



18 March 2020

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

Final Results for the year ended 31 December 2019

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 2019.

Financial highlights

	2019	2018	Change
Revenue			
Total revenue	£159.5m	£149.7m	7%
Recurring revenue ¹	£125.0m	£120.6m	4%
Operating profit			
Adjusted ¹	£39.3m	£35.9m	9%
Reported	£26.8m	£27.7m	(3%)
Cash flow and net cash			
Cash generated from operations - adjusted ¹	£46.3m	£54.5m	(15%)
Cash generated from operations - reported	£50.1m	£49.9m	-
Net cash ¹	£31.1m	£15.6m	+£15.5m
Earnings per share			
Adjusted ¹	51.4p	45.1p	14%
Reported	36.0p	36.1p	-
Dividends			
Proposed final	15.6p	14.2p	10%
Total for year	31.2p	28.4p	10%

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

Operational highlights

Results in line with expectations, with growth in both revenue and adjusted operating profit maintained at similar levels to the half year along with further strategic progress:

- Leadership positions maintained in key NHS markets
- EMIS Health appointed to the NHS National Services Scotland (NSS) and the NHS GP IT Futures framework and Digital Buying Catalogue in England
- Expanded the EMIS Enterprise business achieving outright leadership in community pharmacy
- As part of the focus on future strategy, completed the internal transition and organisational plans underway through the year
- Improved our operational efficiency, service and responsiveness to customers
- Robust and resilient business model with 78% recurring revenues, net cash and market leading positions in key healthcare markets

Good progress on growth initiatives for the mid-term:

- Launched phase one of our Patient Access marketplace, 8.4m registered users on Patient Access
- Completed the roll-out of ProScript Connect, bringing all community pharmacy customers onto the same system
- Continued investment in EMIS-X; first applications expected to be launched in 2021
- March 2020 bolt-on acquisition of Pinnacle business supporting Community Pharmacy

Outlook

- EMIS Group has a robust business model, with 78% recurring revenue and a strong balance sheet, and is well positioned to weather the short-term market uncertainties created by coronavirus. We have no delivery risks associated with our recurring revenue
- Current trading in the new financial year is in line with our expectations, however there may be some limited short-term new business revenue delay due to the uncertainty around coronavirus
- Our products and services are being designed for market need, responding to the drivers for change in the market, positioning us well for both the NHS and private/consumer healthcare sectors, giving us confidence in our mid-term outlook

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

“I am encouraged by the performance of the Group in 2019, during which we delivered considerable operational progress across the organisation. This includes the completion of our internal transition and organisational plans that were underway throughout the year, which have successfully improved our operational efficiency, service and responsiveness to customers as planned.

“EMIS Group has a robust business model, with 78% recurring revenue and a strong balance sheet, and is well positioned to weather the short-term market uncertainties created by coronavirus. We have no delivery risks associated with our recurring revenue. We’re focussed on looking after our EMIS Group colleagues and supporting our customers as they take care of the population through the coronavirus challenges.

“As a resilient and dynamic business, the Group will focus on delivering its strategic plan of innovation and growth beyond the immediate market uncertainty.”

There will be a webcast and conference call of the results today at 10.00am for analysts and investors. Please contact Patrick Hanrahan at MHP Communications on 020 3128 8730 or Florence Mayo on 020 3128 8572, or email 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 8730

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 systems. Its solutions are widely used across every major UK healthcare setting. EMIS Group's aim is to join up healthcare through innovative technology, helping to deliver better health outcomes to the UK population, supporting longer and healthier lives.

EMIS Group has two core business segments: EMIS Health and EMIS Enterprise.

EMIS Health is a supplier of innovative integrated care technology to the NHS, including primary, community, acute and social care.

EMIS Enterprise is focussed on growth in the business-to-business technology sector within the healthcare market, including management of medicines, partner businesses, patient-facing services and UK healthcare blockchain.

EMIS Group's brands include:

- EMIS Health, supplying innovative and essential technology to 10,000 healthcare organisations, in the number one or number two market positions in each of its major markets;
- Patient, the UK's leading independent provider of patient-centric medical and well-being information and related transactional services;
- Egton, providing specialist ICT infrastructure, hardware and engineering services, and non-clinical software into health and social care; and
- Dovetail Lab, a health technology company developing blockchain software to facilitate the integration of healthcare data.

LEI: 213800K474ZZK76NX913

CHIEF EXECUTIVE OFFICER'S STATEMENT

Overview

2019 was a positive year for the Group, with considerable operational progress across the organisation. We have completed the internal transition and organisational plans that were underway through the year and which have in turn improved our operational efficiency, service and responsiveness to customers.

In parallel, we delivered positive revenue growth of 7% and adjusted operating profit growth of 9%, improved our adjusted operating margin to 25% and maintained our nine-year track record of increased annual dividends. This performance was particularly pleasing as we continued to invest to expand our research and development (R&D) capabilities to deliver new, innovative solutions to our customers.

We achieved two key customer retention goals when EMIS Health was appointed to the NHS National Services Scotland (NSS) framework in Scotland and the NHS GP IT Futures framework and Digital Buying Catalogue in England. This ensures that we maintain our accreditation to supply IT systems and services to these primary care markets.

We maintained our leadership positions in key NHS markets and expanded the EMIS Enterprise business with some excellent commercial work, including achieving outright leadership in the community pharmacy market.

We maintained our critical focus on clinical safety, data security and service level performance. We invested in all these areas through the year and supervised progress with regular operational reviews and oversight by our risk management committee.

Transition

Over the last two years, we have successfully dealt with legacy issues, putting us in a strong position in 2020 to execute the next stage of our growth strategy. In April 2019 we disposed of our Specialist & Care business as it was non-core to the Group's technology strategy. We also exited a number of smaller legacy products that are not part of the Group's future, streamlining our business so that every product and service we provide directly contributes to our core purpose.

We made changes to several of our office spaces according to our business needs, moving our head office to a smaller, more modern facility and reconfiguring other locations to reduce building related operating costs in 2020 and beyond.

Overall staff numbers decreased as part of our efficiency drive, but at the same time there was a significant change in the mix of staff towards more technology-focussed roles. This included the removal of management layers and administration roles through the deployment of new processes and systems, including our service management platform ServiceNow. These changes enabled us to invest in the future, increasing our headcount in product management, technology innovation and software engineering roles, which now represent 37% of the Group compared to 22% in January 2018.

