



17 March 2022

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

Preliminary unaudited results for the year ended 31 December 2021

“Strong performance above expectations”

EMIS Group plc (AIM: EMIS.L), the UK leader in connected healthcare software and services, today announces its preliminary unaudited results for the year ended 31 December 2021.

Financial highlights

	2021	2020	Change
	Unaudited		
Revenue			
Total revenue	£168.2m	£159.5m	+6%
Recurring revenue ¹	£134.8m	£130.0m	+4%
Operating profit			
Adjusted ¹	£43.5m	£39.3m	+11%
Reported	£35.8m	£35.8m	-
Operating margin			
Adjusted ¹	25.9%	24.6%	+125 bps
Reported	21.3%	22.4%	-116 bps
Cash flow and net cash			
Cash generated from operations - adjusted ¹	£46.0m	£58.9m	-22%
Cash generated from operations - reported	£50.1m	£64.1m	-22%
Net cash ¹	£64.0m	£53.0m	+21%
Earnings per share			
Adjusted ¹	56.1p	51.0p	+10%
Reported	46.2p	48.1p	-4%
Dividends			
Proposed final	17.6p	16.0p	+10%
Total for year	35.2p	32.0p	+10%

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

Business highlights – strong results with performance above expectations

- Increased dividend for the eleventh consecutive year
- Double-digit revenue growth in EMIS Enterprise, now accounting for more than 40% of profit
- 27 customers now using EMIS-X Analytics, 12 in EMIS Enterprise and 15 in EMIS Health (2020: 25 pilot customers) with good potential for growth
- Post year end acquisitions of Edenbridge Healthcare and FourteenFish to grow EMIS Enterprise, enhancing the Group’s data, analytics and digital portfolio and strengthening capabilities

- As part of EMIS's Integrated Care Systems (ICS) strategy, continuing to deliver integrated care with EMIS-X interoperability technology enhancements released in key markets through 2021 and 2022 to date
- Supported the NHS in delivering more than 100 million Covid-19 vaccinations (86% of the total)

Outlook – building growth momentum and well positioned for a strong 2022

- Supporting customers in the Covid-19 recovery, with relevant and innovative technology closely aligned with NHS strategy, 80% recurring revenue and leading market shares
- EMIS-X technologies offer good potential to accelerate efficiency and growth in both EMIS Health and EMIS Enterprise
- Strong balance sheet provides platform to deliver organic and inorganic growth ambitions
- Focussed on delivering consistent revenue growth, as well as expanding margins over time

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

“It has been a positive year of good growth and margin performance driving strong results, with the Group delivering the eleventh consecutive year of dividend growth.

“The NHS and wider healthcare sector continues to evolve as we emerge from the pandemic, with increasing recognition of technology as central to solving some of the challenges the industry now faces.

“EMIS Group is well placed with products directly aligned to market need, including integrated care software to the NHS, and data and analytics technology to the research and life sciences industry. This will be critical as the sector looks to provide the best healthcare possible to the UK population.

“We remain focussed on enabling better care through technology innovation, with a presence in all key healthcare markets and strong relationships at every level. We look forward to playing a significant role in the digital future of the healthcare industry. Overall we are building growth momentum and are well positioned to perform strongly again in 2022.”

There will be a webcast and conference call of the results today at 9.00am for analysts and investors. Please contact Pauline Guenot 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, patient-facing services, data and analytics, and research and life sciences.

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CHIEF EXECUTIVE OFFICER'S STATEMENT

Overview

It has been a positive year of good growth and strong results. We are building growth momentum with results above expectations for 2021. We have seen trading return to a more normal pattern in EMIS Health following the impact of the pandemic in 2020. Boosted by Pinnacle, we also benefitted from double-digit growth in EMIS Enterprise, which now accounts for more than 40% of our profits.

I'm incredibly proud of the EMIS team; we have lived our values during 2021 and moved forwards with our vision to be the leading provider of innovative healthcare technology that improves people's lives. We continue to strive to operate to the highest standards of clinical safety, data security, business integrity and healthcare ethics.

Formalising our environmental, social and governance (ESG) strategy

EMIS has had sound governance and social value principles embedded in the culture of the organisation for many years. During 2021 we formalised this into an ESG strategy, with our environmental target for the business to become carbon neutral by 2030. The Group's new ESG committee will ensure that we continue to build social value targets and ambitions into our corporate strategy.

Our executive team is also committed to managing EMIS's environmental impact, continuing with our very important social purpose and having put in place best practice proactive governance policies and processes. We see ESG as central to our decision making and the way we run our business.

An inspirational place to work

Our continued goal is to create an inspirational culture and working environment that will attract and retain the best talent. Our people are the energy and the driving force behind our corporate purpose. By creating an inspirational place to work, we can enable our people to fulfil individual career ambitions at the same time as collectively taking the business to the next stage of growth. As we continue our journey to become an employer of choice, our focus is on the continued development of our culture with high levels of staff engagement, team collaboration, individual empowerment and increasing rewards.

Continuing to support our customers through Covid-19

Supporting our customers is one of the things we do best at EMIS. Facing the challenges of the last two years alongside the NHS has strengthened our relationships with our customers and partners at both a strategic and end user level. As a business we have once again pulled together to do the right thing for the health of the UK population, further strengthening our culture and uniting in a strong sense of purpose.

Throughout 2021 EMIS Group's Outcomes4Health software, acquired when Pinnacle joined the Group in early 2020, has supported the largest vaccination programme in NHS history and continues to evolve through the booster drive. Outcomes4Health was the only system used to support all non-hospital vaccinations for the first seven months of the programme and has to date supported 100 million vaccinations, representing 86% of the total delivered.

The EMIS-X platform and analytics applications have been pivotal to many essential Covid-19 research programmes. This includes the national OpenSAFELY programme, helping to provide powerful, data-driven insight based on real-life GP interactions into not only Covid-19 but also wider public health issues. This in turn has generated actionable insight that we have deployed back into core GP systems, with updated prescribing guidelines and protocols on Long Covid. This is a true representation of how research can make a rapid and positive impact on patient care and outcomes.

