Supporting longer and healthier lives

EMIS Group plc
Half year results for the six months ended 30 June 2016

Connecting IT across every major healthcare sector

Business and financial overview

Financial statements

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Financial highlights

	2016 H1	2015 H1	Change
Revenue			
Total revenue	**£78.7m**	£77.8m	**+1%**
Recurring revenue	**£64.0m**	£60.5m	**+6%**
Operating profit			
• adjusted[1]	**£17.7m**	£16.9m	**+5%**
• reported post exceptional items	**£12.1m**	£13.8m	**-12%**
Cash flow and debt			
Cash generated from operations[2]	**£27.5m**	£27.5m	
Net cash	**£0.7m**	£1.3m	
Earnings per share			
• adjusted[1]	**22.2p**	20.5p	**+8%**
• reported post exceptional items	**14.9p**	16.6p	**-10%**
Interim dividend	**11.7p**	10.6p	**+10%**

[1] Excludes exceptional items, the 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. The exceptional item excluded in 2016 H1 relates to a £2.2m charge in respect of the Group's cost reduction programme.

[2] Stated before the cash impact of the exceptional item of £1.8m (2015 H1: £nil) and after deduction of capitalised development costs of £2.9m (2015 H1: £3.1m).

Our vision:
"To support longer and healthier lives for everyone by providing **integrated, excellent** and **innovative** healthcare IT for patients and those involved in their care."

Operational highlights

H1 results broadly in line with the Board's expectations

- Continued growth in profit, recurring revenue and further progress in operating margin
- Maintained strong market share positions across the EMIS Group, increased Child, Community and Mental Health (CCMH) market share, prepared for future growth in Community Pharmacy and EMIS Care
- Group-wide cost reduction measures and operational improvements within Secondary Care largely complete – benefits expected to come through in H2
- Strong revenue visibility and momentum in order book and pipeline

Primary & Community Care – solid financial performance

- Market leading position within the UK primary care market maintained with 55% market share (31 December 2015: 55%)
- EMIS Web roll-out programme progressing in Northern Ireland and Scotland in procurement
- Further increase in CCMH market share to 14% (31 December 2015: 12%), making excellent progress toward full year 15% target despite slower rate of larger contract awards

Community Pharmacy – profitability and market share maintained

- Market leading 36% share of the combined supermarket and independent market maintained (31 December 2015: 36%)
- Lloyds Pharmacy/AAH Pharmaceuticals contract pre-implementation activity on track to grow market share to close to 50%
- Next generation dispensary pharmacy management product pilots continue, accreditation secured in Wales and Scotland and progressing well in England, pilot roll-out begun in Wales and Scotland

Secondary & Specialist Care – mixed performance

- Secondary Care performed broadly in line with expectations
- Secondary Care secured formal award of a contract for a Patient Administration System in Northampton and a place on the £15m Hospital Electronic Prescribing and Medicines Administration (HEPMA) framework
- Slower rate of larger contract awards continues to affect Secondary Care
- Specialist & Care material contract wins - significant pipeline in place but profit held back by implementation costs

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

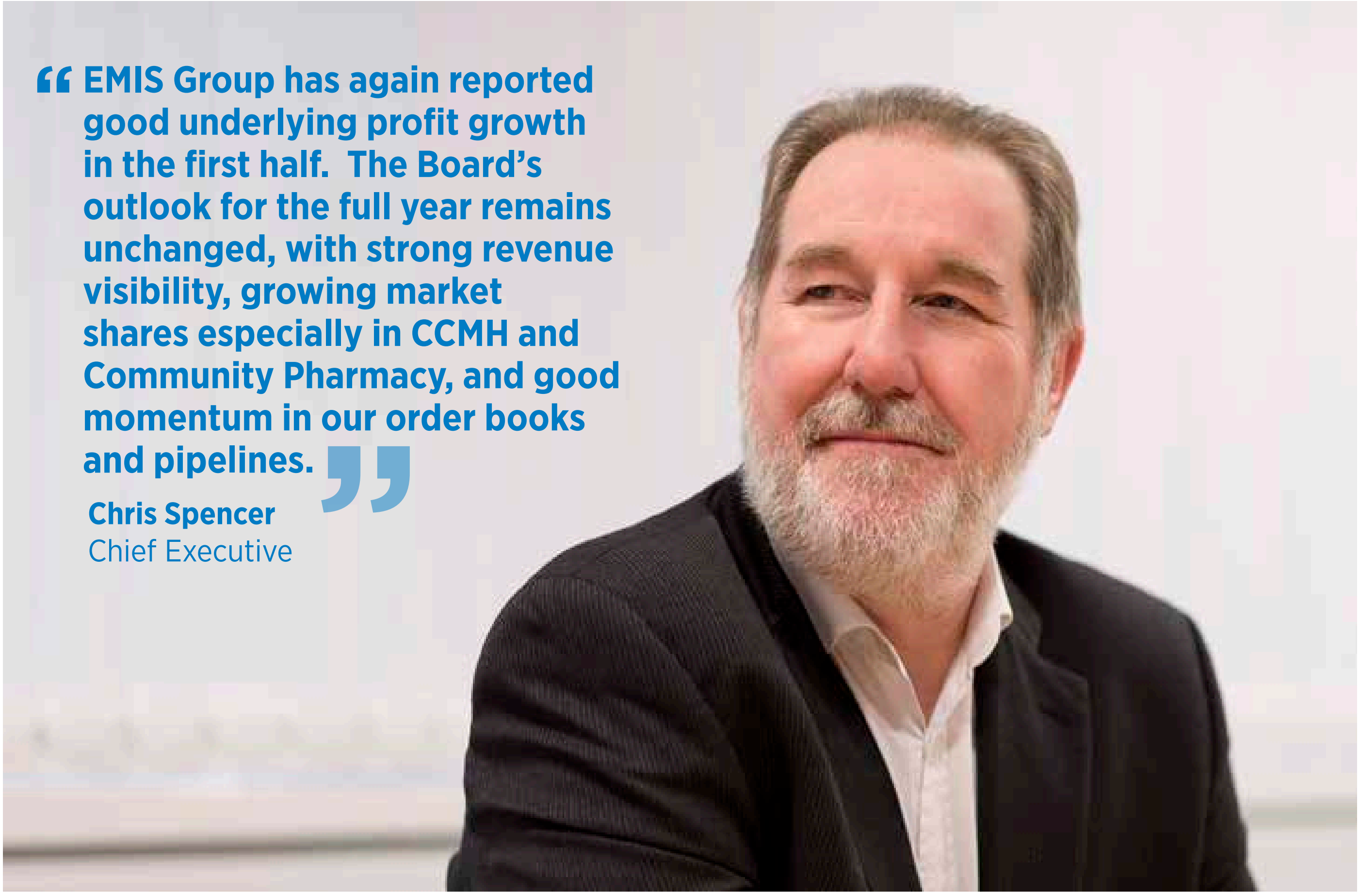
- Good order books and pipelines across every segment
- Revenue visibility remains strong with 81% recurring revenue
- Cost reduction measures expected to benefit second half performance
- Responding positively to political and economic uncertainty
- Growth opportunities in all markets

