



20 March 2019

EMIS Group plc
 (“EMIS Group” or “the Group”)

Final Results for the year ended 31 December 2018

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 2018.

Financial highlights

	2018	2017	Increase
Revenue			
Total revenue	£170.1m	£160.4m	6%
Recurring revenue ¹	£140.7m	£133.5m	5%
Operating profit			
Adjusted ¹	£37.6m	£37.4m	1%
Reported	£28.7m	£10.6m	170%
Cash flow and net cash			
Cash generated from operations - adjusted ¹	£54.5m	£49.7m	10%
Cash generated from operations - reported	£49.9m	£48.8m	2%
Net cash	£15.6m	£14.0m	12%
Earnings per share			
Adjusted ¹	47.4p	47.2p	-
Reported	36.1p	12.8p	182%
Dividends			
Proposed final	14.2p	12.9p	10%
Total for year	28.4p	25.8p	10%

¹ For an explanation of the Alternative performance measures used in this report, please refer to the appendix.

Strong financial position and continued growth

- Growing revenues across all key segments, high levels of recurring revenue, good cash generation
- Progressive dividend policy maintained, with dividends up 10% versus last year

EMIS Health Primary, Community & Acute Care – positive progress

- Leading position in UK GP market maintained, growing market share by 1% to 57% (2017: 56%)
- Settlement reached with NHS Digital over legacy issues, within the £11.2m provision previously made and announced
- Well positioned in pre-procurement phase of the GP IT Futures bid for primary care
- Awarded place on the NHS National Services Scotland framework
- Investment in new service management solution, ServiceNow, further bringing together Egton and EMIS Health offerings
- Community market share increased to 20% (2017: 17%), maintaining number two position in the market
- Continued momentum in Acute, maintaining number two market position in hospital pharmacy and moving to joint market leadership in A&E

EMIS Health Community Pharmacy – strong financial performance

- Joint market leadership position maintained at 37% market share (2017: 37%)
- Over 95% of direct customer estate upgraded to next generation ProScript Connect product
- Significant improvements to customer service delivered, with 19% improvement in overall customer service satisfaction score

Specialist & Care – double-digit revenue growth and significantly improved profitability

- Maintained position as leading software provider in diabetic retinopathy screening in England with a 74% market share (2017: 76%)
- EMIS Care successfully extended the Central Mersey and Ireland DESP contracts, and won new contract in Ireland

Patient – gathering momentum

- Continued investment in developing future business model focussed on the digital healthcare marketplace
- Patient Access 2.0 app successfully launched in H1 2018 and rated the top medical app in the iOS app store

Andy Thorburn, Chief Executive Officer of EMIS Group, said:

“I am pleased with the overall results for the Group in my first full year as Chief Executive Officer. The business performed well, with good revenue growth in the period and profit in line with market expectations, supported by growing revenues across all our key segments. We maintained our track record of high levels of recurring revenue, good cash generation and an increased dividend, and the Group is well positioned for future growth. We worked hard throughout the year to improve our service and responsiveness to our loyal customers.

“Our focus going forward is ensuring we secure our place on the GP IT Futures framework and on growing the business to business private sector enterprise side of our business, including continuing to develop patient-facing technology.

“Making the best use of technology remains a key focus for the NHS and we are well placed to deliver the digital solutions our customers and end-users need both now and in the future. We are in alignment with NHS policy and fully support the Secretary of State for Health and Social Care’s modernisation agenda.

“We are energised and focussed on executing our new strategy and associated plans in 2019.”

There will be an analyst meeting and conference call today at 9.00am at Numis Securities, 10 Paternoster Square, London EC4M 7LT. Please contact Florence Mayo at MHP Communications on 020 3128 8572, emis@mhpc.com, for details.

Enquiries:

For further information, contact:

EMIS Group plc

Andy Thorburn, CEO

Peter Southby, CFO

www.emisgroupplc.com

@EMISGroup

Tel: 0113 380 3000

Numis Securities Limited (Nominated Adviser & Broker)

Oliver Hardy/Simon Willis/James Black

Tel: 020 7260 1000

MHP Communications

Reg Hoare/Giles Robinson/Patrick Hanrahan/Florence Mayo

Tel: 020 3128 8572

Information for investors, including analyst consensus forecasts, can be found on the Group's website at www.emisgroupplc.com/investors.

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, community & acute care, to high street pharmacies and specialist care services. EMIS Group helps healthcare professionals 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, Community & Acute Care, as the UK leader in clinical management systems for healthcare providers and commissioners. EMIS Health products, including the flagship EMIS Web, hold over 40 million patient records and are used by more than 100,000 professionals in nearly 6,000 healthcare organisations.
- Community Pharmacy, with the UK's single most used integrated community pharmacy and retail system.
- Specialist Care, 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 wellbeing information and related transactional services.
- under the Egton brand, providing specialist ICT infrastructure, hardware and engineering services, and non-clinical software into health and social care.
- under the EMIS Care brand, providing healthcare screening programmes such as diabetic eye screening.
- under the Dovetail Lab brand, a health technology company developing blockchain software to facilitate the integration of healthcare data.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Overview

I am pleased with the overall results for the Group in my first full year as Chief Executive Officer. The business performed well with good revenue growth in the period and profit in line with market expectations, supported by growing revenues across all our key segments. We maintained our track record of high levels of recurring revenue, good cash generation and an increased dividend.

2018 was a year of preparation to take the business to the next stage, with strong foundations in place, the resolution of legacy issues and setting out our roadmap of innovative new technology solutions.

We worked hard throughout the year to improve our service and responsiveness to our loyal customers. During the period, we made the decision to invest in a new service management solution, ServiceNow, which we look forward to rolling out in 2019 to further enhance both our service and productivity levels.

Over the past twelve months, we have spent considerable management time developing our strategy, attracting new talent into the business with 21 key senior hires, while resolving outstanding legacy issues. With these strong foundations in place, we are energised and focussed on executing our new strategy and associated plans in 2019.

Key projects

1. GP IT Futures

GP IT Futures will replace the current framework agreement for GP Systems of Choice (GPSoC), used to procure GP software systems in the UK. The £450m framework is designed to encourage innovation and interoperability in the market, with suppliers required to meet interoperability standards set by NHS Digital (NHSD). The Group is currently engaged and, we believe, well positioned in the pre-procurement phase of the GP IT Futures process and we anticipate the formal procurement will begin shortly.

