16 March 2016

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

Final results for the year ended 31 December 2015

EMIS Group plc (AIM: EMIS.L), the UK leader in connected healthcare software and services, today announces its final results for the year ended 31 December 2015.

Financial highlights

	2015	2014	**Change**
Revenue			
Total revenue	**£155.9m**	£137.6m	**+13%**
Recurring revenue	**£123.0m**	£102.7m	**+20%**
Operating profit			
Adjusted[1]	**£36.6m**	£32.6m	**+12%**
Statutory post exceptional items	**£11.4m**	£29.1m	**-61%**
Cash flow and debt			
Cash generated from operations[2]	**£36.5m**	£38.3m	**-5%**
Net debt	**£9.1m**	£11.8m	**-£2.7m**
Earnings per share			
Adjusted[1]	**45.3p**	39.5p	**+15%**
Statutory post exceptional items	**7.2p**	35.3p	**-79%**
Dividends			
Proposed final	**10.6p**	9.2p	**+15%**
Total for year	**21.2p**	18.4p	**+15%**

[1] Excludes capitalisation and amortisation of development costs and amortisation of acquired intangibles. In addition, exceptional items excluded are impairment charges of £18.5m in 2015, and release of contingent acquisition consideration of £0.9m in 2014. Earnings per share calculations also adjust for the related tax and non-controlling interest impact.

[2] Stated after deduction of capitalised development costs of £6.2m (2014: £6.5m).

Operational highlights - results in line with the Board's expectations

- Further progress in like-for-like operating margin
- Double digit revenue growth, albeit held back by timing of Secondary Care contracts
- Growth derived both organically and through businesses acquired in 2014 and 2015
- Maintained customary strong revenue visibility, order book and pipeline
- Grew market share in Primary Care and Child Community & Mental Health (CCMH), future growth secured in Community Pharmacy

Primary & Community Care – strong financial performance

- Market leading position in UK primary care maintained with 55% market share (2014: 53%)
- EMIS Web roll-out programme completed in England and Wales, progressing in Northern Ireland
- CCMH significant contract win momentum and increase in market share to 12%, exceeding 10% target
- Acquired Pinbellcom in July 2015, a leading supplier of administration and compliance software

Community Pharmacy – profitability and market share maintained

- Market lead in independent pharmacy maintained with overall 36% share of the combined supermarket and independent market (2014: 36%)
- Secured a significant contract with Lloyds Pharmacy that will grow market share to close to 50%
- Next generation dispensary pharmacy management product began successful pilots

Secondary & Specialist Care – mixed performance

- Good contributions from 2014 acquisitions Indigo 4 and Medical Imaging
- Material contract wins and significant pipeline in Specialist Care
- Secondary Care new management's focus on operational improvements beginning to show results
- Slower than expected rate of contract awards held back Secondary Care

Current Trading & Outlook – in line with the Board's expectations

- Strong revenue visibility with 79% recurring revenue
- Good order books and pipelines in all segments
- Improved financial performance in Secondary Care expected in 2016
- Growth opportunities across all markets

Chris Spencer, Chief Executive Officer of EMIS Group, said:

"EMIS Group has again reported good underlying profit growth in line with the Board's expectations, derived from a mix of organic and acquisitive growth. Our outlook is encouraging, with strong revenue visibility, growing market shares, and good momentum in our order books and pipelines. We are confident that the operational improvements in our Secondary Care division will deliver improved financial performance as the year progresses.

"The NHS remains supportive of EMIS Group's strategy of delivering digital technology allied to cultural change that will help create faster, cheaper and better care. The 2016 Mandate to NHS England states:

'*This Government will increase spending in real terms every year in this Parliament. The NHS will receive £10 billion more per year in real terms by 2020-2021 than in 2014-15. This investment backs in full the Five Year Forward View and will mean patients receive a truly seven-day health service, with the services people need being offered in hospitals at the weekend and people able to access a GP at evenings and weekends… NHS England should support the NHS to make better use of digital services and technology to transform patients' access to and use of health and care, including online access to their personal health records.*'"

There will be an analyst meeting today at 10.45am at Numis Securities, 10 Paternoster Square, London EC4M 7LT. 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. 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 markets under the EMIS Health brand:

- Primary and Community Care, the UK leader in clinical IT systems for GPs and commissioners. EMIS Health 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.
- Community Pharmacy, the UK's single most used integrated community pharmacy and retail system.
- Secondary and Specialist Care, a leading software provider to NHS Acute Trusts and Boards, focused primarily on Hospital Pharmacy, A&E (holding over 30 million patient records), and Patient Administration Systems as well as England's leading provider of diabetic eye screening software and other ophthalmology-related solutions.

These markets are also supported by other EMIS Group businesses:

- under the Patient brand, the UK's leading independent provider of patient-centric medical and well-being information and related transactional services.
- under the Egton brand, providing specialist ICT infrastructure, software, hardware and engineering services.
- under the EMIS Care brand, providing healthcare screening programmes such as diabetic eye screening programmes.

CHIEF EXECUTIVE'S OVERVIEW

EMIS Group had another strong year in 2015, delivering a 13% increase in revenue and a 12% rise in adjusted operating profit, achieved both organically and through the recently acquired businesses. Overall, results for the year were in line with the Board's expectations and the Group increased its like-for-like operating margin from 23.7% to 24.4%.

In Primary & Community Care, the Group made further market share gains, growing the number of Clinical Commissioning Groups (CCGs) that are 100% EMIS Health Primary Care, while continuing to convert its significant CCMH sales pipeline into contract wins.

In Community Pharmacy, the Group maintained its leading position in the independent pharmacy market, securing and extending major contracts, which will add up to 1,800 supermarket pharmacies to EMIS Health's Community Pharmacy estate over the next 18 months.

In Secondary & Specialist Care, the business was impacted by delays to hospital contract awards resulting in a disappointing year, despite having benefitted from good performances from Indigo 4 and Medical Imaging, both acquired during the second half of 2014. However, the new Secondary Care management team has put in place operational improvements which are expected to position it for stronger performance in 2016.

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

The Group's revenue visibility, order book and pipeline remain strong, with the Group achieving 20% growth in recurring revenue for the period.