Technology investment to drive growth

Technology development has continued in line with our product roadmap and we remain committed to investment to drive growth, continuing to build momentum in the key areas of interoperability, elite partners, digital services for patients, community pharmacy and data and analytics.

We have completed the first phase of our EMIS-X technology refresh, with the next phase of cloud infrastructure upgrades in EMIS Health planned over the next two years to increase efficiency and expand margins.

We upgraded our A&E system to enable greater interoperability and updated our flagship GP software to increase customer satisfaction. We released new product enhancements for the community pharmacy market and added a broad range of services into our Patient marketplace, furthering the streamlined pathway for patients to book both NHS and non-NHS services delivered by community pharmacies and private healthcare providers.

Since the launch of EMIS-X Analytics ahead of schedule in 2020, we have moved further into the research and life sciences market during 2021. We are underway with a number of new projects with major global life sciences organisations including Pfizer and Bristol Myers Squibb. These projects have helped us further refine our technology and proposition, while generating a lot of interest for EMIS-X Analytics capability in this new market.

Every new development and software release, large or small, is aligned with our corporate purpose, to be the leading provider of innovative healthcare technology that improves people's lives.

Interoperability to support integrated care

During 2021 we have seen many integration and interoperability projects developed and released to the market, providing essential digital pathways to connect healthcare processes.

The NHS has a strategic drive to deliver integrated healthcare to increase efficiency and with our strong market shares in major healthcare markets, we are well placed to help achieve this aim. We remain focussed on delivering the future technology mandated by NHS policy makers to achieve their long-term goals.

For example, integrated care will be critical for the emerging Integrated Care System (ICS) organisations as they take control of NHS budgets to deliver co-ordinated, informed care underpinned by interoperable technology. EMIS is well placed to help, with 69% of ICSs using EMIS systems in three or more healthcare markets.

Post year end acquisitions of Edenbridge Healthcare and FourteenFish

Part of the Group's strategy is to grow by acquisition in the EMIS Enterprise sector, particularly focussed on the growth areas of data and analytics and integrated healthcare. In January 2022, the Group completed the acquisition of Edenbridge Healthcare, a leading provider of business intelligence tools for GP practices, federations and commissioners. It will expand our capabilities in the growing data and analytics market by providing real time insight to support GP practice access, efficiency, transformation and workforce planning.

EMIS Group acquired the business for £4.0m in cash paid from the Group's existing cash resources, with further cash consideration of up to £6.0m payable on the attainment of certain performance targets. Edenbridge Healthcare's revenue last year was £1.0m with a profit of £0.2m.

The Edenbridge team has integrated well into the organisation, with an assimilation of cultural values and a common goal to integrate technology to improve patient healthcare. Integration work between product sets is underway.

In March 2022 the Group completed the acquisition of FourteenFish Limited, adding a specialist knowledge of GP medical appraisals and training to the Group. FourteenFish is the chosen training system of the Royal College of General Practitioners (RCGP) and will strengthen the Group's training proposition.

FourteenFish was acquired for £15.8m in cash paid from the Group's existing resources. FourteenFish's revenue last year was £2.4m, with a profit of £1.4m.

Summary and outlook

It's an exciting time for EMIS Group as we move towards the next stage of our evolution. Our focus on interoperability, integrated care and data and analytics positions us well for growth.

We are confident of delivering a higher level of consistent revenue growth, as well as expanding margins by completing the next stage of our technology and cloud refresh strategy over the coming years.

The pandemic has demonstrated what is possible with a shared objective across government, the NHS and healthcare technology suppliers. The industry has embraced greater interoperability and collaboration, resulting in the fast delivery of both essential technology and actionable data insights to improve population health. This has accelerated the adoption of digitisation and analytics across the NHS.

Technology remains critical to the NHS as it looks to life beyond the pandemic. EMIS strategy and technology development remain closely aligned with NHS policy, supporting both end-users and strategic NHS organisations alike, to deliver the shared goal of better health.

OPERATIONAL REVIEW

EMIS Health

The EMIS Health segment comprises business areas where revenue is generated from delivering core software and ancillary services to NHS organisations. This includes the primary, community and acute A&E markets.

Market shares

EMIS improved its UK GP market leadership position with a market share of 58% (2020: 57%). The Group holds a joint market leadership position in Acute A&E at 21% (2020: 21%) and the number two market position in community at 20% (2020: 20%).

Supporting primary care

The Group remains well placed for the framework mini-tender processes that are anticipated to occur through the coming years across England, Scotland, Wales and Northern Ireland.

England

EMIS continues to deliver against the GP IT Futures framework in England, from forward-thinking interoperability projects to a significant number of unplanned and essential projects implemented to support NHS Digital with Covid-19 initiatives.

As previously confirmed, the framework renewal, next due at the end of March 2023, is now being conducted on a financial viability status basis only. Given the financial strength of the Group, this is expected to be a formality.

The detailed terms and conditions for primary care systems and services are managed through the "evergreen" GP IT Futures catalogue. It is anticipated that current arrangements in England are likely to be extended for 18 months from 1 October 2022 because of the impact of the pandemic.

Scotland, Wales and Northern Ireland

EMIS continues to work with NHS National Services Scotland (NSS) on the GP IT Reprovisioning Framework, closely aligning technology developments with market need and forming deployment plans.

During 2021 EMIS Health secured its position on the Digital Health and Care Wales (DHCW) primary care framework to supply GP IT systems and services, providing growth opportunities in this market.

In Northern Ireland, EMIS extended the current primary care contract until 2023. The business continues to work with GP practices and central organisations to support efficiency in working processes through technology and help meet their healthcare objectives.

Enabling integrated healthcare

Integrating care settings through technology is one of EMIS's strengths, with its broad reach across the key healthcare markets, strong market shares and technology built with interoperability at the core. EMIS-X is continuing a long history of the business being at the forefront of interoperability innovation.