GP IT Futures sets out a series of core and non-core capabilities designed to empower the market and drive improvements through technology. The core capabilities largely reflect the present functionality of EMIS Web. Non-core capabilities include innovations we are already developing such as the patient-facing services we offer through Patient. Our strategy and roadmap for a new and enhanced, cloud-based clinical platform (which we have named EMIS-X) further aligns the Group with NHS England's strategy.

2. EMIS Web clinical management system upgrade

In 2018 we announced an upgrade plan for our clinical management system, EMIS Web, which will be enabled by EMIS-X. Over time EMIS-X will become the platform for all EMIS Group solutions.

EMIS-X will be at the heart of our product roadmap; a plan which we have been developing over the past year. We have invested in our technology team, growing the development and test teams by 150 in the period in both the UK and India. Our core technology team now consists of 450 professionals, almost half of which we expect to be working on EMIS-X by 1 April 2019.

As a leading health technology company, we are committed to investing in our technology and people to provide increased benefits for our customers, users and partners.

3. Legacy issues

Much of the first half of 2018 was focussed on resolving legacy issues across our business. As announced on 7 December 2018, I am pleased to confirm that we have settled our

service level reporting issue with NHSD, within the £11.2m provision previously made and announced.

We completed all 18 outstanding contracts within our Community business, while delivering and achieving customer sign off for 29 of our 30 legacy projects in Acute. The solution for the remaining project has been deployed and is currently in customer testing, which we anticipate will be resolved in the first half of 2019.

NHS Long Term Plan

One of the key market growth drivers is the NHS Long Term Plan, published in January 2019. The plan sets out the most pressing challenges and priorities facing the NHS over the next ten years. It clearly outlines that investment in technology will enable the ambitions of the plan to be realised, also highlighting a drive to upgrade technology and provide digitally enabled care across the NHS.

The NHS recognises that it needs a single view of the patient's interactions across the entire healthcare spectrum. This is achieved by better interoperability and availability of data when and where it is needed.

As a Group, we are committed to interoperability. Our clinical software and patient-facing services are designed to achieve this for the NHS and we are well placed to meet the objectives of the plan, helping the NHS drive forwards to the next stage of its integration, underpinned by technology.

Future growth strategy

At our Capital Markets Day in November 2018 we set out our future growth strategy, summarised as follows:

- improve service performance and efficiency in our NHS business;
- rapidly grow our enterprise business;
- build sustainable sales momentum; and
- update and accelerate our technology roadmap.

This represents an attractive balance of opportunity for the Group in both our core NHS market, as well as in the developing enterprise market of business-to-business (B2B) sales in the healthcare industry. These opportunities are underpinned by our overarching aim to join up healthcare through innovative technology.

We are focussed on connected care for the NHS within EMIS Health. We are investing in our teams, getting closer to customers and expanding our product portfolio to deliver NHS-wide value propositions. All of our customers, from primary to acute to community, as well as NHS England and NHSD, are asking us to help them join up care through connected technology. EMIS-X is the platform that will enable us to do this even more effectively and, when completed, we will have the UK's first integrated clinical platform serving all of our NHS end-users.

Our strategy is also to accelerate growth both organically and through acquisition in our enterprise business, where revenues are predominantly derived from the B2B private sector within the healthcare industry. This encompasses the medicines management and Patient areas of the Group, as well as our successful partner programme, in which 104 companies are working with us to create a powerful ecosystem of leading technology suppliers. Our vision of connecting care provides opportunities for us to deliver technology solutions to the fragmented medicines management process. With a strong presence in the community pharmacy and hospital pharmacy markets, we are well placed to offer joined-up technology to this area of healthcare.

With growing demand from the increasing pool of online Patient Access users, we also have a strong foundation for the future Patient marketplace, giving patients greater control over their healthcare through technology. We are also looking to new markets for opportunities to acquire additional capabilities to increase our speed to market. Our purchase in November 2018 of Dovetail Digital Limited (“Dovetail Lab”), a leading early stage UK technology business specialising in blockchain software for the healthcare market, is a perfect example of this strategy in action.

Looking to the medium-term, the expected financial outcomes from our growth strategy are expected to be mid-to-high single-digit revenue growth, moving towards an even split of revenue derived from our NHS and enterprise sectors and operating margins increasing towards 30%. Our investment in the development of our new technology platform, EMIS-X, will be self-funded through new sales and operational leverage.

People strategy

Our people are central to the delivery of the strategy and I am pleased with the expertise and increasing collaboration that I see from employees across the Group. We have been successful in both retaining and attracting key talent in 2018 and this will be a continued focus for us in 2019.

We boosted our clinical team to 64 people across the Group, including doctors, consultants, nurses and pharmacists. This team focusses on clinical safety, including providing clinical insight into how we develop our product portfolio and thinking about what medical professionals will need for the future.

We have upgraded our technical leadership with a new Group Chief Technology Officer, a new Head of Group Development and a new Head of Data Security. This provides us with a combination of new and existing talent: particularly exciting for the Group as we continue building EMIS-X.

During 2018, we have focussed on growing the commercial side of our business with new hires in business development, sales management and leadership of key business units for the Group. There will be an incremental focus on the commercial development of our business in 2019 and we are delighted to be welcoming a Chief Executive Officer for EMIS Health and a Chief Solutions Officer to our senior leadership team over the coming weeks.

Brexit

We anticipate that Brexit will have minimal direct effect on the Group as it is not a significant exporter or importer of goods or services. There are potential indirect effects, including exchange rate volatility affecting the value of sterling and increased pressure on NHS budgets, which could have a negative impact on the Group’s prospects, but the scale and timing of these is far from certain. We will continue to monitor the progress of the negotiations of the terms under which the UK will leave the EU given the ongoing lack of certainty in this area.

Summary and outlook

EMIS Group is well positioned for future growth.

Our focus is on ensuring we secure our place on the GP IT Futures framework and on growing the private sector enterprise side of our business, including continuing to develop patient-facing technology, as set out at our Capital Markets Day in November 2018 and in today’s announcement.

Making the best use of technology remains a key focus for the NHS and we are well placed to deliver the digital solutions our customers and end-users need, both now and in the future. We are in alignment with NHS policy and fully support the Secretary of State for Health and Social Care’s modernisation agenda. We will continue to invest in our exciting and valuable

technology platforms serving both the public and private sectors and look to the future with confidence.

OPERATIONAL REVIEW

Primary, Community & Acute Care

Primary

EMIS Health increased its market-leading share during 2018 by 1% to 57% (2017: 56%).

In February 2019 the Group announced that EMIS Health had been awarded a place on the NHS National Services Scotland (NSS) framework, enabling it to continue to supply GP IT systems in Scotland.