Customers and end users

Our customers and end users are central to everything we do, from planning and designing our software at the outset through to daily support interactions. We are continually asking ourselves how we can do better for our customers and as a result during 2019 we adapted the structure of our customer engagement teams to respond to the market's evolution. The NHS is consolidating to deliver a digital transformation that will improve services and outcomes for patients. In England this will be driven by Sustainability and Transformation Partnerships (STPs) and Integrated Care Systems (ICSs): a collaboration of NHS organisations and local councils. Our two business areas are responsible for managing relationships with NHS

customers (EMIS Health) and private sector healthcare business and consumer customers (EMIS Enterprise).

We introduced a new support system that improves our responsiveness and increases the ability for customers and end users to self-serve. Our service and support performance improved in the second half of 2019 following the deployment of new systems and, importantly, new leadership. These changes provide us with robust foundations for 2020.

It was a strong year in the EMIS Enterprise business as we completed the rollout of our community pharmacy dispensing system, ProScript Connect, to almost 5,200 locations. We also upgraded our customer facing networks as well as taking our data security systems and processes to the next level.

Innovation

Our increased investment in technology and software engineering roles has accelerated the development of our product roadmap:

- We launched phase one of our patient-centric marketplace, allowing the UK public to book appointments for pharmacy services at their local community pharmacy through Patient Access.
- We continued our investment in EMIS-X, our next generation platform, and we expect version one of the platform to be available during 2020 as planned.
- We expect the first applications running on the EMIS-X platform to be launched in 2021.

Talent

Our business is all about people; they drive the energy, innovation and passion behind the quality of our products and services. We continued to attract and retain key talent in 2019; as well as expanding our overall technology development team in the year, we strengthened our team in various key focus areas, including leadership, customer engagement and marketing.

We now have more than 550 employees working directly on product development across the Group. We also have 71 people in our clinical team including doctors, consultants, nurses and pharmacists, driving our high clinical safety standards and contributing essential insight into product development. We have seen an increase in collaborative working across Group segments, business areas and teams as we unite in our shared common purpose of enabling improved care through technology innovation.

We increased our staff benefits packages and introduced performance related pay for key roles. Share ownership in the business increased during 2019 when we offered a shares grant through the share incentive plan (SIP) scheme, with a 75% UK employee participation rate.

Post year-end acquisition

Following the year end, we completed the acquisition of Pinnacle Health Partnership LLP and Pinnacle Systems Management Ltd, owners and operators of the widely-used PharmOutcomes platform.

PharmOutcomes is a secure, web-based service management solution used by more than 11,000 community pharmacies to record and manage nationally and locally commissioned patient services such as flu vaccinations, the Community Pharmacist Consultation Service and hospital discharge referral management. It allows local and national level analysis and reporting on the effectiveness of commissioned services, helping to improve evidence-based management of community pharmacy services.

EMIS Group acquired the business on a cash and debt free basis for £3.0m in cash with further consideration of up to £4.0m payable in cash on the attainment of certain performance targets.

Our focus for 2020

Our focus for 2020 is continuing to deliver our strategic plan of innovation and growth. With our core foundation principles in place – of delivering the highest standards of clinical safety and content, never compromising on data security and exceeding customer service expectations – our 2020 plans are the building blocks for our next stage of growth as a resilient and dynamic business.

We operate in a complex and diverse market and the business is now organised around the operational structures of our healthcare customers. While NHS structures may change, its commitment to technology to deliver positive change remains and we continue apace with the development of EMIS-X and Patient marketplace services for the forthcoming year.

We are developing EMIS Web to meet the requirements of GP IT Futures and these new enhancements will carry forwards to EMIS-X this year. Through our existing EMIS Health product portfolio, we will deliver enhancements to our primary, community and acute care products to satisfy contractual requirements such as for GP IT Futures and to deliver essential user-requested enhancements. We have detailed product roadmaps and resource plans for both existing and new products to meet our go-to-market and retention goals.

The focus for the EMIS Enterprise business in 2020 is to work on further integration of ProScript Connect, and to develop Patient Access to offer new services to the UK public through our community pharmacy customers and other partners. The primary care partner programme remains a core focus, as we continue to strengthen the EMIS Health ecosystem through interoperability and integration.

Looking further ahead, we maintain our targets that the financial outcomes from our growth strategy are expected to be sustained mid-to-high single-digit revenue growth in the mid-term, moving towards an even split of revenue derived from our NHS and enterprise sectors and operating margins increasing towards 30% in the mid-term.

Brexit

As reported in previous years, we anticipate that Brexit will have minimal direct impact 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. However, despite the improved clarity provided by the UK leaving the EU on 31 January 2020, the scale and timing of these remains uncertain. We will continue to monitor the progress of the withdrawal agreement regarding the terms under which the UK left the EU and the potential market implications of those terms.

Coronavirus

We are monitoring the potential impact of the virus on the UK healthcare market and our business as it changes daily.

Our NHS and community pharmacy customers need our support as they tackle the crisis. We are working with NHS Digital on new coronavirus insights and for our GP end-users we have offered free access to our software to provide video consultations through Patient Access. We have released new coronavirus related functionality in EMIS Web and our product EMIS Anywhere allows full access to EMIS Web through a mobile device, to enable flexible working for GP practices.

We have a robust business continuity plan in place to prioritise both the wellbeing of our employees and keep our software systems and support services up and running for our end-users. To date we have implemented home working for our employees according to government advice. We will continue to take proactive action to mitigate the emerging threat from coronavirus.

Summary and outlook

EMIS Group has a robust business model, with 78% recurring revenue and a strong balance sheet, and is well positioned to weather the short-term market uncertainties created by coronavirus. We have no delivery risks associated with our recurring revenue. We are focussed on looking after our EMIS Group colleagues and supporting our customers as they take care of the population through the coronavirus challenges.

As a resilient and dynamic business, the Group will focus on delivering its strategic plan of innovation and growth beyond the immediate market uncertainty.

Longer term, we are in alignment with NHS policy and fully support the Secretary of State for Health and Social Care's modernisation agenda. The NHS Long Term Plan, published in January 2019, sets out the strategy for the NHS as it plans a digital transformation to provide better patient care across the UK. It is clear that technology will play a huge part in alleviating the pressure on already-stretched NHS services. Our products and services are being designed for market need, responding to the drivers for change in the market, positioning us well for both the NHS and private and consumer healthcare sectors.

