EMIS Group plc

Half year results for the six months ended 30 June 2013

EMIS Group plc is transforming the face of healthcare delivery for GPs and other healthcare practitioners.

Our aim is to make good quality, timely, patient information available any time, any place, anywhere through interoperable systems.

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Financial highlights

	2013 H1	2012 H1	Change
Revenue	**£47.1m**	**£42.3m**	**+11%**
Recurring revenue	**£36.0m**	**£34.4m**	**+5%**
Operating profit			
• reported	**£12.1m**	**£12.1m**	**-**
• adjusted[1]	**£11.6m**	**£11.5m**	**-**
Net cash generated from operations[2]	**£19.0m**	**£21.7m**	**-£2.7m**
Net cash	**£14.8m**	**£17.7m**	**-£2.9m**
EPS from continuing operations			
• reported	**15.62p**	**16.32p**	**-4%**
• adjusted[1]	**14.89p**	**15.58p**	**-4%**
Interim dividend	**8.0p**	**7.1p**	**+13%**

[1] Excludes capitalisation and amortisation of development costs and amortisation of acquired intangibles charged in the period. For EPS calculations this also adjusts for the related tax impact.
[2] Stated after deduction of capitalised development costs of £2.7m (2012 H1: £2.2m).

Business and financial overview

Operational highlights

- Market leading position rose slightly, with a GP market share of 52.4% (5,170 GP Practices) (31 December 2012: 51.2% (5,113 GP Practices));
- New GP site wins from iSoft (174 migrations in England in the period) and in Wales began rolling out a hosted IT service with the first EMIS Web practice going live in June 2013;
- EMIS Web GP roll-out proceeding as planned and at 30 June 2013 there were:
  - 2,580 live EMIS Web GP practices (31 December 2012: 1,635) with a further 291 deployed between the period end and 5 September;
  - 948 unfulfilled orders for EMIS Web GP (31 December 2012: 1,252); and
  - 1,663 GP practices in the Familiarisation Service (31 December 2012: 2,564).
- RX Systems, the Group's UK pharmacy system provider, continues to grow its estate with market share of 34.9% (4,727 pharmacies) (31 December 2012: 34.8% (4,595 pharmacies));
- EMIS Web Community Care, Child Health and Mental Health (CCMH) pathfinder projects start to bear fruit as commercial focus maintained;
- Healthcare Gateway pilots continue to turn to full agreements and agreement signed with TPP;
- Acquisition of Digital Healthcare, a profitable niche business in an adjacent market, completed in August 2013.

Chief Executive's overview

"So far 2013 has been one of the busiest periods ever for EMIS Group. We expect this to continue as the accelerated roll-out to GPs of EMIS Web, our transformational healthcare system, is maintained.

We will also be redoubling our efforts to join up GPs, other clinicians and pharmacists engaged in healthcare in the community and extending our reach into ophthalmology-related solutions and beyond that into specialist and acute care. "

EMIS Group has had an exceptionally busy first half, with strong revenue growth and a high level of profitability maintained. As well as remaining the leading software supplier for GP practices and a major provider of high street pharmacy software across the UK, it is now also the leading provider of diabetic retinopathy services in England and Wales.

The mandate from the English government to the NHS Commissioning Board for April 2013 to March 2015 (the NHS Mandate) states that:

"Never in its history has the NHS had to face such a profound shift in our needs and expectations. An ageing population, rising costs of treatments, and a huge increase in the number of us with long-term, often multiple conditions are rewriting our relationship with health and care, all at a time of acute pressure on public finances."

On the specific and crucial issue of long-term conditions, the NHS Mandate identifies a number of key factors including, by March 2015, particular progress in involving people in their own care, the use of technology and better integration of services.

As Care and Support Minister Norman Lamb said in June:

"This is a truly historic moment for the joining up of health and care around people's lives. I am excited about the prospect of working with our integration pioneers to champion the integration of health and care services across the country, and this [English] joint health and care budget will give local areas the freedom and encouragement to drive integration at the frontline."

EMIS Group expects to help and benefit increasingly from this strong alignment of the NHS's IT strategy and the NHS Mandate with EMIS Group's own strategy of delivering cross-organisational healthcare, building on its strong position and reputation in GP and pharmacy solutions as we extend our footprint into adjacent and complementary areas of the healthcare ecosystem.

Chris Spencer
Chief Executive
6 September 2013

"We are pleased to remain completely aligned with government policy as expressed recently not only by Health Secretary Jeremy Hunt but also by Care and Support Minister Norman Lamb whose comments in June around the greater integration of health and care services across the country give further encouragement for EMIS Group's continued development.

