



18 March 2021

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

Final Results for the year ended 31 December 2020

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 2020.

Financial highlights

	2020	2019	Change
Revenue			
Total revenue	£159.5m	£159.5m	-
Recurring revenue ¹	£130.0m	£125.0m	4%
Operating profit			
Adjusted ¹	£39.3m	£39.3m	-
Reported	£35.8m	£26.8m	33%
Cash flow and net cash			
Cash generated from operations - adjusted ¹	£58.9m	£46.3m	27%
Cash generated from operations - reported	£64.1m	£50.1m	28%
Net cash ¹	£53.0m	£31.1m	70%
Earnings per share			
Adjusted ¹	51.0p	51.4p	(1%)
Reported	48.1p	36.0p	34%
Dividends			
Proposed final	16.0p	15.6p	3%
Total for year	32.0p	31.2p	3%

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

Business highlights

Resilient financial performance and further strategic progress:

- Revenues, adjusted operating profit and adjusted operating margin maintained while recurring revenue, cash flow and reported operating profit all increased
- Successful transition to GP IT Futures framework, with leadership positions maintained or improved in key NHS markets
- Resilient business model with recurring revenue up 4% to £130.0m, representing 82% of total revenue (2019: 78%), £28m of new business delivered in the period and strong cash position of £53.0m (2019: £31.1m)
- Increased final dividend for tenth consecutive year

Well positioned to meet evolving requirements of healthcare sector today and in the future:

- The Group's Pinnacle product became the system used by healthcare professionals throughout England delivering Covid-19 vaccinations to capture and share essential immunisation information
 - deployed in almost 1,400 vaccination centres and has supported 14.9m vaccinations (as at 1 March 2021)
- Positive response to EMIS-X Analytics since launch in October 2020
 - supported large-scale epidemiological Covid-19 research with NHS England, Oxford University and the London School of Tropical Hygiene & Medicine
 - contracted with Oxford University and a global, science-led biopharmaceutical business to undertake a major clinical research project in the treatment of Covid-19
- Significantly increased usage of services provided by the Patient Access app and website, driven by increased demand for digital routes to healthcare during the pandemic, providing platform for future growth
- Supported community pharmacies to play a greater role in alleviating pressure on the NHS through managing and delivering repeat prescriptions and offering digital consultations
- Partner programme performed strongly with increasing choice of accredited software systems and services, further developing this powerful ecosystem

Outlook

- EMIS Group is well positioned to respond to the challenges our customers face with a combination of innovative technology, 82% recurring revenue and leading market shares
- EMIS-X offers significant potential to grow the business in both the NHS and life sciences sectors in the mid-term
- Flexible business model will enable the Group to adapt to proposed changes to NHS organisational structure
- Current trading in line with expectations, with a good pipeline of opportunities
- Expect to return to growth in 2021, with new product developments leading to opportunities for higher growth levels in 2022 and beyond

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

"2020 has been another year of positive progress for EMIS Group, during which healthcare has been at the centre of the global agenda. The front line response to the pandemic has been outstanding and I am proud of all my colleagues who have stepped up and helped our NHS heroes in every possible way, from supporting the clinicians delivering patient care on the front line to playing a vital role in England's vaccination programme.

"While Covid-19 presented unprecedented challenges to the sector, it has also been a catalyst for change, leading to a more rapid adoption of digital healthcare that is here to stay. We believe that EMIS Group is well positioned to respond to the challenges our customers face, with a combination of our innovative technology, leading market shares and strong recurring revenues that enable us to invest with confidence.

"Our product development investment means our current and emerging software is well suited to meet the evolving requirements of the healthcare sector. We remain focussed on the vision of a digital, connected healthcare world and we look forward to achieving great results for our customers, colleagues and shareholders."

There will be a webcast and conference call of the results today at 9.00am for analysts and investors. Please contact Pandora Yadgaroff at MHP Communications on 020 3128 8168 or email emis@mhpc.com for details.

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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, life sciences and patient-facing services.

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CHIEF EXECUTIVE OFFICER'S STATEMENT

Overview

2020 has been another year of positive progress for EMIS Group. While Covid-19 presented unprecedented challenges to the healthcare sector, it has also been a catalyst for change, leading to a more rapid adoption of digital healthcare that is here to stay. EMIS reacted quickly to the changing needs of our customers with a focus on supporting both the NHS and our colleagues through the pandemic in every way we can.

EMIS Group delivered a resilient financial performance during the period, with revenue and adjusted operating profit at very similar levels to 2019, while reported operating profit grew strongly. Over the year we increased our cash position by 70% and are pleased to be able to recommend an increased final dividend for the tenth consecutive year.

Our NHS and community pharmacy customers have done an incredible job in 2020, as have all our partners in the UK healthcare sector. The front line response to the pandemic has been outstanding and I am delighted to say that all my colleagues at EMIS have stepped up and helped our NHS heroes in every possible way, making a strong social contribution by supporting the clinicians that are delivering patient care on the front line.

Operational execution

EMIS's responsiveness and adaptability during the pandemic has enabled us to manage the business well throughout this challenging time. Early preparation meant that we moved 99% of our people to homeworking in both the UK and India ahead of the first formal lockdown announcement in March 2020. We received positive feedback from our customers throughout this period and were pleased to support the NHS front line appropriately.

Our combination of homeworking and on-site working enabled us to continue to provide technical support to our end users during this busy time without any interruption to service. Importantly, no staff were furloughed and no redundancies took place during lockdown.

Our robust business model has been the foundation for our performance this year, with 82% recurring revenue (2019: 78%). In addition, our account management and sales model has yielded good results with £28m of new business delivered in the year.

The new business product mix delivered during 2020 was different to what we had expected at the start of the year, as a direct consequence of the pandemic. For example, we saw higher than usual hardware sales resulting from the need for rapid deployment of mobile working solutions during lockdown. Growth was delayed in some areas of the business, such as in the uptake of Patient marketplace services and sales in the community pharmacy market, as patients made fewer visits to community pharmacies during the first lockdown.