OPERATIONAL REVIEW

EMIS Group is a major provider of healthcare software, information technology and related services in the UK. It has maintained or grown its already strong market share in every major area of healthcare: Primary & Community, Community Pharmacy and Secondary & Specialist. This means the Group can facilitate the NHS's connected care strategy across every major UK healthcare setting through organic growth, partnering or acquisition. This is a unique position.

Primary & Community Care – Revenue up 5%, Adjusted Operating Profit up 12%

EMIS Health - Primary Care (EHPC)

The Group has delivered another excellent performance in primary care. Its customers remained extremely loyal: 74% of the Group's English GP practices have been EMIS Health users for over a decade. In addition, the Group's UK primary care market share rose again to 55% (2014: 53%) and the number of 100% EHPC CCGs rose from 32 to 44 during the year. This means that 21% of CCGs are now 100% EHPC and so are able to connect primary care across the whole of their local health economy. Work has begun to identify newly forming CCG clusters across England with the aim of supporting them in developing their digital roadmaps, which are due for submission to the NHS in April 2016.

The Group was awarded a place on Lot 3 of the English GP Systems of Choice (GPSoC) framework on 27 March 2015. Lot 3 covers services that integrate with Lot 1 principal clinical systems to deliver end-to-end interoperability between GP practices and other care settings. Along with success for the Group in 2014 on the Lot 1 and Lot 2 frameworks, this award has secured the contractual arrangements for GP software funding in England for a period of up to the next six years.

In Wales, the roll-out programme from the older EMIS LV product to EMIS Web for primary care was completed as planned during 2015. Discussions have begun about renewal of the primary care framework agreement, while the expiry dates for the present call off agreements already range from 2019 until 2020.

In Northern Ireland, a number of sites moved from piloting EMIS Web to go-live in November 2015. The final business case (for the communications infrastructure) was approved by the Northern Irish authority in late December 2015. The planned phasing for the implementation is for approximately half of the sites to be rolled out in 2016 with the remainder following in 2017.

Planning has begun for the development changes needed for Scotland to move from the Group's older PCS software to EMIS Web. The method of procurement (under a pre-existing framework or by a new formal tender) has not yet been decided but is expected to take place in 2016.

The current UK Ministry of Defence contract was extended during the year in association with the lead contractor (CGI, formerly Logica). This extends the contract, for a variant of the Group's PCS software, until April 2019. There is also a further one year extension if required by the Ministry of Defence. Discussions are ongoing about the replacement of PCS with EMIS Web.

Patient Access is the way the Group provides patients with access to healthcare-related transactional services e.g. online appointment booking, access to the summary care record, ordering of repeat prescriptions and secure messaging. In the second half of the year, the Group began to receive revenues for these transactions under Lot 1 of GPSoC. By the end of 2015 the core functionality within Patient Access had been enabled by 99% of all the Group's GP practices (2014: 39%). In 2016 transactional services will be extended by NHS requirement to include a detailed care record.

Throughout 2015 the Group further developed its proprietary personal health record within Patient Access, linking with Apple's HealthKit. These records, for example, have been able to help prevent false positive readings (the "white coat effect") in hypertensive patients, saving them from having to take medication and saving the NHS the cost of unnecessary GP visits and medication. Initial development work was also completed on "untethered registration" for Patient Access and this is now in testing. This will enable Patient Access to engage with clinical or other systems beyond EMIS Web e.g. EMIS Health CCMH, Community Pharmacy, Secondary & Specialist and third party suppliers in the UK and elsewhere. The Group will shortly release another proprietary upgrade giving patients the ability to share all or part of their record with a health professional or other carer using a secure link or a QR code.

EMIS Health - Child Community & Mental Health (CCMH)
The Group's CCMH team has delivered another great year of progress, working both on roll-outs and new sales to grow the Group's market share to 12% (2014: 8%), significantly exceeding the budgeted 10% target. During 2015, the team supported 17 NHS Trusts (or equivalent enterprise healthcare organisations) to take their clinical services live using EMIS Web, on-schedule and on-budget, and now supports over 16,500 users (2014: 10,000 users).

The Group's unique offering in CCMH (connecting care pathways through EMIS Web for primary care in particular) enabled conversion of a significant sales pipeline into contract wins with a total value of over £10m in the year including (* indicates wins not previously announced):

- Cheshire and Wirral Partnership NHS Foundation Trust (extension to existing contract)
- First Community Health & Care CIC (from Servelec)
- Bromley Healthcare CIC (from Servelec)
- St Andrews Healthcare (new contract)
- Marie Curie Cancer Care (new contract)
- NHS Tayside Health Board (new contract)
- Sentinel Healthcare Southwest Community Interest Company (from TPP)

- St Peter's Hospice (from iCare)
- East Cheshire NHS Trust (extension to existing contract)
- East Lancashire Hospitals NHS Trust (from CSC/iSoft)*
- Trafford CCG (from Civica)*
- Central Manchester Foundation Trust (from CSC/iSoft)*
- Pennine Acute Hospitals NHS Trust (from CSC/iSoft)*
- Southport & Ormskirk Hospitals NHS Trust (from CSC/iSoft)*
- Blackpool Teaching Hospitals NHS Foundation Trust (extension to existing contract)*
- Bristol Community Health CIC (extension to existing contract)*

Since the year end there have also been the following wins, reflecting a good start towards the targeted 15% market share by the end of 2016:

- South Tyneside NHS Trust (from TPP)*
- Stockport NHS Foundation Trust (extension to existing contract)*

Bolstering the Group's unique position in connected care, in addition to the substantial increase in the number of 100% EHPC CCGs, the Group has now secured over 10% of CCGs where EMIS Health is the sole supplier in both primary care and CCMH.

To build and maintain this connected care advantage, a number of structural changes were made to the teams within EHPC and CCMH. These better align the Group's primary care and CCMH product sets with six provider markets (primary care, community, child health, mental health, out of hospital clinical services and patient facing services). Integrated teams now cover all these primary care and CCMH customers across sales, account management, training, support, operations and product development. This not only embeds EMIS Web within the existing primary care and CCMH user base but it also creates further opportunities e.g. in clinical services, urgent and emergency care, community pharmacy and in secondary care.