OPERATIONAL REVIEW

EMIS Health

The EMIS Health segment comprises business areas where revenues are generated from NHS organisations. This includes the primary, community and acute A&E markets as well as the Egton business.

Market shares

EMIS Health maintained its UK GP market leadership position with a market share of 57% (2018: 57%).

EMIS Health increased its community market share to 21% (2018: 20%), maintaining the number two market position.

The Group increased its market share in Acute A&E to 23% (2018: 22%) moving to market leadership.

NHS primary care frameworks

As previously announced, EMIS Health was awarded a place on the NHS GP IT Futures framework in October 2019 and shortly afterwards became the first GP clinical system supplier to be accepted onto the Digital Buying Catalogue.

The framework commenced on 1 January 2020 and replaced the previous contractual framework, GP Systems of Choice (GPSoC), in governing the provision of the majority of EMIS Group's clinical IT system-related services to GPs in England. During 2019 EMIS Health delivered the EMIS Web functionality required to meet the initial contract obligations under GP IT Futures with further development planned during 2020.

Following the announcement in February 2019 that EMIS Health had been awarded a place on the NSS framework, the Group is investing in its team and facilities in Scotland and continues to work closely with NSS to deliver the technology to support its health and care strategy.

EMIS Health has successfully completed the upgrade to EMIS Web in Northern Ireland. It continues to support its GP customer base in Wales, following NHS Wales Informatics Service's (NWIS) announcement in mid-2019 that it had cancelled the contract with one of its GP clinical software suppliers, which had been appointed to replace EMIS Health over time.

EMIS-X

The development of EMIS-X continues at pace. EMIS Group is working towards an expected first version of the platform during 2020 and the first upgraded applications in 2021.

Our development activity is closely aligned with market need and NHS policy. The Group's clinical team brings a wealth of clinical insight from all major settings to ensure EMIS-X delivers innovation that makes a difference and the best end-user experience. Dovetail has contributed well in 2019 as an integrated part of our technology development activity.

Improved go-to-market strategy

During 2019, EMIS Health brought together its primary, community and acute care sales and service functions into one unit, together with Egton. The NHS market is moving towards joined-up healthcare solutions that span multiple care settings. The Group refined its go-to-market strategy during 2019 to focus on its overarching connected healthcare propositions to strategic customers, including STPs and ICSs.

The focus is to work in partnership with strategic organisations to deliver the technology solutions they need to meet the challenges of integrating care in their locality.

EMIS Health is working closely with its acute A&E and community customers to share development roadmaps with the intention of building a personalised plan for each patient to meet their needs.

It continues to work closely with customer user groups on enhancements and developments.

Streamlined support and service

EMIS Health has streamlined its support and service function with migration onto a single customer and internal platform, ServiceNow. It co-located two of its support teams during 2019 to improve joined-up working and increase efficiency.

This has seen an increase in the use of digital-first options to access support services. Digital chat is a new and additional route for end users to provide quick access to support teams via ServiceNow. In the last six months of 2019 EMIS Health saw an increasing uptake of digital-first support, with around 30% of all support issues now logged via email, portal or digital chat.

Digitisation

Egton's Lloyd George Digitisation service continued to perform well, with strong sales of its service to digitise legacy paper records, as the market continues to work towards its target to be fully digitised by 2024.

Future plans

The focus for EMIS Health for the forthcoming year is on the development of EMIS-X, working towards its first deployments in the Scottish and English GP markets. Essential developments will be delivered to the existing product suite, meeting market and contractual need until the EMIS-X platform and resulting applications are ready.

EMIS Enterprise

The EMIS Enterprise segment comprises business areas where revenues are derived predominantly from business-to-business healthcare sector sources, including medicines management across both community and hospital pharmacy, and the Patient business.

Market shares

The Group moved to sole leadership in the community pharmacy market during 2019 at 36% share (2018: 37%) and maintained its number two market position in hospital pharmacy with a market share of 35% (2018: 36%).

ProScript Connect upgrade

The roll out of ProScript Connect was completed during 2019. This brings all community pharmacy customers onto the same system, enabling efficiencies in supporting and developing just one system instead of two. The retirement of the legacy product, ProScript, resulted in the loss of a small number of sites which opted not to upgrade.

Other community pharmacy products and services

Two group-wide solutions for the Falsified Medicines Directive (FMD) for barcode scanning authentication were developed and released to both the community pharmacy and hospital pharmacy user base. The electronic controlled drug register functionality was released and included as standard for all community pharmacy customers, adding an essential timesaving feature to help with customer retention. Other strong performing products included the pharmacy WiFi service and the hardware required to support FMD.

The pilot of the Patient Group Directions (PGD) functionality was completed and the software will shortly be launched as part of ProScript Connect. This enables community pharmacies to provide clinical services to patients as part of the PGD directive to help more patients in community pharmacy and alleviate pressure on primary care.

Hospital pharmacy

EMIS Group continues to develop its existing Electronic Prescribing and Medicines Administration (ePMA) system to provide better functionality for end users, working with customers to align to the same version of the software to realise development and support efficiencies and ensure updated technology for all.

Patient

2019 was another successful year of growth for Patient. Registered users for Patient Access climbed from 6.0m to 8.4m, booking 6.7m GP appointments and 20.2m repeat prescriptions. The app continues to receive positive user ratings, with an average 4.8/5 star rating on the Apple App Store from 315,000 ratings (2018: 4.8/5 star rating from 150,000 ratings).

Following a successful pilot with the Day Lewis pharmacy group, EMIS Group launched community pharmacy appointment booking during 2019, enabling the UK public to book appointments for clinical services with participating community pharmacies, adding to the existing functionality allowing GP appointment booking. This supports the PGD directive.

In the first six months since launch of the pilot in July 2019, 14,000 community pharmacy appointments were booked by 11,500 members of the public. By February 2020 the service was live with more than 800 pharmacy branches across 22 organisations. There was a seasonal uplift during flu season, with 8,700 flu vaccination appointments booked with community pharmacies through Patient Access.

The service includes a flu eligibility checker, where patients can check whether they are entitled to an NHS flu vaccination, allowing them to book their vaccination with either their practice or pharmacy as they choose. In the first six months 56,000 people took advantage of this service.