EMIS Health is focussed on improving customer service and has brought the Egton, Primary, Community and Acute Care businesses together. This will realise operational efficiencies and consolidate our customer approach. EMIS Health's new regional teams will match the NHS's regional approach while better serving the emerging Local Health and Care Partnerships (LHCPs).

The Group also invested in a new service management solution, ServiceNow, which will launch in 2019 enabling the Group to bring together its Egton and EMIS Health service desks. As well as leveraging operational efficiencies, this will deliver an improved customer service experience, with one online portal for all support and training requirements.

The Group continues to deliver interoperability and integration to the primary care market, in alignment with the strategic direction of the NHS, as set out in the NHS Long Term Plan. Through the long-standing, successful EMIS Health partner programme, GP end-users can now choose from 149 partner products from 104 different partner companies, all of which seamlessly interoperate with EMIS Web. We continue to work with NHSD on national interoperability projects such as GP Connect, which is successfully making GP data available to hospital wards in Leeds as part of a pilot programme.

As previously announced, the Group's GP customer base in Wales is expected to reduce during 2019 and 2020 as practices transition to other providers following EMIS Health's planned withdrawal from this market.

Egton, the Group's ICT infrastructure, engineering and non-clinical software division, performed well during the period, expanding its range of software, hardware and services in alignment with the NHS Long Term Plan. Working closely with Patient and Primary, Egton released Online Triage during 2018, with 74 practices already signed up to the new service and a strong sales pipeline in place for 2019. Egton's digitisation offer, which supports the NHS paperless agenda, has also performed strongly during the period.

Community

EMIS Health continued to grow in the community segment in 2018 and increased its market share to 20% (2017: 17%), maintaining its number two market position.

In 2018, EMIS Health won 90 new deals in the community market, ranging from new software installations in clinical services to community training packages. All 18 outstanding legacy contracts in this market were completed in 2018.

EMIS Health retained 100% of its customers in Community during 2018. All 37 Community customers are using its software to securely exchange data with other local services, helping to deliver the NHS's connected care agenda.

The EMIS Mobile roll-out continued during 2018. The app has been well received by customers and is now available on the Apple, Android and Windows platforms. The division also performed strongly in the hospice market, providing clinical systems to eleven additional hospices in 2018.

The focus for 2019 will be working closely with the newly-formed Integrated Care System (ICS) areas to support the initiatives of the NHS Long Term Plan. EMIS Health will also continue development of the digital child health functionality to support the NHS Healthy Children Programme.

Acute

EMIS Health performed well in the acute sector in the period, moving to joint market leadership in A&E and maintaining the number two market position in hospital pharmacy, with increased market shares of 22% (2017: 19%) and 36% (2017: 29%) respectively.

Performance in the acute sector was supported by the sale of legacy software to the Northern Territory Government of Australia, as well as two new contract wins for deploying Symphony into A&E and one to deploy EMIS Health software into hospital pharmacy.

EMIS Health deployed 232 go-lives in Acute during 2018, ranging from new installations to software upgrades to existing systems, providing better functionality to customers. EMIS Health also re-engaged in the national roll-out of Symphony in Wales.

EMIS Health continues to work towards delivering connected care for its Acute customers, enabling end-users to safely and securely share vital patient data during 2018. Specific projects in this area include sharing GP data with A&E and making data from the Child Protection Information Service (CP-IS) available in A&E. This provides the technology solution to help acute customers move towards the paperless targets set out by the Global Digital Exemplars (GDE) programme, while driving for interoperability as demanded by the NHS Long Term Plan.

EMIS Health Community Pharmacy

EMIS Health Community Pharmacy (EHCP) continued to perform well in 2018, maintaining its market share at 37% (2017: 37%) and its position as joint market leader.

The roll-out of Community Pharmacy's core service, ProScript Connect, is almost complete with over 95% of the direct customer estate upgraded from ProScript. Upgrades were completed with minimal customer disruption and maintenance of service levels. EHCP continued to bring in new customers to ProScript Connect and grew its business, adding 54 new group customer branches and approximately £1.4m in contracted value. EHCP extended its estate connectivity resilience with 274 new customer activations for Constant Connect, its 3G/4G failover backup connectivity service, amounting to approximately £0.5m in contracted value.

EHCP also delivered significant improvements to customer service in the period, with a 33% reduction in the average call wait time. The division saw a 16% reduction in support calls per customer per month during 2018, and a 19% improvement in its overall customer service satisfaction score (based on 200 survey respondents).

During 2018, EHCP developed the Falsified Medicines Directive (FMD) module in ProScript Connect, enabling its customers to comply with the FMD legislation introduced in February 2019. It also developed a number of Application Programme Interfaces (API) to facilitate partner services in areas such as automation, electronic medicines administration and medicines delivery optimisation.

The focus for 2019 is the development of technology to allow pharmacies to deliver Patient Group Direction (PGD) services such as smoking cessation, influenza jabs and travel

vaccinations. This will support the drive from the healthcare industry to provide more services in pharmacies to reduce pressure on GP practices. This local level service will link with the forthcoming Patient marketplace service, which will drive footfall into community pharmacy services.

Specialist & Care

Specialist & Care maintained its position as the leading software provider in English diabetic retinopathy screening with a 74% market share (2017: 76%).

The focus during 2018 for EMIS Specialist was to ensure that its software continues to support the highest level of clinical safety and standards. The division is working closely with the national NHS diabetic eye screening programme to implement longer screening intervals to free up capacity and allow more patients to be screened without significant need for additional resources. EMIS Specialist has developed a new grading matrix to guard against unsafe patient outcomes, including functionality to improve accuracy in recording diabetic eye screening images.

EMIS Care remains in the number one market position in outsourced diabetic eye screening. During the period EMIS Care successfully extended the Central Mersey and Ireland DESP contracts and won the contact for digital surveillance of optical coherence tomography (OCT) for Ireland.

Patient

During 2018, the business focussed on designing, building and developing the Patient Platform in preparation for the launch of the connected healthcare marketplace in 2019.

Following the successful relaunch of patient.info in late 2017, Patient secured a media and sponsorship deal with Reckitt Benckiser, to advertise twelve of its highest profile consumer brands such as Nurofen and Lemsip across the Patient.info website and newsletters. Despite the challenges faced in 2018 due to changes in the Google algorithms, which impacted traffic levels, patient.info averaged 10 million unique users per month during the period.

As previously reported, the Patient Access platform was rebuilt in 2018 to meet the increasing market expectations for technology and deliver improved user experience. Following NHS approvals, the Patient Access 2.0 app was successfully launched in the first half of 2018 with a more robust, user-friendly and fully native user experience enabling Patient to deliver new functionality such as video consultation and online triage.