Patient

The Group's Patient business accounts for a relatively small proportion of revenues, but is becoming more strategically important. Helping patients proactively manage their own care is a key part of government and provider healthcare strategy in the UK and internationally.

Patient is a multi-award winning, UK trademark registered, online portal providing patients with clinically written and peer-reviewed health and well-being information. Patient rebranded from Patient.co.uk and moved to Patient.info (a top level domain) in June 2015. This was with the intention of facilitating acceleration in the growth of Patient especially in even greater national and international engagement.

As expected, the short term effect of the domain move was to reduce traffic temporarily. This is now returning towards pre-move levels. As at January 2016, international visits were up to nearly 70% of the total (from 55% prior to the domain move). Visitor growth also continued in January, reaching 13m unique visitors and 25m page views. Patient also has over 1.1m likes on Facebook and 28,000 followers on Twitter.

Patient developed and started to progress further engagement strategies (including mobile optimisation, personalisation and internationalisation of content) as well as redeveloping its advertising campaign platform and is now exploring monetisation opportunities beyond advertising. With that in mind, Patient.Info Limited has been incorporated as a wholly owned subsidiary of EMIS Group plc and a recruitment process is now underway to secure a digital leader to drive further growth and open up new horizons for the business.

Egton - Non-clinical ICT solutions and services

Pinbellcom Group Limited ("Pinbellcom") was acquired on 14 July 2015 for £3.0m net of cash acquired. Pinbellcom has been swiftly integrated and rebranded as Egton Digital. It has performed well and was earnings enhancing during the year, selling and implementing not only the acquired Pinbellcom administration and compliance software for both the primary and the secondary care markets but also pre-existing software and services including GP practice websites.

Community Pharmacy – Revenue up 9%, Adjusted Operating Profit up 10%

EMIS Health - Community Pharmacy (EHCP)

EHCP has again delivered encouraging performance while laying the foundations for significant future growth. Through EHCP the Group maintained its position as the provider of the single most widely used community pharmacy dispensary management system in the UK with a market share of 36% (2014: 36%).

EHCP is already the clear leader in the independent community pharmacy market. Additionally, and as previously announced, on 16 December 2015 a five year contract was signed with AAH Pharmaceuticals Limited (AAH). This renewed the pre-existing agreement covering the Group's independent estate linked with AAH. It also extended the agreement to include the Lloyds Pharmacy estate. This will add up to 1,800 supermarket pharmacies to the EHCP estate over the next 18 months. Once the roll-out is complete, nearly half of all community pharmacy sites in the UK (close to 7,000 sites) will be using a solution provided by EMIS Health. By 2017 this will make EHCP the largest software and services provider in the community pharmacy dispensary management market.

EHCP has also developed a suite of integrated products enabling direct connections between pharmacists, GPs and patients. Pharmacy Access links directly with a GP's EMIS Web system to provide pharmacists with better visibility of a patient's medical history combined with the ability to request repeat prescriptions electronically. ProScript Connect, the Group's next generation dispensary pharmacy management product, began successful pilots in Wales in the final quarter of 2015.

EMIS Web for Community Pharmacy successfully completed end-to-end testing between primary care and community pharmacy, and is now at the pilot stage. This will provide functionality and data to assist community pharmacies seeking to provide extended primary care services such as smoking cessation, influenza injections, and the monitoring of certain long term conditions. Planning of implementation, pricing and sales is now ongoing in readiness for a 2017 launch.

Secondary & Specialist Care – Revenue up 42%, Adjusted Operating Profit up 22%

EMIS Health - Secondary Care (EHSC)

While overall there was revenue growth, the slower than hoped for rate of contract awards in the period led to a lower than expected revenue and profit contribution for the second consecutive year. A completely new senior management team for EHSC was appointed during the course of 2015 and has made significant and ongoing progress in refocusing the business for the future. Fundamental changes now being implemented are expected to show results that will benefit the top and bottom lines in the future.

The strong sales pipeline continues to be reviewed and expanded by a restructured, closely managed, sales team, with a focus on smaller and medium size deals to mitigate any potential slippage in large size deals, so reinforcing expectations of a better performance in the coming year. Recent contract wins include:

- Hospital pharmacy system - North Midlands Trust
- Patient administration system – appointment as preferred bidder
- E-prescribing and medicines administration (ePMA) – St Andrew's
- Endoscopy solution - Epsom & St Helier Hospital
- Document management solution – East Cheshire

The new management team has delivered a step change in software release quality, with changes in development and testing resulting in a material reduction in bugs. Operational improvements are beginning to show results with customers too, as evidenced by an increase in customers promoting the solutions (helped by faster and easier upgrade processes) and a reduction in customer complaints, all delivered with a leaner, more focussed pool of resource. The Group sees these operational improvements as clear leading indicators of expected improved financial performance in 2016.

Looking further out, the product roadmap has been subject to a detailed review and refresh, with renewed focus on rationalising the product set and on the convergence agenda with the EMIS Health framework. This further integration is critical to delivering on customer requirements for connected care and data flows across organisational boundaries within the NHS.

On 15 February 2016, EHSC announced a strategic decision to focus on its core markets and to leverage the EMIS Health development centre in India, whilst exiting its Australian, New Zealand and Kenyan operations (established by the Ascribe business prior to acquisition by EMIS Group). As a result, while all existing customer contracts will be honoured, there will be a phased reduction in the size of the teams (totalling approximately 40 staff) in those locations leading to a final closure of the Kenyan office at the end of June 2016 and of the Australian and New Zealand operations by no later than December 2017.

In parallel with the above announcements, EHSC in the UK undertook a further number of targeted redundancies in February 2016 with the aim of strengthening the core secondary care business. The costs associated with these staff reductions in EHSC are not material and will principally be expensed in the first half of 2016, with the second half of the year benefitting from a lower cost base as a result.

In conclusion, the above actions are expected to deliver a significantly improved performance in 2016 and enhanced prospects going forward.

EMIS Health - Specialist & Care (EHS&C)

EHS&C delivered a strong set of results for the year, consolidating its leading market position and preparing for further growth opportunities in 2016.