EMIS Group continues to trade in line with the Board's expectations, with continuing strong revenue visibility and improved profit performance in the second half principally resulting from the growth in the EMIS Web GP estate."

Financial Review

The Group has traded consistently with management expectations in the first half of 2013, with continued revenue growth and profit in line with the comparative period.

Group revenue from continuing operations increased by 11% to £47.1m (2012 H1: £42.3m), including recurring revenue of £36.0m (2012 H1: £34.4m) representing 76% of all revenues.

Key drivers of revenue change included the following:

- increased hosting revenues of £6.3m (2012 H1: £3.9m) driven by incremental EMIS Web recurring revenues;
- licences and software support revenues, which increased to £19.1m (2012 H1: £17.8m) principally due to additional revenues in the deployment of EMIS Web and the growth of the Pharmacy estate;
- other support services revenues rising to £11.6m (2012 H1: £9.9m) due to the introduction of Egton Network Services and the development of EMIS IQ, including GPES;
- hardware and training revenues, which were driven primarily by higher levels of training revenues to £7.9m (2012 H1: £7.0m); and
- a reduction in other revenues which totalled £2.2m (2012 H1: £3.7m), principally due to lower levels of activity in the Defence sector.

The increase in revenue was, as anticipated, matched by an increase in costs, principally staff costs and depreciation, to support future growth, as a consequence of significant recruitment and capital investment in 2012. As a result, adjusted operating profit was marginally higher at £11.6m (2012 H1: £11.5m) with improved contribution from RX Systems offset by a flat performance in EMIS and some increase in Group costs. After accounting for the capitalisation and amortisation of development costs and the amortisation of acquired intangibles, overall operating profit was unchanged at £12.1m.

The tax charge for the period increased to £2.7m (2012 H1: £2.3m), the comparative period benefiting from a £0.5m credit as a result of a reduction in the rate of deferred tax.

As a result of the higher tax charge, adjusted basic and diluted EPS reduced slightly to 14.89p and 14.86p respectively (2012 H1: 15.58p for both measures). The statutory basic and diluted EPS were 15.62p and 15.58p (2012 H1: 16.32p).

Financial review continued

The Board has resolved to pay an interim dividend of 8.0p (2012 H1: 7.1p) per ordinary share on 31 October 2013 to shareholders on the register at the close of business on 27 September 2013.

Net cash generated from operations after internally developed software was £19.0m (2012 H1: £21.7m) with the reduction reflecting a temporary increase in trade and other receivables of circa £5.0m after the significant restructuring of the NHS in England on 1 April 2013. This working capital expansion has corrected itself since the period end. Net capital expenditure excluding internally developed software reduced to £5.2m (2012 H1: £5.9m), and included the £1.5m purchase of premises for warehousing, engineering services and hosting operations. The acquisition of Multepos Computer Systems Limited was completed in January 2013 for net cash consideration of £0.7m. After tax, dividends and Employee Benefit Trust transactions, net cash increased by £7.1m to £14.8m compared to the year end (31 December 2012: £7.7m; 2012 H1: £17.7m), comprising cash of £17.8m and bank debt of £3.0m.

Operational Review

Introduction

EMIS Group, through its subsidiary companies EMIS, RX Systems, and, following the period end, Digital Healthcare, is a major provider of healthcare software, information technology, and related services in the UK. EMIS is the UK GP software market leader with a GP market share of 52.4% (5,170 GP Practices) (31 December 2012, 51.2% (5,117 GP Practices)). RX Systems provides healthcare IT, software, and services to 34.9% (31 December 2012: 34.8%) of UK high street pharmacies. Digital Healthcare provides solutions and services to manage and support systematic population-based retinal screening programmes. In England and Wales, it has a market share in excess of 75%.

EMIS Group's core objective is to improve the health of communities by developing systems to help clinicians, patients and others involved in their care to create and mobilise each patient's electronic healthcare record. Through EMIS Web and its other products, the Group is continuing to make significant progress towards the delivery of cross-organisational, integrated healthcare systems: an objective completely aligned with NHS strategy as most recently repeated in the NHS Mandate.

The ongoing roll-out of EMIS Web to GPs and its cross functionality with our other products and initiatives provides the Group with substantial medium and long term growth opportunities.

EMIS GP Systems

EMIS's overall UK GP market share rose to 52.4% (5,170 GP practices) (31 December 2012, 51.2% (5,117 GP Practices)). This was despite continuing competitor marketing and PR activity (most publicly in certain parts of London) and some practice consolidation. This included wins from INPS, iSoft and TPP. The user base remains loyal and 70% of EMIS UK GP practices have used an EMIS system for over 10 years.