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

"EMIS Group has again reported good underlying profit growth in the first half. The Board's outlook for the full year remains unchanged, with strong revenue visibility, growing market shares especially in CCMH and Community Pharmacy, and good momentum in our order books and pipelines. We are confident that the cost reduction measures we have taken will benefit our financial performance as the year progresses.

"Despite ongoing, post-referendum, political and economic uncertainty, the NHS continues to affirm EMIS Group's strategy of providing change-delivering digital technology helping to create faster, better, cheaper care. Matthew Swindells, NHS England's new national director for commissioning operations and information announced, in his first major speech on 5 July, that funding would be available for 'change projects' that require new technology and information to improve the quality and efficiency of care as part of an 'ecosystem for innovation' controlled by the patient."

Chief Executive's overview



"EMIS Group has again reported good underlying profit growth in the first half. The Board's outlook for the full year remains unchanged, with strong revenue visibility, growing market shares especially in CCMH and Community Pharmacy, and good momentum in our order books and pipelines."

Chris Spencer
Chief Executive

The half year results were broadly in line with the Board's expectations. The Group continued to benefit from its usual strong revenue visibility. Market share and momentum in order books and pipelines were maintained despite the uncertainty created by the EU Referendum and the ongoing slower than expected rate of contract awards in larger NHS procurements.

Jeremy Hunt, the Secretary of State for Health, announced in February 2016 that £4.2bn – including an apparent £1.3bn of new funding – would be spent on NHS IT over the five years of the current parliament. The distribution of this funding will be linked to the Sustainability and Transformation Plans (STPs) that trusts are drawing up to implement the Forward View and the Local Digital Roadmaps that support the STPs. Circa £1.8bn is expected to be allocated to the paperless NHS agenda and circa £0.5bn to the completion of National Programme for IT contracts.

Operational review

A leading provider of UK healthcare software, information technology and related services, EMIS Group has again maintained or grown its strong market shares in every major area of healthcare. This enables the Group to help deliver the NHS's ongoing connected care strategy across healthcare in Primary & Community, Community Pharmacy and Secondary & Specialist.

Operational review continued

Primary & Community Care – Revenue up 4%, Adjusted Operating Profit up 10%

EMIS Health - Primary Care (EHPC)

The Group delivered another solid performance in primary care. A UK market share of 55% (31 December 2015: 55%) was supported by loyal customers with 75% of the Group's English GP practices being EMIS Health users for over a decade. The number of 100% EHPC Clinical Commissioning Groups (CCGs) rose to 45 by the end of the period enabling seamless connection of primary care and other healthcare data across the whole of their local health economy.

Implementation of EMIS Web for primary care is still planned to begin in Northern Ireland before the end of 2016 and is expected to conclude in 2017. The first EMIS Web pilot site in Northern Ireland went live on 16 August 2016 and is performing well. In Wales, discussions are ongoing for renewal of the primary care framework agreement. Existing Welsh call off agreements' expiry dates range from 2019 to 2020. Engagement for the procurement of EMIS Web in place of the Group's older PCS software in Scotland has now begun.

EMIS Health – Child, Community & Mental Health (CCMH)

Despite political uncertainty and the ongoing sluggishness of larger procurements the Group's CCMH team grew market share to 14% (31 December 2015: 12%).