Since launch:

- on average, 1.8 million unique users have generated 4.9 million transactions on Patient Access 2.0 each month;
- the number of unique users who booked appointments per month increased from 262,000 in June 2018 to 328,000 in December 2018; and
- the number of unique users who ordered repeat medications per month increased from 834,000 in June 2018 to 1,199,000 in December 2018. Patient Access 2.0 is now rated the top medical app with a 4.8 out of 5.0-star rating in the iOS app store.

The second half of 2018 was focused on building Patient Access for Professionals. This will include community pharmacy and allied health professional services such as physiotherapy, which will be launched in the second half of 2019.

FINANCIAL REVIEW

The results for the year ended 31 December 2018 reflect a year of progress for the Group, with all key financial metrics moving ahead, accompanied by investment in the business to deliver on past contractual commitments and for future growth.

Adjusted operating profit for the year, as set out in the table below, was £37.6m (2017: £37.4m) with statutory operating profit, including an exceptional £1.7m credit for service level reporting charges, at £28.7m (2017: £10.6m). A reconciliation between the operating profit measures is given in the Group statement of comprehensive income and in the appendix to this report.

Group revenue increased by 6% to £170.1m (2017: £160.4m), including revenue for the last two months of the year from the acquisition of Dovetail Lab in Primary, Community & Acute Care of £0.1m.

Summary segmental performance

	Primary, Community & Acute Care 2018 £'m	Primary, Community & Acute Care 2017 £'m	Community Pharmacy 2018 £'m	Community Pharmacy 2017 £'m	Specialist & Care 2018 £'m	Specialist & Care 2017 £'m	Patient 2018 £'m	Patient 2017 £'m	Total 2018 £'m	Total 2017 £'m
Revenue	121.7	117.6	25.0	21.9	20.4	18.0	3.0	2.9	170.1	160.4
Adjusted segmental operating profit/(loss)	33.6	34.9	7.6	5.6	1.1	0.2	(3.2)	(1.9)	39.1	38.8
Group expenses									(1.5)	(1.4)
Adjusted operating profit¹									37.6	37.4
Adjusted operating margin	27.6%	29.7%	30.2%	25.7%	5.5%	0.8%	(106.9)%	(64.9)%	22.1%	23.3%

1. Excludes capitalisation and amortisation of development costs, amortisation of acquired intangibles and exceptional items.

Segmental performance

In the Primary, Community & Acute Care business, revenue grew by 3% with adjusted operating profit 4% lower than the previous year. The segment's results reflect an improved sales performance balanced with additional costs incurred in operations and development responding to the challenge of meeting contractual commitments with NHSD. While some of these costs will reduce over time through further efficiency gains, the level of investment in technology will remain elevated for a period of time as EMIS-X is developed.

Performance in the Community Pharmacy division was again positive, with the roll-out of the new ProScript Connect product now approaching completion.

Specialist & Care delivered double-digit revenue growth as expected with the full year benefit of new contracts implemented during 2017. Profit improved significantly year on year, with the benefit of operational efficiencies and contract renegotiations resulting in an enhanced operating margin.

In Patient, the business continued to invest in developing its future business model focussed on the digital healthcare marketplace, in line with the plan previously announced, reporting a £1.3m higher adjusted operating loss than in the prior year. Revenue was held back by lower levels of website traffic following changes in Google algorithms but still grew by 4% overall.

Revenue

Group recurring revenue, principally software and software licences, maintenance & software support, hosting and other support services, was £140.7m (2017: £133.5m), up 5% and representing 83% of total revenue (2017: 83%). This high level of recurring revenue and the strength of the Group's customer relationships continue to provide an excellent foundation for the business to invest with confidence in developing future products and services, as well as providing good visibility of future financial performance.

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

- software and software licences, higher at £62.2m (2017: £55.1m), including business growth and the benefit of the sale of a legacy software product to Northern Territory, Australia;
- maintenance & software support, consistent at £41.3m (2017: £41.4m) with business growth offset by reduced revenues from legacy products;
- other support services, driven higher to £35.6m (2017: £32.5m) by the full year benefit of contract wins in EMIS Care;
- hosting, which was largely unchanged at £11.9m (2017: £11.6m);
- training, consultancy and implementation, which reduced to £11.8m (2017: £12.4m); and
- hardware revenues, which were also largely unchanged at £7.3m (2017: £7.4m).

Profitability

Adjusted operating profit increased by 1% to £37.6m (2017: £37.4m), after taking account of the increased level of investment in the Patient business during the year. Excluding Patient's results, where losses were higher in 2018 as a result of this investment, adjusted operating profit across the Group grew by 4%.

The adjusted operating margin reduced to 22.1% (2017: 23.3%), but excluding Patient was more consistent at 24.4% (2017: 24.9%).

Group staff costs increased in line with growth in year-end staff numbers (2,047 compared to 1,922 a year previously) and a higher average headcount of 2,024 (2017: 1,906). However, the allocation of those staff across the Group has changed over the year, with a significant increase in India (up from 197 to 291) and a different profile in the Primary, Community & Acute Care segment in particular. Having completed the investment in development and customer-facing functions during the year, staff numbers are expected to reduce gradually and costs to increase more slowly in 2019.

The Group has recognised one exceptional item in 2018 in respect of finalisation of the service level reporting charge. This charge, relating to the NHSD reporting issue, was estimated at £11.2m in the 2017 accounts and was confirmed during 2018 at a lower level than originally expected, resulting in a provision release of £1.7m in the year.

After accounting for the exceptional item, the capitalisation and amortisation of development costs, and for the amortisation of acquired intangibles, statutory operating profit was £28.7m (2017: £10.6m).

Taxation

The tax charge for the year was £5.5m (2017: £2.1m). The effective tax rate for the year was 18.9% (2017: 19.8%).

Earnings per share (EPS)

Adjusted basic and diluted EPS were 1% higher at 47.4p and 47.3p respectively (2017: 47.2p and 47.0p). The statutory basic and diluted EPS were higher at 36.1p and 36.0p respectively (2017: 12.8p for both measures) as a result of the impact on the respective years of exceptional items.

Dividend

Subject to shareholder approval at the Annual General Meeting on 8 May 2019, the Board proposes an increase in the final dividend to 14.2p (2017: 12.9p) per ordinary share, payable on 13 May 2019 to shareholders on the register at the close of business on 12 April 2019. This would make a total dividend of 28.4p (2017: 25.8p) per ordinary share for 2018. This is 10% higher than in the prior year, reflecting the Group's strong financial position, the Board's

commitment to increasing dividends in line with underlying earnings growth and its continued confidence in the Group's prospects.

