# EMIS Group plc

Half year results for the six months
ended 30 June 2015

**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.**

EMIS Group helps clinicians share vital information, facilitating better, more efficient healthcare and supporting longer and healthier lives.

### Business and financial overview



### Financial statements



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## Financial highlights

| | 2015 H1 | 2014 H1 | Change |
|---|---|---|---|
| **Revenue** | | | |
| Total revenue | **£77.8m** | £66.4m | **17%** |
| Recurring revenue | **£60.5m** | £49.9m | **21%** |
| **Operating profit** | | | |
| • reported | **£13.8m** | £12.9m | **7%** |
| • adjusted[1] | **£16.9m** | £14.6m | **16%** |
| **Cash flow and debt** | | | |
| Cash generated from operations[2] | **£27.5m** | £27m | **2%** |
| Net cash/(debt) | **£1.3m** | £(0.1m) | |
| **Earnings per share** | | | |
| • reported | **16.6p** | 15.2p | **9%** |
| • adjusted[1] | **20.5p** | 17.3p | **18%** |
| **Interim dividend** | **10.6p** | 9.2p | **15%** |

[1] Excludes 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 £3.1m (2014 H1: £3.5m).

## Operational highlights

**Good performance for the half year with both organic and acquired growth:**

- financial performance in line with the Board's expectations
- product integration continues including delivery of Phase 1 of the integrated care contract in Gibraltar, connecting primary care, community services, outpatient clinics, accident and emergency and community pharmacy
- 8% organic revenue growth and positive contribution from 2014 acquisitions
- strong revenue visibility, order book and pipeline
- market share:
  - maintained in primary care and community pharmacy
  - grown further in community, children's and mental health (CCMH)
- Group's clinical software businesses rebranded as EMIS Health to simplify branding message and emphasise strategic commitment to provision of integrated solutions.

**Primary and community care – strong performance: market share maintained, revenue and profits up:**

- market leading position in UK primary care maintained with 54% market share (31 December 2014: 53%)
- EMIS Web roll-out programme:
  - complete in England and Wales, progressing in Northern Ireland
  - 4,431 EMIS Web GP practices now live (31 December 2014: 4,261)
- GP Systems of Choice (GPSoC) Framework agreement (Lot 3) secured
- CCMH implementations continue to plan, market share grown from 8% to 9%, with contract wins year to date of £6.3m
- acquired Pinbellcom on 13 July 2015, a leading supplier of administration and compliance software.

**Community pharmacy – robust market share and profitability maintained while innovating:**

- market lead in independent pharmacy maintained with overall 36% share of the combined supermarket and independent market (31 December 2014: 36%)
- development of next generation dispensary management software on track for piloting in late 2015, meeting needs of both independent and supermarket users
- innovative products connecting GPs, pharmacists and patients now available across the whole pharmacy estate.

**Secondary and specialist care – anticipated earnings enhancement from 2014 acquisitions delivered**:

- secondary care management team strengthened
- major contracts being delivered including unscheduled care (including accident and emergency) across Wales
- new contract wins; strong order book and pipeline of further opportunities
- 2014 acquisitions Indigo 4 (communications and laboratory messaging) and Medical Imaging (diabetic retinopathy screening service) both performing well.

**Current trading and outlook – continues to be positive:**

- Group continues to trade in line with the Board's expectations
- strong revenue visibility, order book and pipelines
- anticipated earnings enhancement expected to be delivered by 2014 acquisitions
- growth opportunities continue in primary, CCMH, community pharmacy and secondary and specialist markets
- engaged in post-National Programme contract re-procurement opportunity in CCMH and primary care.

Chris Spencer, Chief Executive Officer of EMIS Group said:

"EMIS Group continues to trade well and in line with the Board's expectations. As well as the Group's strong organic revenue visibility, order book and pipelines, anticipated earnings enhancement continues to be delivered by the Group's 2014 acquisitions.

"Together with our customary growth opportunities across primary, CCMH, community pharmacy and secondary and specialist markets, the re-procurement of the former National Programme contracts in the north, midlands and east of England provides a particular opportunity for the Group in both CCMH and in primary care.

"In a speech at the King's Fund, on 16 July 2015, Jeremy Hunt, The Secretary of State for Health for England, said: 'Within the next five years our electronic health records will be available seamlessly in every care setting. You will be able to access them, share them, mark preferences, and shape the care that you want around them.' EMIS Group sees this as continuing validation of its strategy of facilitating the delivery of patient-centred care through its unique portfolio of connected products and services."

## Chief Executive's overview


EMIS Group has continued its historic momentum: delivering results in line with expectations, with 17% revenue and 16% adjusted operating profit growth and strong organic contributions to both key metrics.

The Group's revenue visibility, order book and pipeline remain strong. The continued organic growth was enhanced by good performances from Indigo 4 and Medical Imaging which were both acquired during the second half of 2014.

In primary care and community pharmacy market share was maintained, while CCMH further grew its market share and a number of new contracts were secured in secondary and specialist care. CCMH and secondary care were especially busy with successful implementations.