EMIS Health Specialist remains the leading provider of diabetic eye screening software and other ophthalmology-related solutions, with an English market share (measured by programmes) of 79% (2014: 82%), with the slight reduction reflecting programme border changes rather than any reduction in activity.

The announcement by Public Health England on 27 January 2016 of its intention to procure a single English diabetic eye screening programme software solution provides a new growth opportunity. NHS England will support Public Health England in the procurement and implementation of the national software, to achieve standardised local programme operation through common IT system design and core functionality by October 2017.

Medical Imaging, to be rebranded EMIS Care in April 2016, remains the clear market leader in outsourced diabetic eye screening and ophthalmology imaging services. Acquired by the Group in December 2014, it continues to perform well and was earnings enhancing in the year.

Future screening provision business was secured for at least five years through winning the following diabetic eye screening programme contracts across England with an aggregate total contract value of over £28m:

- South West London
- Newcastle & Gateshead
- Arden, Herefordshire & Worcestershire

A number of further material contracts are already being tendered in 2016, providing the potential to build further on the proven track record of delivery of the business.

Integrated Care, Products & Services
The Group has made considerable progress during the year in integrating care, connecting its own and third party products and centralising group services. This is vital to facilitate faster, better, more cost-effective care for the NHS and revenue growth and improved margin for the Group.

Integrating Care
The first phase of the Group's whole healthcare economy contract, to deliver a fully integrated electronic patient record for Gibraltar, went live in June 2015. This links and integrates the Group's products in accident & emergency, outpatient clinics, community services, primary care and community pharmacy. The second phase, including further integration into the hospital environment and improved order communications, is now underway and progressing well.

As another example of the Group's ability to connect healthcare, Wolverhampton CCG is financially supporting activation of Pharmacy Access at all 27 pharmacies in its area which use ProScript and interact with EMIS Web GP surgeries. This will enable those pharmacies to request repeat prescriptions electronically from GPs using the EMIS Web clinical system.

Pharmacists will also be able to view key clinical data in the GP record, including adverse reactions and allergies, historically prescribed acute and repeat medications, and test results such as the International Normalised Ratio (INR) thyroid function, blood pressure and blood sugars. This link will also facilitate advanced and enhanced services such as Medicines Use Reviews and the New Medicine Service.

Sheila Gregory, project implementation officer at Wolverhampton CCG, said: "We are excited to be offering pharmacists Pharmacy Access, which shows what is possible with joined up healthcare. We look forward to measuring the clinical and administrative benefits over the next few months as the project gets up and running."

Connecting Healthcare Products
During the year, the Group extended the available connectivity between its own and third party provider solutions and continued to develop the EMIS Health Framework. This is a modular environment that will gradually be used to rebuild all the Group's products. For example, EHSC's upgraded ePharmacy product has been developed in the EMIS Health Framework.

Third party initiatives included agreeing direct interoperability with GP and CCMH market competitor TPP in March 2015, signature of the Tech UK Interoperability Charter in September 2015 and, on 2 February 2016, becoming the first UK clinical systems provider to implement new open standards for interoperability in the NHS (OpenAPI). This enables clinicians using EMIS Health systems to securely share data with any other third party system across health and social care. Work has already begun in this respect with both System C/LiquidLogic and Servelec/CoreLogic.

Through its OpenAPI strategy the Group is committed to working with any supplier willing to follow national interoperability standards and best practice in information governance and security. That strategy will continue to make EMIS Health systems the most interoperable of their kind in healthcare. The Medical Interoperability Gateway (MIG), from Healthcare Gateway Limited, the Group's joint venture with In Practice Systems, is one element of the existing interoperability portfolio which alone is used by over 70 health economies and demonstrates our longstanding commitment to working collaboratively with both traditional partners and competitors alike.

Centralising Group Services

From 2016 onwards all EMIS Health software development will be centralised within EMIS Group. This is expected to lead to economies of scale without the need for wholesale relocation or off-shoring of staff. For example, Group pharmacy databases have already been reduced from twelve sources to five. There will also be a common prioritisation process via a group portfolio board. This will increase the visibility of activity and its allocation to specific revenue opportunities. A new EMIS India development office was opened in Chennai on 9 February 2016 with an initial cohort of nearly 50 development and testing staff.

The management team is also vigorously pursuing further opportunities for driving internal efficiencies, from Property and Legal services through to Marketing and Human Resources. Particularly noteworthy is the Group's investment in a common Enterprise Resource Planning (ERP) platform, which is now being rolled out progressively across the Group to replace a number of legacy systems.

SUMMARY AND OUTLOOK

EMIS Group has again reported good underlying profit growth in line with the Board's expectations, derived from a mix of organic and acquisitive growth. We are focussed on ensuring that the operational improvements in our Secondary Care business will deliver improved financial performance as the year progresses. Our outlook is encouraging, with strong revenue visibility, growing market shares, and good momentum in our order books and pipelines.

The NHS in England remains supportive of EMIS Group's strategy of delivering digital technology allied to cultural change that will help create faster and better care. The 2016 Mandate to NHS England states:

"*This Government will increase spending in real terms every year in this Parliament. The NHS will receive £10 billion more per year in real terms by 2020-2021 than in 2014-15. This investment backs in full the Five Year Forward View and will mean patients receive a truly seven-day health service, with the services people need being offered in hospitals at the weekend and people able to access a GP at evenings and weekends… NHS England should support the NHS to make better use of digital services and technology to transform patients' access to and use of health and care, including online access to their personal health records.*"

FINANCIAL REVIEW

In the year ended 31 December 2015 the Group delivered a strong balance of growth in revenue and profit, both organically and from acquisitions.

Adjusted operating profit for the year, as set out in the table below, was £36.6m (2014: £32.6m) with statutory operating profit, reduced by non-cash exceptional impairment charges, at £11.4m (2014: £29.1m). A reconciliation between the operating profit measures is given in the Group statement of comprehensive income.

Revenue

Group revenue increased by 13% to £155.9m (2014: £137.6m), including revenue from acquisitions completed during the year of £0.7m, and revenue from the 2014 acquisitions in Secondary & Specialist Care of £13.0m (2014: £1.6m).