Cash flow and net cash

The principal movements in net cash were as follows:

	2018 £m	2017 £m
Cash from operations:		
Cash generated from operations	49.9	48.8
Less: internal development costs capitalised	(5.8)	(4.4)
Adjusted cash generated from operations	54.5	49.7
Cash cost of exceptional items	(10.4)	(5.3)
Net cash generated from operations	44.1	44.4
Business combinations	(1.4)	-
Acquisition of non-controlling interest	(8.0)	-
Net capital expenditure	(6.8)	(6.6)
Transactions in own shares	0.3	-
Tax	(5.8)	(8.1)
Dividend to non-controlling interest shareholder	(4.0)	-
Dividends	(17.1)	(15.5)
Other	0.3	0.2
Change in net cash in the year	1.6	14.4
Net cash at end of year	15.6	14.0

Cash generated from operations increased by 2% to £49.9m (2017: £48.8m), with a strong working capital improvement. Adjusted cash from operations is stated after adding back the cash cost of exceptional items of £10.4m (2017: £5.3m) and after deducting capitalised development costs. On this adjusted basis, cash flow from operations was 10% higher than in 2017.

The Group completed the acquisition of 90% of the shares in Dovetail Digital Limited during the year for initial cash consideration, net of cash acquired, of £1.4m.

The Group purchased the non-controlling interest in its Community Pharmacy (Rx Systems) subsidiary during the year for £8.0m. Prior to completion of this transaction, the business paid a dividend of £19.0m from its accumulated reserves, of which £4.0m was paid to the then non-controlling interest shareholder, with the balance retained within the Group.

Net cash spent on capital expenditure (excluding capitalised development costs) was broadly consistent at £6.8m (2017: £6.6m). Capital additions in the year included £5.3m on computer equipment (£0.9m of which related to funded hosting contract assets), £0.8m on internal systems and software, and £0.5m on programme assets in EMIS Care.

After tax, dividends and other transactions, the total net cash inflow of £1.6m resulted in a year-end net cash position of £15.6m (2017: £14.0m). At 31 December 2018, the Group had available bank facilities of £30.0m committed until June 2021, with an accordion arrangement to increase the quantum up to £60.0m and a further option to extend the period up to June 2022.

Group statement of comprehensive income

for the year ended 31 December 2018

	Notes	2018 £'000	2017 Restated ⁴ £'000
Revenue	2,3	170,070	160,354
Costs:			
Changes in inventories		(369)	(182)
Cost of goods and services		(14,317)	(14,492)
Staff costs ¹		(74,007)	(75,162)
Other operating expenses ^{2,4}		(29,125)	(38,834)
Depreciation of property, plant and equipment ⁴		(6,259)	(5,791)
Amortisation of intangible assets	8	(17,253)	(15,253)
Adjusted operating profit		37,608	37,406
Development costs capitalised	8	5,782	4,426
Amortisation of intangible assets ³	8	(16,307)	(14,204)
Reorganisation costs	4	-	(5,800)
Service level reporting charges	4	1,657	(11,188)
Operating profit	2	28,740	10,640
Finance income		64	3
Finance costs		(249)	(302)
Share of result of joint venture		615	596
Profit before taxation		29,170	10,937
Income tax expense	5	(5,548)	(2,074)
Profit for the year		23,622	8,863
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		(40)	30
Other comprehensive income		(40)	30
Total comprehensive income for the year		23,582	8,893
Attributable to:			
- equity holders of the parent		22,670	8,083
- non-controlling interest in subsidiary company		912	810
Total comprehensive income for the year		23,582	8,893
Earnings per share attributable to equity holders of the parent	6	Pence	Pence
Basic		36.1	12.8
Adjusted		47.4	47.2
Basic diluted		36.0	12.8
Adjusted diluted		47.3	47.0

¹ Including reorganisation costs of £nil (2017: £5,688,000).

² Including reorganisation costs of £nil (2017: £112,000) and a credit for service level reporting charges of £1,657,000 (2017: cost of £11,188,000).

³ Excluding amortisation of computer software used internally of £946,000 (2017: £1,049,000).

⁴ The 2017 Group statement of comprehensive income has been restated to reclassify contract asset depreciation of £1,285,000 from other operating expenses to depreciation of property, plant and equipment due to this being considered to be more appropriate presentation.

Group balance sheet

as at 31 December 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Goodwill		51,958	50,336
Other intangible assets	8	44,849	50,508
Property, plant and equipment		21,000	22,037
Investment in joint venture		113	98
		117,920	122,979
Current assets			
Inventories		1,264	1,633
Trade and other receivables		36,223	40,148
Current tax assets		-	1,128
Cash and cash equivalents		15,620	13,991
		53,107	56,900
Total assets		171,027	179,879
Current liabilities			
Trade and other payables		(24,958)	(20,207)
Deferred income		(34,170)	(33,736)
Current tax liabilities		(29)	-
Other financial liability	9	(1,012)	-
Provision	4	-	(11,188)
		(60,169)	(65,131)
Non-current liabilities			
Deferred tax liability		(4,293)	(6,734)
Other financial liabilities	9	(3,906)	-
		(8,199)	(6,734)
Total liabilities		(68,368)	(71,865)
Net assets		102,659	108,014
Equity			
Ordinary share capital		633	633
Share premium		51,045	51,045
Own shares held in trust		(1,913)	(2,293)
Retained earnings		51,884	51,289
Other reserve		611	2,057
Equity attributable to owners of the parent		102,260	102,731
Non-controlling interest		399	5,283
Total equity		102,659	108,014

Group statement of cash flows

for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Adjusted cash generated from operations		54,469	49,652
Development costs capitalised		5,782	4,426
Cash cost of exceptional items		(10,378)	(5,244)
Cash generated from operations	10	49,873	48,834
Finance costs		(247)	(359)
Finance income		33	3
Tax paid		(5,830)	(8,139)
Net cash generated from operating activities		43,829	40,339
Cash flows from investing activities			
Purchase of property, plant and equipment		(6,205)	(6,198)
Proceeds from sale of property, plant and equipment		178	329
Development costs capitalised	8	(5,782)	(4,426)
Purchase of software	8	(780)	(718)
Dividends received		600	650
Business combination	11	(1,402)	-
Net cash used in investing activities		(13,391)	(10,363)
Cash flows from financing activities			
Transactions in own shares held in trust		306	(30)
Bank loan repayments		-	(2,000)
Dividends paid	7	(17,070)	(15,476)
Non-controlling dividend paid		(4,000)	-
Acquisition of non-controlling interest	12	(8,045)	-
Net cash used in financing activities		(28,809)	(17,506)
Net increase in cash and cash equivalents		1,629	12,470
Cash and cash equivalents at beginning of year		13,991	1,521
Cash and cash equivalents at end of year		15,620	13,991