Patient Access community pharmacy booking is the first release of the Group's marketplace services and uses the EMIS-X appointment engine as its underlying technology. It is a true demonstration of joined-up healthcare technology in action. Pharmacists using ProScript Connect software are able to send an electronic consultation summary back to the EMIS Web patient medical record, where the GP can review and update the record accordingly. The patient can then access the medical record at any time using the Patient Access medical record viewer.

The partner programme

The partner programme continued to perform strongly during 2019, providing accredited technology solutions that interoperate with EMIS Health primary care clinical systems. There

are now 113 accredited companies in the partner ecosystem (2018: 104), providing 158 accredited products or services (2018: 149) as a connected care solution to help primary care end users improve efficiency and patient outcomes.

EMIS Enterprise future plans

The focus for EMIS Enterprise during the forthcoming year remains on developing additional marketplace services into Patient Access, to both enhance the app for the general public and add increasing value for community pharmacies. There is growing collaboration between the Community Pharmacy and Patient teams to bring additional pharmacies on board to offer Patient marketplace services at more locations across the UK.

The Group will also continue to develop ePMA for hospital pharmacy and launch the PGD software to community pharmacy during the 2020 financial year.

FINANCIAL REVIEW

The results for the year ended 31 December 2019 reflect a year of good trading progress for the Group, the completion of the Group's reorganisation and increased investment in the business to deliver future growth.

Adjusted operating profit for the year, as set out in the table below, increased by 9% to £39.3m (2018: £35.9m) with statutory operating profit, including an exceptional £5.4m charge for reorganisation costs, at £26.8m (2018: £27.7m). 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 7% to £159.5m (2018: £149.7m), with recurring revenue 4% higher.

Segmental performance

The table below sets out the summary segmental performance:

	EMIS Health 2019 £'m	EMIS Health 2018 £'m	EMIS Enterprise 2019 £'m	EMIS Enterprise 2018 £'m	Total 2019 £'m	Total 2018 £'m
Revenue	100.9	99.3	58.6	50.4	159.5	149.7
Adjusted segmental operating profit	23.3	25.2	17.5	12.8	40.8	38.0
Group expenses					(1.5)	(2.1)
Adjusted operating profit¹					39.3	35.9
Adjusted operating margin	23.1%	25.4%	29.9%	25.4%	24.6%	24.0%

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

In the EMIS Health business, revenue grew by 2% with adjusted operating profit lower than the previous year as a consequence of increased investment in developing the EMIS-X software platform.

Performance in the EMIS Enterprise division reflected a strong performance in the market with revenue increasing by 16% and adjusted operating profit by 37%. These results included a number of commercial licence deals for both continuing and legacy products.

Revenue

Group recurring revenue, principally software and software licences, maintenance & software support, hosting and other support services, was £125.0m (2018: £120.6m). This represented 78% of the Group's total revenue (2018: 81%), slightly lower as a result of increased non-recurring revenues in the EMIS Enterprise division. The strength of the Group's customer relationships supported by the high level of recurring revenue give the Group confidence to

invest in developing future products and services, while providing good visibility of future financial performance.

Revenue is analysed in the following categories:

- software and software licences, higher at £66.6m (2018: £62.1m), reflecting a strong overall performance and benefiting from the licensing referred to above;
- maintenance & software support, consistent at £39.3m (2018: £39.8m) with business growth offset by reduced revenues from legacy products;
- other support services, which grew to £17.4m (2018: £16.9m) with business growth in part offset by a reduction in online advertising revenues;
- training, consultancy and implementation, which was higher at £15.6m (2018: £11.7m) with growth in partner and in Egton patient record digitisation implementation fees;
- hosting, where additional revenues associated with the end of GPSoC resulted in an increase to £13.7m (2018: £11.9m); and
- hardware revenues, which were slightly lower at £6.9m (2018: £7.3m).

Profitability

Adjusted operating profit increased by 9% to £39.3m (2018: £35.9m), after taking account of the increased level of investment in development across the business during the year, which amounted to £20.7m (2018: £18.7m). The adjusted operating margin also improved to 24.6% (2018: 24.0%).

There was a small increase in total staff costs with higher levels of variable compensation across the Group, although year-end staff numbers fell to 1,527 (2018: 1,685 excluding the disposal of the Specialist & Care business) and the average headcount was also lower at 1,575 (2018: 1,667). Overall staff numbers have reduced over the year, despite the Group continuing to invest in hiring developers, through the careful management of recruitment and the restructuring exercise, which is now complete. This resulted in exceptional costs of £5.4m in 2019 in respect of staff and related property costs.

After accounting for the exceptional item, the capitalisation and amortisation of development costs, and for the amortisation of acquired intangibles, statutory operating profit was £26.8m (2018: £27.7m).

Taxation

The tax charge for the year was £5.0m (2018: £5.4m). The effective tax rate for the year was 19.2% (2018: 18.9%).

Earnings per share (EPS)

Adjusted basic and diluted EPS were 14% higher at 51.4p and 51.1p respectively (2018: 45.1p and 45.0p). The statutory basic and diluted EPS were marginally lower at 36.0p and 35.8p respectively (2018: 36.1p and 36.0p) principally as a result of the impact on the respective years of exceptional items.

Dividend

Subject to shareholder approval at the Annual General Meeting on 6 May 2020, the Board proposes an increase in the final dividend to 15.6p (2018: 14.2p) per ordinary share, payable on 11 May 2020 to shareholders on the register at the close of business on 14 April 2020. This would make a total dividend of 31.2p (2018: 28.4p) per ordinary share for 2019. 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.

Disposal

On 2 April 2019, the Group announced the disposal of its Specialist & Care business for a total of up to £14.9m. This is accounted for as a discontinued operation and contributed a profit of £0.5m in the period (2018: £0.9m) as set out in note 11.