A further seven material contract wins were secured in the period plus an additional two subsequently:

- Stockport – Community (former national Programme from CSC)
- South Tyneside - Child Health (former national Programme from TPP)
- Barts Health - Child Health (no prior incumbent)
- East Cheshire - Child Health (from Health Service Wales)
- Central London Community Healthcare NHS Trust – Community (from TPP)
- Croydon - Community/Child Health (upgrade from EMIS Health)
- Jersey Hospice - Community (no prior incumbent)

These were all for initial terms of five years and had an aggregate total contract value in excess of £3.5m. There is also a strong pipeline of CCMH opportunities for the remainder of 2016 and into 2017.

Building out from the 45 100% EHPC CCGs, the Group now has 23 CCGs where EMIS Health is the only supplier in both primary care and CCMH. This emphasises and enhances the Group's unique position in connected care.

Patient

Patient.info is an online resource providing trusted clinician-authored information to help patients proactively manage their own health and wellbeing. This "pre-primary care" is increasingly a key focus for healthcare strategies in the UK and internationally.

The Patient domain was moved from Patient.co.uk to Patient.info (a top level domain) in June 2015 to accelerate the growth of Patient especially internationally. Although, as expected, the short term effect of the domain move was to reduce overall traffic, this has now returned to pre-move levels at 18.3m unique monthly visitors. As at 30 June 2016 international visits accounted for 70% of the total (2015 H1: 55%), with visitors from the USA representing 38% of the total. An experienced digital chief executive has been recruited to lead the Patient business and create further engagement and monetisation opportunities.

Egton - Non-clinical ICT solutions and services

Egton Digital (formerly Pinbellcom Group Limited, acquired in July 2015) continues to perform well providing a range of software and services including administration and compliance software for primary and secondary care and GP practice websites. Egton has also increasingly been providing GP practice Wi-Fi. Since the period end Egton has been awarded a four year contract with a total value in excess of £5m to provide IT support, maintenance and hardware to all GP practices in Herts Valleys, East and North Herts, Luton and Bedfordshire.

EMIS Health - Community Pharmacy (EHCP)– Revenue up 6%, Adjusted Operating Profit up 13%

EHCP, the provider of the single most widely used community pharmacy dispensary management system in the UK, also posted good results as it prepared for future market share growth over the next 18 months from 36% to nearly 50% after the implementation of the agreement signed in December 2015 with AAH Pharmaceuticals. In addition, PCT Healthcare and Cohens agreed to transfer to EHCP acquired pharmacies totalling 100 sites from competitor systems (Cegedim (52) and PSL (48) respectively) for implementation during 2016. The total estate size was 4,972 sites at 30 June 2016 (31 December 2015: 4,910 sites).

ProScript Connect, EHCP's next generation pharmacy dispensary management product, secured accreditation in both Wales and Scotland. The live pilots in Wales and then Scotland began in the second quarter and accreditation in England is planned for completion by the end of 2016. Implementation focus is primarily on remote data conversion and deployment to minimise resource requirements at each location. More complex sites such as those with robotic systems, are likely to require

Operational review continued

on-site upgrades. The first ProScript Connect pilot site in the Lloyds estate has now gone live.

EMIS Web for Community Pharmacy is now in pilot in nine pharmacies. This offers functionality and data to assist community pharmacies seeking to provide extended primary care services (e.g. smoking cessation, influenza injections) and monitoring of long term conditions.

Secondary & Specialist Care – Revenue down 8%, Adjusted Operating Profit down 35%

EMIS Health - Secondary Care (EHSC)

EHSC performed largely in line with expectations, taking into account the transfer of revenues and profits associated with the ePEX (acute mental health) product to Primary & Community Care and a strong comparative period for one-off implementation revenues. The NHS environment remains very difficult to predict, especially in larger procurements. In addition, increased merger activity between hospital trusts means that many 2016/2017 investment plans are being re-visited.

Nevertheless, on 29 April 2016, EHSC was awarded a contract for a Patient Administration System in Northampton for delivery in 2016 and has maintained a strong flow of mid-size to smaller contracts. The business is also creating an electronic procurement hub in association with the UK's other major hospital pharmacy software provider. This is expected to enable 75% of UK hospitals in the first phase of deployment to replace the manual processing of home care pharmacy, minimise errors, improve care and reduce NHS costs. EHSC is one of just two suppliers on the NHS Scotland HEPMA (Hospital Electronic Prescribing and Medicines Administration) framework, worth £15m over two years, which is rolling out electronic medicines management across hospitals. It means that health boards are free to choose EHSC's fully integrated suite of HEPMA, e-prescribing, medicines management and hospital pharmacy systems.

EHSC's hospital pharmacy system is already used in seven Scottish health boards, and the company has a 51.5% share of the GP market in Scotland.

The strategic decision, announced on 15 February 2016, for EHSC to focus on core markets and products with a related reduction in staff numbers has now largely been implemented in the UK and Kenya. Arrangements to ensure an appropriate hand-over of the Australian service continue to be negotiated.

EMIS Health - Specialist & Care (EHS&C)

EHS&C reported continued revenue growth but was less profitable in the period due to higher implementation costs for new contracts in EMIS Care.