We have made further improvements in our customer support area, with formal service level agreement (SLA) performance significantly improving year on year. We are focussed on continuous improvement in customer and partner satisfaction in 2021 and beyond.

Pinnacle acquisition and integration

The business was strengthened in March 2020 with the acquisition of Pinnacle, owners and operators of the widely-used PharmOutcomes platform. The company has integrated well into the Group, both culturally and operationally, especially considering it was acquired at the beginning of the pandemic. Almost immediately following the acquisition, Pinnacle began working with the Patient team to provide a new GP patient referral service as part of Patient Access for Professionals, called Patient Access Connect. This allows practice staff to triage patients and refer them to a community pharmacist in instances where they do not need to see a GP, such as for a minor illness consultation.

Interoperability is progressing well between Pinnacle's core PharmOutcomes system and our existing community pharmacy system, ProScript Connect. In the summer, the two systems began to successfully exchange data to enable pharmacists to check for shielding patients who needed their medicines to be home delivered during the pandemic.

From December onwards, Pinnacle's Outcomes4Health system became the system used by healthcare professionals throughout England delivering vaccinations to capture and share essential immunisation information. It is being used by healthcare professionals in GP-led primary care, community pharmacy and mass vaccination centres, linking directly with the National Immunisation Management Service (NIMS) for vital data exchange and sharing Covid-19 vaccination data back into the GP record. By 1 March 2021, Outcomes4Health had been deployed in almost 1,400 vaccination centres and has supported 14.9m vaccinations, as well as underpinning the NHS daily reporting on vaccination delivery.

Our product roadmap

We continued to bring new talent into our global development team during the pandemic and now have 687 people in our core product development team representing 45% of our employees, with our team in Chennai continuing to go from strength to strength. This number has increased from 417 in 2018, with the growth funded through efficiency enhancements in other parts of our business.

Technology development continued in line with our product roadmap, including the early release of EMIS-X Analytics during the year, and we remain committed to continuing investment in new technology through 2021 and beyond.

The positive customer response to EMIS-X Analytics has been particularly encouraging since its launch in October 2020. We have secured pilot contracts with 25 NHS organisations for use of our Explorer analytics product to analyse and drive improvements to healthcare in local populations, including winter planning and identifying Covid-19 hotspots in the local area. We have been supporting large-scale epidemiological Covid-19 research with NHS England and researchers from Oxford University and the London School of Tropical Hygiene & Medicine, and have contracted with Oxford University and a global, science-led biopharmaceutical business to help recruit and screen patients for a major clinical research project in the treatment of Covid-19.

In addition we are collaborating with one of the top five global pharmaceutical companies to implement a neural network, and the first non-image based artificial intelligence deployed in healthcare, into EMIS Web to aid early detection of atrial fibrillation and reduce occurrence of strokes across the UK population.

Our culture

Our culture continues to evolve positively. During 2020 we moved to a flexible working culture, becoming a primarily homeworking business with plans for our office spaces to be transformed into collaboration hubs for team working, meetings and cross-group teamwork. We made this change in consultation with our staff, after our mid-year survey showed that 96% of UK staff were happy to work from home.

Following an employee survey on our culture at the beginning of 2020, we launched our updated corporate values in the second half of the year. The values are supportive, responsible, transformative and collaborative and they capture the essence of what makes EMIS a great place to work both in the UK and in India. We are committed to embedding these values as part of our Group culture through employee engagement and communication as we look to live the values during 2021 and beyond.

We believe it is very important to recognise our team members for the positive contributions they make on a daily basis, and so employee reward and recognition was another key focus

area for us in 2020. This included the launch of a new “on demand” system where managers can immediately recognise great behaviour or achievements and reward the individual on the spot.

Employee wellbeing was also a big focus for us during 2020, with 28 volunteers trained as mental health first aiders for their colleagues. Their proactive engagement this year has made a notable difference across the business with a number of staff members personally recognising the invaluable support these volunteers have delivered in this area.

Focus on growth

With these solid foundations in place, the senior management team is focussed on translating our product development investment into growth. We expect to return to growth in 2021 and to build market momentum with our new product developments, which will lead to opportunities for higher levels of growth in 2022 and beyond.

Evolution of NHS structure

Integrated Care System (ICS) organisations have been growing in importance in recent years. These organisations are responsible for strategic plans to improve care for their local populations, including a focus on digital health. To succeed, ICSs will need effective, integrated solutions that enable data to flow between different healthcare settings and systems, including shared care records and population-level analytics. Our product development strategy is aligned with these priorities, for both existing and new products, and we have already restructured our sales and account teams in response to the growing importance of ICSs.

In February 2021, the Secretary of State for Health and Social Care proposed that ICSs be formalised as statutory legal bodies, in a White Paper entitled “Integration and Innovation: working together to improve health and social care for all.” Under these proposals, ICSs would replace Clinical Commissioning Groups (CCGs) and partner with hospital trusts and social care services, holding the local budget. ICSs would be required to demonstrate integrated care pathways, underpinned by a new data sharing strategy.

We continue to closely monitor changes to the NHS organisational structure and as always, we will respond accordingly and adapt our business model as appropriate. We do not believe that the changes proposed in the White Paper are likely to have any material impact on the Group.

Summary and outlook

It is a privilege to lead EMIS Group.

Covid-19 has put healthcare at the centre of the global agenda. We believe that EMIS is well positioned to respond to the challenges our customers face in 2021 and beyond, with a combination of our innovative technology, leading market shares and strong recurring revenues that enable us to invest with confidence. The product development investment we have made in recent years means our current and emerging software is well suited to meet the evolving requirements of the healthcare sector both today and in the future.

As we now move forward, our customers require innovation and new solutions. EMIS remains focussed on the vision of a digital, connected healthcare world and we look forward to achieving great results for our customers, colleagues and shareholders.

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 and operates under the EMIS brand.

Market shares

EMIS maintained its UK GP market leadership position with a market share of 57% (2019: 57%). The Group holds a joint market leadership position in Acute A&E at 21% (2019: 23%) and the number two market position in community at 20% (2019: 21%).