Cash flow and net cash

The principal movements in net cash were as follows:

	2019 £m	2018 £m
Cash from operations:		
Cash generated from operations	50.1	49.9
Less: internal development costs capitalised	(7.4)	(5.8)
Adjusted cash generated from operations	46.3	54.5
Cash cost of exceptional items	(3.6)	(10.4)
Net cash generated from operations	42.7	44.1
Business combinations	(1.2)	(1.4)
Acquisition of non-controlling interest	-	(8.0)
Business disposal	6.2	-
Net capital expenditure	(5.6)	(6.8)
Transactions in own shares	(3.1)	0.3
Tax	(4.5)	(5.8)
Dividend to non-controlling interest shareholder	-	(4.0)
Dividends	(18.7)	(17.1)
Lease payments	(0.9)	-
Other	0.6	0.3
Change in net cash in the year	15.5	1.6
Net cash at end of year	31.1	15.6

Cash generated from operations was broadly unchanged at £50.1m (2018: £49.9m). Adjusted cash from operations is stated after adding back the cash cost of exceptional items of £3.6m (2018: £10.4m) and after deducting capitalised development costs. On this adjusted basis, cash flow from operations was 15% lower than in 2018, largely due to an adverse working capital movement with the December 2019 one off transition impact of moving to new payment arrangements under GP IT Futures from GPSoC compounded by a particularly strong working capital performance in 2018.

The disposal of the Specialist & Care business gave rise to a net cash inflow of £6.2m. The Group paid £1.0m of deferred contingent consideration in respect of the 2018 Dovetail acquisition and also acquired a minority stake in an early-stage pharmacy data business for £0.2m.

Net cash spent on capital expenditure (excluding capitalised development costs) was slightly lower at £5.6m (2018: £6.8m). Capital additions in the year included £3.1m on computer equipment, £0.8m on internal systems and software, and £1.7m on property assets. During the year, the Group agreed terms for the disposal of its former head office building for a consideration of £2.5m. As this transaction completed in January 2020, the property has been classified as a current asset held for sale in the balance sheet.

The Group's Employee Benefit Trust acquired £3.6m of shares and received £0.5m (2018: £0.3m) for shares transferred in connection with the Group's share schemes.

After tax, dividends, lease payments and other transactions, the total net cash inflow of £15.5m resulted in a year-end net cash position of £31.1m (2018: £15.6m). At 31 December 2019, the Group had available undrawn bank facilities of £30.0m committed until June 2021, reducing to £15.0m for the 12-month period ending 30 June 2022. An accordion arrangement is in place to increase the quantum up to £60.0m, reducing to £30.0m for the 12-month period ending 30 June 2022.

Group statement of comprehensive income

for the year ended 31 December 2019

	Notes	2019 £'000	2018 ⁴ £'000
Revenue	2,3	159,507	149,710
Costs			
Changes in inventories		(607)	(369)
Cost of goods and services		(14,800)	(13,867)
Staff costs ¹		(67,519)	(63,722)
Other operating expenses ²		(27,599)	(21,942)
Depreciation of property, plant and equipment ⁴		(6,822)	(5,535)
Amortisation of intangible assets	8	(15,333)	(16,595)
Adjusted operating profit		39,273	35,890
Development costs capitalised	8	7,363	5,782
Amortisation of intangible assets ³	8	(14,449)	(15,649)
Reorganisation costs	4	(5,360)	—
Service level reporting credit	4	—	1,657
Operating profit	2	26,827	27,680
Finance income		97	64
Finance costs		(595)	(244)
Share of result of joint venture and associate		742	615
Profit before taxation		27,071	28,115
Income tax expense	5	(5,022)	(5,355)
Profit for the period from continuing operations		22,049	22,760
Profit from discontinued operation, net of tax	11	476	862
Profit for the period		22,525	23,622
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		(182)	(40)
Other comprehensive income		(182)	(40)
Total comprehensive income for the year		22,343	23,582
Attributable to:			
- equity holders of the parent		22,476	22,670
- non-controlling interest in subsidiary company		(133)	912
Total comprehensive income for the year		22,343	23,582
Earnings per share attributable to equity holders of the parent	6	Pence	Pence
Basic		36.0	36.1
Basic diluted		35.8	36.0
Basic – continuing operations		35.3	34.7
Basic diluted – continuing operations		35.1	34.6
Adjusted		51.4	45.1
Adjusted diluted		51.1	45.0

¹ Including exceptional reorganisation costs of £4,160,000 (2018: £nil).

² Including exceptional reorganisation costs of £1,200,000 (2018: £nil) and an exceptional service level reporting credit of £nil (2018: £1,657,000).

³ Excluding amortisation of computer software used internally of £884,000 (2018: £946,000).

⁴ The Group statement of comprehensive income for 2018 has been re-presented to show the results of the Specialist & Care business as a discontinued operation, following its disposal on 2 April 2019.

Group balance sheet

as at 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Goodwill		47,969	51,958
Other intangible assets	8	34,376	44,849
Property, plant and equipment		18,399	21,000
Investment in joint venture and associate		345	113
		101,089	117,920
Current assets			
Inventories		657	1,264
Trade and other receivables		33,047	36,223
Property asset held for sale		2,475	-
Cash and cash equivalents		31,099	15,620
		67,278	53,107
Total assets		168,367	171,027
Current liabilities			
Trade and other payables		(23,437)	(24,958)
Deferred income		(28,820)	(34,170)
Current tax liabilities		(2,323)	(29)
Other financial liability	9	(480)	(1,012)
Lease liabilities		(640)	-
		(55,700)	(60,169)
Non-current liabilities			
Deferred tax liability		(1,467)	(4,293)
Other financial liabilities	9	(3,708)	(3,906)
Lease liabilities		(3,294)	—
		(8,469)	(8,199)
Total liabilities		(64,169)	(68,368)
Net assets		104,198	102,659
Equity			
Ordinary share capital		633	633
Share premium		51,045	51,045
Own shares held in trust		(5,021)	(1,913)
Retained earnings		57,118	51,884
Other reserve		147	611
Equity attributable to owners of the parent		103,922	102,260
Non-controlling interest		276	399
Total equity		104,198	102,659