During 2021 the Group released a number of products that integrate EMIS systems across different sectors (for example GPs and community pharmacies) and support NHS clinicians to offer a better service to patients, increase efficiency and improve working processes. This supports ICS strategies to join up care. The software released included:

- GP community pharmacist consultation service – enabling non-clinical practice staff to refer patients with minor illnesses to their local community pharmacy via seamless interoperability between EMIS Web and ProScript Connect, powered by EMIS-X technology.
- NHS Digital's transfer of care initiative – GP practices can now receive electronic discharges and outpatient letters from hospitals straight into EMIS Web through the national fast healthcare interoperability resources (FHIR) interoperability standard.
- Symphony 3.1 A&E system – powering NHS urgent care networks to enable electronic handover between 111 and emergency departments.
- Smart Pharmacy – the extended pilot of the new service was launched during 2021 to positive feedback. Integration between ProScript Connect, Patient Access and EMIS Web enables patients to order repeat medication online and track progress from order to home delivery.
- PharmOutcomes – enabling community pharmacists to exchange national interoperability FHIR and HL7 standard messages, such as receiving hospital discharge information and NHS 111 referrals or informing GPs that they have undertaken a flu or Covid-19 vaccination.

Improving customer experience

EMIS Health's strategy of excellence in customer satisfaction is a key driver for business growth in the segment. Everything in the product development roadmap is designed to drive even more quality into the existing product portfolio, to ensure customer experience continues to improve.

During 2021 EMIS released a number of enhancements to increase customer satisfaction, including ways to speed up everyday processes in the system to drive efficiency. Accelerations in the software release process mean that essential updates are delivered to customers much more quickly. New updates to the EMIS Now online support portal have made reporting issues even easier and an improved communication process means that customers are kept up to

date on any known issues, upcoming enhancements and software releases, improving customer engagement and satisfaction.

Gold standard learning

EMIS was accredited as a continued professional development (CPD) learning provider during 2021, supporting the launch of the EMIS Academy platform. This new system provides online access to the library of EMIS training content to help users make the most of EMIS systems. The learning team achieved gold standard accreditation from the Learning and Performance Institute (LPI) for the second year running as a mark of quality for the standard of EMIS's education content.

The March 2022 acquisition of FourteenFish further strengthens EMIS's education proposition.

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 analytics, research and life sciences sector.

Market shares

The Group improved its market-leading position in community pharmacy during 2021 to 39% (2020: 38%) and maintained its number two market position in hospital pharmacy with a market share of 35% (2020: 36%).

Adding value to community pharmacy customers

The 2019 NHS Long Term Plan outlined the intention for community pharmacies to expand beyond their traditional dispensary function and provide a greater range of clinical services to their customers, to alleviate pressure on primary care. The pandemic has accelerated this requirement, from the dual pressures of providing Covid-19 vaccinations and increased demand for other services, such as seasonal flu vaccinations or minor ailments. As this adaptation gathers momentum, ProScript Connect was successfully transitioned into the cloud to allow for even greater interoperability in future.

The community pharmacy market is a competitive environment, and EMIS is focussed on providing innovative new developments to help customers fulfil their changing role, leading to retention and growth in this sector. Added value services released during 2021 include:

- Pro Delivery Manager – management of home delivery services.
- Centred Solutions – a third party dispensing workflow solution.
- PharmaSelf 24 – an automated prescription-collection system allowing patients to pick up medicine 24/7.
- Golden Tote – an automated repeat prescription process based on a hub and spoke model, provided for Numark, a division of Phoenix Healthcare Distribution.

Integration between ProScript Connect and the Pinnacle and Patient suite of products remains at the forefront of the community pharmacy strategy to provide further integrated care solutions.

Actionable data insight through EMIS-X Analytics

EMIS-X Analytics offers significant potential for EMIS Group to grow the business over time with opportunities in both the NHS and life sciences sectors.

EMIS is engaged with some of the largest research and life sciences companies in the world, including Pfizer and Bristol Myers Squibb, to explore how the business can enable and accelerate research with EMIS-X technology. The positive feedback so far from pilot projects

has enabled EMIS to build a strong proposition as it moves further into the research and life sciences market during 2022. 27 customers now use EMIS-X Analytics, 12 of which are in EMIS Enterprise, including research and life sciences, and 15 are in EMIS Health (2020: 25 pilot customers).

The addition of Edenbridge Healthcare software and expertise has further strengthened the analytics proposition. The Edenbridge team brings specialist knowledge in applying analytics insight to make meaningful change to healthcare processes and patient outcomes on a locality-wide scale.

Data analytics powered by EMIS-X technology is already being used by a number of NHS organisations to provide insight on important local healthcare trends. This includes analysis on emergency department attendance, peak times and demographic details of patients, to inform resource planning and targeted patient engagement and education.

Patient Access and the digital front door: a better way to access healthcare

The “digital front door” for patients to access healthcare services remains vital to NHS policy. EMIS Group’s Patient Access app enables the UK public to find and book “marketplace-style” NHS and private-provider healthcare services. During 2021, new services made available included a range of home testing kits, such as lab testing and diagnostic services. 51,060 services were booked through marketplace during 2021.

Patient Access is the UK’s leading independent patient services app. During 2021, 14.0 million registered users (2020: 11.7 million), ordered 22.0 million repeat prescriptions (2020: 23.5 million – boosted by accelerated demand in the early months of the pandemic) and booked 1.5 million face-to-face GP appointments (2020: 2.5 million) and 49,000 community pharmacy consultations (2020: 41,000). The reduction in face-to-face GP appointments booked reflects the growth of online triage, telephone consultations, signposting to self-help where appropriate and the shift towards minor illness treatment and guidance being delivered within a community pharmacy setting.