NHS primary care frameworks

EMIS transitioned to the GP IT Futures framework in January 2020. The framework governs the provision of the majority of EMIS Group's clinical IT system-related services to GPs in England and is due for review in March 2023. The related Digital Buying Catalogue, which facilitates procurement, will run on an ongoing basis.

EMIS developed a number of enhanced features in EMIS Web during 2020 in response to the framework, including capability for Fast Healthcare Interoperability Resource (FHIR) – a standard for exchanging healthcare information - an upgrade to the SNOMED CT clinical coding standard and integration with the Medicines and Healthcare products Regulatory Agency (MHRA) Yellow Card for reporting medication contraindications.

Framework mini-tender processes are anticipated to occur on a regular basis through the coming years in both Scotland and England. This has reinforced the clear focus of the Group to provide products that exceed customer expectations and to excel in customer service and delivery.

In Scotland, as an approved supplier on the NHS National Services Scotland (NSS) framework, EMIS continues to work closely with NSS to deliver the technology to support its health and care strategy. EMIS continues to keep the existing GP system, PCS, up to date for its Scottish customers, such as adding new clinical code terms to support the management of Covid-19, raising flags for patients on the shielding list and delivering population data for Public Health Scotland.

In Northern Ireland, EMIS has secured an extension to the GP Systems of Choice (GPSoC) framework until April 2022 so that it can continue to provide GP systems under the existing arrangements. EMIS is working on various Northern Ireland-specific enhancements to EMIS Web and continues to support its Covid-19 response.

EMIS has agreed a further extension to provide primary care systems in Wales as NHS Wales Informatics Service (NWIS) published its new framework in March 2021. EMIS and NWIS continue to work together on strategic projects to accelerate the digitisation of unscheduled care, such as refreshing the technology infrastructure.

Continued focus on EMIS-X

The development of EMIS-X continues. The development roadmap is linked to strategic customer priorities, with close alignment of the product, development and delivery functions. EMIS's 89-strong clinical team (2019: 71) continues to play a vital role throughout the development process, ensuring that EMIS's products and systems deliver what front line clinicians need on a daily basis.

Working with technology partners, EMIS-X will bring to the market the very best combination of in-house and partner technology as the platform for all future EMIS clinical systems.

Improving customer experience

EMIS is focussed on its relationships with customers in all major markets, with the intention that all customer touchpoints provide a high-quality experience for the end user.

In 2019, EMIS upgraded its support and service platform to ServiceNow, enabling support to be delivered digitally as well as through more traditional routes such as ringing into a call centre. During 2020 usage of digital support channels increased, with 66% of support incidents being logged digitally by the end of the year (2019: 30%).

EMIS's support services will continue to improve during 2021. The Group's new in-house dashboard will give a detailed insight into support performance, helping to pinpoint emerging trends before they become a problem and enabling more proactive management of issues. It will give a greater oversight of call and digital chat statistics, to highlight where any improvements can be made to make customer service even better.

Enhanced features for Symphony customers

EMIS continues to develop new functionality into existing systems, particularly to enable interoperability.

In September 2020, EMIS's Symphony became the first system accredited by NHS Digital to support direct electronic appointment booking from 111. Call handlers send referral appointments directly into an Emergency Department, urgent treatment centre or same day emergency care environment using Symphony. This supports the NHS Long Term Plan for the 111 service to become the first line of defence for urgent care.

As well as integration with 111, Symphony 3.0 was updated to enable improved workflows and help manage social distancing.

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, the Patient business and the life sciences sector. It operates under the EMIS and Patient brands.

Market shares

The Group improved its market-leading position in community pharmacy during 2020 at 38% (2019: 36%) and its number two market position in hospital pharmacy with a market share of 36% (2019: 35%).

Supporting community pharmacies to play a greater role

The NHS Long Term Plan outlined the intention for a greater range of clinical services to be provided in a community pharmacy setting to alleviate pressure on primary care.

During 2020, EMIS launched Clinical Service Hub (CSH) in ProScript Connect, which enables customers to deliver and record services they provide under the Patient Group Direction (PGD) initiative. Patients are able to book these services via Patient Access.

CSH is the first cloud-based ProScript Connect module to be developed, offering the potential for further interoperability and additional services in future.

The pandemic changed the way community pharmacists deliver their services and EMIS successfully provided solutions to manage and deliver repeat prescriptions and offer digital consultations.

Patient: delivering digitally

During 2020, as a direct consequence of the pandemic, the UK public needed digital routes to healthcare more than ever before. This was reflected in increased usage of the healthcare services provided by the Patient Access app and website.

Registered users increased during the year to 11.7m and subsequently to 12.0m in February 2021 (2019: 8.4m):

- booking 2.5m digital or face-to-face GP appointments (2019: 6.7m), a reduction from the previous year reflecting the lower numbers of GP appointments across the sector due to the pandemic;
- ordering 23.5m repeat prescriptions (2019: 20.2m); and
- booking 41,415 private pharmacy consultations and 15,356 pharmacy NHS flu vaccinations across web, iOS and Android (2019: 14,000 pharmacy consultations and 8,700 flu vaccinations).

Patient.info continues to be one of the UK's leading medical information sites, offering more than 6,000 patient-facing and professional articles including over 100 about Covid-19. 80m unique users viewed 166m pages during 2020 (2019: 42m users, 109m page views).

The increase in usage of both the website and the existing Patient Access services provides a platform for growth of future Patient Access offerings, as the NHS increasingly looks to provide the UK public with a digital front door to healthcare services.

Patient Access will be launching its new Smart Pharmacy service during 2021, which will enable patients to order, track, and opt for home delivery of their medications from their local pharmacy. It offers community pharmacies a strong proposition in the face of increasing online competition as Smart Pharmacy will provide patients with regular updates on the progress of their prescription, taking pressure from the front desk of busy GP practices.