The Group's clinical software businesses were rebranded as EMIS Health on 24 June 2015 to simplify the branding message and emphasise the Group's strategic commitment to the provision of integrated solutions to help connect care.

**"good performance for the half year with both organic and acquired growth."**

# Operational review

The Group, through its primary and community care, community pharmacy and secondary and 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. As a result, the Group is uniquely placed to deliver on its strategy of helping to connect care across every major UK healthcare setting through organic growth, partnering or acquisition.

## Primary and community care

### Primary care

The Group's primary care market share rose slightly again to 54% (5,121 GP practices) (31 December 2014: 53% (5,138 GP practices)). 77% of the Group's English GP practices have used an EMIS Health system for over 10 years emphasising the loyalty of the Group's primary care user base.

Following the Group's success in the awarding of Lots 1 and 2 in 2014, the procurement of Lot 3 of the English GPSoC framework was also successfully concluded in the period. Lot 3, relating to cross care setting interoperable services, is supportive of the Group's connected care strategy.

The roll-out programme to EMIS Web for primary care in England was completed during the half year along with almost all of the Group's practices in Wales. Piloting and other engagement continues with practices in Northern Ireland, which will have the option to upgrade to EMIS Web from the end of 2015.

### EMIS Web CCMH

The CCMH teams continue to be busy in both implementations and new sales. During the period, as part of 38 on-schedule and on-budget implementations, over 2,200 new users were trained. This increases the total number of CCMH users to nearly 12,500. Included in the areas implemented was Cheshire Child Health, where, as an example of the efficiency gains the CCMH software can deliver, the time it takes staff to run the vaccinations and immunisations report fell from five hours (using the previous system) to two minutes (using EMIS Web).

The Group's significant sales pipeline for its connected care offering (linking with EMIS Web for primary care in particular) led to contract wins, with a total contract value of £6.3m in the year to date, including:

- Cheshire and Wirral Partnership NHS Foundation Trust
- East Cheshire NHS Trust
- Marie Curie Cancer Care
- Sentinel Healthcare Southwest Community Interest Company
- NHS Tayside Health Board
- St Peter's Hospice.

By the end of the period the Group's CCMH market share had risen to 9% compared with 8% at 31 December 2014.

### Patient

Patient is the Group's online portal helping patients proactively manage their own care by using clinically reviewed health and well-being information. To move to the next level in national and international engagement, Patient rebranded from Patient.co.uk and moved to a top level domain (Patient.info) in June.

The core functionality within Patient Access, the Group's patient-facing and online services portal, has now been enabled by 99% of all the Group's GP practices (39% at 31 December 2014). This facilitates the patient-facing services procured in Lot 1 of GPSoC, paid-for by the NHS, and this monetisation of Patient Access is expected to begin in the remainder of 2015.

### Non-clinical ICT solutions and services

As announced on 14 July 2015, shortly after the period end, the Group acquired Pinbellcom Group Limited ("Pinbellcom"), a leading supplier of administration and compliance software to both the primary and the secondary care markets, for £3.0m net of cash acquired.

Pinbellcom's product suite is designed to improve the connection of care and administrative efficiency through communication and knowledge sharing. Pinbellcom's products, including Intradoc247 which provides GP practices, federations and clinical commissioning groups (CCGs) with a comprehensive intranet administration and compliance platform, complement the Group's existing product set. This includes GP Web Solutions, providing practice websites under the Egton brand, which already has 100% penetration in seven CCGs as well as access to a fund worth £6m for GP digital services development throughout Scotland.

## Community pharmacy

The Group has an overall 36% share of the market for community pharmacy dispensary management systems (31 December 2014: 36%), which comprises independent and supermarket customers. The Group is already the clear leader in the independent community pharmacy market with its ProScript software.

ProScript Connect, the Group's next generation dispensary management software, will assist both existing independent users and potential supermarket users and is to be piloted at the end of 2015.

The Group's suite of integrated products enabling direct connections between pharmacists, GPs and patients is now available across the pharmacy estate. This includes direct electronic transmission of prescriptions along with an electronic patient record and an app for patients to order repeat prescriptions. In addition, EMIS Web for community pharmacy has successfully completed end-to-end testing between primary care and community pharmacy.

# **Operational review** continued

To date four pilot sites have been identified in East London (covering Newham, Hackney and Islington, Lewisham CCG) and a number of Rowlands Pharmacy sites in Liverpool.

## Secondary and specialist care

### Secondary care

A new Managing Director of secondary care was appointed in February 2015 and a new secondary care Commercial Director in May 2015. Good progress has been made in the delivery of unscheduled care across Wales following a formal agreement that enabled the six health boards within NHS Wales to call-off and deploy EMIS Group's clinical information and management solution, Symphony. Other significant implementations include:

- Frimley Health (accident and emergency)
- South Devon Healthcare (accident and emergency)
- Lancashire Care (e-prescribing and medicines administration)
- Liverpool Heart and Chest Hospital (pharmacy)
- Hinchingbrooke (electronic document and record management).