The transition, on 1 April 2013, from Primary Care Trusts (PCTs) to Clinical Commissioning Groups (CCGs) created a considerable, but short term, administrative and cash flow burden for EMIS which is now largely resolved.

The renewal of the English GP Systems of Choice Framework (GPSoCR) is progressing as expected. As previously announced, the Group received a letter on 27 March 2013 confirming the extension of the term of the existing GPSoC agreement to 31 December 2013 with the option of a further three months' extension. The procurement was formally advertised in May 2013 and in July 2013 EMIS successfully passed the PQQ stage. The detailed procurement process continues as planned.

Following the announced withdrawal of CSC's iSoft from the UK primary care market, 174 former iSoft practices migrated to EMIS in England during the first half of the year and the Group ultimately expects to win approximately two-thirds of the iSoft estate. A number of the remaining iSoft practices are in Wales where NHS Wales has begun rolling out a centrally hosted IT service to its GPs with customer acceptance testing concluded in March and the first EMIS Web practice going live in June 2013.

EMIS Web GP

Throughout the first half of the year, EMIS maintained the accelerated roll-out to GPs of EMIS Web, its transformational healthcare IT system. There were 2,580 GP practices using EMIS Web by the period end (31 December 2012: 1,635). The EMIS Web Familiarisation

Service (provided for those practices planning to upgrade to EMIS Web) was, at the period end installed in 1,663 practices (31 December 2012: 2,564), representing the vast majority of the English customer base not already using EMIS Web. There were also 948 unfulfilled orders for EMIS Web GP by the end of June and this figure now stands at 754. The Group expects the roll-out of EMIS Web to continue at the current rate of approximately 150 per month for the remainder of 2013 and into early 2014.

The mobile version of EMIS Web, completed, tested and released in early 2013, is enabling GPs and those in CCMH and other integrated care settings increasingly to access the core elements of EMIS Web on a tablet device when away from their clinical base.

EMIS Web CCMH

An experienced Director of CCMH has been recruited and took up his post in June 2013, further strengthening the ring-fenced CCMH team following additional investment in development, product, and sales specialists.

The ongoing pathfinder projects, integrating other healthcare services with EMIS's GP systems (in particular in CCMH), continue to make good progress. CCMH and integrated care functionality relating to cross-organisational tasks and safeguarding/messages was released in May 2013 and cross-organisational appointments were released in July.

The procurement hiatus created by the move on 1st April 2013 from Primary Care Trusts (PCTs) to CCGs is now gradually starting to fall away. In London, EMIS signed the T30 (formerly Pan London) Framework and sales activity is ongoing. In Glasgow, EMIS implemented the first phase of a project to share securely information on 240,000 children across a range of community children's services. The project currently covers more than 250 professionals across 10 Child and Adolescent Mental Health Services teams using EMIS Web to share patient information.

RX Systems

RX Systems' ProScript software remains the most widely used community pharmacy dispensary management system in the UK.

RX Systems had another successful half year in which it slightly increased its significant market share of 4,727 community pharmacies, 34.9% of the UK market (2012: 4,595 pharmacies, 34.8%). RX Systems also successfully concluded the integration of Multepos Computer Systems Limited, the pharmacy retail systems supplier acquired on 14 January 2013.

Medicine Manager pilot sites started to go live in April 2013. These facilitate the flow of selected information from EMIS Web GP practices to RX Systems community pharmacies.

Digital Healthcare

Following the half year end and as previously announced on 5 August 2013, EMIS acquired Digital Healthcare Limited (Digital Healthcare) for net cash consideration of £3.1m. Digital Healthcare is a leading provider of diabetic retinopathy screening and other ophthalmology-related solutions to community clinics, mobile units, specialist ophthalmology departments, and practitioners. Digital Healthcare's principal area of business is providing solutions and services to manage and support systematic population-based retinal screening programmes. In England and Wales, it has a market share in excess of 75%.

The acquisition is in line with EMIS Group's strategy of providing cross-organisational healthcare systems and gives EMIS Group a strong position in a profitable niche market adjacent to EMIS Group's core presence in GP and Community Pharmacy systems. It also provides opportunities for hosting and in delivering fully managed ophthalmology-related screening services.

Healthcare Gateway

Healthcare Gateway Limited (HGL) is a 50:50 joint venture with INPS that enables the sharing of patient data via a medical interoperability gateway (MIG). Considerable commercial progress in the period was reflected in the signing of a number of contracts of up to three years' duration relating to 1.6m patients.