Another new service successfully launched recently has been a Patient and Pinnacle co-developed solution for community pharmacists to provide minor ailment treatments under the Public Health England Community Pharmacy Consultation Service (CPCS) framework. A new signposting feature in EMIS Web, called Patient Access Connect, allows clinicians and surgery staff to directly refer patients to their local pharmacy.

The partner programme: a powerful ecosystem

The partner programme continued to perform strongly in 2020 with the number of partners offering products that interoperate with EMIS clinical systems increasing to 143 (2019: 113). The Group continues its approach of partnering with best of breed technology to provide solutions to its customers. No single business can offer everything in a market as complex and varied as healthcare, but together EMIS's ecosystem can solve problems for customers in a better and faster way. EMIS already offers a strong proposition through EMIS Web and in future the business will develop even more integration through EMIS-X.

With the increased focus on the digitisation of healthcare, the EMIS partner programme has been strengthened during 2020 with the addition of companies such as Arc Health, providing technology to enable video consultation in care homes.

EMIS-X Analytics opportunities in enterprise markets

In 2020, Explorer and Visualiser, the first products from the EMIS-X Analytics suite, were launched to the market. EMIS-X Analytics is a high performance cloud analytics suite that provides a range of powerful processing tools designed to curate, aggregate and query large healthcare data sets at speed and scale. It offers significant potential for EMIS Group to grow the business over time with opportunities in both the NHS and life sciences.

EMIS-X Analytics has been used to facilitate a number of national and regional Covid-19 research programmes, such as NHS England's OpenSAFELY programme, a collaboration between the University of Oxford, the London School of Tropical Hygiene and Medicine and system suppliers. Led by NHS doctors Ben Goldacre and Liam Smeeth, OpenSAFELY is a new secure analytics platform for electronic health records in the NHS, created to deliver urgent results during the pandemic.

FINANCIAL REVIEW

The results for the year ended 31 December 2020 represent a creditable performance given the challenges faced by the business during the Covid-19 lockdown periods. The Group's revenues, adjusted operating profit and adjusted operating margin were unchanged on the comparative period while recurring revenue, cash flow and reported operating profit and margin all increased.

Group revenue of £159.5m (2019: £159.5m) included revenue of £2.2m from the Pinnacle acquisition, completed on 9 March 2020. Recurring revenue grew by 4% to £130.0m (2019: £125.0m), representing 82% (2019: 78%) of the Group's total revenue.

Adjusted operating profit for the year, as set out in the table below, was £39.3m (2019: £39.3m), including £0.7m from Pinnacle. Reported operating profit, in the absence of any exceptional charges and including the release of contingent acquisition consideration of £1.0m, increased to £35.8m (2019: £26.8m). A reconciliation between the operating profit measures is given in the Group statement of comprehensive income and in the appendix to this report.

Segmental performance

The table below sets out the summary segmental performance:

	EMIS Health 2020 £'m	EMIS Health 2019 £'m	EMIS Enterprise 2020 £'m	EMIS Enterprise 2019 £'m	Total 2020 £'m	Total 2019 £'m
Revenue	107.8	100.9	51.7	58.6	159.5	159.5
Adjusted segmental operating profit	25.1	23.3	15.7	17.5	40.8	40.8
Group expenses					(1.5)	(1.5)
Adjusted operating profit¹					39.3	39.3
Adjusted operating margin	23.3%	23.1%	30.4%	29.9%	24.6%	24.6%

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

Driven in part by higher than usual hardware sales resulting from the need for rapid deployment of mobile working solutions during lockdown, revenue increased by 7% in EMIS Health to £107.8m (2019: £100.9m). These additional sales and reduced operating costs delivered an 8% increase in adjusted operating profit to £25.1m (2019: £23.3m), notwithstanding the Group's continued investment in developing its strategic roadmap.

While recurring revenue increased, performance in the EMIS Enterprise division reflected a subdued market and a strong comparative period. In the absence of significant licence deals and with delayed implementations during lockdown, revenue was 12% lower at £51.7m (2019: £58.6m) and adjusted operating profit reduced by 10% to £15.7m (2019: £17.5m).

Revenue

The NHS GP IT Futures framework, governing over a quarter of the Group's revenues, took effect in 2020. This introduced a single "software as a service payment" for GP systems in England and therefore, in order to better reflect the evolution of the business and its core revenue streams monitored internally, the Group has revised the way in which it analyses revenue. The revised analysis of revenue from continuing operations is summarised below:

- **software subscription and support**, higher at £99.5m (2019: £94.2m), reflecting the inclusion of the acquired Pinnacle revenues and higher revenues from the Group's existing customers;
- **interface and connectivity charges**, lower at £20.3m (2019: £21.8m) with business growth offset by a particularly strong comparative period for partner on-boarding;
- **hardware and related services**, which grew to £17.3m (2019: £13.2m) as a result of Covid-19 related hardware sales in the primary care market;
- **other services**, where revenues were higher at £13.4m (2019: £12.0m) with increased digitisation project work; and
- **perpetual licences, training, consultancy and implementation**, where lower revenues of £9.0m (2019: £18.3m) reflected the unusually high level of licence deals in the comparative period and reduced implementation activity during the Covid-19 lockdowns.

The high level of recurring revenue and the strength of the Group's customer relationships give the business confidence to invest in developing future products and services, while providing good visibility of future financial performance.

Profitability

Adjusted operating profit was unchanged on the comparative period at £39.3m (2019: £39.3m). This was delivered despite a lower gross margin revenue mix by careful cost control through the year, while at the same time increasing the level of investment in development to £21.2m (2019: £20.7m). The adjusted operating margin was also consistent with the comparative period at 24.6% (2019: 24.6%).

Total staff costs excluding exceptional reorganisation costs were 1% lower than in 2019, although year-end staff numbers increased to 1,591 (2019: 1,527) and the average headcount was also marginally higher at 1,579 (2019: 1,575). The increase in staff numbers was driven principally by the expansion of the Indian development team to 410 people (2019: 332).