In the past few weeks, secondary care contracts have been secured with Virgin Care (system integration consultancy and analytics) and preferred bidder with Guy's and St Thomas' (business intelligence). The strong secondary care pipeline is also expected to lead to further contract wins in the second half of the year.

Indigo 4, a leading supplier of clinical and administrative messaging and order communications solutions to healthcare organisations, acquired in July 2014, has continued to perform well and was earnings enhancing in the period.

### Specialist care

Digital Healthcare, the leading provider of diabetic eye screening and other ophthalmology-related solutions, maintained its considerable market share of 82% (31 December 2014: 82%).

Medical Imaging, market leader in outsourced diabetic eye screening and ophthalmology imaging services, acquired by the Group in December 2014, also performed well and was earnings enhancing in the half year. Medical Imaging is shortly to be rebranded EMIS Care.

The Medical Imaging team is engaged in an unprecedented level of tenders related to outsourcing activity in diabetic eye screening programmes across the country with a total contract value in excess of £70m. These include London, where success as preferred bidder for the £11m, five year tender covering South West London was confirmed after the period end.

## Integrated care

The first phase of the Group's whole healthcare economy contract, to deliver a fully integrated electronic patient record for Gibraltar, went live on 24 June 2015. This links and integrates the Group's products in accident and emergency, outpatient clinics, community services, primary care and community pharmacy.
As well as those in CCMH, other connected care initiatives continued including EMIS Web for primary care being installed in the Urgent Care Centre at the Royal Free Hospital's accident and emergency department. This enables clinicians to carry out rapid assessments on an estimated 35,000 patients each year when they arrive seeking emergency care. Aided by information from the GP record, those physicians are now able to immediately discharge 50% of those patients with basic health advice. A further 40% are directed elsewhere for further investigation and treatment. Only 10% of assessed patients are sent on to the main emergency department. As well as assisting with key NHS waiting time key performance indicators, this means emergency doctors and nurses can focus their efforts on the most unwell patients. This is another example of connected care reducing waiting times and improving the overall quality of care.

# Financial review


## Financial review

The Group has delivered financial performance for the half year ended 30 June 2015 in line with the Board's expectations. Along with strong organic revenue and profit growth, it is pleasing to report solid results in the two acquired businesses (Indigo 4 and Medical Imaging) in secondary and specialist care for the first full six month period since acquisition.

Group revenue increased by 17% to £77.8m (2014 H1: £66.4m), with organic growth of 8%. Recurring revenue grew strongly to £60.5m (2014 H1: £49.9m) representing 78% of total revenue.

Adjusted operating profit for the period was £16.9m (2014 H1: £14.6m), an increase of 16% including 10% organic growth.

Revenue growth included the following principal areas:

- licences, which increased to £24.7m (2014 H1: £20.4m), due principally to growth in the Group's estates, in particular within CCMH
- maintenance and software support, which grew to £18.6m (2014 H1: £15.5m), including, under the new GPSoC-R framework agreement (from April 2014), some revenues previously categorised within hosting
- other support services, where new revenues from the acquisitions more than offset a reduction in project engineering activity resulting in total revenues of £15.3m (2014 H1: £10.3m)
- training, consultancy and implementation, which reduced to £7.5m (2014 H1: £9.3m), reflecting lower EMIS Web roll-out related revenue in primary care
- hosting, which reduced to £6.7m (2014 H1: £7.3m), as a result of the reallocation of some revenues to maintenance and software support under the new GPSoC-R framework
- an increase in hardware revenues to £5.0m (2014 H1: £3.6m) with growth in the provision of hardware by Egton to the Group's customers.

## **Financial review** continued

The organic operating margin improved from 22.1% to 22.5% with the overall group operating margin (including the lower margin acquired businesses) at 21.7%. The Group employed 1,842 staff at 30 June 2015, which was broadly unchanged over the period.

The primary and community care business again demonstrated strong growth with the roll-out programme for EMIS Web for GPs in England and Wales now completed, and significant momentum for CCMH, while profit in community pharmacy was broadly unchanged in anticipation of the launch of its new ProScript Connect product. The enlarged secondary and specialist care division delivered steady progress in a period of solid operational delivery, with contract wins and strong pipelines expected to translate into stronger full year results.

Adjusted operating profit for the period was £16.9m (2014 H1: £14.6m) with £0.9m of the increase attributable to the 2014 acquisitions in secondary and specialist care. After accounting for the capitalisation and amortisation of development costs and the amortisation of acquired intangibles, operating profit was £13.8m (2014 H1: £12.9m).

The tax charge for the period was broadly unchanged at £2.8m (2014 H1: £2.7m), representing an effective rate of tax of 20.4% (2014 H1: 21.6%).

Adjusted basic and diluted EPS increased by 18% to 20.5p (2014 H1: 17.3p). As a result of higher amortisation charges, the increase in reported basic and diluted EPS was lower at 9%, taking both measures to 16.6p (2014 H1: 15.2p).

