 have been delivered to the registrar of companies and those for 2014 will be delivered in due course. The auditors have reported on those financial statements; their reports were (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory financial statements for the year ended 31 December 2014 will be posted no later than 31 March 2015 to shareholders and, once approved, will be delivered to the Registrar of Companies following the Annual General Meeting on 29 April 2015.

Copies of the Annual Report and Financial Statements for the year ended 31 December 2014 will be available on the Company's website www.emis-online.com/investors from 31 March 2015 and from the Company Secretary, EMIS Group plc, Rawdon House, Green Lane, Yeadon, Leeds LS19 7BY.

2. Segmental information

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

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

(a) Primary & Community Care;
(b) Community Pharmacy; and
(c) Secondary & Specialist Care (including the Indigo 4 and Medical Imaging businesses acquired during the year).

Each operating segment is assessed by the Board based on a measure of adjusted operating profit. This measurement basis excludes exceptional items, the effect of capitalisation and amortisation of development costs, and the amortisation of acquired intangible assets as the Board considers this to provide the best measure of underlying performance. Group operating expenses, finance income and costs, cash and cash equivalents and bank loans are not allocated to segments, as group and financing activities are not segment-specific.

	2014				2013			
	Primary & Community Care £'000	**Community Pharmacy £'000**	**Secondary & Specialist Care £'000**	**Total £'000**	Primary & Community Care £'000	Community Pharmacy £'000	Secondary & Specialist Care £'000	Total £'000
Revenue	**89,708**	**18,386**	**29,545**	**137,639**	80,065	16,980	8,497	105,542
Segmental operating profit as reported internally	**26,450**	**3,853**	**3,430**	**33,733**	22,159	3,869	822	26,850
Development costs capitalised	**3,978**	**784**	**1,761**	**6,523**	5,271	22	805	6,098
Amortisation of development costs	**(4,248)**	**-**	**(397)**	**(4,645)**	(1,836)	-	(40)	(1,876)
Amortisation of acquired intangible assets	**(1,110)**	**(736)**	**(4,423)**	**(6,269)**	(2,076)	(851)	(1,271)	(4,198)
Segmental operating profit	**25,070**	**3,901**	**371**	**29,342**	23,518	3,040	316	26,874
Group operating expenses				**(1,094)**				(785)
Exceptional transaction costs				**-**				(1,144)
Release of contingent acquisition consideration (note 10)				**873**				-
Operating profit				**29,121**				24,945
Net finance costs				**(543)**				(242)
Share of result of associate				**(55)**				20
Share of result of joint venture				**17**				(88)
Profit before taxation				**28,540**				24,635

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

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

Revenue of £5,421,000 (2013: £3,182,000) is derived from customers outside the United Kingdom.

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

3. Revenue analysis

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

4. Income tax expense

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

5. Earnings per share ("EPS")

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

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

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

Earnings per share	2014 Pence	2013 Pence

Basic	**35.3**	32.6
Adjusted	**39.5**	34.0
Basic diluted	**35.2**	32.6
Adjusted diluted	**39.4**	34.0

6. Dividends

	2014 £'000	2013 £'000
Final dividend for the year to 31 December 2012 of 7.1p	**-**	4,120
Interim dividend for the year to 31 December 2013 of 8.0p	**-**	5,026
Final dividend for the year to 31 December 2013 of 8.0p	**5,030**	-
Interim dividend for the year to 31 December 2014 of 9.2p	**5,762**	-
	10,792	9,146

A final dividend for the year to 31 December 2014 of 9.2p amounting to approximately £5,767,000 will be proposed at the Annual General Meeting on 29 April 2015. If approved, this dividend will be paid on 1 May 2015 to shareholders on the register on 10 April 2015. The dividend is not accounted for as a liability in these financial statements and will be accounted for as an appropriation of revenue reserves in the year to 31 December 2015.

7. Other intangible assets

	Computer software purchased externally £'000	**Computer software developed internally £'000**	**Computer software acquired on business combinations £'000**	**Customer relationships £'000**	**Total £'000**
Cost					
At 1 January 2013	521	16,039	8,797	18,864	44,221
Additions	524	6,098	25,327	10,653	42,602
At 31 December 2013	1,045	22,137	34,124	29,517	86,823
Additions	1,765	6,523	1,093	5,596	14,977
At 31 December 2014	**2,810**	**28,660**	**35,217**	**35,113**	**101,800**
Accumulated amortisation and impairment					
At 1 January 2013	56	779	6,760	5,788	13,383
Charged in year	162	1,876	2,498	1,700	6,236
At 31 December 2013	218	2,655	9,258	7,488	19,619
Charged in year	447	4,645	3,744	2,525	11,361
At 31 December 2014	**665**	**7,300**	**13,002**	**10,013**	**30,980**
Net book value					
At 31 December 2014	**2,145**	**21,360**	**22,215**	**25,100**	**70,820**
At 31 December 2013	827	19,482	24,866	22,029	67,204
At 1 January 2013	465	15,260	2,037	13,076	30,838

8. Cash generated from operations

	2014 £'000	2013 £'000
Profit before taxation	**28,540**	24,635
Finance income	**(10)**	(20)
Finance costs	**553**	262
Share of result of associate	**55**	(20)

Share of result of joint venture	**(17)**	88
Operating profit	**29,121**	24,945
Adjustment for non-cash items:		
Amortisation of intangible assets	**11,361**	6,236
Depreciation of property, plant and equipment	**7,766**	6,527
Release of contingent acquisition consideration	**(873)**	-
Profit on disposal of property, plant and equipment	**(128)**	-
Share-based payments	**270**	195
Operating cash flow before changes in working capital	**47,517**	37,903
Changes in working capital:		
Increase in inventory	**(119)**	(174)
(Increase)/decrease in trade and other receivables	**(6,912)**	1,132
Increase/(decrease) in trade and other payables	**2,360**	(177)
Increase in deferred income	**2,010**	41
Cash generated from operations	**44,856**	38,725

9. Change in net debt

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

10. Business combinations

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

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

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

	Indigo 4 Systems £'000	**Medical Imaging £'000**	**Total £'000**
Goodwill	3,205	6,108	9,313
Intangible assets acquired:			
- computer software	1,093	-	1,093
- customer relationships	1,987	3,609	5,596
Property, plant and equipment	54	705	759
Trade and other receivables	837	1,268	2,105
Cash and cash equivalents	2,818	2,530	5,348
Trade and other payables	(699)	(1,498)	(2,197)
Deferred income	(2,081)	-	(2,081)
Deferred tax	(616)	(722)	(1,338)
Total net assets	6,598	12,000	18,598

Consideration:			
Initial cash consideration	6,098	9,000	15,098
Contingent consideration	500	3,000	3,500
Total potential consideration	6,598	12,000	18,598
Cash and cash equivalent balances acquired	(2,818)	(2,530)	(5,348)
Contingent consideration not yet paid	-	(3,000)	(3,000)
Net cash cost of acquisition paid in year	3,780	6,470	10,250

Goodwill relates principally to the experienced staff within the businesses.

Provisional fair values of assets and liabilities represent the best estimate of the fair values at the dates of acquisition. As permitted by IFRS 3 (Revised) 'Business Combinations', these provisional amounts can be amended for a period of up to 12 months following acquisition if subsequent information becomes available which changes the estimates of fair values at the dates of acquisition.

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

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

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

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

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