Patient.info continues to be one of the UK’s leading medical information sites. 96 million unique users viewed 187 million pages during 2021 (2020: 80 million users, 166 million page views). The high quality healthcare content provided on Patient.info attracts users to the site as a pipeline for Patient Access services, as well as driving advertising revenue. The business will continue to invest in content to attract more visitors and advertisers to generate more revenue.

Building the partner ecosystem for growth

The partner programme continued to perform well during 2021. The programme is a strong contributory factor to increased customer satisfaction for retention and growth in EMIS Health as well as a separate revenue stream. Building a powerful ecosystem of interoperable products offers innovative ways for end users to improve efficiency and digitise processes.

During 2021 EMIS formed elite partnerships with a number of partners that offer core solutions that integrate with the existing EMIS product set. This included a cloud-based telephone system, a digital consent system for elective surgery and a referrals system, all of which is third party technology that operates seamlessly with EMIS Web. As part of an elite partnership, EMIS will co-sell these products, driving increased revenue through the partner programme. The focus for 2022 will be to add more partners to both the overall ecosystem and the elite programme.

FINANCIAL REVIEW

The results for the year ended 31 December 2021 reflect improved momentum with increases in the Group's revenue, recurring revenue, adjusted operating profit and adjusted operating margin. Reported operating profit was unchanged with reported operating margin therefore slightly lower and, as expected, cash flow was less strong than the comparative period as Covid-19-related VAT deferrals unwound and investment in the business to deliver future growth was maintained.

Group revenue increased by 6% to £168.2m (2020: £159.5m) and included revenue of £7.4m (2020: £2.2m) from the March 2020 Pinnacle acquisition. Recurring revenue grew by 4% to £134.8m (2020: £130.0m), representing 80% (2020: 82%) of the Group's total revenue.

Adjusted operating profit for the year, as set out in the table below, grew by 11% to £43.5m (2020: £39.3m), reflecting increases in both recurring and non-recurring revenue and a more normalised gross margin sales mix, partly offset by higher staff costs and increased operating expenses. Reported operating profit was £35.8m (2020: £35.8m). 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 2021 Unaudited	EMIS Health 2020	EMIS Enterprise 2021 Unaudited	EMIS Enterprise 2020	Total 2021 Unaudited	Total 2020
	£'m	£'m	£'m	£'m	£'m	£'m
Revenue	107.9	107.8	60.3	51.7	168.2	159.5
Adjusted segmental operating profit	26.3	25.1	18.9	15.7	45.2	40.8
Group expenses					(1.7)	(1.5)
Adjusted operating profit¹					43.5	39.3
Adjusted operating margin	24.4%	23.3%	31.4%	30.4%	25.9%	24.6%
Reported segmental operating profit	22.1	23.8	15.4	13.5	37.5	37.3
Group expenses					(1.7)	(1.5)
Reported operating profit					35.8	35.8
Reported operating margin	20.4%	22.1%	25.6%	26.1%	21.3%	22.4%

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

In EMIS Health, revenue reflected a more normalised trading period for the segment with the comparative period having included higher than usual hardware sales. Overall revenue was marginally higher at £107.9m (2020: £107.8m) with the higher quality revenue mix (less lower margin hardware) resulting in an adjusted operating profit increase of 5% at £26.3m (2020: £25.1m), delivered while continuing to invest in developing the strategic roadmap. Reported divisional operating profit was 7% lower at £22.1m (2020: £23.8m) due to a reduction in the level of capitalised development costs and an increase in related amortisation.

In EMIS Enterprise, revenue increased by 17% to £60.3m (2020: £51.7m) and recurring revenue increased by 8%, reflecting an improved market and a relatively weak comparative period which was more affected by Covid-19 lockdowns. With the segment continuing to focus on executing in the areas of patient-facing services, analytics and pharmacy, including supporting the NHS Covid-19 vaccination programme through its Pinnacle software, adjusted operating profit increased by 21% to £18.9m (2020: £15.7m) and reported operating profit also increased to £15.4m (2020: £13.5m).

Revenue

The analysis of revenue is summarised below with full segmental revenue analysis set out in note 4.

- **software subscription and support** revenue increased to £104.5m (2020: £99.5m), reflecting the impact of the Pinnacle acquisition and higher revenues from the Group's existing customers;
- **interface and connectivity charges** increased to £24.4m (2020: £20.3m) as a result of increased on-boarding within the partner programme;
- **other services** revenue was higher at £16.3m (2020: £13.4m) with increased digitisation project work and growth in analytics;
- **hardware and related services** reduced to £10.7m (2020: £17.3m) due to a more normal level of demand after a spike caused by the early months of the pandemic in the comparative period; and
- **perpetual licences, training, consultancy and implementation** revenue was higher at £12.4m (2020: £9.0m) with an increasing level of project work across the business including one-off revenues in relation to the NHS Covid-19 vaccination programme.

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 increased by 11% on the comparative period at £43.5m (2020: £39.3m) with the adjusted operating margin increasing to 25.9% (2020: 24.6%).

Total staff costs (including capitalised development costs) were 9% higher than in 2020, reflecting higher package and reward levels for an increasingly skilled and in-demand workforce. Year-end staff numbers decreased to 1,429 (2020: 1,591) and the average headcount was lower at 1,508 (2020: 1,579), owing to a combination of attrition, principally in India, changes in skills required and planned operational efficiency.

Other operating expenses increased with additional costs associated with the technology transformation programme, including Microsoft and AWS.

While adjusted operating profit moved ahead, reported operating profit was unchanged at £35.8m (2020: £35.8m), reflecting a lower level of capitalisation of development costs with teams focussing more on improving customer experience, a slightly higher level of amortisation and a one-time acquisition accounting related credit in the prior year. Profit before tax was lower at £36.1m (2020: £36.9m) with the prior year including a one off £0.8m business disposal credit.

Taxation

The tax charge for the year was £7.0m (2020: £6.8m) including £0.3m resulting from the recalculation of deferred tax at the increased future rate of 25%. 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% (2020: 19.1%).