The Board has resolved to increase the interim dividend by 15% to 10.6p (2014 H1: 9.2p) per share, payable on 30 October 2015 to shareholders on the register at the close of business on 25 September 2015.

Net cash generated from operations after capitalisation of development costs increased by 2% to £27.5m (2014 H1: £27.0m). Net capital expenditure excluding capitalised development costs reduced to £3.5m (2014 H1: £3.8m), including £1.2m for the fit out of new secondary care premises in Bolton. After finance costs, tax, dividends, Employee Benefit Trust transactions and the previously announced £2.3m final payment for the Ascribe acquisition, the Group ended the period with net cash of £1.3m (31 December 2014: net debt of £11.8m; 2014 H1: net debt of £0.1m).

### **Summary and outlook**

EMIS Group continues to trade well and in line with the Board's expectations. As well as the Group's strong organic revenue visibility, order book and pipelines, anticipated earnings enhancement continues to be delivered by the Group's 2014 acquisitions.

Together with our customary growth opportunities across primary, CCMH, community pharmacy and secondary and specialist markets, the re-procurement of the former National Programme contracts in the north, midlands and east of England provides a particular opportunity for the Group in both CCMH and in primary care.

In a speech at the King's Fund, on 16 July 2015, Jeremy Hunt, The Secretary of State for Health for England, said: 'Within the next five years our electronic health records will be available seamlessly in every care setting. You will be able to access them, share them, mark preferences, and shape the care that you want around them.' EMIS Group sees this as continuing validation of its strategy of facilitating the delivery of patient-centred care through its unique portfolio of connected products and services.

**Chris Spencer**
**Chief Executive**
4 September 2015

**Peter Southby**
**Chief Financial Officer**
4 September 2015

# Financial statements

## Group statement of comprehensive income

for the six months ended 30 June 2015

| | Notes | **Six months ended 30 June 2015 Unaudited £'000** | Six months ended 30 June 2014 Unaudited £'000 | Year ended 31 December 2014 Audited £'000 |
|---|---|---|---|---|
| **Revenue** | 9 | **77,806** | 66,377 | 137,639 |
| **Costs:** | | | | |
| Changes in inventories | | **(31)** | 398 | 119 |
| Cost of goods and services | | **(6,911)** | (6,815) | (12,901) |
| Staff costs | | **(34,467)** | (29,265) | (58,571) |
| Other operating expenses[1] | | **(13,661)** | (10,464) | (21,799) |
| Depreciation of property, plant and equipment | | **(2,390)** | (1,903) | (4,005) |
| Amortisation of intangible assets | | **(6,498)** | (5,412) | (11,361) |
| **Adjusted operating profit** | | **16,917** | 14,644 | 32,639 |
| Development costs capitalised | | **3,093** | 3,546 | 6,523 |
| Release of contingent acquisition consideration | | **—** | — | 873 |
| Amortisation of intangible assets[2] | | **(6,162)** | (5,274) | (10,914) |
| **Operating profit** | | **13,848** | 12,916 | 29,121 |
| Finance income | | **26** | 6 | 10 |
| Finance costs | | **(256)** | (278) | (553) |
| Share of result of associate | | **(172)** | (17) | (55) |
| Share of result of joint venture | | **106** | — | 17 |
| **Profit before taxation** | | **13,552** | 12,627 | 28,540 |
| Income tax expense | 10 | **(2,759)** | (2,722) | (5,719) |
| **Profit for the period** | | **10,793** | 9,905 | 22,821 |
| **Other comprehensive income** | | | | |
| **Items that may be reclassified to profit or loss** | | | | |
| Currency translation differences | | **(61)** | 14 | (86) |
| **Other comprehensive income** | | **(61)** | 14 | (86) |
| **Total comprehensive income for the period** | | **10,732** | 9,919 | 22,735 |
| **Attributable to:** | | | | |
| – equity holders of the parent | | **10,353** | 9,563 | 22,058 |
| – non-controlling interest in subsidiary company | | **379** | 356 | 677 |
| **Total comprehensive income for the period** | | **10,732** | 9,919 | 22,735 |

**Earnings per share attributable to equity holders of the parent**

| | | **Pence** | Pence | Pence |
|---|---|---|---|---|
| Basic | 11 | **16.6** | 15.2 | 35.3 |
| Diluted | 11 | **16.6** | 15.2 | 35.2 |

[1] Including contract asset depreciation of £1,735,000 (2014 H1: £1,912,000, 2014 FY: £3,761,000).

[2] Excluding amortisation of computer software purchased externally of £336,000 (2014 H1: £138,000, 2014 FY: £447,000).