As previously announced, in January 2013, the remaining GP suppliers also indicated their intention to make the data from their systems available through the MIG which would have offered access to virtually all Primary Care data in every part of the UK. However, during the period, one of those suppliers, TPP, indicated it was not willing to share data other than GP data. After detailed discussions with TPP, certain CCGs, and NHS England, this impasse was resolved and on 12 August 2013 TPP entered into an agreement with HGL. This agreement is for a five year period covering all clinical data except prisons but including GP and CCMH.

Management and Resources

As previously announced, Sean Riddell, the former Chief Executive of EMIS, formally stepped down from his full-time executive role on 21 March 2013. Sean remains on the Group Board as a non-executive director.

Chris Spencer, who had held senior roles at EMIS since 1999, joined the Board to work alongside Sean as Joint Chief Executive in early February 2013 and then from 21 March 2013 took on the role of Interim Chief Executive. After an externally facilitated recruitment process to select a permanent successor for Sean, with both external and internal candidates being considered, Chris Spencer was appointed Chief Executive on 3 July 2013.

Also as previously announced, Andy McKeon was appointed as a new non-executive director with effect from 4 February 2013. As well as having a long career in the senior echelons of the Department of Health and the NHS Andy is a non-executive director of the National Institute for Health and Clinical Excellence (NICE).

Dr David Stables, a founder of the company and the Group's Director of Development Strategy, has indicated his intention to retire from his executive role in October 2013, following which he will remain available to the Group under a consultancy framework agreement so the Group can continue to benefit from his extensive sector experience.

Summary and Outlook

EMIS Group continues to trade in line with the Board's expectations, with continuing strong revenue visibility and improved profit performance in the second half principally resulting from the growth in the EMIS Web GP estate.

Maintaining the accelerated roll-out of EMIS Web GP through the remainder of 2013 remains the primary objective for both the sales and deployment resources. Other high priority objectives for EMIS in the GP market are capitalising on the withdrawal of iSoft from the Primary Care market and opportunities in Wales while maintaining market share elsewhere. EMIS will also be focussing on the alignment of Digital Healthcare with the Group and growth in the CCMH and interoperability markets. Success in meeting these objectives will deliver strong financial growth during the remainder of 2013 and beyond.

The Board expects to continue to complement its investment in organic growth initiatives with selective acquisitions where these provide a platform position in adjacent market sectors. In the three years since acquisition, RX has almost doubled its revenues, profits, customer base and market share, and the recent purchase of Digital Healthcare is another example of EMIS expanding into a profitable and adjacent niche. The increasing focus in policy circles on using interoperable technology solutions to enable greater integration and drive improved patient outcomes across the entire health and care system, reinforces our own conviction in this strategy.

Overall, the Group continues to take significant steps towards its strategic vision of cross-organisational healthcare systems extending from primary and community into specialist care and beyond.

Chris Spencer
Chief Executive
6 September 2013

Peter Southby
Chief Financial Officer
6 September 2013

Consolidated statement of comprehensive income

for the six months ended 30 June 2013

	Six months to 30 June 2013 Unaudited £'000	Six months to 30 June 2012 Unaudited £'000	Year ended 31 December Audited 2012 £'000
Continuing operations			
Revenue	**47,124**	42,267	86,333
Costs:			
Changes in inventories	**(128)**	(602)	(179)
Cost of goods and services	**(5,481)**	(5,210)	(10,712)
Staff costs	**(19,123)**	(15,618)	(32,818)
Other operating expenses[1]	**(6,545)**	(5,894)	(12,560)
Depreciation of property, plant and equipment	**(1,534)**	(1,216)	(2,349)
Amortisation of intangible assets	**(2,211)**	(1,669)	(3,604)
Adjusted operating profit	**11,559**	11,522	22,820
Development costs capitalised	**2,698**	2,205	5,330
Exceptional transaction costs	**—**	—	(435)
Amortisation of intangible assets[2]	**(2,155)**	(1,669)	(3,604)
Operating profit	**12,102**	12,058	24,111
Finance income	**19**	50	54
Finance costs	**(39)**	(67)	(130)
Share of result of associate	**5**	—	(2)
Share of result of joint venture	**(50)**	18	26
Profit before taxation	**12,037**	12,059	24,059
Income tax expense	**(2,698)**	(2,295)	(4,625)
Total comprehensive income for the period	**9,339**	9,764	19,434
Attributable to:			
– equity holders of the parent	**9,064**	9,525	18,932
– non-controlling interest in subsidiary company	**275**	239	502
Total comprehensive income	**9,339**	9,764	19,434