Group statement of changes in equity

for the year ended 31 December 2018

	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 31 December 2016	633	51,045	(2,275)	58,239	2,027	4,473	114,142
Profit for the year	-	-	-	8,053	-	810	8,863
Transactions with owners							
Share acquisitions less sales	-	-	(18)	(12)	-	-	(30)
Share-based payments	-	-	-	550	-	-	550
Deferred tax in relation to share-based payments	-	-	-	(65)	-	-	(65)
Dividends paid (note 7)	-	-	-	(15,476)	-	-	(15,476)
Other comprehensive income							
Currency translation differences	-	-	-	-	30	-	30
At 31 December 2017	633	51,045	(2,293)	51,289	2,057	5,283	108,014
Profit for the year	-	-	-	22,710	-	912	23,622
Changes in ownership interest							
Non-controlling interest acquisition (note 12)	-	-	-	(5,842)	-	(2,203)	(8,045)
Acquisition of subsidiary with non-controlling interest (note 11)	-	-	-	-	-	407	407
Transactions with owners							
Share acquisitions less sales	-	-	380	-	-	-	380
Share-based payments	-	-	-	766	-	-	766
Deferred tax in relation to share-based payments	-	-	-	31	-	-	31
Dividends paid (note 7)	-	-	-	(17,070)	-	(4,000)	(21,070)
Option over non-controlling interest (note 9)	-	-	-	-	(2,406)	-	(2,406)
Contingent acquisition consideration (note 11)	-	-	-	-	1,000	-	1,000
Other comprehensive income							
Currency translation differences	-	-	-	-	(40)	-	(40)
At 31 December 2018	633	51,045	(1,913)	51,884	611	399	102,659

Notes to the preliminary announcement

for the year ended 31 December 2018

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 2018 or 2017 but is derived from those financial statements.

Statutory financial statements for 2017 have been delivered to the registrar of companies and those for 2018 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 2018 will be posted no later than 1 April 2019 to shareholders and, once approved, will be delivered to the Registrar of Companies following the Annual General Meeting on 8 May 2019.

Copies of the Annual Report and financial statements for the year ended 31 December 2018 will be available on the company's website (<https://www.emisgroupplc.com/investors>) from 1 April 2019 and from the Company Secretary, EMIS Group plc, Rawdon House, Green Lane, Yeadon, Leeds, LS19 7BY.

The Group has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, both effective from 1 January 2018. Neither of these new standards has had a material impact on the financial statements, with no financial restatement required. IFRS 16 Leases is effective from 1 January 2019. The Group has not early adopted IFRS 16 in the preparation of its 2018 financial statements but has completed its initial assessment of the impact of IFRS 16, identifying that an additional net liability of no more than £500,000 will be brought onto the balance sheet from 1 January 2019. There is not expected to be a material impact on the Group's profit before tax for the year ending 31 December 2019.

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 Directors have presented segmental information to reflect the Group's structure, activities and the markets being served during the reporting period. The Group has reported four operating and reportable segments, all of which carry out the supply and support of connected healthcare software and services:

- Primary, Community & Acute Care;
- Community Pharmacy;
- Specialist & Care; and
- Patient.

Each operating segment is assessed by the Board based on an adjusted measure of operating profit, as defined in the appendix. Group operating expenses, finance income and costs, and cash and cash equivalents are not allocated to segments, as group and financing activities are not segment specific.

	2018					2017				
	Primary, Community & Acute Care £'000	Community Pharmacy £'000	Specialist & Care £'000	Patient £'000	Total £'000	Primary, Community & Acute Care £'000	Community Pharmacy £'000	Specialist & Care £'000	Patient £'000	Total £'000
Revenue	121,670	25,044	20,360	2,996	170,070	117,583	21,895	17,993	2,883	160,354
Segmental operating profit/(loss) as reported internally	33,609	7,575	1,111	(3,203)	39,092	34,896	5,627	139	(1,870)	38,792
Development costs capitalised	3,589	-	-	2,193	5,782	3,843	-	-	583	4,426
Amortisation of development costs	(8,546)	(613)	-	(288)	(9,447)	(7,324)	(163)	-	-	(7,487)
Amortisation of acquired intangible assets	(5,626)	(576)	(658)	-	(6,860)	(5,483)	(576)	(658)	-	(6,717)
Reorganisation costs	-	-	-	-	-	(5,267)	(133)	(216)	(184)	(5,800)
Service level reporting charges	1,657	-	-	-	1,657	(11,188)	-	-	-	(11,188)
Segmental operating profit/(loss)	24,683	6,386	453	(1,298)	30,224	9,477	4,755	(735)	(1,471)	12,026
Group operating expenses					(1,484)					(1,386)
Operating profit					28,740					10,640
Net finance costs					(185)					(299)
Share of result of joint venture					615					596
Profit before taxation					29,170					10,937

Revenue excludes intra-group transactions on normal commercial terms from the Primary, Community & Acute Care segment to the Community Pharmacy segment totalling £4,856,000 (2017: £4,545,000), and from the Primary, Community & Acute Care segment to the Specialist & Care segment totalling £259,000 (2017: £211,000). Revenue of £116,295,000 (2017: £114,749,000) is derived from the NHS and related bodies. Revenue of £10,305,000 (2017: £8,801,000) is derived from customers outside the UK.

3. Revenue analysis

	2018					2017				
	Primary, Community & Acute Care £'000	Community Pharmacy £'000	Specialist & Care £'000	Patient £'000	Total £'000	Primary, Community & Acute Care £'000	Community Pharmacy £'000	Specialist & Care £'000	Patient £'000	Total £'000
Software and software licences	49,610	11,337	58	1,171	62,176	45,123	9,389	55	550	55,117
Maintenance and software support	38,053	1,742	1,452	-	41,247	38,319	1,609	1,476	-	41,404
Other support services	6,427	8,628	18,679	1,825	35,559	5,379	8,492	16,258	2,333	32,462
Hosting	11,908	-	-	-	11,908	11,609	-	-	-	11,609
Training, consultancy and implementation	10,718	948	171	-	11,837	11,725	482	204	-	12,411
Hardware	4,954	2,389	-	-	7,343	5,428	1,923	-	-	7,351
	121,670	25,044	20,360	2,996	170,070	117,583	21,895	17,993	2,883	160,354

4. Exceptional items

	2018 £'000	2017 £'000
Reorganisation costs	-	(5,800)
Service level reporting charges	1,657	(11,188)
	1,657	(16,988)

The reorganisation costs in 2017 relate to redundancy and restructuring costs.