EMIS Care remains the clear market leader in outsourced diabetic eye screening and ophthalmology imaging services. It has also been awarded further five year contracts for screening provision in:

- Lancashire Lot 1 (East Lancashire & Preston – from the NHS)
- Lancashire Lot 2 (North Lancashire & Fylde Coast – from the NHS)
- West Yorkshire Lot 2 (Bradford, Huddersfield & Calderdale – from the NHS, EMIS Care and 1st Retinal Screen)

These three year initial term contracts, which have an aggregate total contract value in excess of £10m, will be implemented during the second half of 2016 and 2017. This unprecedented level of tender and implementation activity held back financial performance through the incurring of additional implementation costs, especially in the taking on of contracts previously operated by the NHS. As operational efficiencies are realised over the life of the contracts, the profit profile is expected to improve.

EMIS Health Specialist has maintained its position as the leading software provider in English diabetic retinopathy screening with an 79% market share (31 December 2015: 79%).

Public Health England has initiated a pre-tender process to solicit feedback on developing a national English diabetic eye screening programme software solution (intended to achieve standardised local programme operation through common IT system design and core functionality) by October 2017. This provides an opportunity for EHS&C to secure the rest of the English market.

Integrated Care, Products and Services

The Group continued to make progress during the first half in integrating care by connecting its own and third party products helping the NHS to facilitate faster, better, cheaper care.

Examples include:

- EHS&C working on GP integration to support the EMIS Care Lancashire service go-live on 1 October 2016. This region is 100% EMIS Web in Primary Care and will be the first full integration between EHS&C and EHPC; Blackpool Teaching Hospitals NHS Foundation Trust whose use of EMIS Web means community staff no longer have to fill in duplicate information in different forms – they can do it all with one simple template, meaning more time to focus on patient care;
- Bromley Healthcare Community Interest Company where more than 300 clinicians are accessing real-time vital patient notes at the point of care using EMIS Mobile on an iPad, at an estimated saving of an hour a day for each clinician.

Financial review

Overall the Group’s financial performance for the half year ended 30 June 2016 was broadly in line with the Board’s expectations despite some unexpected external and internal challenges in the period.

Financial Summary

Group revenue increased by 1% to £78.7m (2015 H1: £77.8m). While the rate of growth was lower than in recent periods, this reflected in part a limited contribution from acquisitions (£0.7m in the period) and also revenue headwinds in NHS spending on hardware, hosting contract asset revenues, the Australian business and a strong comparative period for project delivery in Secondary Care. Recurring revenue nonetheless grew by 6% to £64.0m (2015 H1: £60.5m) representing 81% of total revenue.

Adjusted operating profit for the period was £17.7m (2015 H1: £16.9m), an increase of 5% including a £0.3m contribution from the July 2015 Pinbellcom acquisition.

Segmental Performance

The Primary & Community Care business again demonstrated strong growth, aided by the transfer of £0.7m of revenues associated with the ePEX mental health product previously reported in EHSC. On a like-for-like basis, revenues grew more slowly in EHPC as expected with the roll-out programme for EMIS Web for GPs in England and Wales now completed, but significant momentum for CCMH was maintained.

Performance in the Community Pharmacy division was again solid in anticipation of the rollout of its new ProScript Connect product into the Lloyds Pharmacy estate over the coming months.

The Secondary & Specialist Care division delivered profits behind expectation mainly due to additional costs in EMIS Care associated with the implementation of new contracts in geographical areas previously operated by the NHS. However, focus on delivering operational efficiencies is expected to improve the profit profile over the life of the contracts.

Financial review continued

Revenue

Revenue is analysed in the following categories:

- licences, which increased to £26.8m (2015 H1: £24.7m), due principally to growth in the Group's estates, including CCMH;
- maintenance & software support, which grew to £18.9m (2015 H1: £18.6m);
- other support services, where revenues fell to £14.7m (2015 H1: £15.3m), with lower levels of project engineering;
- training, consultancy and implementation, which grew to £7.6m (2015 H1: £7.5m), reflecting increased activity in CCMH offsetting a quieter period in Secondary Care;
- hosting, which reduced to £6.4m (2015 H1: £6.7m), as a result of lower levels of income in respect of contract assets (offset by lower depreciation); and
- a reduction in hardware revenues to £4.3m (2015 H1: £5.0m) with a lower level of NHS purchasing.

Profitability and Dividend

The adjusted operating margin improved from 21.7% to 22.5% as a consequence of tight cost control, including the previously announced cost reduction programme. The Group employed 1,858 staff at 30 June 2016, a reduction from 1,897 at 31 December 2015 despite the addition of 79 new staff in the growing India development team (previously outsourced).

Adjusted operating profit for the period was £17.7m (2015 H1: £16.9m). This is before accounting for £2.2m of one-off costs incurred in the cost reduction programme, which was expanded in the UK in response to increased political and economic uncertainty and which is a groupwide programme, while addressing primarily Secondary & Specialist Care. After accounting for this charge, for the capitalisation and amortisation of development costs and for the amortisation of acquired intangibles, operating profit was £12.1m (2015 H1: £13.8m).

The tax charge for the period was £2.4m (2015 H1: £2.8m), representing an effective rate of tax of 19.6% (2015 H1: 20.4%).

Adjusted basic and diluted EPS increased by 8% to 22.2p and 22.1p respectively (2015 H1: 20.5p for both measures). As a result principally of the exceptional cost, the reported basic and diluted EPS were lower at 14.9p and 14.8p respectively (2015 H1: 16.6p for both measures).