Group statement of cash flows

for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Adjusted cash generated from operations		46,332	54,469
Development costs capitalised		7,363	5,782
Cash cost of exceptional items		(3,636)	(10,378)
Cash generated from operations	10	50,059	49,873
Finance costs		(186)	(247)
Finance income		93	33
Tax paid		(4,466)	(5,830)
Net cash generated from operating activities		45,500	43,829
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,983)	(6,205)
Proceeds from sale of property, plant and equipment		151	178
Development costs capitalised	8	(7,363)	(5,782)
Purchase of software	8	(773)	(780)
Dividends received		700	600
Business combination		—	(1,402)
Acquisition of associate		(190)	—
Disposal of discontinued operation, net of cash disposed of	11	6,203	—
Net cash used in investing activities		(6,255)	(13,391)
Cash flows from financing activities			
Transactions in own shares held in trust		(3,069)	306
Payment of lease liabilities		(940)	—
Deferred contingent consideration		(1,012)	—
Dividends paid	7	(18,745)	(17,070)
Non-controlling interest dividend paid		—	(4,000)
Acquisition of non-controlling interest		—	(8,045)
Net cash used in financing activities		(23,766)	(28,809)
Net increase in cash and cash equivalents		15,479	1,629
Cash and cash equivalents at beginning of year		15,620	13,991
Cash and cash equivalents at end of year		31,099	15,620

Group statement of changes in equity

for the year ended 31 December 2019

	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 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	12	-	-	-	(5,842)	-	(2,203)	(8,045)
Acquisition of subsidiary with non-controlling interest	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	7	-	-	-	(17,070)	-	(4,000)	(21,070)
Option over non-controlling interest	9	-	-	-	-	(2,406)	-	(2,406)
Contingent acquisition consideration	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
Adjustment on initial application of IFRS 16	1	—	—	—	(125)	—	—	(125)
Profit for the year		—	—	—	22,658	—	(133)	22,525
Transactions with owners								
Share acquisitions less sales		—	—	(3,108)	—	—	10	(3,098)
Share-based payments		—	—	—	1,290	—	—	1,290
Deferred tax in relation to share-based payments		—	—	—	156	—	—	156
Dividends paid	7	—	—	—	(18,745)	—	—	(18,745)
Option over non-controlling interest	9	—	—	—	—	(282)	—	(282)
Other comprehensive income								
Currency translation differences		—	—	—	—	(182)	—	(182)
At 31 December 2019		633	51,045	(5,021)	57,118	147	276	104,198

Notes to the preliminary announcement

for the year ended 31 December 2019

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 2019 or 2018 but is derived from those financial statements.

Statutory financial statements for 2018 have been delivered to the registrar of companies and those for 2019 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 2019 will be posted no later than 31 March 2020 to shareholders and, once approved, will be delivered to the Registrar of Companies following the Annual General Meeting on 6 May 2020.

Copies of the Annual Report and financial statements for the year ended 31 December 2019 will be available on the company's website (<https://www.emisgroupplc.com/investors>) from 31 March 2020 and from the Company Secretary, EMIS Group plc, Fulford Grange, Micklefield Lane, Rawdon, Leeds, LS19 6BA.

IFRS 16 Leases

The Group has adopted IFRS 16 Leases from 1 January 2019, replacing IAS 17, using the modified retrospective approach. The cumulative effect of initial application is recognised in retained earnings at 1 January 2019 and accordingly comparative information presented for 2018 has not been restated.

IFRS 16 has introduced a single on-balance sheet accounting model for lessees. As a result the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets, and lease liabilities representing its obligation to make lease payments. The Group is not a lessor. The Group presents lease liabilities on the face of the Group balance sheet. The carrying amounts of right-of-use assets are set out below.

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Balance as at 1 January 2019	2,541	78	912	3,531
Balance as at 31 December 2019	2,671	46	854	3,571

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019 £'000
Right-of-use assets presented in property, plant and equipment	3,531
Deferred lease incentives derecognised	128
Lease liabilities	(3,784)
Retained earnings	(125)

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at an incremental borrowing rate which reflects the characteristics of the underlying lease, at 1 January 2019. The weighted average rate applied is 5.0%. Right-of-use assets are measured at either their carrying amount as if IFRS 16 has been applied since commencement date or an amount equal to the lease liability. This approach has been applied for all leases unless the lease term is twelve months or fewer or the underlying asset has a low value (less than £4,000). For leases of low value assets, the Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The table below reconciles the Group's operating lease commitment at 31 December 2018, under IAS 17, to the lease liability initially recognised under IFRS 16.

	1 January 2019 £'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	5,734
Discounted using the incremental borrowing rate at 1 January 2019	4,824
- Recognition exemption for leases of low value assets	(10)
- Recognition exemption for leases with less than twelve months of lease term at transition	(1,030)
Lease liabilities recognised as at 1 January 2019	3,784

In relation to those leases under IFRS 16, the Group now recognises depreciation and interest costs, instead of an operating lease expense as it did under IAS 17. During the year ended 31 December 2019, this amounted to £886,000 of depreciation charges and £181,000 of interest costs from these leases. Had IAS 17 continued to be applied instead of IFRS 16, the overall presentation of the Group statement of comprehensive income would not have been materially different.

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.

As previously announced, the Directors have revised the segmental information in 2019 to represent better the Group's structure, activities and the markets being served. The Group has two operating and reportable segments, both involved with the supply and support of connected healthcare software and systems:

- EMIS Health; and
- EMIS Enterprise.

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, cash and cash equivalents, and current and deferred tax are not allocated to segments, as income tax, group and financing activities are not segment specific.

The previously reported Specialist & Care operating segment has been classified as a discontinued operation following its sale on 2 April 2019 (see note 11) and therefore the information presented below relates to continuing operations only. The previously reported Patient operating segment is now included within the EMIS Enterprise operating segment.

	2019			2018		
	EMIS Health £'000	EMIS Enterprise £'000	Total £'000	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Segmental result						
Revenue	100,858	58,649	159,507	99,302	50,408	149,710
Segmental operating profit as reported internally	23,268	17,511	40,779	25,197	12,784	37,981
Development costs capitalised	6,216	1,147	7,363	2,968	2,814	5,782
Amortisation of development costs	(5,500)	(1,632)	(7,132)	(7,287)	(2,160)	(9,447)
Amortisation of acquired intangible assets	(3,813)	(3,504)	(7,317)	(3,348)	(2,854)	(6,202)
Reorganisation costs	(4,135)	(1,225)	(5,360)	—	—	—
Service level reporting credit	—	—	—	1,657	—	1,657
Segmental operating profit	16,036	12,297	28,333	19,187	10,584	29,771
Group operating expenses			(1,506)			(2,091)
Operating profit			26,827			27,680
Net finance costs			(498)			(180)
Share of result of joint venture			742			615
Profit before taxation			27,071			28,115

Revenue excludes intra-group transactions on normal commercial terms from the EMIS Health segment to the EMIS Enterprise segment totalling £4,442,000 (2018: £4,856,000). Revenue of £98,994,000 (2018: £99,414,000) is derived from the NHS and related bodies. Revenue of £5,022,000 (2018: £8,427,000) is derived from customers outside the UK.