Earnings per share (EPS)

As there was no change in the Company's issued share capital during the year, EPS movements were driven largely by changes in adjusted and reported profit. Adjusted basic and diluted EPS were 10% higher at 56.1p and 55.5p respectively (2020: 51.0p and 50.4p). The statutory basic and diluted EPS were both lower at 46.2p and 45.6p respectively (2020: 48.1p and 47.6p).

Dividend

Subject to shareholder approval at the Annual General Meeting on 5 May 2022, the Board proposes an increase in the final dividend to 17.6p (2020: 16.0p) per ordinary share, payable on 17 May 2022 to shareholders on the register at the close of business on 19 April 2022. This would make a total dividend of 35.2p (2020: 32.0p) per ordinary share for 2022. This is

10% higher than in the prior year, reflecting the 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:

	2021	2020
	Unaudited	
	£m	£m
Cash from operations:		
Cash generated from operations	50.1	64.1
Less: capitalised development costs	(4.1)	(6.6)
Adjusted cash generated from operations	46.0	58.8
Cash cost of exceptional items	—	(1.3)
Net cash generated from operations	46.0	57.5
Business combinations	(2.0)	(4.2)
Business disposal	—	0.8
Capital expenditure	(2.3)	(2.9)
Disposal of property asset	—	2.5
Transactions in own shares	(1.5)	0.5
Tax	(7.5)	(11.7)
Dividends	(21.1)	(19.9)
Lease payments	(1.2)	(1.5)
Finance/other	0.6	0.8
Change in net cash in the year	11.0	21.9
Net cash at end of year	64.0	53.0

Cash generated from operations decreased to £50.1m (2020: £64.1m) with the decrease due principally to working capital movements. In particular, this reflected the repayment of £7.3m of VAT, the deferral of which had benefitted the comparative period by £7.3m. Adjusted cash from operations is stated after deducting capitalised development costs and adjusting for the cash impact of any exceptional items where appropriate. On this adjusted basis, cash flow from operations was 22% lower than in 2020 at £46.0m (2020: £58.9m).

Capital expenditure on property, plant and equipment and purchased software excluding capitalised development costs remained tightly controlled at £2.3m (2020: £2.9m). Capital additions in the year included £1.7m on computer equipment and £0.5m on property assets.

The Group paid £2.0m of deferred consideration in respect of the 2020 acquisition of the Pinnacle business and £2.4m to acquire shares to satisfy future requirements of employee share schemes, partially offset by £0.9m received for shares transferred to employees.

After transactions in own shares, tax, dividends, lease payments and finance/other transactions, the total net cash inflow of £11.0m resulted in a year-end net cash position of £64.0m (2020: £53.0m).

As at 31 December 2021, the Group had available undrawn bank facilities of £30.0m in place until December 2024. An accordion arrangement is in place to increase the bank facilities up to £60.0m if required, providing total liquidity of up to £124.0m at the year end.

Group statement of comprehensive income (unaudited)

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	3,4	168,226	159,453
Costs			
Changes in inventories		(83)	(47)
Cost of goods and services		(16,172)	(20,288)
Staff costs		(72,303)	(63,374)
Other operating expenses ¹		(26,749)	(22,628)
Depreciation of property, plant and equipment		(4,196)	(5,089)
Amortisation of intangible assets	9	(12,938)	(12,251)
Adjusted operating profit²		43,533	39,266
Development costs capitalised	9	4,052	6,590
Amortisation of intangible assets ³	9	(11,800)	(11,100)
Release of contingent acquisition consideration ⁴		—	1,020
Operating profit	3	35,785	35,776
Finance income		50	89
Finance costs		(476)	(590)
Share of result of joint venture and associate		727	858
Other income ⁵		—	782
Profit before taxation		36,086	36,915
Income tax expense	5	(7,010)	(6,794)
Profit for the period		29,076	30,121
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		(55)	(41)
Other comprehensive income		(55)	(41)
Total comprehensive income for the year		29,021	30,080
Attributable to:			
- equity holders of the parent		29,021	30,207
- non-controlling interest in subsidiary company		—	(127)
Total comprehensive income for the year		29,021	30,080
Earnings per share attributable to equity holders of the parent	6	Pence	Pence
Basic		46.2	48.1
Basic diluted		45.6	47.6
Adjusted		56.1	51.0
Adjusted diluted		55.5	50.4

¹ Including an exceptional credit from release of contingent acquisition consideration of £nil (2020: £1,020,000).

² For an explanation of the alternative performance measures used in this report, please refer to the appendix.

³ Excluding amortisation of computer software used internally of £1,138,000 (2020: £1,151,000).

⁴ During the prior year the Group released £1,020,000 of contingent acquisition consideration in respect of the Dovetail acquisition resulting in a corresponding credit to the Group statement of comprehensive income.

⁵ During the prior year the Group received £782,000 of previously unrecognised additional consideration in relation to the 2019 disposal of the Specialist & Care business.

Group balance sheet (unaudited)

as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Goodwill	8	52,177	52,177
Other intangible assets	9	24,358	33,118
Property, plant and equipment		18,694	19,870
Investment in joint venture and associate		355	353
		95,584	105,518
Current assets			
Inventories		530	613
Current tax assets		4,730	3,556
Trade and other receivables		32,057	29,993
Cash and cash equivalents		64,042	53,008
		101,359	87,170
Total assets		196,943	192,688
Current liabilities			
Trade and other payables		(29,180)	(31,219)
Deferred income		(29,582)	(29,161)
Other financial liabilities	10	(2,000)	(2,000)
Lease liabilities	11	(903)	(990)
		(61,665)	(63,370)
Non-current liabilities			
Deferred tax liability		(1,788)	(2,289)
Other financial liabilities	10	—	(2,000)
Lease liabilities	11	(5,013)	(5,891)
		(6,801)	(10,180)
Total liabilities		(68,466)	(73,550)
Net assets		128,477	119,138
Equity			
Ordinary share capital		633	633
Share premium		51,045	51,045
Own shares held in trust		(4,639)	(3,594)
Retained earnings		79,699	69,260
Other reserve		1,739	1,794
Total equity		128,477	119,138