The Board remains positive on the outlook for the Group and has therefore resolved to increase the interim dividend by 10% to 11.7p (2015 H1: 10.6p) per share, payable on 28 October 2016 to shareholders on the register at the close of business on 23 September 2016.

Cash Flow and Net Cash

Net cash generated from operations after capitalised development costs but before the £1.8m cash cost of the exceptional charges was unchanged at £27.5m (2015 H1: £27.5m). Net capital expenditure excluding capitalised development costs reduced to £2.9m (2015 H1: £3.5m), including £1.6m of NHS funded hosting assets. After finance costs, tax, dividends, Employee Benefit Trust transactions and the £3.0m final payment for the Medical Imaging acquisition, the Group ended the period with net cash of £0.7m (31 December 2015: net debt of £9.1m; 2015 H1: net cash of £1.3m).

The balance sheet has subsequently been further strengthened by the £1.5m net proceeds from the sale of the Group's minority investment in Pharmacy2U completed on 2 July 2016.

Summary and outlook

EMIS Group has again reported good underlying profit growth in the first half. The Board's outlook for the full year remains unchanged, with strong revenue visibility, growing market shares especially in CCMH and Community Pharmacy, and good momentum in our order books and pipelines. We are confident that the cost reduction measures we have taken will benefit our financial performance as the year progresses.

Chris Spencer
Chief Executive
1 September 2016

Peter Southby
Chief Financial Officer
1 September 2016

Financial statements

Group statement of comprehensive income
for the six months ended 30 June 2016

	Notes	**Six months ended 30 June 2016 Unaudited £'000**	Six months ended 30 June 2015 Unaudited £'000	Year ended 31 December 2015 Audited £'000
Revenue	9	**78,670**	77,806	155,898
Costs:				
Changes in inventories		**536**	(31)	(344)
Cost of goods and services		**(7,480)**	(6,911)	(12,611)
Staff costs		**(37,243)**	(34,467)	(67,465)
Other operating expenses[1]		**(13,356)**	(13,661)	(45,873)
Depreciation of property, plant and equipment		**(2,258)**	(2,390)	(4,665)
Amortisation of intangible assets		**(6,728)**	(6,498)	(13,510)
Adjusted operating profit		**17,692**	16,917	36,553
Development costs capitalised		**2,882**	3,093	6,183
Amortisation of intangible assets[2]		**(6,281)**	(6,162)	(12,806)
Cost reduction programme[3]		**(2,152)**	–	–
Impairment of goodwill		**–**	–	(16,183)
Impairment of investment		**–**	–	(2,317)
Operating profit		**12,141**	13,848	11,430
Finance income		**–**	26	28
Finance costs		**(231)**	(256)	(477)
Share of result of associate		**–**	(172)	(388)
Share of result of joint venture		**271**	106	339
Profit before taxation		**12,181**	13,552	10,932
Income tax expense	10	**(2,386)**	(2,759)	(5,558)
Profit for the period		**9,795**	10,793	5,374
Other comprehensive income				
Items that may be reclassified to profit or loss				
Currency translation differences		**99**	(61)	(111)
Other comprehensive income		**99**	(61)	(111)
Total comprehensive income for the period		**9,894**	10,732	5,263
Attributable to:				
– equity holders of the parent		**9,450**	10,353	4,432
– non-controlling interest in subsidiary company		**444**	379	831
Total comprehensive income for the period		**9,894**	10,732	5,263

Earnings per share attributable to equity holders of the parent		**Pence**	Pence	Pence
Basic	11	**14.9**	16.6	7.2
Diluted	11	**14.8**	16.6	7.2

[1] Including contract asset depreciation of £1,251,000 (2015 H1: £1,735,000, 2015 FY: £3,175,000), and, for 2015 FY only, including impairments of goodwill (£16,183,000) and of investment (£2,317,000).
[2] Excluding amortisation of computer software used internally of £447,000 (2015 H1: £336,000, 2015 FY: £704,000).
[3] The cost reduction programme relates to redundancy and restructuring costs, primarily within the Secondary and Specialist Care segment.

Financial statements continued

Group balance sheet
as at 30 June 2016

	Notes	**30 June 2016 Unaudited £'000**	30 June 2015 Unaudited £'000	31 December 2015 Audited £'000
ASSETS				
Non-current assets				
Goodwill		**54,388**	68,577	54,388
Other intangible assets	13	**63,539**	68,158	66,995
Property, plant and equipment		**21,198**	22,975	22,032
Investment in joint venture and associate		**402**	2,533	131
		139,527	162,243	143,546
Current assets				
Inventories		**1,742**	1,519	1,206
Trade and other receivables		**35,782**	32,906	33,893
Cash and cash equivalents		**4,568**	9,121	4,701
		42,092	43,546	39,800
Total assets		**181,619**	205,789	183,346
LIABILITIES				
Current liabilities				
Trade and other payables		**(22,336)**	(22,698)	(17,777)
Current tax liabilities		**(2,081)**	(1,828)	(3,183)
Bank loans		**(3,902)**	(3,902)	(5,402)
Bank overdraft		**–**	–	(6,457)
Contingent acquisition consideration		**–**	(3,000)	(3,000)
Deferred income		**(32,646)**	(37,872)	(28,000)
		(60,965)	(69,300)	(63,819)
Non-current liabilities				
Bank loans		**–**	(3,902)	(1,951)
Deferred tax liability		**(9,763)**	(11,747)	(10,530)
		(9,763)	(15,649)	(12,481)
Total liabilities		**(70,728)**	(84,949)	(76,300)
NET ASSETS		**110,891**	120,840	107,046
EQUITY				
Ordinary share capital		**633**	633	633
Share premium		**51,045**	51,045	51,045
Own shares held in trust		**(2,531)**	(3,125)	(2,929)
Retained earnings		**55,752**	65,130	52,848
Other reserve		**2,099**	2,050	2,000
Equity attributable to owners of the parent		**106,998**	115,733	103,597
Non-controlling interests		**3,893**	5,107	3,449
TOTAL EQUITY		**110,891**	120,840	107,046