The 5% organic growth in the year included increases from all segments. The Primary & Community Care business delivered 4% organic growth, driven by the completion of the EMIS Web roll-out in England and Wales, and good progress in market share in 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 & Specialist Care segment includes full year contributions from the Medical Imaging business, acquired in late 2014, and Indigo 4, acquired in July 2014. While revenues grew in Secondary Care, the performance overall was disappointing, with a number of expected contracts not concluding in the year. 2016 has started more positively with several key contract wins already secured, while the cost base for the business is being addressed, as described in the Operational review, so positioning it for stronger growth ahead.

Selected financial extracts (rounded)

	2015				2014			
	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	**93.9**	**20.0**	**42.0**	**155.9**	89.7	18.4	29.5	137.6
Adjusted segmental operating profit	**29.6**	**4.3**	**4.2**	**38.1**	26.4	3.9	3.4	33.7
Group expenses				**(1.5)**				(1.1)
Adjusted operating profit[1]				**36.6**				32.6
Adjusted operating margin	**31.5%**	**21.2%**	**10.0%**	**23.4%**	29.5%	21.0%	11.6%	23.7%
Development costs capitalised	**3.1**	**1.0**	**2.1**	**6.2**	4.0	0.8	1.8	6.6
Amortisation of development costs	**(5.4)**	**-**	**(0.9)**	**(6.3)**	(4.3)	-	(0.4)	(4.7)
Amortisation of acquired intangible assets	**(0.9)**	**(0.6)**	**(5.0)**	**(6.5)**	(1.1)	(0.7)	(4.4)	(6.2)

1. Excludes impairment charges, release of contingent acquisition consideration, capitalisation and amortisation of development costs and amortisation of acquired intangibles.

Revenue mix

Group recurring revenue, principally licences, maintenance & software support, hosting and other support services, was £123.0m (2014: £102.7m), 79% of total revenue. The high level of recurring revenue and strong order book at the start of 2016 provide a strong platform for the business to continue to invest with confidence in developing future products and services, as well as visibility of future financial expectations.

The drivers of revenue change within the Group included the following:

- licences, driven significantly higher to £50.3m (2014: £43.8m), principally as a result of growth in Primary & Community Care, particularly in CCMH, the partner programme and Defence contracts;
- maintenance & software support, which increased to £37.9m (2014: £33.4m) due to some growth in Secondary Care and to a full period of higher allocation to this revenue stream under the revised GPSoC contract;
- other support services, where new revenues from the Medical Imaging acquisition resulted in total revenues of £30.6m (2014: £21.6m);
- training, consultancy and implementation, which reduced to £16.1m (2014: £16.9m), with the expected lower levels of EMIS Web roll-out related revenue in Primary Care being partly offset by higher revenues in Secondary Care;
- hosting, which was lower at £13.1m (2014: £14.0m), as a result of a reduction in funded hosted asset revenues and due to the lower allocation to this revenue stream under the revised GPSoC contract; and
- hardware revenues, which were unchanged at £7.9m (2014: £7.9m).

Profitability

Adjusted operating profit increased by 12% to £36.6m (2014: £32.6m), including £0.3m from acquisitions completed in the year and £1.7m from the 2014 acquisitions in Secondary & Specialist Care (2014: £0.4m). The 7% organic profit growth in the year was delivered by double digit growth in the Primary & Community Care and Community Pharmacy businesses, partly offset by the lower than expected results in Secondary Care.

The organic operating margin nonetheless increased to 24.4% (2014: 23.7%) with a strong focus on cost control in staff costs delivering this improvement in the context of a lower pace of revenue growth than in recent years. The overall Group adjusted operating margin reduced slightly from 23.7% to 23.4% 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 1,897 (2014: 1,841), including 13 from businesses acquired in the year. The average headcount increased to 1,863 (2014: 1,611). These numbers include eight in the Indian development team who joined at the end of the year. This team was managed on a subcontracted basis during 2015, but in 2016 has joined the Group with headcount expected to double from the current 50 over the coming year.

The Group has recognised two exceptional non-cash impairment charges in 2015 totalling £18.5m. The first (totalling £16.2m) relates to the carrying value of goodwill arising on the Ascribe (Secondary Care) acquisition, and reflects the fact that the business has not yet delivered the financial returns expected when the business joined the Group in 2013. The second charge (of £2.3m) is in respect of the Group's minority investment in Pharmacy2U, held since 2005. This business has had a troubled year, including a number of fundraising rounds in which the Group has chosen not to participate. The Group's interest has reduced accordingly and is now below 15%. In the circumstances, the Directors believe that it is appropriate to impair fully the Group's investment in the business.

After accounting for the exceptional impairment charges, the capitalisation and amortisation of development costs, the amortisation of acquired intangibles and for a £0.9m exceptional credit on acquisition consideration in the prior year, statutory operating profit was £11.4m (2014: £29.1m).

Taxation

The tax charge for the year of £5.6m (2014: £5.7m) is after taking into account a reduction in the provision for deferred tax of £0.4m, arising from the lowering of the future tax rate to 19% in 2017 and 18% in 2020. Excluding the impact of this deferred tax credit the effective tax rate for year is 20.2% (2014: 21.5%) on profit before tax and the (non-deductible/taxable) impairment charges and prior year acquisition consideration release.

Earnings per share (EPS)
Adjusted basic and diluted EPS increased by 15% to 45.3p and 45.1p respectively (2014: 39.5p and 39.4p). The statutory basic and diluted EPS were 7.2p for both measures (2014: 35.3p and 35.2p).

Dividend
Subject to shareholder approval at the Annual General Meeting on 26 April 2016, the Board proposes an increase in the final dividend to 10.6p (2014: 9.2p) per ordinary share, payable on 29 April 2016 to shareholders on the register at the close of business on 1 April 2016. This would make a total dividend of 21.2p (2014: 18.4p) per ordinary share for 2015. This is 15% higher than in the prior year, reflecting the Board's commitment to increasing dividends in line with growth in adjusted EPS and its confidence in the Group's prospects.