Group statement of cash flows (unaudited)

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Profit before taxation		36,086	36,915
Finance income		(50)	(89)
Finance costs		476	590
Share of result of joint venture and associate		(727)	(858)
Other income		—	(782)
Operating profit		35,785	35,776
Adjustments for non-cash items			
Amortisation of intangible assets		12,938	12,251
Depreciation of property, plant and equipment		4,196	5,089
Release of contingent acquisition consideration		—	(1,020)
(Profit)/loss on disposal of property, plant and equipment		(9)	43
Share-based payments		1,788	1,440
Operating cash flow before changes in working capital		54,698	53,579
Changes in working capital			
Decrease in inventory		83	47
(Increase)/decrease in trade and other receivables		(2,136)	3,197
(Decrease)/increase in trade and other payables		(3,007)	7,751
Increase/(decrease) in deferred income		421	(436)
Adjusted cash generated from operations		46,007	58,851
Development costs capitalised		4,052	6,590
Cash cost of exceptional items		—	(1,303)
Cash generated from operations		50,059	64,138
Finance costs		(90)	(141)
Finance income		26	87
Tax paid		(7,483)	(11,684)
Net cash generated from operating activities		42,512	52,400
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,227)	(2,449)
Proceeds from sale of property, plant and equipment		10	2,500
Development costs capitalised	9	(4,052)	(6,590)
Purchase of software	9	(126)	(452)
Dividends received		725	850
Business combination		—	(2,880)
Disposal of discontinued operation, net of cash disposed of		—	782
Net cash used in investing activities		(5,670)	(8,239)
Cash flows from financing activities			
Transactions in own shares held in trust		(1,505)	474
Payment of lease liabilities		(1,157)	(1,511)
Deferred contingent consideration	10	(2,000)	(800)
Dividends paid	7	(21,146)	(19,860)
Acquisition of non-controlling interest		—	(555)
Net cash used in financing activities		(25,808)	(22,252)
Net increase in cash and cash equivalents		11,034	21,909
Cash and cash equivalents at beginning of year		53,008	31,099
Cash and cash equivalents at end of year		64,042	53,008

Group statement of changes in equity (unaudited)

for the year ended 31 December 2021

	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 2020		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		—	—	—	(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		—	—	—	680	(1,000)	—	(320)
Option over non-controlling interest		—	—	—	—	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
Profit for the year		—	—	—	29,076	—	—	29,076
Transactions with owners								
Share acquisitions less sales		—	—	(1,045)	—	—	—	(1,045)
Share-based payments		—	—	—	1,788	—	—	1,788
Deferred tax in relation to share-based payments		—	—	—	721	—	—	721
Dividends paid	7	—	—	—	(21,146)	—	—	(21,146)
Other comprehensive income								
Currency translation differences		—	—	—	—	(55)	—	(55)
At 31 December 2021		633	51,045	(4,639)	79,699	1,739	—	128,477

Notes to the unaudited preliminary announcement

for the year ended 31 December 2021

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 2021 or 2020.

The financial information for 2020 is derived from the statutory financial statements for 2020, which have been delivered to the registrar of companies. 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 2021 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be posted no later than 5 April 2022 to shareholders and, once approved, will be delivered to the Registrar of Companies following the Annual General Meeting on 5 May 2022.

Copies of the Annual Report and financial statements for the year ended 31 December 2021 will be available on the company's website (<https://www.emisgroupplc.com/investors>) from 5 April 2022 and from the Company Secretary, EMIS Group plc, Fulford Grange, Micklefield Lane, Rawdon, Leeds, LS19 6BA.

2. Going concern

The Group is profitable and it is anticipated that this will continue. There is a high and continuing level of recurring revenue and high cash conversion. The Group has an undrawn committed £30m bank facility in place until December 2024.

The Directors have prepared cash flow forecasts covering a period of at least twelve months from the date of approval of the financial statements for the year ended 31 December 2021. These forecasts, including consideration of severe but plausible downside scenarios linked to the Group's principal risks and uncertainties, show the Group continuing to operate with significant cash reserves and not needing to draw on the £30m bank facility in place. Based on this assessment the Directors have a reasonable expectation that the Group has adequate resources to continue existence for at least 12 months from the date of approval of the financial statements for the year ended 31 December 2021 and therefore continue to adopt the going concern basis of accounting in preparing those financial statements.

3. 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, EMIS Health and EMIS Enterprise, both involved with the supply and support of connected healthcare software and systems.

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.

	2021 (unaudited)			2020		
	EMIS Health £'000	EMIS Enterprise £'000	Total £'000	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Segmental result						
Revenue	107,953	60,273	168,226	107,773	51,680	159,453
Segmental operating profit as reported internally	26,328	18,921	45,249	25,088	15,688	40,776
Development costs capitalised	2,674	1,378	4,052	4,643	1,947	6,590
Amortisation of development costs	(4,155)	(1,972)	(6,127)	(2,559)	(1,717)	(4,276)
Amortisation of acquired intangible assets	(2,787)	(2,886)	(5,673)	(3,350)	(3,474)	(6,824)
Release of contingent acquisition consideration	—	—	—	—	1,020	1,020
Segmental operating profit	22,060	15,441	37,501	23,822	13,464	37,286
Group operating expenses			(1,716)			(1,510)
Operating profit			35,785			35,776
Net finance costs			(426)			(501)
Share of result of joint venture and associate			727			858
Other income			—			782
Profit before taxation			36,086			36,915

Revenue excludes intra-group transactions on normal commercial terms from the EMIS Health segment to the EMIS Enterprise segment totalling £2,115,000 (2020: £3,017,000). Revenue of £110,910,000 (2020: £112,711,000) is derived from the NHS and related bodies. Revenue of £3,446,000 (2020: £3,990,000) is derived from customers outside the UK.