Financial statements continued

Group statement of cash flows

for the six months ended 30 June 2016

	Notes	**Six months ended 30 June 2016 Unaudited £'000**	Six months ended 30 June 2015 Unaudited £'000	Year ended 31 December 2015 Audited £'000
Cash generated from operations		**28,576**	30,574	42,711
Finance costs		**(207)**	(208)	(450)
Finance income		**—**	26	28
Tax paid		**(3,465)**	(2,889)	(6,896)
Net cash generated from operating activities		**24,904**	27,503	35,393
Cash flows from investing activities				
Purchase of property, plant and equipment		**(2,827)**	(3,003)	(6,145)
Proceeds from sale of property, plant and equipment		**337**	267	644
Development costs capitalised		**(2,882)**	(3,093)	(6,183)
Purchase of software		**(388)**	(743)	(1,730)
Business combinations		**(3,000)**	(2,250)	(5,231)
Net cash used in investing activities		**(8,760)**	(8,822)	(18,645)
Cash flows from financing activities				
Transactions in own shares held in trust		**336**	272	589
Bank loan and overdraft repayments		**(3,500)**	(11,000)	(11,500)
Non-controlling interest dividend paid		**—**	—	(2,110)
Dividends paid	12	**(6,656)**	(5,771)	(12,422)
Net cash used in financing activities		**(9,820)**	(16,499)	(25,443)
Net increase/(decrease) in cash and cash equivalents		**6,324**	2,182	(8,695)
Cash and cash equivalents at beginning of period		**(1,756)**	6,939	6,939
Cash and cash equivalents at end of period	14	**4,568**	9,121	(1,756)

Cash generated from operations			
Operating profit	**12,141**	13,848	11,430
Adjustment for non-cash items:			
Amortisation of intangible assets	**6,728**	6,498	13,510
Depreciation of property, plant and equipment	**3,509**	4,125	7,840
Impairment of goodwill	**—**	—	16,183
Impairment of investment	**—**	—	2,317
Profit on disposal of property, plant and equipment	**(140)**	(53)	(44)
Share-based payments	**310**	342	684
Operating cash flow before changes in working capital	**22,548**	24,760	51,920
Changes in working capital:			
(Increase)/decrease in inventory	**(536)**	31	344
Increase in trade and other receivables	**(2,665)**	(4,000)	(3,945)
Increase/(decrease) in trade and other payables	**4,583**	1,909	(3,246)
Increase/(decrease) in deferred income	**4,646**	7,874	(2,362)
Cash generated from operations	**28,576**	30,574	42,711

Financial statements continued

Group statement of changes in equity

for the six months ended 30 June 2016

	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
At 1 January 2015		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		—	—	—	(5,771)	—	—	(5,771)
Other comprehensive income								
Currency translation differences		—	—	—	—	(61)	—	(61)
At 30 June 2015		633	51,045	(3,125)	65,130	2,050	5,107	120,840
(Loss)/profit for the period		—	—	—	(5,871)	—	452	(5,419)
Transactions with owners								
Share acquisitions less sales		—	—	196	(161)	—	—	35
Share-based payments		—	—	—	342	—	—	342
Deferred tax in relation to share-based payments		—	—	—	59	—	—	59
Dividends paid	12	—	—	—	(6,651)	—	(2,110)	(8,761)
Other comprehensive income								
Currency translation differences		—	—	—	—	(50)	—	(50)
At 31 December 2015		633	51,045	(2,929)	52,848	2,000	3,449	107,046
Profit for the period		—	—	—	9,351	—	444	9,795
Transactions with owners								
Share acquisitions less sales		—	—	398	(61)	—	—	337
Share-based payments		—	—	—	310	—	—	310
Deferred tax in relation to share-based payments		—	—	—	(40)	—	—	(40)
Dividends paid	12	—	—	—	(6,656)	—	—	(6,656)
Other comprehensive income								
Currency translation differences		—	—	—	—	99	—	99
At 30 June 2016		**633**	**51,045**	**(2,531)**	**55,752**	**2,099**	**3,893**	**110,891**

Notes to the half year financial statements

1. General information

The financial statements for the six months ended 30 June 2016 and the six months ended 30 June 2015 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2015 were approved by the Board of Directors on 15 March 2016 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 1 September 2016.

2. Basis of preparation

These condensed half year financial statements for the half year ended 30 June 2016 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 2015, 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 2016 and are consistent with those disclosed in the Group's annual report and accounts for the year ended 31 December 2015.

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 2015 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 2015 Group annual report and accounts.