Earnings per share attributable to equity holders of the parent

	Pence	Pence	Pence
Basic	**15.62**	16.32	32.55
Diluted	**15.58**	16.32	32.50

[1] including contract asset depreciation of £1,398,000 (2012 H1: £1,150,000, 2012 FY: £2,589,000) and exceptional transaction costs of £435,000 for 2012 full year only.
[2] excluding amortisation of computer software purchased externally of £56,000 for 2013 H1 only.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

as at 30 June 2013

	30 June 2013 Unaudited £'000	30 June 2012 Unaudited £'000	31 December 2012 Audited £'000
ASSETS			
Non-current assets			
Goodwill	**22,609**	21,951	21,951
Other intangible assets	**31,559**	29,127	30,838
Property, plant and equipment	**24,151**	18,379	22,144
Investment in associates	**2,745**	2,742	2,740
	81,064	72,199	77,673
Current assets			
Inventories	**1,123**	820	1,243
Trade and other receivables	**19,963**	13,437	15,188
Cash and cash equivalents	**17,796**	21,696	11,107
	38,882	35,953	27,538
Total assets	**119,946**	108,152	105,211
LIABILITIES			
Current liabilities			
Trade and other payables	**(12,752)**	(10,396)	(12,426)
Current tax liabilities	**(2,391)**	(6,235)	(1,919)
Bank loans	**(3,000)**	(988)	(396)
Deferred income	**(24,615)**	(22,039)	(15,857)
	(42,758)	(39,658)	(30,598)
Non-current liabilities			
Bank loans	**–**	(3,000)	(3,000)
Deferred tax liability	**(7,582)**	(7,472)	(7,548)
	(7,582)	(10,472)	(10,548)
Total liabilities	**(50,340)**	(50,130)	(41,146)
NET ASSETS	**69,606**	58,022	64,065
EQUITY			
Ordinary share capital	**586**	586	586
Share premium	**24,767**	24,767	24,767
Own shares held in trust	**(2,685)**	(3,289)	(2,877)
Retained earnings	**43,150**	32,708	38,076
Equity attributable to owners of the parent	**65,818**	54,772	60,552
Non-controlling interests	**3,788**	3,250	3,513
TOTAL EQUITY	**69,606**	58,022	64,065

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the six months ended 30 June 2013

	Six months to 30 June 2013 Unaudited £'000	Six months to 30 June 2012 Unaudited £'000	Year ended 31 December 2012 Audited £'000
Cash generated from operations	**21,710**	23,945	32,732
Finance costs	**(35)**	(56)	(114)
Finance income	**19**	50	54
Tax paid	**(2,146)**	(1,907)	(4,566)
Net cash generated from operating activities	**19,548**	22,032	28,106
Cash flows from investing activities			
Purchase of property, plant and equipment	**(5,076)**	(6,040)	(12,491)
Proceeds from sale of property, plant and equipment	**141**	130	245
Internally developed software	**(2,698)**	(2,205)	(5,330)
Purchase of software	**(234)**	—	(521)
Business combinations	**(664)**	(757)	(757)
Net cash used in investing activities	**(8,531)**	(8,872)	(18,854)
Cash flows from financing activities			
Transactions in own shares held in trust	**192**	148	(1,816)
Bank term loan repayments	**(400)**	(600)	(1,200)
Dividends paid	**(4,120)**	(3,618)	(7,735)
Net cash used in financing activities	**(4,328)**	(4,070)	(10,751)
Net increase/(decrease) in cash and cash equivalents	**6,689**	9,090	(1,499)
Cash and cash equivalents at beginning of period	**11,107**	12,606	12,606
Cash and cash equivalents at end of period	**17,796**	21,696	11,107

Cash generated from operations:			
Operating profit	**12,102**	12,058	24,111
Adjustment for non-cash items:			
Amortisation of intangible assets	**2,211**	1,669	3,604
Depreciation of property, plant and equipment	**2,932**	2,366	4,938
Profit on transactions in own shares	**—**	3	—
Share-based payments	**84**	12	90
Joint venture profit adjusted on indebtedness	**—**	18	—
Operating cash flow before changes in working capital	**17,329**	16,126	32,743
Changes in working capital:			
Decrease in inventory	**128**	602	179
Increase in trade and other receivables	**(4,764)**	(1,466)	(3,191)
Increase in trade and other payables	**259**	2,782	3,282
Increase/(decrease) in deferred income	**8,758**	5,901	(281)
Cash generated from operations	**21,710**	23,945	32,732

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the six months ended 30 June 2013