4. Revenue analysis

Revenue is analysed as follows:

	2021 (unaudited)			2020		
	EMIS Health £'000	EMIS Enterprise £'000	Total £'000	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Software subscription and support	79,024	25,479	104,503	77,032	22,456	99,488
Interface and connectivity charges	5,411	18,945	24,356	5,023	15,261	20,284
Other services	10,495	5,775	16,270	7,795	5,602	13,397
Perpetual licences, training, consultancy and implementation	7,272	5,150	12,422	5,124	3,859	8,983
Hardware and related services	5,751	4,924	10,675	12,799	4,502	17,301
	107,953	60,273	168,226	107,773	51,680	159,453

5. Income tax expense

	2021 (unaudited) £'000	2020 £'000
Income tax:		
– UK current year tax charge	7,508	7,159
– Overseas current year tax charge	148	184
– Adjustment in respect of prior years	(452)	(656)
Total current tax	7,204	6,687
Deferred tax:		
– UK current year	(899)	(792)
– Adjustment in respect of prior years	441	685
– Deferred tax rate change	264	214
Total deferred tax	(194)	107
Total tax charge in Group statement of comprehensive income	7,010	6,794
Factors affecting the tax charge for the year		
Profit before taxation	36,086	36,915
Taxation at the average UK corporation tax rate of 19% (2020: 19%)	6,856	7,014
Tax effects of:		
– Expenses/(income) not allowable/(chargeable) in determining taxable profit	64	(315)
– Adjustment in respect of prior years	(11)	29
– Joint venture reported net of tax	(138)	(163)
– Effect of overseas tax rates	(25)	15
– Deferred tax rate change	264	214
Tax charge for the year	7,010	6,794

In March 2021 the UK government announced that the UK corporation tax rate for large companies would rise to 25% from 1 April 2023. Following the substantive enactment of the Finance Bill 2021 on 24 May 2021, this change resulted in a one-off deferred tax charge of £264,000 in the period, with a corresponding increase in the Group's net deferred tax liability.

6. Earnings per share (EPS)

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

	2021 (unaudited) £'000	2020 £'000
Earnings		
Profit for the period	29,076	30,121
Total comprehensive income attributable to non-controlling interest	—	127
Basic earnings attributable to equity holders	29,076	30,248
Development costs capitalised	(4,052)	(6,590)
Amortisation of development costs and acquired intangible assets	11,800	11,100
Release of contingent acquisition consideration	—	(1,020)
Other income	—	(782)
Tax and non-controlling interest effect of above items	(1,472)	(925)
Adjusted earnings attributable to equity holders	35,352	32,031

	2021 Number '000	2020 Number '000
Weighted average number of ordinary shares		
Total shares in issue	63,311	63,311
Shares held by Employee Benefit Trust	(335)	(447)
For basic EPS calculations	62,976	62,864
Effect of potentially dilutive share options	745	634
For diluted EPS calculations	63,721	63,498

	2021 Pence	2020 Pence
EPS		
Basic	46.2	48.1
Basic diluted	45.6	47.6
Adjusted	56.1	51.0
Adjusted diluted	55.5	50.4

7. Dividends

	2021 (unaudited) £'000	2020 £'000
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
Final dividend for the year ended 31 December 2020 of 16.0p	10,066	—
Interim dividend for the year ended 31 December 2021 of 17.6p	11,080	—
	21,146	19,860

A final dividend for the year ended 31 December 2021 of 17.6p amounting to approximately £11,082,000 will be proposed at the Annual General Meeting on 5 May 2022. If approved, this dividend will be paid on 17 May 2022 to shareholders on the register on 19 April 2022. 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 2022.

8. Goodwill

	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Cost			
At 1 January 2020	41,810	22,342	64,152
Acquisition of business	—	4,208	4,208
At 31 December 2020	41,810	26,550	68,360
Reallocation	1,622	(1,622)	—
At 31 December 2021 (unaudited)	43,432	24,928	68,360
Accumulated impairment losses			
At 1 January 2020, 31 December 2020 and 31 December 2021 (unaudited)	8,825	7,358	16,183
Net book value			
At 31 December 2021 (unaudited)	34,607	17,570	52,177
At 31 December 2020	32,985	19,192	52,177
At 1 January 2020	32,985	14,984	47,969

During the year, in response to the Group's continuing technology development and investment in key areas such as interoperability, elite partners, data, and analytics, and reflecting both the matrix organisational structure and the programme of corporate simplification, the Partners & Analytics CGU was combined with the Primary and Community CGU. At the point of transfer, Goodwill of £1,622,000 previously allocated to Partners & Analytics was tested for impairment. The result of this test was that no impairment was necessary.

Impairment tests for goodwill (unaudited)

Goodwill relates predominantly to the value of synergies arising from business combinations and the experience of staff within acquired businesses. Goodwill is allocated to the Group's cash-generating units (CGUs) that are expected to benefit from that combination based on the relative carrying values of other acquired intangible assets. The carrying amount of goodwill is allocated to CGUs as follows:

	2021 £'000	2020 £'000
Primary, Community, Partners & Analytics	23,479	23,479
Acute NHS	11,128	11,128
Community Pharmacy	6,756	6,756
Acute Medicines Management	6,606	6,606
Pinnacle	4,208	4,208
	52,177	52,177

Each allocation of goodwill is tested annually for impairment and, to confirm whether an impairment of the goodwill is necessary, management compares the carrying value to the value in use.

The value in use for each allocation of goodwill has been calculated using pre-tax cash flows from internal budgets for the year ending 31 December 2022 to forecast pre-tax cash flows from each CGU (with the key budget assumptions being in relation to revenue growth). These cash flows have then been extrapolated for a further four years assuming average annual growth rates of 3.5% (2020: 3.5%) until 31 December 2026 and then 1% into perpetuity (2020: 1%) for all CGUs. The pre-tax cash flows have been discounted back to 31 December 2021 using a discount rate of between 10.1% and 11.1% (2020: 10.1% to 11.1%). The exercise has confirmed that there has been no impairment in any CGU.