Cash flow and net debt
The principal movements in net debt were as follows:

	2015 £m	2014 £m
Cash from operations:		
Cash generated from operations	**42.7**	44.8
Less: internal development costs capitalised	**(6.2)**	(6.5)
Net cash generated from operations	**36.5**	38.3
Business combinations	**(5.2)**	(10.3)
Net capital expenditure	**(7.2)**	(8.3)
Transactions in own shares	**0.6**	(1.5)
Tax	**(6.9)**	(5.2)
Dividends	**(12.4)**	(10.8)
Other	**(2.7)**	(0.5)
	(33.8)	(36.6)
Change in net debt in the year	**2.7**	1.7
Net debt at end of year	**(9.1)**	(11.8)

Net cash generated from operations was £36.5m (2014: £38.3m), with the slight reduction reflecting working capital outflows due to the timing of payments and the unwinding of deferred income balances in respect of NHS funded hosting assets. 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 the acquisition of Pinbellcom in the year for net cash consideration of £3.0m and also paid £2.25m of contingent consideration in respect of the 2013 Ascribe acquisition. In respect of the 2014 Medical Imaging acquisition, further amounts of up to £3.0m may become payable in 2016 and are fully provided for.

Net capital expenditure excluding capitalised development costs reduced to £7.2m (2014: £8.3m), including £2.9m on computer equipment (£0.5m of which related to hosting contract assets) and £3.1m for various property improvements. The most significant of these investments was £1.6m for the fit out of new Secondary Care premises, bringing together two former offices in Bolton to encourage greater efficiency and cohesion in the business.

The Group's Employee Benefit Trust received £0.6m (2014: £0.5m) for shares transferred in connection with the Group's share schemes but didn't acquire any additional shares during the year (2014: £2.0m). After tax, dividends and other payments, including a £2.1m dividend paid to the minority shareholder in the Group's Community Pharmacy business, the total net cash inflow of £2.7m resulted in a year-end net debt position of £9.1m (2014: £11.8m), comprised of cash of £4.7m and bank overdraft and debt of £13.8m. At 31 December 2015, the Group had available bank facilities of £22.0m committed until June 2017.

Group statement of comprehensive income

for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Revenue	2,3	**155,898**	137,639
Costs:			
Changes in inventories		**(344)**	119
Cost of goods and services		**(12,611)**	(12,901)
Staff costs		**(67,465)**	(58,571)
Other operating expenses[1]		**(45,873)**	(21,799)
Depreciation of property, plant and equipment		**(4,665)**	(4,005)
Amortisation of intangible assets	8	**(13,510)**	(11,361)
Adjusted operating profit		**36,553**	32,639
Development costs capitalised	8	**6,183**	6,523
Amortisation of intangible assets[2]	8	**(12,806)**	(10,914)
Impairment of goodwill	4	**(16,183)**	-
Impairment of investment	4	**(2,317)**	-
Release of contingent acquisition consideration	4	**-**	873
Operating profit	2	**11,430**	29,121
Finance income		**28**	10
Finance costs		**(477)**	(553)
Share of result of associate		**(388)**	(55)
Share of result of joint venture		**339**	17
Profit before taxation		**10,932**	28,540
Income tax expense	5	**(5,558)**	(5,719)
Profit for the year		**5,374**	22,821
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**(111)**	(86)
Other comprehensive income		**(111)**	(86)
Total comprehensive income for the year		**5,263**	22,735
Attributable to:			
- equity holders of the parent		**4,432**	22,058
- non-controlling interest in subsidiary company		**831**	677
Total comprehensive income for the year		**5,263**	22,735

Earnings per share attributable to equity holders of the parent	6	**Pence**	Pence
Basic		**7.2**	35.3
Diluted		**7.2**	35.2

[1] Including contract asset depreciation of £3,175,000 (2014: £3,761,000), goodwill impairment of £16,183,000 (2014: £nil), investment impairment of £2,317,000 (2014: £nil) and release of contingent acquisition consideration of £nil (2014: £873,000).

[2] Excluding amortisation of computer software used internally of £704,000 (2014: £447,000).

Group balance sheet
as at 31 December 2015

	Notes	2015 £'000	2014 £'000
ASSETS			
Non-current assets			
Goodwill		**54,388**	68,577
Other intangible assets	8	**66,995**	70,820
Property, plant and equipment		**22,032**	24,313
Investment in joint venture and associate		**131**	2,705
		143,546	166,415
Current assets			
Inventories		**1,206**	1,550
Trade and other receivables		**33,893**	28,732
Cash and cash equivalents	10	**4,701**	6,939
		39,800	37,221
Total assets		**183,346**	203,636
LIABILITIES			
Current liabilities			
Trade and other payables		**(17,777)**	(20,782)
Current tax liabilities		**(3,183)**	(1,246)
Bank loans	10	**(5,402)**	(12,902)
Bank overdraft	10	**(6,457)**	-
Contingent acquisition consideration		**(3,000)**	(2,750)
Deferred income		**(28,000)**	(29,985)
		(63,819)	(67,665)
Non-current liabilities			
Bank loans	10	**(1,951)**	(5,854)
Deferred tax liability		**(10,530)**	(12,709)
Contingent acquisition consideration		**-**	(2,500)
		(12,481)	(21,063)
Total liabilities		**(76,300)**	(88,728)
NET ASSETS		**107,046**	114,908
EQUITY			
Ordinary share capital		**633**	633
Share premium		**51,045**	51,045
Own shares held in trust		**(2,929)**	(3,718)
Retained earnings		**52,848**	60,109
Other reserve		**2,000**	2,111
Equity attributable to owners of the parent		**103,597**	110,180
Non-controlling interests		**3,449**	4,728
TOTAL EQUITY		**107,046**	114,908

Group statement of cash flows
for the year ended 31 December 2015

	Notes	**2015 £'000**	2014 £'000
Cash generated from operations	9	**42,711**	44,856
Finance costs		**(450)**	(455)
Finance income		**28**	10
Tax paid		**(6,896)**	(5,247)
Net cash generated from operating activities		**35,393**	39,164
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6,145)**	(6,873)
Proceeds from sale of property, plant and equipment		**644**	291
Development costs capitalised	8	**(6,183)**	(6,523)
Purchase of software	8	**(1,730)**	(1,765)
Business combinations	11	**(5,231)**	(10,250)
Net cash used in investing activities		**(18,645)**	(25,120)
Cash flows from financing activities			
Transactions in own shares held in trust		**589**	(1,480)
Bank loan repayments		**(11,500)**	(7,000)
Bank loans drawn down		**-**	8,000
Non-controlling interest dividend paid		**(2,110)**	-
Dividends paid	7	**(12,422)**	(10,792)
Net cash used in financing activities		**(25,443)**	(11,272)
Net (decrease)/increase in cash and cash equivalents		**(8,695)**	2,772
Cash and cash equivalents at beginning of year		**6,939**	4,167
Cash and cash equivalents at end of year	10	**(1,756)**	6,939

Cash and cash equivalents of £1,756,000 comprise cash of £4,701,000 and a bank overdraft of £6,457,000.