Group	Share capital £'000	Share premium £'000	Own shares held in trust £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2012	586	24,767	(1,061)	26,789	3,011	54,092
Transactions with owners						
– share acquisitions less sales	—	—	(2,228)	—	—	(2,228)
– share-based payments	—	—	—	12	—	12
Total comprehensive income						
– profit for the period	—	—	—	9,525	239	9,764
Dividend	—	—	—	(3,618)	—	(3,618)
Balance at 30 June 2012	586	24,767	(3,289)	32,708	3,250	58,022
Transactions with owners						
– share acquisitions less sales	—	—	412	—	—	412
– share-based payments	—	—	—	78	—	78
Total comprehensive income						
– profit for the period	—	—	—	9,407	263	9,670
Dividend (note 11)	—	—	—	(4,117)	—	(4,117)
Balance at 31 December 2012	586	24,767	(2,877)	38,076	3,513	64,065
Transactions with owners						
– share acquisitions less sales	—	—	192	—	—	192
– share-based payments	—	—	—	84	—	84
– deferred tax in relation to share-based payments	—	—	—	46	—	46
Total comprehensive income						
– profit for the period	—	—	—	9,064	275	9,339
Dividend (note 11)	—	—	—	(4,120)	—	(4,120)
Balance at 30 June 2013	**586**	**24,767**	**(2,685)**	**43,150**	**3,788**	**69,606**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. General information

This interim financial information has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively, "Adopted IFRS").

The financial information for the six months ended 30 June 2013 and the six months ended 30 June 2012 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The information is unaudited and does not constitute the group's statutory financial statements for those periods. The comparative financial information for the year ended 31 December 2012 has, however, been derived from the audited statutory financial statements for that year. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include any matters in relation to which auditors draw attention by way of emphasis without qualifying their report and did not require any statement under Section 498 of the Companies Act 2006.

These condensed consolidated interim financial results were approved for issue by the Board of directors on 5 September 2013.

2. Basis of preparation

These condensed consolidated interim financial statements for the half-year ended 30 June 2013 have been prepared in accordance with the AIM Rules for Companies, comply with IAS 34 "Interim financial reporting" as adopted by the European Union and should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRS as adopted by the European Union.

The group is profitable and it is anticipated that this will continue. There is a high and continuing level of recurring revenue and high cash conversion is anticipated for the foreseeable future. The group also has significant cash resources to more than cover its bank borrowings of £3.0m, which are repayable by March 2014.

Accordingly, after careful enquiry and review of available financial information, the directors have formed the conclusion that the group has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of these consolidated interim financial statements.

The financial information is presented in sterling, which is the functional currency of EMIS Group. All financial information presented in sterling has been rounded to the nearest thousand.

3. Accounting policies

The accounting policies used in preparing these interim financial results are those the group expects to apply in its financial statements for the year ending 31 December 2013 and are consistent with those disclosed in the group's annual report and accounts for the year ended 31 December 2012.

Current taxes on income in the interim period are accrued using the tax rates that would be applicable to expected total annual earnings. Deferred taxes on income are calculated based on the standard rates that are enacted as at the balance sheet date.

4. Critical accounting estimates and judgements

Accounting estimates and judgements are based on past experience and expectations relating to and evaluation of future events and are believed to be reasonable at the time of making. Due to the inherent uncertainty involved in making these estimates and judgements, actual future outcomes can be different.

The 2012 group annual report and accounts includes details of the critical estimates, assumptions and judgements made at that time in arriving at the amounts recognised in those financial statements, which have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the subsequent financial year. The critical accounting estimates and judgements made in these condensed consolidated interim financial statements do not differ materially from those applied within the 2012 group annual report and accounts.

5. Principal risks and uncertainties

The 2012 group annual report and accounts describes the principal risks and uncertainties that could impact the group's performance. These relate to the UK government programme of major change within healthcare, the future renegotiation of the English framework agreement, the previous government's policy of a single supplier and the development and roll out of hosted software. These remain unchanged since the annual report was published and accordingly are valid for these interim financial statements. The group operates a structured risk management process, which identifies and evaluates risks and uncertainties and reviews mitigation activity.

6. Financial risk management

The group's activities expose it to financial risks including credit risk, liquidity risk, interest rate risk and price risk.

These interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the 2012 group annual report and accounts.

The group does not engage in significant levels of hedging activity, and there are no material derivative financial instruments held. Carrying value approximates to fair value for all financial instruments. During 2013 there has been no significant change in the business or economic circumstances that affects the fair value of the group's financial assets and financial liabilities, nor have there been any reclassifications of financial assets or liabilities, nor have there been any changes in the risk management department or in any of the group's risk management policies. Accordingly, the directors, having reviewed IFRS 13 and IAS 34, are of the opinion that no additional disclosure is required.