The service level reporting charges relate to the NHS Digital reporting issue and reflect the cost of settling the issue with NHS Digital and the cost of remediating the software code to address the problem backlog present at the 2017 year end, together with associated professional fees. The charge was estimated at 31 December 2017 and was confirmed during 2018 at a lower level than expected, resulting in a provision release of £1,657,000 in the year.

5. Income tax expense

	2018 £'000	2017 £'000
Income tax:		
- UK current year tax charge	8,195	3,589
- overseas current year tax charge	37	167
- adjustment in respect of prior years	609	730
Total current tax	8,841	4,486
Deferred tax:		
- UK current year	(2,830)	(1,713)
- adjustment in respect of prior years	(463)	(699)
Total deferred tax	(3,293)	(2,412)
Total tax charge in Group statement of comprehensive income	5,548	2,074

Factors affecting the tax charge for the year

Profit before taxation	29,170	10,937
Taxation at the average UK corporation tax rate of 19% (2017: 19.25%)	5,542	2,105
Tax effects of:		
- expenses/income not allowable/taxable in determining taxable profit	31	44
- adjustment in respect of prior years	146	31
- joint venture reported net of tax	(117)	(115)
- effect of overseas tax rates	(7)	(21)
- deferred tax rate change	(47)	30
Tax charge for the year	5,548	2,074

The total current year tax charge includes a charge of £149,000 (2017: credit of £3,270,000) in respect of exceptional items. The main rate of UK corporation tax reduced from 20% to 19% from 1 April 2017 and will further reduce to 17% from 1 April 2020.

6. Earnings per share (EPS)

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

Earnings	2018 £'000	2017 £'000
Basic earnings attributable to equity holders	22,710	8,053
Reorganisation costs	-	5,800
Service level reporting charges	(1,657)	11,188
Development costs capitalised	(5,782)	(4,426)
Amortisation of development costs and acquired intangible assets	16,307	14,204
Tax and non-controlling interest effect of above items	(1,737)	(5,129)
Adjusted earnings attributable to equity holders	29,841	29,690

Weighted average number of ordinary shares	2018 Number '000	2017 Number '000
Total shares in issue	63,311	63,311
Shares held by Employee Benefit Trust	(320)	(396)
For basic EPS calculations	62,991	62,915
Effect of potentially dilutive share options	140	203
For diluted EPS calculations	63,131	63,118

EPS	2018 Pence	2017 Pence
Basic	36.1	12.8
Adjusted	47.4	47.2
Basic diluted	36.0	12.8
Adjusted diluted	47.3	47.0

7. Dividends

	2018 £'000	2017 £'000
Final dividend for the year ended 31 December 2016 of 11.7p	-	7,355
Interim dividend for the year ended 31 December 2017 of 12.9p	-	8,121
Final dividend for the year ended 31 December 2017 of 12.9p	8,124	-
Interim dividend for the year ended 31 December 2018 of 14.2p	8,946	-
	17,070	15,476

A final dividend for the year ended 31 December 2018 of 14.2p amounting to approximately £8,950,000 will be proposed at the Annual General Meeting on 8 May 2019. If approved, this dividend will be paid on 13 May 2019 to shareholders on the register on 12 April 2019. 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 ending 31 December 2019.

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 2017	5,527	40,527	36,320	36,304	118,678
Additions	718	4,426	-	-	5,144
At 31 December 2017	6,245	44,953	36,320	36,304	123,822
Additions	780	5,782	-	-	6,562
Acquisition of business (note 12)	-	-	5,032	-	5,032
At 31 December 2018	7,025	50,735	41,352	36,304	135,416
Accumulated amortisation and impairment					
At 1 January 2017	2,288	19,610	20,024	16,139	58,061
Charged in year	1,049	7,487	3,605	3,112	15,253
At 31 December 2017	3,337	27,097	23,629	19,251	73,314
Charged in year	946	9,447	3,747	3,113	17,253
At 31 December 2018	4,283	36,544	27,376	22,364	90,567
Net book value					
At 31 December 2018	2,742	14,191	13,976	13,940	44,849
At 31 December 2017	2,908	17,856	12,691	17,053	50,508
At 1 January 2017	3,239	20,917	16,296	20,165	60,617

9. Other financial liabilities

	2018 £'000	2017 £'000
Current		
Contingent acquisition consideration	1,012	-
Total	1,012	-
Non-current		
Contingent acquisition consideration	1,500	-
Option over non-controlling interest	2,406	-
Total	3,906	-

The current and non-current contingent consideration liabilities are both cash-settled liabilities arising from the acquisition of Dovetail Lab, payable upon the achievement of specified product delivery and revenue targets. The possible minimum and maximum undiscounted amounts of contingent consideration payable in cash are £nil and £2,512,000 respectively. Estimated fair value has been measured based on the future amounts payable, as the impact of discounting is not significant.

A non-current financial liability of £2,406,000 has been recognised in relation to a put option in place over the 10% share capital not currently owned by EMIS Group plc. The put option has been measured at estimated fair value and is exercisable in 2026 (provided the Group has not exercised the related call option between 2023 and 2025), on an exercise price based on a multiple of operating profit for the preceding year. The expected future payment has been discounted to present value using a risk-adjusted discount rate that reflects the expected maturity profile of the consideration being discounted. The significant unobservable inputs are future operating profit and the risk-adjusted discount rate. The estimated fair value would increase/(decrease) if expected future operating profits were higher/(lower), or if the risk-adjusted discount rate were lower/(higher).

10. Cash generated from operations

	2018 £'000	2017 £'000
Profit before taxation	29,170	10,937
Finance income	(64)	(3)
Finance costs	249	302
Share of result of joint venture	(615)	(596)
Operating profit	28,740	10,640
Adjustment for non-cash items:		
Amortisation of intangible assets	17,253	15,253
Depreciation of property, plant and equipment	6,259	5,791
Profit on disposal of property, plant and equipment	(119)	(193)
Share-based payments	766	550
Release of provision	(1,657)	-
Operating cash flow before changes in working capital	51,242	32,041
Changes in working capital:		
Decrease in inventory	369	182
Decrease in trade and other receivables	2,199	581
Increase/(decrease) in trade and other payables	5,264	(466)
Increase in deferred income	330	5,308
(Decrease)/increase in provision	(9,531)	11,188
Cash generated from operations	49,873	48,834

11. Business combination

On 31 October 2018 the Group acquired 90% of the share capital of Dovetail Digital Limited, a leading early stage UK technology business specialising in blockchain software for the healthcare market. The acquisition is in line with the Group's strategy of identifying sustainable long-term market opportunities delivering connected healthcare systems.