Reported operating profit increased by 33% to £35.8m (2019: £26.8m), reflecting the release of contingent consideration no longer payable on the 2018 Dovetail acquisition, the absence of exceptional reorganisation costs in 2020, and lower levels of capitalised development cost amortisation charge.

During the year a final contingent payment under the sale agreement of £0.8m was received from the acquirer for the Specialist & Care business, disposed of in 2019, and this payment was recognised as other income.

Taxation

The tax charge for the year was £6.8m (2019: £5.0m). The effective tax rate for the year before the deferred tax rate change, release of contingent acquisition consideration, other income and share of result of joint venture and associate was 19.1% (2019: 19.2%).

Earnings per share (EPS)

Adjusted basic and diluted EPS were 1% lower at 51.0p and 50.4p respectively (2019: 51.4p and 51.1p). The statutory basic and diluted EPS were both higher at 48.1p and 47.6p respectively (2019: 36.0p and 35.8p).

Dividend

Subject to shareholder approval at the Annual General Meeting on 6 May 2021, the Board proposes an increase in the final dividend to 16.0p (2019: 15.6p) per ordinary share, payable on 14 May 2021 to shareholders on the register at the close of business on 16 April 2021. This would make a total dividend of 32.0p (2019: 31.2p) per ordinary share for 2020. This is 3% higher than in the prior year, reflecting a balance of the challenging trading environment experienced in 2020 with the consistent underlying growth of the Group and its positive future prospects.

Cash flow and net cash

The principal movements in net cash (rounded) were as follows:

	2020 £m	2019 £m
Cash from operations:		
Cash generated from operations	64.1	50.1
Less: capitalised development costs	(6.6)	(7.4)
Adjusted cash generated from operations	58.8	46.3
Cash cost of exceptional items	(1.3)	(3.6)
Net cash generated from operations	57.5	42.7
Business combinations	(4.2)	(1.2)
Business disposal	0.8	6.2
Net capital expenditure	(0.4)	(5.6)
Transactions in own shares	0.5	(3.1)
Tax	(11.7)	(4.5)
Dividends	(19.9)	(18.7)
Lease payments	(1.5)	(0.9)
Finance/other	0.8	0.6
Change in net cash in the year	21.9	15.5
Net cash at end of year	53.0	31.1

Cash generated from operations increased to £64.1m (2019: £50.1m). Adjusted cash from operations is stated after adding back the cash cost of items relating to the 2019 exceptional reorganisation costs of £1.3m (2019: £3.6m) and after deducting capitalised development costs. On this adjusted basis, cash flow from operations was 27% higher than in 2019, due to improved working capital including £7.3m of VAT payments deferred until 2021.

The Group completed the acquisition of the Pinnacle business during the year for initial cash consideration, net of cash acquired, of £2.9m. It also paid a final balance of £0.8m of deferred contingent consideration further to the 2018 Dovetail acquisition and £0.6m for the acquisition of the remaining 10% share capital of Dovetail. The Group received £0.8m of consideration in respect of the 2019 disposal of the Specialist & Care business.

Net cash spent on capital expenditure (excluding capitalised development costs) was tightly controlled at £0.4m (2019: £5.6m). Capital additions in the year included £1.8m on computer equipment, £0.4m on internal systems and software and £0.7m on property assets offset by proceeds from sales (principally of the former head office property) of £2.5m (2019: £0.2m).

After transactions in own shares, tax, dividends, lease payments and finance/other transactions, the total net cash inflow of £21.9m resulted in a year-end net cash position of £53.0m (2019: £31.1m). At 31 December 2020, the Group had available undrawn bank facilities of £30.0m committed until June 2021, reducing to £15.0m for the twelve-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 twelve-month period ending 30 June 2022.

Group statement of comprehensive income

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue	2,3	159,453	159,507
Costs			
Changes in inventories		(47)	(607)
Cost of goods and services		(20,288)	(14,800)
Staff costs ¹		(63,374)	(67,519)
Other operating expenses ²		(22,628)	(27,599)
Depreciation of property, plant and equipment		(5,089)	(6,822)
Amortisation of intangible assets	8	(12,251)	(15,333)
Adjusted operating profit		39,266	39,273
Development costs capitalised	8	6,590	7,363
Amortisation of intangible assets ³	8	(11,100)	(14,449)
Reorganisation costs	4	—	(5,360)
Release of contingent acquisition consideration	4	1,020	—
Operating profit	2	35,776	26,827
Finance income		89	97
Finance costs		(590)	(595)
Share of result of joint venture and associate		858	742
Other income ⁴		782	—
Profit before taxation		36,915	27,071
Income tax expense	5	(6,794)	(5,022)
Profit for the period from continuing operations		30,121	22,049
Profit from discontinued operation, net of tax		—	476
Profit for the period		30,121	22,525
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		(41)	(182)
Other comprehensive income		(41)	(182)
Total comprehensive income for the year		30,080	22,343
Attributable to:			
- equity holders of the parent		30,207	22,476
- non-controlling interest in subsidiary company		(127)	(133)
Total comprehensive income for the year		30,080	22,343
Earnings per share attributable to equity holders of the parent	6	Pence	Pence
Basic		48.1	36.0
Basic diluted		47.6	35.8
Basic – continuing operations		48.1	35.3
Basic diluted – continuing operations		47.6	35.1
Adjusted		51.0	51.4
Adjusted diluted		50.4	51.1

¹ Including exceptional reorganisation costs of £nil (2019: £4,160,000).

² Including an exceptional credit from release of contingent acquisition consideration of £1,020,000 (2019: £nil) and exceptional reorganisation costs of £nil (2019: £1,200,000)

³ Excluding amortisation of computer software used internally of £1,151,000 (2019: £884,000).

⁴ During the year the Group received £782,000 of previously unrecognised additional consideration in relation to the prior year disposal of the Specialist & Care business.