3. Revenue analysis

	EMIS	EMIS	Total £'000	EMIS	EMIS	Total £'000
	Health £'000	Enterprise £'000		Health £'000	Enterprise £'000	
Software and software licences	37,449	29,104	66,553	36,889	25,227	62,116
Maintenance and software support	30,391	8,924	39,315	31,190	8,606	39,796
Other support services	6,973	10,412	17,385	6,213	10,668	16,881
Training, consultancy and implementation	8,829	6,814	15,643	8,333	3,333	11,666
Hosting	13,448	232	13,680	11,723	185	11,908
Hardware	3,768	3,163	6,931	4,954	2,389	7,343
	100,858	58,649	159,507	99,302	50,408	149,710

4. Exceptional items

	2019 £'000	2018 £'000
Reorganisation costs	(5,360)	—
Service level reporting credit	—	1,657
	(5,360)	1,657

The reorganisation costs in 2019 relate to redundancy and restructuring costs, including property exit costs.

The service level reporting credit relates to a provision release of £1,657,000 in 2018 in respect of the 2017 NHS Digital reporting issue.

5. Income tax expense

	2019 £'000	2018 £'000
Income tax:		
– UK current year tax charge	7,305	7,827
– Overseas current year tax charge	199	37
– Adjustment in respect of prior years	(370)	609
Total current tax	7,134	8,473
Deferred tax:		
– UK current year	(2,456)	(2,655)
– Adjustment in respect of prior years	344	(463)
Total deferred tax	(2,112)	(3,118)
Total tax charge in Group statement of comprehensive income	5,022	5,355
Factors affecting the tax charge for the year		
Profit before taxation	27,071	28,115
Taxation at the average UK corporation tax rate of 19% (2018: 19%)	5,143	5,342
Tax effects of:		
– Expenses not allowable in determining taxable profit	31	31
– Adjustment in respect of prior years	(26)	146
– Joint venture reported net of tax	(141)	(117)
– Effect of overseas tax rates	15	(7)
– Deferred tax rate change	—	(40)
Tax charge for the year	5,022	5,355

The total current year tax charge includes a credit of £1,018,000 (2018: charge of £315,000) in respect of exceptional items.

The UK Government announced that the planned UK corporation tax main rate reduction from 19% to 17% from 1 April 2020 will not take place as planned. Deferred tax balances have been calculated at 17%, being the rate substantively enacted at the balance sheet date. The impact of re-calculating at a 19% rate would be to increase the deferred tax liability by £234,000.

6. Earnings per share (EPS)

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

Earnings	2019 £'000	2018 £'000
Profit for the period	22,525	23,622
Total comprehensive income attributable to non-controlling interest	133	(912)
Basic earnings attributable to equity holders	22,658	22,710
Profit from discontinued operation, net of tax	(476)	(862)
Basic earnings from continuing operations attributable to equity holders	22,182	21,848
Reorganisation costs	5,360	—
Service level reporting credit	—	(1,657)
Development costs capitalised	(7,363)	(5,782)
Amortisation of development costs and acquired intangible assets	14,449	15,649
Tax and non-controlling interest effect of above items	(2,319)	(1,624)
Adjusted earnings attributable to equity holders	32,309	28,434

Weighted average number of ordinary shares	2019 Number '000	2018 Number '000
Total shares in issue	63,311	63,311
Shares held by Employee Benefit Trust	(425)	(320)
For basic EPS calculations	62,886	62,991
Effect of potentially dilutive share options	378	140
For diluted EPS calculations	63,264	63,131

EPS	2019 Pence	2018 Pence
Basic	36.0	36.1
Basic diluted	35.8	36.0
Basic – continuing operations	35.3	34.7
Basic diluted – continuing operations	35.1	34.6
Adjusted	51.4	45.1
Adjusted diluted	51.1	45.0

7. Dividends

	2019 £'000	2018 £'000
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
Final dividend for the year ended 31 December 2018 of 14.2p	8,950	—
Interim dividend for the year ended 31 December 2019 of 15.6p	9,795	—
	18,745	17,070

A final dividend for the year ended 31 December 2019 of 15.6p amounting to approximately £9,798,000 will be proposed at the Annual General Meeting on 6 May 2020. If approved, this dividend will be paid on 11 May 2020 to shareholders on the register on 14 April 2020. 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 2020.

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 2018	6,245	44,953	36,320	36,304	123,822
Additions	780	5,782	—	—	6,562
Acquisition of business	—	—	5,032	—	5,032
At 31 December 2018	7,025	50,735	41,352	36,304	135,416
Additions	773	7,363	—	—	8,136
Disposal of business	—	—	(1,011)	(5,320)	(6,331)
At 31 December 2019	7,798	58,098	40,341	30,984	137,221
Accumulated amortisation and impairment					
At 1 January 2018	3,337	27,097	23,629	19,251	73,314
Charged in year – continuing	946	9,447	3,621	2,581	16,595
Charged in year – discontinued	—	—	126	532	658
At 31 December 2018	4,283	36,544	27,376	22,364	90,567
Charged in year – continuing	884	7,132	4,589	2,728	15,333
Charged in year – discontinued	—	—	32	133	165
Disposal of business	—	—	(716)	(2,504)	(3,220)
At 31 December 2019	5,167	43,676	31,281	22,721	102,845
Net book value					
At 31 December 2019	2,631	14,422	9,060	8,263	34,376
At 31 December 2018	2,742	14,191	13,976	13,940	44,849
At 1 January 2018	2,908	17,856	12,691	17,053	50,508

9. Other financial liabilities

	2019 £'000	2018 £'000
Current		
Contingent acquisition consideration	480	1,012
Total	480	1,012
Non-current		
Contingent acquisition consideration	1,020	1,500
Option over non-controlling interest	2,688	2,406
Total	3,708	3,906

The current and non-current contingent consideration liabilities are both cash-settled liabilities arising from the prior year acquisition of Dovetail Lab, payable upon the achievement of specified revenue targets. The possible minimum and maximum undiscounted amounts of contingent consideration payable in cash are £nil and £1,500,000 respectively. Estimated fair value has been measured based on the future amounts payable, as the impact of discounting is not significant. During the year a payment of £1,012,000 was made, and a liability of £480,000 was reclassified from non-current to current.