Group statement of changes in equity
for the year ended 31 December 2015

	Share capital £'000	Share premium £'000	Own shares held in trust £'000	Retained earnings £'000	Other reserve £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 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 7)	-	-	-	(10,792)	-	-	(10,792)
Other comprehensive income							
Currency translation differences	-	-	-	-	(86)	-	(86)
At 31 December 2014	633	51,045	(3,718)	60,109	2,111	4,728	114,908
Profit for the year	-	-	-	4,543	-	831	5,374
Transactions with owners							
Share acquisitions less sales	-	-	789	(200)	-	-	589
Share-based payments	-	-	-	684	-	-	684
Deferred tax in relation to share-based payments	-	-	-	134	-	-	134
Dividends paid (note 7)	-	-	-	(12,422)	-	(2,110)	(14,532)
Other comprehensive income							
Currency translation differences	-	-	-	-	(111)	-	(111)
At 31 December 2015	**633**	**51,045**	**(2,929)**	**52,848**	**2,000**	**3,449**	**107,046**

Notes to the preliminary announcement

for the year ended 31 December 2015

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 2015 or 2014 but is derived from those financial statements.

Statutory financial statements for 2014 have been delivered to the registrar of companies and those for 2015 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 2015 will be posted no later than 31 March 2016 to shareholders and, once approved, will be delivered to the Registrar of Companies following the Annual General Meeting on 26 April 2016.

Copies of the Annual Report and financial statements for the year ended 31 December 2015 will be available on the company's website (https://www.emisgroupplc.com/investors) from 31 March 2016 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 connected healthcare software and services:

(a) Primary & Community Care;
(b) Community Pharmacy; and
(c) Secondary & 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 costs, cash and cash equivalents and bank loans and overdrafts are not allocated to segments, as group and financing activities are not segment-specific.

	2015				2014			
	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	**93,860**	**20,013**	**42,025**	**155,898**	89,708	18,386	29,545	137,639
Segmental operating profit as reported internally	**29,603**	**4,248**	**4,182**	**38,033**	26,450	3,853	3,430	33,733
Development costs capitalised	**3,031**	**1,017**	**2,135**	**6,183**	3,978	784	1,761	6,523
Amortisation of development costs	**(5,396)**	**-**	**(901)**	**(6,297)**	(4,248)	-	(397)	(4,645)
Amortisation of acquired intangible assets	**(923)**	**(577)**	**(5,009)**	**(6,509)**	(1,110)	(736)	(4,423)	(6,269)
Segmental operating profit	**26,315**	**4,688**	**407**	**31,410**	25,070	3,901	371	29,342
Group operating expenses				**(1,480)**				(1,094)
Impairment of goodwill				**(16,183)**				-
Impairment of investment				**(2,317)**				-
Release of contingent acquisition consideration				**-**				873
Operating profit				**11,430**				29,121
Net finance costs				**(449)**				(543)
Share of result of associate				**(388)**				(55)
Share of result of joint venture				**339**				17
Profit before taxation				**10,932**				28,540

Revenue excludes intra-group transactions on normal commercial terms from the Primary & Community Care segment to the Community Pharmacy segment totalling £3,750,000 (2014: £3,692,000), from the Primary & Community Care segment to the Secondary & Specialist Care segment totalling £883,000 (2014: £456,000), and from the Secondary & Specialist Care segment to the Primary & Community Care segment totalling £33,000 (2014: £69,000).

Revenue of £112,786,000 (2014: £98,939,000) is derived from the NHS and related bodies.

Revenue of £6,942,000 (2014: £5,421,000) is derived from customers outside the United Kingdom.

3. Revenue analysis

	2015 £'000	2014 £'000
Licences	**50,300**	43,850
Maintenance and software support	**37,887**	33,438
Other support services	**30,611**	21,568
Training, consultancy and implementation	**16,128**	16,918
Hosting	**13,075**	13,968
Hardware	**7,897**	7,897
	155,898	137,639

4. Exceptional items

	2015 £'000	2014 £'000
Impairment of goodwill	**(16,183)**	-
Impairment of investment	**(2,317)**	-
Release of contingent acquisition consideration	**-**	873
	(18,500)	873

The impairment of goodwill relates to the Secondary Care (Ascribe) cash-generating unit (CGU), as a result of a reduction in its projected cash flows, and reflects the fact that the business has not yet delivered the financial returns expected when the business joined the Group in 2013. While the new management team has made significant progress in refocusing the business, there have been fewer contract wins than forecast during the year lowering the expected revenue and profit contribution.

The impairment of investment relates to a full impairment of the carrying value in the group's minority investment in Pharmacy2U, as a result of a reduction in its projected cash flows following a difficult trading period.

In 2014 £873,000 of excess contingent consideration provision was released in relation to the acquisition of Ascribe.