Group balance sheet

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Goodwill		52,177	47,969
Other intangible assets	8	33,118	34,376
Property, plant and equipment		19,870	18,399
Investment in joint venture and associate		353	345
		105,518	101,089
Current assets			
Inventories		613	657
Current tax assets		3,556	—
Trade and other receivables		29,993	33,047
Property asset held for sale		—	2,475
Cash and cash equivalents		53,008	31,099
		87,170	67,278
Total assets		192,688	168,367
Current liabilities			
Trade and other payables		(31,219)	(23,437)
Deferred income		(29,161)	(28,820)
Current tax liabilities		—	(2,323)
Other financial liabilities	9	(2,000)	(480)
Lease liabilities	10	(990)	(640)
		(63,370)	(55,700)
Non-current liabilities			
Deferred tax liability		(2,289)	(1,467)
Other financial liabilities	9	(2,000)	(3,708)
Lease liabilities	10	(5,891)	(3,294)
		(10,180)	(8,469)
Total liabilities		(73,550)	(64,169)
Net assets		119,138	104,198
Equity			
Ordinary share capital		633	633
Share premium		51,045	51,045
Own shares held in trust		(3,594)	(5,021)
Retained earnings		69,260	57,118
Other reserve		1,794	147
Equity attributable to owners of the parent		119,138	103,922
Non-controlling interest		—	276
Total equity		119,138	104,198

Group statement of cash flows

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Profit before taxation		36,915	27,071
Finance income		(89)	(97)
Finance costs		590	595
Share of result of joint venture		(858)	(742)
Other income		(782)	—
Operating profit		35,776	26,827
Operating profit of discontinued operation		—	162
Adjustments for non-cash items			
Amortisation of intangible assets		12,251	15,498
Depreciation of property, plant and equipment		5,089	7,001
Release of contingent acquisition consideration		(1,020)	—
Impairment loss on remeasurement of property asset held for sale		—	254
Loss on disposal of property, plant and equipment		43	544
Share-based payments		1,440	1,290
Operating cash flow before changes in working capital		53,579	51,576
Changes in working capital			
Decrease in inventory		47	607
Decrease/(increase) in trade and other receivables		3,197	(316)
Increase in trade and other payables		7,751	2,623
Decrease in deferred income		(436)	(4,431)
Adjusted cash generated from operations		58,851	46,332
Development costs capitalised		6,590	7,363
Cash cost of exceptional items		(1,303)	(3,636)
Cash generated from operations		64,138	50,059
Finance costs		(141)	(186)
Finance income		87	93
Tax paid		(11,684)	(4,466)
Net cash generated from operating activities		52,400	45,500
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,449)	(4,983)
Proceeds from sale of property, plant and equipment		2,500	151
Development costs capitalised	8	(6,590)	(7,363)
Purchase of software	8	(452)	(773)
Dividends received		850	700
Business combination	11	(2,880)	—
Acquisition of associate		—	(190)
Disposal of discontinued operation, net of cash disposed of		782	6,203
Net cash used in investing activities		(8,239)	(6,255)
Cash flows from financing activities			
Transactions in own shares held in trust		474	(3,069)
Payment of lease liabilities		(1,511)	(940)
Deferred contingent consideration	9	(800)	(1,012)
Dividends paid	7	(19,860)	(18,745)
Acquisition of non-controlling interest	9	(555)	—
Net cash used in financing activities		(22,252)	(23,766)
Net increase in cash and cash equivalents		21,909	15,479
Cash and cash equivalents at beginning of year		31,099	15,620
Cash and cash equivalents at end of year		53,008	31,099

Group statement of changes in equity

for the year ended 31 December 2020

	Notes	Share capital £'000	Share premium £'000	Own shares held in trust £'000	Retained earnings £'000	Other reserve £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2019		633	51,045	(1,913)	51,884	611	399	102,659
Adjustment on initial application of IFRS 16		—	—	—	(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
Profit for the year		—	—	—	30,248	—	(127)	30,121
Changes in ownership interest								
Non-controlling interest acquisition	9	—	—	—	(406)	—	(149)	(555)
Transactions with owners								
Share acquisitions less sales		—	—	1,427	—	—	—	1,427
Share-based payments		—	—	—	1,440	—	—	1,440
Deferred tax in relation to share-based payments		—	—	—	40	—	—	40
Dividends paid	7	—	—	—	(19,860)	—	—	(19,860)
Contingent acquisition consideration	9	—	—	—	680	(1,000)	—	(320)
Option over non-controlling interest	9	—	—	—	—	2,688	—	2,688
Other comprehensive income								
Currency translation differences		—	—	—	—	(41)	—	(41)
At 31 December 2020		633	51,045	(3,594)	69,260	1,794	—	119,138

Notes to the preliminary announcement

for the year ended 31 December 2020

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 2020 or 2019 but is derived from those financial statements.

Statutory financial statements for 2019 have been delivered to the registrar of companies and those for 2020 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 2020 will be posted no later than 30 March 2021 to shareholders and, once approved, will be delivered to the Registrar of Companies following the Annual General Meeting on 6 May 2021.

Copies of the Annual Report and financial statements for the year ended 31 December 2020 will be available on the company's website (<https://www.emisgroupplc.com/investors>) from 30 March 2021 and from the Company Secretary, EMIS Group plc, Fulford Grange, Micklefield Lane, Rawdon, Leeds, LS19 6BA.

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. 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 was classified as a discontinued operation following its sale on 2 April 2019 and therefore the information presented below relates to continuing operations only.