# Financial statements continued

## Group balance sheet

as at 30 June 2015

| | Notes | **30 June 2015 Unaudited £'000** | 30 June 2014 Unaudited Restated[1] £'000 | 31 December 2014 Audited £'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Goodwill | | **68,577** | 59,264 | 68,577 |
| Other intangible assets | 13 | **68,158** | 66,685 | 70,820 |
| Property, plant and equipment | | **22,975** | 23,292 | 24,313 |
| Investment in joint venture and associates | | **2,533** | 2,743 | 2,705 |
| | | **162,243** | 151,984 | 166,415 |
| **Current assets** | | | | |
| Inventories | | **1,519** | 1,829 | 1,550 |
| Trade and other receivables | | **32,906** | 25,531 | 28,732 |
| Cash and cash equivalents | | **9,121** | 11,629 | 6,939 |
| | | **43,546** | 38,989 | 37,221 |
| **Total assets** | | **205,789** | 190,973 | 203,636 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | **(22,698)** | (17,522) | (20,782) |
| Current tax liabilities | | **(1,828)** | (1,944) | (1,246) |
| Bank loans | | **(3,902)** | (3,902) | (12,902) |
| Contingent acquisition consideration | | **(3,000)** | (2,129) | (2,750) |
| Deferred income | | **(37,872)** | (37,871) | (29,985) |
| | | **(69,300)** | (63,368) | (67,665) |
| **Non-current liabilities** | | | | |
| Bank loans | | **(3,902)** | (7,805) | (5,854) |
| Deferred tax liability | | **(11,747)** | (11,501) | (12,709) |
| Contingent acquisition consideration | | **—** | (994) | (2,500) |
| | | **(15,649)** | (20,300) | (21,063) |
| **Total liabilities** | | **(84,949)** | (83,668) | (88,728) |
| **NET ASSETS** | | **120,840** | 107,305 | 114,908 |
| **EQUITY** | | | | |
| Ordinary share capital | | **633** | 633 | 633 |
| Share premium | | **51,045** | 51,045 | 51,045 |
| Own shares held in trust | | **(3,125)** | (4,153) | (3,718) |
| Retained earnings | | **65,130** | 53,162 | 60,109 |
| Other reserve | | **2,050** | 2,211 | 2,111 |
| **Equity attributable to owners of the parent** | | **115,733** | 102,898 | 110,180 |
| **Non-controlling interests** | | **5,107** | 4,407 | 4,728 |
| **TOTAL EQUITY** | | **120,840** | 107,305 | 114,908 |

[1] 2014 H1 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 in any period.

# **Financial statements** continued

## Group statement of cash flows

for the six months ended 30 June 2015

| | Notes | **Six months ended 30 June 2015 Unaudited £'000** | Six months ended 30 June 2014 Unaudited £'000 | Year ended 31 December 2014 Audited £'000 |
|---|---|---|---|---|
| **Cash generated from operations** | | **30,574** | 30,500 | 44,856 |
| Finance costs | | **(208)** | (230) | (455) |
| Finance income | | **26** | 6 | 10 |
| Tax paid | | **(2,889)** | (2,658) | (5,247) |
| Net cash generated from operating activities | | **27,503** | 27,618 | 39,164 |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | | **(3,003)** | (2,602) | (6,873) |
| Proceeds from sale of property, plant and equipment | | **267** | 197 | 291 |
| Development costs capitalised | | **(3,093)** | (3,546) | (6,523) |
| Purchase of software | | **(743)** | (1,347) | (1,765) |
| Business combinations | | **(2,250)** | — | (10,250) |
| Net cash used in investing activities | | **(8,822)** | (7,298) | (25,120) |
| **Cash flows from financing activities** | | | | |
| Transactions in own shares held in trust | | **272** | (1,828) | (1,480) |
| Bank loan repayments | | **(11,000)** | (6,000) | (7,000) |
| Bank loans drawn down | | **—** | — | 8,000 |
| Dividends paid | 12 | **(5,771)** | (5,030) | (10,792) |
| Net cash used in from financing activities | | **(16,499)** | (12,858) | (11,272) |
| **Net increase in cash and cash equivalents** | | **2,182** | 7,462 | 2,772 |
| Cash and cash equivalents at beginning of period | | **6,939** | 4,167 | 4,167 |
| **Cash and cash equivalents at end of period** | 14 | **9,121** | 11,629 | 6,939 |

| | | | |
|---|---|---|---|
| **Cash generated from operations** | | | |
| Operating profit | **13,848** | 12,916 | 29,121 |
| Adjustment for non-cash items: | | | |
| Amortisation of intangible assets | **6,498** | 5,412 | 11,361 |
| Depreciation of property, plant and equipment | **4,125** | 3,815 | 7,766 |
| Release of contingent acquisition consideration | **—** | — | (873) |
| Profit on disposal of property, plant and equipment | **(53)** | (92) | (128) |
| Share-based payments | **342** | 114 | 270 |
| **Operating cash flow before changes in working capital** | **24,760** | 22,165 | 47,517 |
| Changes in working capital: | | | |
| Decrease /(increase) in inventory | **31** | (398) | (119) |
| Increase in trade and other receivables | **(4,000)** | (4,518) | (6,912) |
| Increase in trade and other payables | **1,909** | 833 | 2,360 |
| Increase in deferred income | **7,874** | 12,418 | 2,010 |
| Cash generated from operations | **30,574** | 30,500 | 44,856 |