Notes to the half year financial statements continued

5. Principal risks and uncertainties

The 2015 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. During the period under review, this included reviewing the impact of Brexit, which is not expected to have a material impact on the Group, given its focus on the UK market.

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 2015 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 2016 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 & 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 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 2016				Six months ended 30 June 2015			
	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	**48,983**	**10,348**	**19,339**	**78,670**	46,895	9,778	21,133	77,806
Segmental operating profit as reported internally	**14,745**	**2,214**	**1,469**	**18,428**	13,408	1,962	2,263	17,633
Development costs capitalised	**1,052**	**895**	**935**	**2,882**	1,594	460	1,039	3,093
Amortisation of development costs	**(2,315)**	**—**	**(646)**	**(2,961)**	(2,578)	—	(395)	(2,973)
Amortisation of acquired intangible assets	**(527)**	**(288)**	**(2,505)**	**(3,320)**	(396)	(288)	(2,505)	(3,189)
Cost reduction programme	**(412)**	**(107)**	**(1,633)**	**(2,152)**	—	—	—	—
Segmental operating profit/(loss)	**12,543**	**2,714**	**(2,380)**	**12,877**	12,028	2,134	402	14,564
Group operating expenses				**(736)**				(716)
Operating profit				**12,141**				13,848
Net finance costs				**(231)**				(230)
Share of result of associate				**—**				(172)
Share of result of joint venture				**271**				106
Profit before taxation				**12,181**				13,552

Revenue excludes intra-group transactions on normal commercial terms from the Primary & Community Care segment to the Community Pharmacy segment totalling £2,405,000 (2015 H1: £1,809,000), from the Primary & Community Care segment to the Secondary & Specialist Care segment totalling £131,000 (2015 H1: £441,000), and from the Secondary & Specialist Care segment to the Primary & Community Care segment totalling £nil (2015 H1: £32,000).

Revenue of approximately £56,246,000 (2015 H1: £55,784,000) is derived from the NHS and related bodies. Revenue of £3,343,000 (2015 H1: £3,741,000) is derived from customers outside the United Kingdom.

9. Revenue

Revenue is analysed as follows:

	Six months ended 30 June 2016 Unaudited £'000	Six months ended 30 June 2015 Unaudited £'000	Year ended 31 December 2015 Audited £'000
Licences	**26,849**	24,686	50,300
Maintenance and software support	**18,850**	18,626	37,887
Other support services	**14,703**	15,319	30,611
Training, consultancy and implementation	**7,585**	7,522	16,128
Hosting	**6,425**	6,637	13,075
Hardware	**4,258**	5,016	7,897
	78,670	77,806	155,898

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% (2015: 20.25%) and, in relation to deferred tax, at an estimated average future rate of 18.9% (2015 H1: 20%).

The estimated impact of the future reduction in the UK corporation tax rate, announced in the recent budget, to 17% in 2020, would be to reduce the Group's deferred tax liability by £0.1m. As this reduction had not been substantively enacted as at 30 June 2016, 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 2016 Unaudited £'000**	Six months ended 30 June 2015 Unaudited £'000	Year ended 31 December 2015 Audited £'000
Basic earnings attributable to equity holders	**9,351**	10,414	4,543
Cost reduction programme	**2,152**	–	–
Impairment of goodwill	**–**	–	16,183
Impairment of investment	**–**	–	2,317
Development costs capitalised	**(2,882)**	(3,093)	(6,183)
Amortisation of development costs and acquired intangible assets	**6,281**	6,162	12,806
Tax and non-controlling interest effect of above items	**(985)**	(598)	(1,266)
Adjusted earnings attributable to equity holders	**13,917**	12,885	28,400

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	**(517)**	(597)	(576)
For basic EPS calculations	**62,794**	62,714	62,735
Effect of potentially dilutive share options	**293**	185	230
For diluted EPS calculations	**63,087**	62,899	62,965

Earnings per share	**Pence**	Pence	Pence
Basic	**14.9**	16.6	7.2
Adjusted	**22.2**	20.5	45.3
Basic diluted	**14.8**	16.6	7.2
Adjusted diluted	**22.1**	20.5	45.1

12. Dividends

In relation to the 2015 financial year, an interim dividend of 10.6p was paid on 30 October 2015 amounting to £6,651,000 followed by a final dividend of 10.6p on 29 April 2016 amounting to £6,656,000.

For 2016, the Directors are proposing an interim dividend of 11.7p, which will be payable on 28 October 2016 to shareholders on the register at 23 September 2016. This interim dividend, which will amount to approximately £7,350,000, 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 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 2015	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
Additions	987	3,090	—	—	4,077
Acquisition of businesses	—	—	844	928	1,772
At 31 December 2015	4,540	34,843	36,061	36,041	111,485
Additions	388	2,882	—	—	3,270
Exchange differences	2	—	—	—	2
At 30 June 2016	**4,930**	**37,725**	**36,061**	**36,041**	**114,757**
Accumulated amortisation and impairment					
At 1 January 2015	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
Charged in period	368	3,324	1,777	1,543	7,012
At 31 December 2015	1,369	13,597	16,471	13,053	44,490
Charged in period	447	2,961	1,777	1,543	6,728
At 30 June 2016	**1,816**	**16,558**	**18,248**	**14,596**	**51,218**
Net book value					
At 30 June 2016	**3,114**	**21,167**	**17,813**	**21,445**	**63,539**
At 31 December 2015	3,171	21,246	19,590	22,988	66,995
At 30 June 2015	2,552	21,480	20,523	23,603	68,158
At 1 January 2015	2,145	21,360	22,215	25,100	70,820