	2020			2019		
	EMIS Health £'000	EMIS Enterprise £'000	Total £'000	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Segmental result						
Revenue	107,773	51,680	159,453	100,858	58,649	159,507
Segmental operating profit as reported internally	25,088	15,688	40,776	23,268	17,511	40,779
Development costs capitalised	4,643	1,947	6,590	6,216	1,147	7,363
Amortisation of development costs	(2,559)	(1,717)	(4,276)	(5,500)	(1,632)	(7,132)
Amortisation of acquired intangible assets	(3,350)	(3,474)	(6,824)	(3,813)	(3,504)	(7,317)
Release of contingent acquisition consideration	—	1,020	1,020	—	—	—
Reorganisation costs	—	—	—	(4,135)	(1,225)	(5,360)
Segmental operating profit	23,822	13,464	37,286	16,036	12,297	28,333
Group operating expenses			(1,510)			(1,506)
Operating profit			35,776			26,827
Net finance costs			(501)			(498)
Share of result of joint venture and associate			858			742
Other income			782			—
Profit before taxation			36,915			27,071

Revenue excludes intra-group transactions on normal commercial terms from the EMIS Health segment to the EMIS Enterprise segment totalling £3,017,000 (2019: £4,442,000). Revenue of £112,711,000 (2019: £98,994,000) is derived from the NHS and related bodies. Revenue of £3,990,000 (2019: £5,022,000) is derived from customers outside the UK.

3. Revenue analysis

Following the 1 January 2020 commencement of the NHS GP IT Futures framework governing over a quarter of the Group's revenues, which introduced a single software as a service payment for GP Systems in England, and in order to better reflect the evolution of the business and its core revenue streams monitored internally, the Group has revised the way in which it analyses revenue. The revised analysis of revenue from continuing operations, including comparative information restated on the same basis, is presented below.

	2020			2019		
	EMIS Health £'000	EMIS Enterprise £'000	Total £'000	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Software subscription and support	77,032	22,456	99,488	73,451	20,730	94,181
Interface and connectivity charges	5,023	15,261	20,284	2,892	18,957	21,849
Hardware and related services	12,799	4,502	17,301	8,056	5,103	13,159
Other services	7,795	5,602	13,397	7,929	4,101	12,030
Perpetual licences, training, consultancy and implementation	5,124	3,859	8,983	8,530	9,758	18,288
	107,773	51,680	159,453	100,858	58,649	159,507

4. Exceptional items

	2020 £'000	2019 £'000
Reorganisation costs	—	(5,360)
Release of contingent acquisition consideration	1,020	—
	1,020	(5,360)

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

5. Income tax expense

	2020 £'000	2019 £'000
Income tax:		
– UK current year tax charge	7,159	7,305
– Overseas current year tax charge	184	199
– Adjustment in respect of prior years	(656)	(370)
Total current tax	6,687	7,134
Deferred tax:		
– UK current year	(792)	(2,456)
– Adjustment in respect of prior years	685	344
– Deferred tax rate change	214	—
Total deferred tax	107	(2,112)
Total tax charge in Group statement of comprehensive income	6,794	5,022
Factors affecting the tax charge for the year		
Profit before taxation	36,915	27,071
Taxation at the average UK corporation tax rate of 19% (2019: 19%)	7,014	5,143
Tax effects of:		
– (Income)/expenses not chargeable/allowable in determining taxable profit	(315)	31
– Adjustment in respect of prior years	29	(26)
– Joint venture reported net of tax	(163)	(141)
– Effect of overseas tax rates	15	15
– Deferred tax rate change	214	—
Tax charge for the year	6,794	5,022

The total current year tax charge includes a credit of £nil (2019: £1,018,000) in respect of exceptional items.

The decision of the UK government not to reduce the UK corporation tax rate from 19% to 17% from 1 April 2020 resulted in a one-off deferred tax charge of £214,000 in the year, with a corresponding increase in the Group's net deferred tax liability. In March 2021 the UK government announced that the UK corporation tax rate for large companies would rise to 25% from 1 April 2023. However, as this had not been substantively enacted at the balance sheet date, deferred tax assets and liabilities have not been remeasured. Had the change been substantively enacted at the balance sheet date, the estimated impact would be to increase the Group's net deferred tax liability by approximately £300,000.

6. Earnings per share (EPS)

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

Earnings	2020 £'000	2019 £'000
Profit for the period	30,121	22,525
Total comprehensive income attributable to non-controlling interest	127	133
Basic earnings attributable to equity holders	30,248	22,658
Profit from discontinued operation, net of tax	—	(476)
Basic earnings from continuing operations attributable to equity holders	30,248	22,182
Development costs capitalised	(6,590)	(7,363)
Amortisation of development costs and acquired intangible assets	11,100	14,449
Reorganisation costs	—	5,360
Release of contingent acquisition consideration	(1,020)	—
Other income	(782)	—
Tax and non-controlling interest effect of above items	(925)	(2,319)
Adjusted earnings attributable to equity holders	32,031	32,309

Weighted average number of ordinary shares	2020 Number '000	2019 Number '000
Total shares in issue	63,311	63,311
Shares held by Employee Benefit Trust	(447)	(425)
For basic EPS calculations	62,864	62,886
Effect of potentially dilutive share options	634	378
For diluted EPS calculations	63,498	63,264

EPS	2020 Pence	2019 Pence
Basic	48.1	36.0
Basic diluted	47.6	35.8
Basic – continuing operations	48.1	35.3
Basic diluted – continuing operations	47.6	35.1
Adjusted	51.0	51.4
Adjusted diluted	50.4	51.1

7. Dividends

	2020 £'000	2019 £'000
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
Final dividend for the year ended 31 December 2019 of 15.6p	9,798	—
Interim dividend for the year ended 31 December 2020 of 16.0p	10,062	—
	19,860	18,745

A final dividend for the year ended 31 December 2020 of 16.0p amounting to approximately £10,067,000 will be proposed at the Annual General Meeting on 6 May 2021. If approved, this dividend will be paid on 14 May 2020 to shareholders on the register on 15 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 2021.