# **Financial statements** continued

## Group statement of changes in equity

for the six months ended 30 June 2015

| | Notes | 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 2014** | | 633 | 51,045 | (2,325) | 48,522 | 2,197 | 4,051 | 104,123 |
| Profit for the period | | — | — | — | 9,549 | — | 356 | 9,905 |
| **Transactions with owners** | | | | | | | | |
| Share acquisitions less sales | | — | — | (1,828) | — | — | — | (1,828) |
| Share-based payments | | — | — | — | 114 | — | — | 114 |
| Deferred tax in relation to share-based payments | | — | — | — | 7 | — | — | 7 |
| Dividends paid | | — | — | — | (5,030) | — | — | (5,030) |
| **Other comprehensive income** | | | | | | | | |
| Currency translation differences | | — | — | — | — | 14 | — | 14 |
| **Balance at 30 June 2014** | | 633 | 51,045 | (4,153) | 53,162 | 2,211 | 4,407 | 107,305 |
| Profit for the period | | — | — | — | 12,595 | — | 321 | 12,916 |
| **Transactions with owners** | | | | | | | | |
| Share acquisitions less sales | | — | — | 435 | (87) | — | — | 348 |
| Share-based payments | | — | — | — | 156 | — | — | 156 |
| Deferred tax in relation to share-based payments | | — | — | — | 45 | — | — | 45 |
| Dividends paid | 12 | — | — | — | (5,762) | — | — | (5,762) |
| **Other comprehensive income** | | | | | | | | |
| Currency translation differences | | — | — | — | — | (100) | — | (100) |
| **Balance at 31 December 2014** | | 633 | 51,045 | (3,718) | 60,109 | 2,111 | 4,728 | 114,908 |
| Profit for the period | | — | — | — | 10,414 | — | 379 | 10,793 |
| **Transactions with owners** | | | | | | | | |
| Share acquisitions less sales | | — | — | 593 | (39) | — | — | 554 |
| Share-based payments | | — | — | — | 342 | — | — | 342 |
| Deferred tax in relation to share-based payments | | — | — | — | 75 | — | — | 75 |
| Dividends paid | 12 | — | — | — | (5,771) | — | — | (5,771) |
| **Other comprehensive income** | | | | | | | | |
| Currency translation differences | | — | — | — | — | (61) | — | (61) |
| **Balance at 30 June 2015** | | **633** | **51,045** | **(3,125)** | **65,130** | **2,050** | **5,107** | **120,840** |

# Notes to the half year financial statements

**1. General information**
The financial statements for the six months ended 30 June 2015 and the six months ended 30 June 2014 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 were approved by the Board of Directors on 18 March 2015 and delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

These condensed half year financial statements were approved for issue by the board of directors on 3 September 2015.

**2. Basis of preparation**
These condensed half year financial statements for the half year ended 30 June 2015 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 2014, 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's existing significant cash resources provide additional comfort that it will continue to be able to meet its bank term loan repayment obligations of £1m per quarter.

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 half year financial statements.

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

**3. Accounting policies**
The accounting policies used in preparing these half year financial statements are those the Group expects to apply in its financial statements for the year ending 31 December 2015 and are consistent with those disclosed in the Group's annual report and accounts for the year ended 31 December 2014.

Current taxes on income in the half year period are accrued using the tax rates that would be applicable to expected total annual profits. 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 2014 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 half year financial statements do not differ materially from those applied within the 2014 Group annual report and accounts.

**5. Principal risks and uncertainties**
The 2014 Group annual report and accounts describes the principal risks and uncertainties that could impact the Group's performance. These relate to healthcare structure and procurement changes, integration, software development and hosting, and recruitment and retention. These remain unchanged since the annual report was published and accordingly are valid for these half year financial statements. The Group operates a structured risk management process, which identifies and evaluates risks and uncertainties and reviews mitigation activity.

# Notes to the half year financial statements continued

**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 condensed consolidated half year financial statements do not include all financial risk management information and disclosures required in the annual financial statements and therefore should be read in conjunction with the 2014 Group annual report and accounts.

The Group does not engage in significant levels of hedging activity and holds no material derivative financial instruments. Carrying value approximates to fair value for all financial instruments. During 2015 there has been no significant change in 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 any of the Group's risk management policies. Accordingly, the directors, having reviewed IFRS 13 'Fair Value Measurement' and IAS 34 'Interim Financial Reporting', are of the opinion that no additional disclosure is required.

**7. Forward-looking statements**
Certain statements in this half year 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 '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 connected healthcare software and services:

(a) primary and community care;
(b) community pharmacy; and
(c) secondary and specialist care.

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 finance costs are not allocated to segments, as group and financing activities are not segment-specific.