7. Forward-looking statements

Certain statements in this interim report are forward-looking. Although the group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

8. Segmental reporting

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

The Group has two principal operating segments, both involved in the supply and support of software and related services, namely (a) the EMIS business, principally relating to GP practices, CCMH and other integrated care and (b) the RX Systems business, relating to community pharmacies.

Each operating segment is assessed by the Board based on a measure of adjusted operating profit, excluding exceptional costs, 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 and other loans are not allocated to segments, as group and financing activities are not segment-specific.

	Six months ended 30 June 2013			Six months ended 30 June 2012		
	EMIS £'000	**RX £'000**	**Total £'000**	EMIS £'000	RX £'000	Total £'000
Continuing operations						
Revenue	**38,668**	**8,456**	**47,124**	34,133	8,134	42,267
Segmental operating profit as reported internally	**9,917**	**2,029**	**11,946**	9,957	1,764	11,721
Development costs capitalised	**2,698**	**–**	**2,698**	2,205	–	2,205
Amortisation of development costs	**(692)**	**–**	**(692)**	(206)	–	(206)
Amortisation of acquired intangible assets	**(1,038)**	**(425)**	**(1,463)**	(1,038)	(425)	(1,463)
Segmental operating profit	**10,885**	**1,604**	**12,489**	10,918	1,339	12,257
Group operating expenses			**(387)**			(199)
Total operating profit			**12,102**			12,058
Finance costs net of income			**(20)**			(17)
Share of result of associate			**5**			–
Share of result of joint venture			**(50)**			18
Profit before taxation			**12,037**			12,059

Revenue excludes intra-group transactions on normal commercial terms from EMIS to RX Systems totalling £1,530,000 (2012: £1,140,000).

Revenue within the EMIS segment of approximately £34,416,000 (2012: £28,441,000) is derived from the NHS and related bodies.

Revenue within the EMIS segment of £623,000 (2012: £1,678,000) is derived from customers outside the United Kingdom.

	30 June 2013			30 June 2012		
	EMIS £'000	RX £'000	Total £'000	EMIS £'000	RX £'000	Total £'000
Segmental assets as reported internally	41,964	3,252	45,216	29,939	2,692	32,631
Other segmental assets:						
– Goodwill and intangible assets	43,010	11,158	54,168	39,749	11,329	51,078
	84,974	14,410	99,384	69,688	14,021	83,709
Non-segmental assets:						
– Group			21			5
– Investment in associate and joint venture			2,745			2,742
– Cash and cash equivalents			17,796			21,696
Total assets as reported			119,946			108,152
Segmental liabilities as reported internally:	34,032	5,665	39,697	30,212	6,028	36,240
Other segmental liabilities	6,597	985	7,582	6,239	1,233	7,472
	40,629	6,650	47,279	36,451	7,261	43,712
Non-segmental liabilities:						
– Group			61			2,430
– Bank loans			3,000			3,988
Total liabilities as reported			50,340			50,130

Capital expenditure on property, plant and equipment, reported in non-current assets, amounted to £5,027,000 (2012: £6,017,000) for EMIS and £49,000 (2012: £23,000) for RX. Depreciation of property, plant and equipment, amounted to £2,823,000 (2012: £2,303,000) for EMIS and £109,000 (2012: £63,000) for RX.

9. Income tax

The tax expense recognised is based on management estimates of the tax charge for the period and has been calculated using the estimated average annual tax rate of UK corporation tax of 23.25% (2012: 24.5%) and, in relation to deferred taxation, at the rate of 23% (2012: 24%).

The estimated impact of the future reductions in the UK corporation rate, to 21% from 1 April 2014 and 20% from 1 April 2015 (both substantively enacted on 2 July 2013 and therefore not reflected in these interim financial statements) would be to reduce the Group's deferred tax liability by £1.0m.

The new research and development expenditure credit (RDEC) scheme was also substantively enacted on 2 July 2013. The estimated impact this would have had on the Group's half-year results would be to increase the tax expense by £0.1m, with a corresponding increase in operating profit, leaving the total comprehensive income for the period broadly unchanged.