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

	£'000
Intangible assets - computer software	5,032
Property, plant and equipment	8
Trade and other receivables	57
Cash and cash equivalents	374
Trade and other payables	(409)
Deferred income	(105)
Deferred tax	(884)
Total identifiable net assets	4,073
Non-controlling interest	(407)
Goodwill	1,622
	5,288
Consideration:	
Cash consideration	1,776
Contingent consideration – cash settled (note 9)	2,512
Contingent consideration – equity settled	1,000
Total potential consideration	5,288
Cash and cash equivalent balances acquired	(374)
Contingent consideration not yet settled	(3,512)
Net cash cost of acquisition paid in year	1,402

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.

The post-acquisition contribution of the acquired business to Group revenue and adjusted operating profit is not material to the year under review as the business only traded for two months of the year under the Group's ownership. Had the acquisition occurred on 1 January 2018, the Group's revenue and adjusted operating profit for the year would have been £170,742,000 and £37,234,000 respectively.

In relation to the acquisition, costs of £75,000 have been expensed in the statement of comprehensive income.

Of the £3,512,000 of contingent consideration set out in the table above, £1,012,000 has been recognised as a current financial liability, £1,500,000 as a non-current financial liability and £1,000,000 recognised in equity. There is a further financial liability of £2,406,000 recognised in relation to a put option in place over the 10% share capital not currently owned by EMIS Group plc.

If the equity-settled contingent consideration becomes payable, the possible minimum and maximum numbers of shares in the Company required to do so are nil and 110,668 respectively. Fair value has been measured based on the acquisition date share price of the Company. The impact of any expected dividend cash flows the seller will not receive is not significant.

12. Acquisition of non-controlling interest

On 31 October 2018 the Group acquired the outstanding 21.1% non-controlling interest in Rx Systems Limited ("Rx") for cash consideration of £8,000,000, taking the Group's ownership of the business to 100%. The carrying value of Rx's net assets in the Group's consolidated financial statements on the date of acquisition was £10,442,000.

	2018
	£'000
Carrying value of the non-controlling interest in Rx	2,203
Cash consideration paid to non-controlling shareholders	(8,000)
Acquisition related fees	(45)
Decrease in equity attributable to owners of the Company	(5,842)

Appendix: Alternative performance measures (APMs)

This report contains certain financial measures (APMs) that are not defined or recognised under IFRS but are presented to provide readers with additional financial information that is evaluated by management and investors in assessing the performance of the company.

This additional information presented is not uniformly defined by all companies and may not be comparable with similarly titled measures and disclosures by other companies. These measures are unaudited and should not be viewed in isolation or as an alternative to those measures that are derived in accordance with IFRS.

Recurring revenue

Recurring revenue is the revenue that annually repeats either under contractual arrangement or by predictable customer habit. It highlights how much of Group's total revenue is secured and anticipated to repeat in future periods, providing a measure of the financial strength of the company. It is a measure that is well understood by the Group's investor and analyst community and is used for internal performance reporting.

	2018 £'000	2017 £'000
Reported revenue	170,070	160,354
Non-recurring revenue	(29,389)	(26,817)
Recurring revenue	140,681	133,537

Adjusted operating profit, adjusted operating margin, and adjusted earnings per share

Adjusted operating profit is operating profit excluding exceptional items, the effect of capitalisation and amortisation of development costs, and the amortisation of acquired intangible assets. The same adjustments are also made in determining the adjusted operating margin of the group and its segments and also in determining adjusted Earnings per share (EPS). The EPS calculation further adjusts for the related tax and non-controlling interest impacts of the operating profit adjustments.

The Board considers this adjusted measure of operating profit to provide the best metric of assessing underlying performance, as:

- it excludes exceptional items (items are only classified as exceptional due to their nature or size);
- by expensing capitalised development costs (and also not amortising these costs) it reflects the underlying in-year cash cost of development of software for external sale, as development is considered to be a core ongoing operating function of the business; and
- it excludes the amortisation of acquired intangibles arising from business combinations which varies year on year dependent on the timing and size of any acquisitions. This is consistent with the presentation of the amortisation of Group's own software intangibles.

These metrics are used internally for reporting business unit performance and in determining management and executive remuneration. They are commonly used by other software companies, and are also well understood by the Group's investor and analyst community.

	2018 £'000	2017 £'000
Reported operating profit	28,740	10,640
Exceptional items	(1,657)	16,988
Development costs capitalised	(5,782)	(4,426)
Amortisation of computer software developed for external sale	9,447	7,487
Amortisation of intangible assets arising on business combinations	6,860	6,717
Adjusted operating profit	37,608	37,406

The exceptional item in 2018 relates to a credit for service level reporting charges. The exceptional items in 2017 relate to £5,800,000 of reorganisation costs and £11,188,000 of service level reporting charges.

A reconciliation of adjusted earnings used in the adjusted EPS calculations is shown below:

	2018 £'000	2017 £'000
Profit attributable to equity holders	22,710	8,053
Exceptional items	(1,657)	16,988
Development costs capitalised	(5,782)	(4,426)
Amortisation of computer software developed for external sale	9,447	7,487
Amortisation of intangible assets arising on business combinations	6,860	6,717
Tax and non-controlling interest effect of above items	(1,737)	(5,129)
Adjusted profit attributable to equity holders	29,841	29,690

Adjusted cash generated from operations

The Group's adjusted cash generated from operations adjusts for capitalised development cost expenditure and the cash costs of exceptional items, consistent with the adjusted operating profit metric used by the Group. This provides a meaningful metric for the underlying cash the Group generates having accounted for the cash cost of all development expenditure and adding back the cash cost of non-recurring exceptional items. The comparative for 2017 has been restated on this basis as the cash flow metric reported in previous years did not adjust for the cash cost of exceptional items.

	2018	2017
	£'000	£'000
Reported cash generated from operations	49,873	48,834
Development costs capitalised	(5,782)	(4,426)
Cash cost of exceptional items	10,378	5,244
Adjusted cash generated from operations	54,469	49,652