# **Notes to the half year financial statements** continued

## **8. Segmental reporting** continued

| | **Six months ended 30 June 2015** | | | | Six months ended 30 June 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Primary and community care £'000** | **Community pharmacy £'000** | **Secondary and specialist care £'000** | **Total £'000** | Primary and community care £'000 | Community pharmacy £'000 | Secondary and specialist care £'000 | Total £'000 |
| Revenue | **46,895** | **9,778** | **21,133** | **77,806** | 42,836 | 9,154 | 14,387 | 66,377 |
| Segmental operating profit as reported internally | **13,408** | **1,962** | **2,263** | **17,633** | 11,140 | 2,081 | 1,913 | 15,134 |
| Development costs capitalised | **1,594** | **460** | **1,039** | **3,093** | 1,836 | 401 | 1,309 | 3,546 |
| Amortisation of development costs | **(2,578)** | **—** | **(395)** | **(2,973)** | (1,865) | — | (154) | (2,019) |
| Amortisation of acquired intangible assets | **(396)** | **(288)** | **(2,505)** | **(3,189)** | (714) | (425) | (2,116) | (3,255) |
| Segmental operating profit | **12,028** | **2,134** | **402** | **14,564** | 10,397 | 2,057 | 952 | 13,406 |
| Group operating expenses | | | | **(716)** | | | | (490) |
| Operating profit | | | | **13,848** | | | | 12,916 |
| Net finance costs | | | | **(230)** | | | | (272) |
| Share of result of associate | | | | **(172)** | | | | (17) |
| Share of result of joint venture | | | | **106** | | | | — |
| Profit before taxation | | | | **13,552** | | | | 12,627 |

Revenue excludes intra-group transactions on normal commercial terms from the primary and community care segment to the community pharmacy segment totalling £1,809,000 (2014 H1: £1,597,000), from the primary and community care segment to the secondary and specialist care segment totalling £441,000 (2014 H1: £nil), and from the secondary and specialist care segment to the primary and community care segment totalling £32,000 (2014 H1: £nil).

Revenue of approximately £55,784,000 (2014 H1: £48,211,000) is derived from the NHS and related bodies. Revenue of £3,741,000 (2014 H1: £2,361,000) is derived from customers outside the United Kingdom.

## **9. Revenue**

Revenue is analysed as follows:

| | **Six months ended 30 June 2015 Unaudited £'000** | Six months ended 30 June 2014 Unaudited £'000 | Year ended 31 December 2015 Audited £'000 |
|---|---|---|---|
| Licences | **24,686** | 20,408 | 43,850 |
| Maintenance and software support | **18,626** | 15,498 | 33,438 |
| Other support services | **15,319** | 10,268 | 21,568 |
| Training, consultancy and implementation | **7,522** | 9,288 | 16,918 |
| Hosting | **6,637** | 7,350 | 13,968 |
| Hardware | **5,016** | 3,565 | 7,897 |
| | **77,806** | 66,377 | 137,639 |

# **Notes to the half year financial statements** continued

### 10. Income tax expense

The tax expense recognised reflects management estimates of the tax charge for the period and has been calculated using the estimated average tax rate of UK corporation tax for the financial year of 20.25% (2014: 21.5%) and, in relation to deferred tax, at the rate of 20% (2014 H1: 20%).

The estimated impact of the future reductions in the UK corporation tax rate, announced in the recent budget, to 19% in 2017 and 18% in 2020, would be to reduce the Group's deferred tax liability by £0.5m. As neither of the reductions had been substantively enacted as at 30 June 2015, the impact is therefore not reflected in these half year financial statements.

### 11. 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 ended 30 June 2015 Unaudited £'000** | Six months ended 30 June 2014 Unaudited £'000 | Year ended 31 December 2014 Audited £'000 |
|---|---|---|---|
| Basic earnings attributable to equity holders | **10,414** | 9,549 | 22,144 |
| Release of contingent acquisition consideration | **—** | — | (873) |
| Development costs capitalised | **(3,093)** | (3,546) | (6,523) |
| Amortisation of development costs and acquired intangible assets | **6,162** | 5,274 | 10,914 |
| Tax and non-controlling interest effect of above items | **(598)** | (373) | (870) |
| Adjusted earnings attributable to equity holders | **12,885** | 10,904 | 24,792 |

| Weighted average number of ordinary shares | **Number '000** | Number '000 | Number '000 |
|---|---|---|---|
| Total shares in issue | **63,311** | 63,311 | 63,311 |
| Shares held by Employee Benefit Trust | **(597)** | (435) | (557) |
| For basic EPS calculations | **62,714** | 62,876 | 62,754 |
| Effect of potentially dilutive share options | **185** | 68 | 187 |
| For diluted EPS calculations | **62,899** | 62,944 | 62,941 |

| Earnings per share | **Pence** | Pence | Pence |
|---|---|---|---|
| Basic | **16.6** | 15.2 | 35.3 |
| Adjusted | **20.5** | 17.3 | 39.5 |
| Basic diluted | **16.6** | 15.2 | 35.2 |
| Adjusted diluted | **20.5** | 17.3 | 39.4 |

### 12. Dividends

In relation to the 2014 financial year, an interim dividend of 9.2p was paid on 31 October 2014 amounting to £5,762,000 followed by a final dividend of 9.2p on 1 May 2015 amounting to £5,771,000.