Management has determined the discount rates for each CGU by considering the specific risks relating to the relevant segment. Growth rates beyond the budget period are determined based on a prudent assessment of long-term growth rates.

The key assumptions underpinning the value in use calculation are discount rate, revenue growth and operating margins. Sensitivity analysis has been performed on the key assumptions which indicated that, with the exception of Acute Medicines Management, no reasonably possible change to these key assumptions would cause an impairment.

The carrying value of the Acute Medicines Management CGU is £7,031,000 (including £6,606,000 of Goodwill). The estimated recoverable amount exceeded the carrying value by £2,862,000 and therefore the Directors concluded no impairment was necessary. However, the recoverable amount is sensitive to reasonably possible changes in the forecast levels of non-recurring revenue, and the discount rate applied. If forecast non-recurring revenues for 2022 were reduced by 50%, to a level broadly consistent with 2021, with the impact of this reduction reflected in all subsequent years, and no related cost savings realised, an impairment of £2,954,000 would be required. It is expected that any deterioration in non-recurring revenues would also lead to a reduction in future costs. The expected future cost reduction has not been factored into the sensitivity analysis. If the discount rate was increased by 1% to 11.1%, and all other assumptions were unchanged, this would reduce the recoverable amount of the CGU by £985,000, and a discount rate of 13.8% would result in a recoverable amount which was comparable to its carrying value.

9. 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 2020	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
Additions	126	4,052	—	—	4,178
At 31 December 2021 (unaudited)	8,376	68,740	43,330	31,946	152,392
Accumulated amortisation and impairment					
At 1 January 2020	5,167	43,676	31,281	22,721	102,845
Charged in year	1,151	4,276	4,412	2,412	12,251
At 31 December 2020	6,318	47,952	35,693	25,133	115,096
Charged in year	1,138	6,127	3,566	2,107	12,938
At 31 December 2021 (unaudited)	7,456	54,079	39,259	27,240	128,034
Net book value					
At 31 December 2021 (unaudited)	920	14,661	4,071	4,706	24,358
At 31 December 2020	1,932	16,736	7,637	6,813	33,118
At 1 January 2020	2,631	14,422	9,060	8,263	34,376

10. Other financial liabilities

	2021 (unaudited) £'000	2020 £'000
Current		
Contingent acquisition consideration – Pinnacle	2,000	2,000
Non-current		
Contingent acquisition consideration – Pinnacle	—	2,000

The current contingent consideration liability in respect of the Pinnacle acquisition is due for cash settlement in 2022 following the achievement of specified profit targets. 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 performance of Pinnacle, are not based on observable market data.

During the year a payment of £2,000,000 was made, and a liability of £2,000,000 was reclassified from non-current to current liabilities.

11. 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	Fixtures, fittings and equipment	Motor vehicles	Total	
				£'000	£'000
As at 1 January 2020	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)
Additions	—	—	10	10	(10)
Remeasurement of lease asset and liability	—	—	(142)	(142)	142
Depreciation expense	(615)	(14)	(398)	(1,027)	—
Interest expense	—	—	—	—	(351)
Payments	—	—	—	—	1,157
Effect of movements in exchange rates	(28)	—	—	(28)	27
As at 31 December 2021 (unaudited)	4,571	—	452	5,023	(5,916)

12. Subsequent events (unaudited)

On 14 January 2022, the Group completed the acquisition of 100% of the share capital of Edenbridge Healthcare Limited, a leading provider of business intelligence tools for GP practices, federations and commissioners. It will expand the Group's capabilities in the growing analytics markets by providing real time insight to support GP practice access, efficiency, transformation and workforce planning. EMIS Group acquired the business for £4,000,000 in cash paid from the Group's existing cash resources, with further cash consideration of up to £6,000,000 payable on the attainment of certain performance targets.

On 1 March 2022 the Group completed the acquisition of 100% of the share capital of FourteenFish Limited, bringing a specialist knowledge of GP medical appraisals and training into the business. FourteenFish is the chosen training system of the Royal College of General Practitioners (RCGP) and will join EMIS to strengthen the Group's training proposition. The Group acquired the business for £15,848,000 in cash paid from the Group's existing resources.

The Group is undertaking an exercise to establish the fair value of the net assets acquired, however due to the timing of the acquisitions the results of this have not been included in the financial information set out in this preliminary announcement.

Appendix: Unaudited 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.

	2021 £'000	2020 £'000
Reported revenue	168,226	159,453
Non-recurring revenue	(33,417)	(29,410)
Recurring revenue	134,809	130,043

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 excluding the impact of the amortisation of 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 treatment of the amortisation of the Group's software developed for external sale.

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.

	2021 £'000	2020 £'000
Reported operating profit	35,785	35,776
Development costs capitalised	(4,052)	(6,590)
Amortisation of computer software developed for external sale	6,127	4,276
Amortisation of intangible assets arising on business combinations	5,673	6,824
Exceptional release of contingent acquisition consideration	—	(1,020)
Adjusted operating profit	43,533	39,266

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

	2021 £'000	2020 £'000
Profit attributable to equity holders	29,076	30,248
Development costs capitalised	(4,052)	(6,590)
Amortisation of computer software developed for external sale	6,127	4,276
Amortisation of intangible assets arising on business combinations	5,673	6,824
Exceptional release of contingent acquisition consideration	—	(1,020)
Other income	—	(782)
Tax and non-controlling interest effect of above items	(1,472)	(925)
Adjusted profit attributable to equity holders	35,352	32,031

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.

	2021 £'000	2020 £'000
Reported cash generated from operations	50,059	64,138
Development costs capitalised	(4,052)	(6,590)
Cash cost of exceptional items	—	1,303
Adjusted cash generated from operations	46,007	58,851

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 2021 the Group was in a net cash position, with no borrowings.