5. Income tax expense

	2015 £'000	2014 £'000
Income tax:		
- current year tax charge	**7,943**	6,002
- adjustment in respect of prior years	**-**	(225)
Total current tax	**7,943**	5,777
Deferred tax:		
- current year	**(2,385)**	(58)
Total deferred tax	**(2,385)**	(58)
Total tax charge in Group statement of comprehensive income	**5,558**	5,719
Factors affecting the tax charge for the year		
Profit before taxation	**10,932**	28,540
Taxation at the average UK corporation tax rate of 20.25% (2014: 21.5%)	**2,214**	6,136
Tax effects of:		
- expenses not allowable in determining taxable profit	**3,724**	61
- income not taxable in determining taxable profit	**-**	(188)
- adjustment in respect of prior years	**-**	(225)
- other permanent items	**2**	(73)
- joint venture/associate reported net of tax	**-**	8
- deferred tax rate change	**(382)**	-
Tax charge for the year	**5,558**	5,719

6. Earnings per share (EPS)

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

Earnings	2015 £'000	2014 £'000
Basic earnings attributable to equity holders	**4,543**	22,144
Impairment of goodwill	**16,183**	-
Impairment of investment	**2,317**	-
Release of contingent acquisition consideration	**-**	(873)
Development costs capitalised	**(6,183)**	(6,523)
Amortisation of development costs and acquired intangible assets	**12,806**	10,914
Tax and non-controlling interest effect of above items	**(1,266)**	(870)
Adjusted earnings attributable to equity holders	**28,400**	24,792

Weighted average number of ordinary shares	2015 Number '000	2014 Number '000
Total shares in issue	**63,311**	63,311
Shares held by Employee Benefit Trust	**(576)**	(557)
For basic EPS calculations	**62,735**	62,754
Effect of potentially dilutive share options	**230**	187
For diluted EPS calculations	**62,965**	62,941

Earnings per share	2015 Pence	2014 Pence
Basic	**7.2**	35.3
Adjusted	**45.3**	39.5
Basic diluted	**7.2**	35.2
Adjusted diluted	**45.1**	39.4

7. Dividends

	2015 £'000	2014 £'000
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
Final dividend for the year to 31 December 2014 of 9.2p	**5,771**	-
Interim dividend for the year to 31 December 2015 of 10.6p	**6,651**	-
	12,422	10,792

A final dividend for the year to 31 December 2015 of 10.6p amounting to approximately £6,655,000 will be proposed at the Annual General Meeting on 26 April 2016. If approved, this dividend will be paid on 29 April 2016 to shareholders on the register on 1 April 2016. The dividend is not accounted for as a liability in these financial statements and will be accounted for as an appropriation of distributable reserves in the year to 31 December 2016.

8. Other intangible assets

	Computer software used internally £'000	Computer software developed for external sale £'000	Computer software acquired on business combinations £'000	Customer relationships £'000	Total £'000
Cost					
At 1 January 2014	1,045	22,137	34,124	29,517	86,823
Additions	1,765	6,523	-	-	8,288
Acquisition of businesses	-	-	1,093	5,596	6,689
At 31 December 2014	2,810	28,660	35,217	35,113	101,800
Additions	1,730	6,183	-	-	7,913
Acquisition of businesses	-	-	844	928	1,772
At 31 December 2015	**4,540**	**34,843**	**36,061**	**36,041**	**111,485**
Accumulated amortisation and impairment					
At 1 January 2014	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
Charged in year	704	6,297	3,469	3,040	13,510
At 31 December 2015	**1,369**	**13,597**	**16,471**	**13,053**	**44,490**
Net book value					
At 31 December 2015	**3,171**	**21,246**	**19,590**	**22,988**	**66,995**
At 31 December 2014	2,145	21,360	22,215	25,100	70,820
At 1 January 2014	827	19,482	24,866	22,029	67,204

9. Cash generated from operations

	2015 £'000	2014 £'000
Profit before taxation	**10,932**	28,540
Finance income	**(28)**	(10)
Finance costs	**477**	553
Share of result of associate	**388**	55
Share of result of joint venture	**(339)**	(17)
Operating profit	**11,430**	29,121
Adjustment for non-cash items:		
Amortisation of intangible assets	**13,510**	11,361
Depreciation of property, plant and equipment	**7,840**	7,766
Impairment of goodwill	**16,183**	-
Impairment of investment	**2,317**	-
Release of contingent acquisition consideration	**-**	(873)
Profit on disposal of property, plant and equipment	**(44)**	(128)
Share-based payments	**684**	270
Operating cash flow before changes in working capital	**51,920**	47,517
Changes in working capital:		
Decrease/(increase) in inventory	**344**	(119)
Increase in trade and other receivables	**(3,945)**	(6,912)
(Decrease)/increase in trade and other payables	**(3,246)**	2,360
(Decrease)/increase in deferred income	**(2,362)**	2,010
Cash generated from operations	**42,711**	44,856

10. Change in net debt

	2014 £'000	Cash flow £'000	Finance costs £'000	2015 £'000
Cash and cash equivalents	6,939	(2,238)	-	**4,701**
Bank overdraft	-	(6,457)	-	**(6,457)**
Bank loans due within one year	(12,902)	7,500	-	**(5,402)**
Bank loans due after one year	(5,854)	4,000	(97)	**(1,951)**
Net debt	(11,817)	2,805	(97)	**(9,109)**

11. Business combinations

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:

	£'000
Goodwill	1,967
Intangible assets acquired:	
- computer software	844
- customer relationships	928
Property, plant and equipment	11
Trade and other receivables	260
Cash and cash equivalents	484
Trade and other payables	(315)
Deferred income	(377)
Deferred tax	(338)
Total net assets	**3,464**
Consideration:	
Cash consideration	3,464
Total consideration	**3,464**
Cash and cash equivalent balances acquired	(484)
Net cash cost of acquisition paid in year	**2,980**

Goodwill relates principally to the experienced staff within the business.

Provisional fair values of assets and liabilities represent the best estimate of the fair values at the date 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 date of acquisition.

Since acquisition, the contribution of the acquired business to Group revenue and Group adjusted operating profit has been £650,000 and £276,000 respectively. Had the acquisition occurred on 1 January 2015, the revenue and adjusted operating profit for the year would have been £1,312,000 and £513,000 respectively.

In relation to the acquisition, costs of £40,000 have been expensed in the statement of comprehensive income.

During the year the accounting for the acquisition of the Medical Imaging business (acquired 22 December 2014) was finalised. This resulted in a reduction of £27,000 in the fair value of the net assets acquired, with a corresponding increase to goodwill.