For 2015, the directors are proposing an interim dividend of 10.6p, which will be payable on 30 October 2015 to shareholders on the register at 25 September 2015. This interim dividend, which will amount to approximately £6,649,000, has not been recognised as a liability in these half year financial statements.

# **Notes to the half year financial statements** continued

## 13. 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 2014 | 1,045 | 22,137 | 34,124 | 29,517 | 86,823 |
| Additions | 1,347 | 3,546 | — | — | 4,893 |
| At 30 June 2014 | 2,392 | 25,683 | 34,124 | 29,517 | 91,716 |
| Additions | 418 | 2,977 | 1,093 | 5,596 | 10,084 |
| At 31 December 2014 | 2,810 | 28,660 | 35,217 | 35,113 | 101,800 |
| Additions | 743 | 3,093 | — | — | 3.836 |
| **At 30 June 2015** | **3,553** | **31,753** | **35,217** | **35,113** | **105,636** |
| **Accumulated amortisation and impairment** | | | | | |
| At 1 January 2014 | 218 | 2,655 | 9,258 | 7,488 | 19,619 |
| Charged in period | 138 | 2,019 | 2,038 | 1,217 | 5,412 |
| At 30 June 2014 | 356 | 4,674 | 11,296 | 8,705 | 25,031 |
| Charged in period | 309 | 2,626 | 1,706 | 1,308 | 5,949 |
| At 31 December 2014 | 665 | 7,300 | 13,002 | 10,013 | 30,980 |
| Charged in period | 336 | 2,973 | 1,692 | 1,497 | 6,498 |
| **At 30 June 2015** | **1,001** | **10,273** | **14,694** | **11,510** | **37,478** |
| **Net book value** | | | | | |
| **At 30 June 2015** | **2,552** | **21,480** | **20,523** | **23,603** | **68,158** |
| At 31 December 2014 | 2,145 | 21,360 | 22,215 | 25,100 | 70,820 |
| At 30 June 2014 | 2,036 | 21,009 | 22,828 | 20,812 | 66,685 |
| At 1 January 2014 | 827 | 19,482 | 24,866 | 22,029 | 67,204 |

## 14. Change in net debt

| | At 31 December 2014 £'000 | Cash flow £'000 | Finance costs £'000 | **At 30 June 2015 £'000** |
|---|---|---|---|---|
| Cash and cash equivalents | 6,939 | 2,182 | — | **9,121** |
| Bank loans due within one year | (12,902) | 9,000 | — | **(3,902)** |
| Bank loans due after one year | (5,854) | 2,000 | (48) | **(3,902)** |
| Net (debt)/cash | (11,817) | 13,182 | (48) | **1,317** |

# **Notes to the half year financial statements** continued

### 15. Business combinations after the reporting period

On 13 July 2015 the Group acquired 100% of the share capital of Pinbellcom Group Limited, a leading supplier of administration and compliance software to both the primary and the secondary care markets. The acquisition is in line with the Group's strategy of providing connected healthcare IT for patients and those involved in their care.

The provisional fair values of the net assets acquired, consideration paid and goodwill arising on the transaction are shown in the table below. The provisional goodwill relates principally to the experienced staff within the business.

| | £'000 |
|---|---|
| Goodwill and other intangible assets | 3,294 |
| Property, plant and equipment | 12 |
| Trade and other receivables | 253 |
| Cash and cash equivalents | 484 |
| Trade and other payables | (202) |
| Deferred income | (377) |
| **Total net assets** | **3,464** |
| Consideration: | |
| **Cash consideration** | **3,464** |
| Cash and cash equivalent balances acquired | (484) |
| **Net cash cost of acquisition** | **2,980** |

# Corporate information

## Directors

**Executive**

Chris Spencer – Chief Executive Officer

Peter Southby – Chief Financial Officer

**Non-executive**

Mike O'Leary – Chairman

Robin Taylor – Non-executive Director

Kevin Boyd – Non-executive Director

## Company Secretary

Caroline Farbridge

## Company number

06553923 (England and Wales)

## Registered office

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Green Lane
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Leeds LS19 7BY

## Auditor

**KPMG LLP**

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Neville Street
Leeds
LS1 4DW

## Nominated adviser and broker

**Numis Securities Limited**

The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

## Registrars

**Capita Asset Services**

The Registry
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Beckenham BR3 4TU

## Financial PR

**MHP Communications**

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London W1W 7RT

## Legal advisers to the Company

**Pinsent Masons LLP**

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Leeds LS1 5AB

## Shareholder information

**Internet**

The Group operates a website which can be found at **www.emisgrouplc.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.emisgroupplc.com**.

emis group

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