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 2019	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
Additions	452	6,590	—	—	7,042
Acquisition of business	—	—	2,989	962	3,951
At 31 December 2020	8,250	64,688	43,330	31,946	148,214
Accumulated amortisation and impairment					
At 1 January 2019	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
Charged in year – continuing	1,151	4,276	4,412	2,412	12,251
At 31 December 2020	6,318	47,952	35,693	25,133	115,096
Net book value					
At 31 December 2020	1,932	16,736	7,637	6,813	33,118
At 31 December 2019	2,631	14,422	9,060	8,263	34,376
At 1 January 2019	2,742	14,191	13,976	13,940	44,849

9. Other financial liabilities

	2020 £'000	2019 £'000
Current		
Contingent acquisition consideration – Pinnacle	2,000	—
Contingent acquisition consideration – Dovetail	—	480
Total	2,000	480
Non-current		
Contingent acquisition consideration – Pinnacle	2,000	—
Contingent acquisition consideration – Dovetail	—	1,020
Option over non-controlling interest	—	2,688
Total	2,000	3,708

The current and non-current contingent consideration liabilities in respect of the Pinnacle acquisition are both payable in cash upon the achievement of specified profit targets. The possible minimum and maximum undiscounted amounts of contingent consideration payable in cash are £nil and £4,000,000 respectively. Estimated fair value has been measured based on the expected future amounts payable, as the impact of discounting is not material. This has been categorised as a level 3 fair value measurement under IFRS 13, as the inputs to the valuation such as the future performance of Pinnacle, are not based on observable market data.

During the year the Group acquired the remaining non-controlling interest in Dovetail for a cash payment of £555,000. Consequently the non-current financial liability in respect of the put option in place over the non-controlling interest was extinguished and the related liability de-recognised, with a corresponding movement within Other Reserves. Following a £40,000 increase since the 2019 year end, the fair value of the put option liability at the point of de-recognition was £2,728,000, and therefore the Group statement of changes in equity shows a net movement of £2,688,000 within Other Reserves.

In respect of the Dovetail contingent acquisition consideration, a payment of £480,000 was made during the year following the achievement of specified revenue targets, and additionally it was agreed that no further amounts would be payable, resulting in a corresponding credit to the Group statement of comprehensive income of £1,020,000.

A further payment of £320,000 was made during the year in respect of equity-settled contingent acquisition consideration initially recognised at a fair value of £1,000,000, resulting in a corresponding debit to Other Reserves, and the remaining equity-settled deferred consideration of £680,000 was reclassified to retained earnings.

The two payments together resulted in a total cash outflow of £800,000. The transactions have been accounted for in accordance with the Group's accounting policy on financial instruments as set out in note 1.17 to the Annual Report and Accounts.

10. Leases

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets			Lease liabilities	
	Land and buildings £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000	£'000
As at 1 January 2019	2,541	78	912	3,531	(3,784)
Additions	1,419	—	468	1,887	(1,887)
Disposal of business	(820)	—	—	(820)	820
Depreciation expense	(360)	(32)	(494)	(886)	—
Interest expense	—	—	—	—	(181)
Payments	—	—	—	—	940
Effect of movements in exchange rates	(141)	—	—	(141)	158
As at 31 December 2019	2,639	46	886	3,571	(3,934)
Additions	3,422	—	659	4,081	(4,081)
Acquisition of business	151	—	—	151	(156)
Depreciation expense	(858)	(32)	(563)	(1,453)	—
Interest expense	—	—	—	—	(386)
Payments	—	—	—	—	1,508
Effect of movements in exchange rates	(140)	—	—	(140)	168
As at 31 December 2020	5,214	14	982	6,210	(6,881)

11. Business combination

On 9 March 2020, the Group completed the acquisition of Pinnacle Health Partnership LLP and Pinnacle Systems Management Limited, 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.

The 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	2,989
Intangible assets – customer relationships	962
Property, plant and equipment	204
Inventories	3
Trade and other receivables	507
Cash and cash equivalents	873
Trade and other payables	(307)
Deferred income	(777)
Lease liabilities	(156)
Deferred tax liability	(753)
Total identifiable net assets	3,545
Goodwill	4,208
	7,753
Consideration:	
Cash consideration	3,753
Contingent consideration – cash-settled (note 9)	4,000
Total potential consideration	7,753
Cash and cash equivalent balances acquired	(873)
Contingent consideration not yet settled	(4,000)
Net cash cost of acquisition paid in year	2,880

Goodwill relates principally to the experienced staff within the business.

Fair values of assets and liabilities represent the best estimate of the fair values at the date of acquisition. The acquired software was measured at fair value using a multi period excess earnings valuation technique, which considers the present value of the net cash flows expected to be generated (excluding any cash flows related to contributory assets).

The post-acquisition contribution of the acquired business to Group revenue and adjusted operating profit was £2,198,000 and £696,000 respectively. Had the acquisition occurred on 1 January 2020, the Group's revenue and adjusted operating profit for the period would have been £159,945,000 and £39,389,000 respectively.

In relation to the acquisition, costs of £184,000 have been expensed in the statement of comprehensive income.

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.

	2020 £'000	2019 £'000
Reported revenue	159,453	159,507
Non-recurring revenue	(29,410)	(34,538)
Recurring revenue	130,043	124,969

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 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.

	2020 £'000	2019 £'000
Reported operating profit	35,776	26,827
Development costs capitalised	(6,590)	(7,363)
Amortisation of computer software developed for external sale	4,276	7,132
Amortisation of intangible assets arising on business combinations	6,824	7,317
Exceptional reorganisation costs	—	5,360
Exceptional release of contingent acquisition consideration	(1,020)	—
Adjusted operating profit	39,266	39,273

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

	2020 £'000	2019 £'000
Profit attributable to equity holders	30,248	22,658
Profit from discontinued operation, net of tax	—	(476)
Development costs capitalised	(6,590)	(7,363)
Amortisation of computer software developed for external sale	4,276	7,132
Amortisation of intangible assets arising on business combinations	6,824	7,317
Exceptional reorganisation costs	—	5,360
Exceptional release of contingent acquisition consideration	(1,020)	—
Other income	(782)	—
Tax and non-controlling interest effect of above items	(925)	(2,319)
Adjusted profit attributable to equity holders	32,031	32,309

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.

	2020 £'000	2019 £'000
Reported cash generated from operations	64,138	50,059
Development costs capitalised	(6,590)	(7,363)
Cash cost of exceptional items	1,303	3,636
Adjusted cash generated from operations	58,851	46,332

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 year ending 31 December 2020 the Group was in a net cash position, with no borrowings.