14. Change in net debt

	At 31 December 2015 £'000	Cash flow £'000	Finance costs £'000	**At 30 June 2016 £'000**
Cash and cash equivalents	4,701	(133)	—	**4,568**
Bank overdraft	(6,457)	6,457	—	**—**
Bank loans due within one year	(5,402)	1,500	—	**(3,902)**
Bank loans due after one year	(1,951)	2,000	(49)	**—**
Net (debt)/cash	(9,109)	9,824	(49)	**666**

15. Event after the reporting period

On 2 July 2016, the Group disposed of its minority investment in Pharmacy2U for net cash proceeds of £1.5m.

Corporate information

Directors

Executive
Chris Spencer – Chief Executive Officer
Peter Southby – Chief Financial Officer

Non-executive
Mike O'Leary – Chairman
Robin Taylor – Senior non-executive Director
Kevin Boyd – Non-executive Director
Andy McKeon - Non-executive Director

Company Secretary
Simon Waite

Company number

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Registrars

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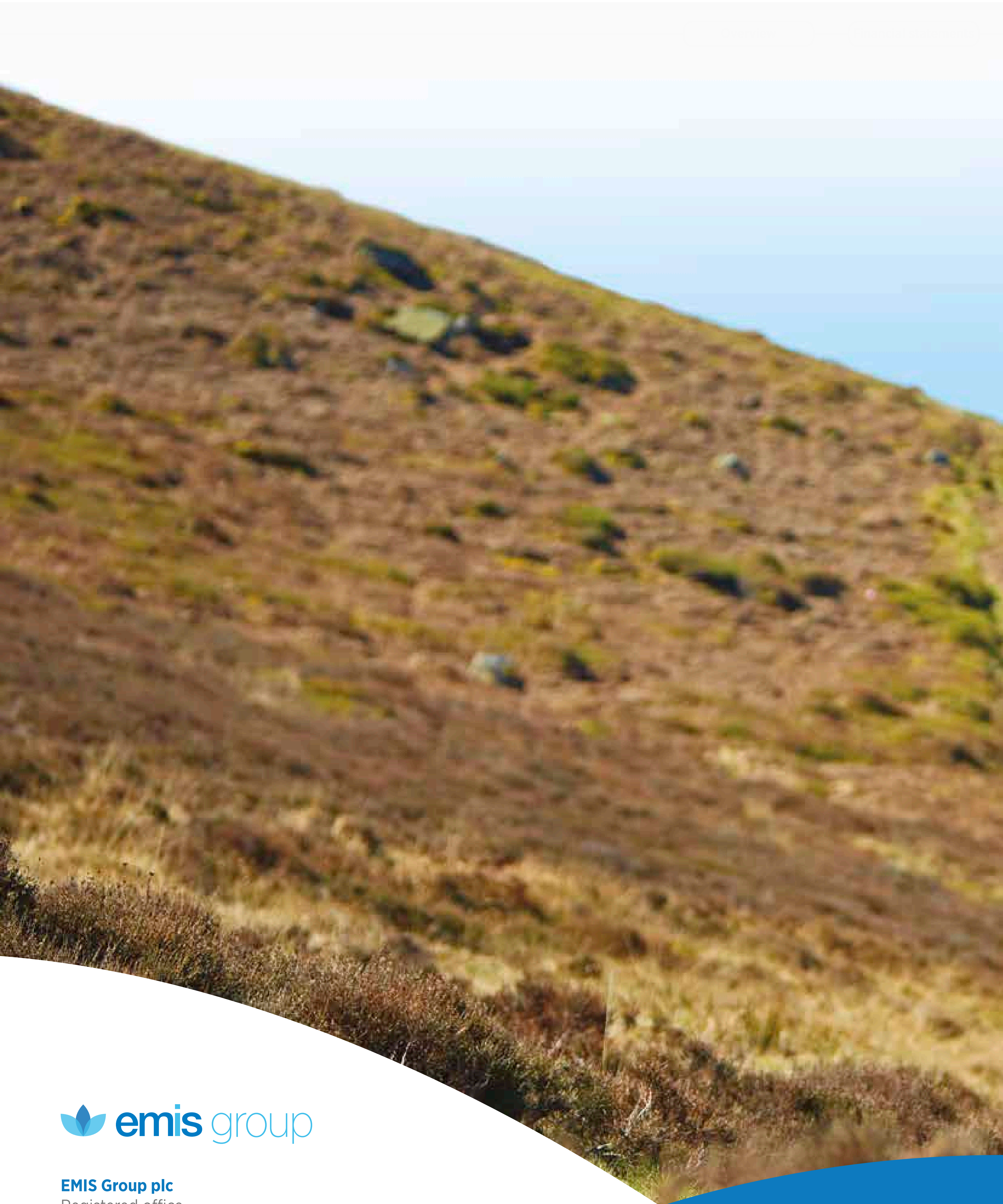
Shareholder information

Internet

The Group operates a website which can be found at **www.emisgroupplc.com/investors**. This site is regularly updated to provide information about the Group. In particular, the share price and all of the Group's press releases and announcements can be found on the site.



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