A non-current financial liability of £2,688,000 has been recognised in relation to a put option in place over the 10% of Dovetail Lab's share capital not currently owned by EMIS Group plc. The put option has been measured at the present value of expected future cash flows 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 carrying value would increase/(decrease) if expected future operating profits were higher/(lower), or if the risk-adjusted discount rate were lower/(higher). The movement in the liability in the year relates primarily to the unwinding of discounting.

10. Cash generated from operations

	2019 £'000	2018 £'000
Profit before taxation	27,071	28,115
Finance income	(97)	(64)
Finance costs	595	244
Share of result of joint venture	(742)	(615)
Operating profit	26,827	27,680
Operating profit of discontinued operation	162	1,060
Adjustment for non-cash items:		
Amortisation of intangible assets	15,498	17,253
Depreciation of property, plant and equipment	7,001	6,259
Impairment loss on remeasurement of property asset held for sale	254	—
Loss/(profit) on disposal of property, plant and equipment	544	(119)
Share-based payments	1,290	766
Release of provision	—	(1,657)
Operating cash flow before changes in working capital	51,576	51,242
Changes in working capital:		
Decrease in inventory	607	369
(Increase)/decrease in trade and other receivables	(316)	2,199
Increase in trade and other payables	2,623	5,264
(Decrease)/increase in deferred income	(4,431)	330
Decrease in provision	—	(9,531)
Cash generated from operations	50,059	49,873

11. Discontinued operation

Following the disposal of the Specialist & Care business on 2 April 2019, it has been treated as a discontinued operation. The comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations. The results of the discontinued operation are as follows:

	2019 £'000	2018 £'000
Revenue	5,180	20,360
Costs	(5,011)	(19,305)
Results from operating activities	169	1,055
Income tax	(32)	(193)
Results from operating activities, net of tax	137	862
Gain on sale of discontinued operation	728	—
Disposal related costs	(389)	—
Profit from discontinued operation, net of tax	476	862
Earnings per share		
Basic	0.8p	1.4p
Diluted	0.8p	1.4p
Cash flows from discontinued operations		
Net cash generated from operating activities	1,628	2,591
Net cash used in investing activities	(45)	(571)
Net increase in cash and cash equivalents	1,583	2,020

The effect of the disposal on the financial position and cash flow of the Group is shown below:

	£'000
Goodwill	3,989
Other intangible assets	3,111
Property, plant and equipment	2,298
Trade and other receivables	5,848
Cash and cash equivalents	7,462
Trade and other payables	(7,968)
Current tax liabilities	(63)
Lease liabilities	(820)
Deferred tax liabilities	(531)
Net assets disposed of	13,326
Initial consideration received, settled in cash	14,054
Cash and cash equivalents disposed of	(7,462)
Directly attributable fees	(389)
Net cash inflow	6,203

12. Subsequent event

On 9 March 2020, the Group completed the acquisition of Pinnacle Health Partnership LLP and Pinnacle Systems Management Ltd, owners and operators of the widely-used PharmOutcomes platform.

PharmOutcomes is a secure, web-based service management solution used by more than 11,000 community pharmacies to record and manage nationally and locally commissioned patient services such as flu vaccinations, the Community Pharmacist Consultation Service and hospital discharge referral management. It allows local and national level analysis and reporting on the effectiveness of commissioned services, helping to improve the management of community pharmacy services.

EMIS Group is acquiring the business on a cash and debt free basis for £3.0m in cash with further consideration of up to £4.0m payable in cash on the attainment of certain performance targets in 2020 and 2021.

The Group is undertaking an exercise to establish the fair value of the net assets acquired. However due to the timing of the acquisition the results of this exercise have not been included in these financial statements.

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 Group.

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 the Group's total revenue is secured and anticipated to repeat in future periods, providing a measure of the financial strength of the Group. It is a measure that is well understood by the Group's investor and analyst community and is used for internal performance reporting.

	2019 £'000	2018 £'000
Reported revenue	159,507	149,710
Non-recurring revenue	(34,538)	(29,160)
Recurring revenue	124,969	120,550

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

Adjusted operating profit is operating profit from continuing operations 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 effects 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);
- it excludes any one-off goodwill impairment;
- 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 self-generated software intangibles (capitalised development costs).

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.

	2019 £'000	2018 £'000
Reported operating profit	26,827	27,680
Exceptional items	5,360	(1,657)
Development costs capitalised	(7,363)	(5,782)
Amortisation of computer software developed for external sale	7,132	9,447
Amortisation of intangible assets arising on business combinations	7,317	6,202
Adjusted operating profit	39,273	35,890

The exceptional item in 2019 relates to redundancy and restructuring costs, including property exit costs. The exceptional item in 2018 relates to a service level reporting credit.

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

	2019 £'000	2018 £'000
Profit attributable to equity holders	22,658	22,710
Profit from discontinued operation, net of tax	(476)	(862)
Exceptional items	5,360	(1,657)
Development costs capitalised	(7,363)	(5,782)
Amortisation of computer software developed for external sale	7,132	9,447

Amortisation of intangible assets arising on business combinations	7,317	6,202
Tax and non-controlling interest effect of above items	(2,319)	(1,624)
Adjusted profit attributable to equity holders	32,309	28,434

Adjusted cash generated from operations

The Group's adjusted cash generated from operations adjusts for development costs capitalised 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.

	2019 £'000	2018 £'000
Reported cash generated from operations	50,059	49,873
Development costs capitalised	(7,363)	(5,782)
Cash cost of exceptional items	3,636	10,378
Adjusted cash generated from operations	46,332	54,469

Net cash/(debt)

The Group uses net cash/(debt), defined as cash and cash equivalents less total borrowings (excluding IFRS 16 lease liabilities), as a supplementary measure in evaluating its liquidity, as it indicates the level of cash available to the Group and provides an indicator of the overall balance sheet strength. It is used in the calculation of the leverage ratio under its bank facility arrangements. For the period ending 31 December 2019 the Group was in a net cash position, with no borrowings.