10. Earnings per share ("EPS")

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

Earnings	Six months to 30 June 2013 Unaudited £'000	Six months to 30 June 2012 Unaudited £'000	Year ended 31 December 2012 Audited £'000
Basic earnings attributable to equity holders	9,064	9,525	18,932
Exceptional items	—	—	435
Development costs capitalised	(2,698)	(2,205)	(5,330)
Amortisation of development costs and acquired intangible assets	2,155	1,669	3,604
Tax effect of above items	122	102	249
Adjusted earnings attributable to equity holders	8,643	9,091	17,890

Weighted average number of ordinary shares (millions)	Number '000	Number '000	Number '000
Total shares in issue	58,550	58,550	58,550
Held as own shares in Treasury by Employee Benefit Trust	(520)	(199)	(381)
For basic EPS calculations	58,030	58,351	58,169
Effect of potentially dilutive share options	135	—	79
For diluted EPS calculations	58,165	58,351	58,248

Earnings per share	Pence	Pence	Pence
Basic	15.62	16.32	32.55
Adjusted	14.89	15.58	30.76
Basic diluted	15.58	16.32	32.50
Adjusted diluted	14.86	15.58	30.71

11. Dividends

In relation to the 2012 financial year, an interim dividend of 7.1p was paid on 26 October 2012 amounting to £4,117,000 followed by a final dividend of 7.1p on 3 May 2013 amounting to £4,120,000.

For 2013, the directors are proposing an interim dividend of 8.0p, which will be payable on 31 October 2013 to shareholders on the register at 27 September 2013. This interim dividend, which will amount to approximately £4,680,000, has not been recognised as a liability in this interim report.

12. Related party transactions

Key management compensation

Key management includes directors (executive and non-executive) of the parent and subsidiary companies, the Company Secretary and certain departmental heads. The compensation paid or payable to key management for employee services is shown below:

	Six months ended	
	30 June 2013 £'000	30 June 2012 £'000
Salaries and other short-term benefits	**1,301**	1,001
Post-employment benefits	**78**	140
Share-based payments	**57**	2

13. Business combinations

On 14 January 2013 the group acquired the 75% of shares in Multepos Computer Systems Limited which it did not already own, to enable further expansion of point-of-sale services to the pharmacy customer base. The fair values of the net assets acquired, consideration paid and goodwill arising on the transaction are shown below.

	£'000
Net assets acquired:	
Property, plant and equipment	4
Inventories	8
Trade and other receivables	61
Cash and cash equivalents	103
Trade and other payables	(67)
Identifiable net assets	109
Goodwill	658
Total consideration	767
Cash and cash equivalent balances acquired	(103)
Net cash outflow on acquisition	664

Goodwill relates principally to the experienced staff within the business. There is no contingent consideration associated with the transaction, and costs attributable to the acquisition have been expensed within exceptional items in the 2012 financial year. Since the date of acquisition, revenue of £275,000 and an operating profit of £50,000 can be attributed to the Multepos business. Had the business been acquired on 1 January 2013 the revenue and operating profit earned would have been £300,000 and £55,000 respectively.

On 3 August 2013 the Group acquired 100% of the shares in Digital Healthcare Limited, the leading provider of diabetic retinopathy screening. This gives the Group a strong position in a profitable niche market adjacent to the Group's core presence in GP and Community Pharmacy systems and is in line with the Group's strategy of providing cross-organisational healthcare systems.

The provisional fair values of the net assets acquired and consideration paid are shown below. The provisional goodwill and other intangible assets relate to experienced staff within the business, computer software and customer relationships.

	£'000
Provisional net assets acquired:	
Property, plant and equipment	22
Inventories	6
Trade and other receivables	754
Cash and cash equivalents	1,837
Trade and other payables	(2,377)
Provisional identifiable net assets	242
Provisional goodwill and other intangible assets	4,648
Total consideration	4,890
Cash and cash equivalent balances acquired	(1,837)
Net cash outflow on acquisition	3,053

Corporate information

Directors

Executive

C M K Spencer – Chief Executive (from 3 July 2013)

P J Southby – Chief Financial Officer

D L Stables – Director of Development Strategy

Non-executive

M K O'Leary – Chairman

R F Taylor – Senior Non-Executive Director

A J McKeon – (from 4 February 2013)

S D Riddell – (from 21 March 2013)

Company Secretary

C L Farbridge

Company number

06553923 (England and Wales)

Registered office

Rawdon House
Green Lane
Yeadon
Leeds LS19 7BY

Auditors

Baker Tilly UK Audit LLP (to 2 July 2013)
Chartered Accountants
2 Whitehall Quay
Leeds LS1 4HG

KPMG LLP (from 2 July 2013)
1 The Embankment
Neville Street
Leeds
LS1 4DW

Nominated adviser and broker

Numis Securities Limited
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London EC4M 7LT

Registrars

Capita Registrars Limited
The Registry
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Beckenham BR3 4TU

Financial PR

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Legal advisers to the company

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Pinsent Masons LLP
1 Park Row
Leeds LS1 5AB

Shareholder information

Internet

The group operates a website which can be found at www.emis-online.com. 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 latest information on the share price is available at **www.emis-online.com/investors**.

emis group plc

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