



25 May 2023

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

Preliminary results for the year ended 31 December 2022

“Good performance in line with expectations”

EMIS Group plc (AIM: EMIS.L), the UK leader in connected healthcare software and services, today announces its preliminary results for the year ended 31 December 2022.

Financial highlights

	2022	2021	Change
Revenue			
Total revenue	£175.4m	£168.2m	+4%
Recurring revenue ¹	£143.3m	£134.8m	+6%
Operating profit			
Adjusted ^{1,2}	£47.7m	£43.5m	+10%
Reported	£27.7m	£35.8m	-22%
Operating margin			
Adjusted ^{1,2}	27.2%	25.9%	+130 bps
Reported	15.8%	21.3%	-550 bps
Cash flow and net cash			
Cash generated from operations - adjusted ¹	£54.6m	£46.0m	+19%
Cash generated from operations - reported	£48.8m	£50.1m	-2%
Net cash ¹	£45.9m	£64.0m	-28%
Earnings per share			
Adjusted ¹	62.0p	56.1p	+10%
Reported	52.5p	46.2p	+14%
Dividends			
Proposed final	21.1p	17.6p	+20%
Total for year	38.7p	35.2p	+10%

¹ Recurring revenue, adjusted operating profit, adjusted cash generated from operations, adjusted EPS and net cash are all alternative performance measures, for further details and reconciliation to the relevant IFRS number please refer to the appendix.

² Including a £1.7m contribution from acquisitions and excluding exceptional costs of £12.8m (see note 12).

Business highlights – good results with performance in line with expectations

- Increased dividend for the twelfth consecutive year
- EMIS Enterprise – 19% revenue growth reflects acquisitions made and strong growth in the existing business. EMIS Enterprise grew to 46% of the Group’s operating profit in the period
- EMIS Health – revenue reduced by 4% given continued strategy of exiting lower margin Resale Partner business. Higher quality revenue mix resulted in marginal increase in adjusted operating profit

- Technology development continued in line with the product roadmap with particular progress in community pharmacy and EMIS-X Analytics
- Two new EMIS-X Analytics products launched in 2022, Recruit and Pathway:
 - Recruit provides the technological link to enable efficient recruitment into clinical trials
 - Pathway utilises clinical intelligence to identify cohorts of patients who are at risk of long-term health conditions
- Employee engagement score improved over the course of 2022 in year one of the three-year employer of choice programme
- ESG – developed sustainability strategy during the year and adopted a commitment to achieve net zero emissions by 2040

Outlook – confident of delivering for all stakeholders

- Confident of delivering on full year expectations for 2023
- Well placed to deliver the systems that will enable the NHS to realise its ambition of better, faster and proactive preventative care for the UK population
- Technology roadmap remains closely aligned with NHS England strategy and EMIS's position on NHS Digital's new Tech Innovation Framework (TIF) demonstrates the Group's ability to deliver the NHS's integrated digital future
- Strong balance sheet provides platform to deliver growth ambitions
- Confident of EMIS's strategy, technology roadmap and ability to deliver consistent good performance over the medium term

Recommended acquisition of EMIS Group

- On 17 June 2022, the terms of a recommended all cash offer pursuant to which a wholly-owned subsidiary of UnitedHealth Group ("Bidco") will acquire EMIS was announced, to be implemented by means of a Court-sanctioned scheme of arrangement ("the Scheme")
- On 31 March 2023, the United Kingdom's Competition and Markets Authority (the "CMA") announced that it had rejected a proposed remedy submitted by Bidco to address the CMA's competition concerns following its Phase 1 investigation and referred the Acquisition for a Phase 2 investigation
- On 6 April 2023, Bidco and EMIS announced that they intend to proceed with the Phase 2 investigation. On the basis that the CMA has referred the Acquisition to a Phase 2 investigation, Bidco and EMIS have agreed (subject to Court consent) to extend the Long Stop Date for completion of the Acquisition from 30 June 2023 to 30 June 2024
- The Scheme remains subject to Court sanction and the satisfaction of the remaining CMA condition
- EMIS now expects the Scheme to become effective in Q4 2023 or Q1 2024

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

"It has been another year of good progress for EMIS Group. The business performed well, achieving positive results in a changing market and against the backdrop of agreeing and recommending an offer for the Group, which remains subject to completion.

"EMIS remains well placed to deliver the systems that will enable the NHS to realise its ambition of better, faster and proactive preventative care for the UK population. Our technology roadmap remains closely aligned with NHS England strategy and our position on

NHS Digital's new Tech Innovation Framework (TIF) demonstrates our ability to deliver the NHS's integrated digital future.

"We are confident of our strategy, technology roadmap and ability to deliver consistent good performance over the medium term."

A video recording of the full year results presentation will be available on the Group's website from 8.00am today, at www.emisgroupplc.com/investors.

Enquiries:

For further information, contact:

EMIS Group plc

Andy Thorburn, CEO

Peter Southby, CFO

www.emisgroupplc.com

@EMISGroup

Tel: 0330 024 1269

Numis Securities Limited (Nominated Adviser and Broker)

Josh Hughes/Simon Willis

Tel: 020 7260 1000

MHP Communications

Reg Hoare/Ollie Hoare/Matthew Taylor/Pauline Guenet

Tel: 020 3128 8567
emis@mhpgroup.com

Information for investors can be found 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 major UK healthcare settings. 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 focused 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.

LEI: 213800K474ZZK76NX913]

CHIEF EXECUTIVE OFFICER'S STATEMENT

Overview

It has been another year of good progress for EMIS Group. The business performed well in 2022, achieving positive results in a changing market and against the backdrop of EMIS agreeing and recommending a cash offer pursuant to which a subsidiary of UnitedHealth Group Incorporated will, subject to regulatory approval, acquire the entire issued and to be issued ordinary share capital of EMIS (as announced on 17 June 2022).

Within our two divisions, we have seen strong growth in EMIS Enterprise as we continue to deliver against our strategy and technology roadmap, particularly in community pharmacy and EMIS-X Analytics.

EMIS Health achieved its expected performance as we made further progress to execute and accelerate our technology development roadmap, with a focus on business retention in key markets. We continue to invest in improving customer experience with our core systems.

The commitment and care demonstrated by our colleagues inspires me every day: across the business we have high-performing teams that put their all into every customer interaction, development detail and internal business process. This underpins our culture of excellence and delivery, leading to consistent year-on-year growth.

Excellent operational governance providing the strong foundations for growth

We strive to operate to the highest standards of clinical safety, data security and proactive risk mitigation through good business governance: these are the cornerstones of our business and provide the strong foundations for growth.

As the demands of our customers continued to increase, during the year we focussed on even more proactive management and mitigation of risk across the business, with an action-driven approach that has included improved internal systems, processes and additional employee training.

Positive progress on 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 2022, we developed our sustainability strategy, and thanks to the more detailed understanding of our greenhouse gas emissions gained during the year, adopted a commitment to achieve net zero emissions (a 90% reduction across all scopes with minimal reliance on offsetting) by 2040. The Group's ESG committee continues to ensure that both environmental and social targets and ambitions are embedded into our corporate strategy.

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

A great place to work

We have made positive progress towards our ambition to become an employer of choice by 2025. Our business is increasingly becoming an inspirational place to work, with a culture where engaged and motivated employees thrive as they contribute strongly to business performance.

The employer of choice programme has been central to EMIS's strategy during 2022, enhancing our existing positive working culture by creating greater engagement between

colleagues, focussing on great leadership, excellent enhanced rewards and terms, as well as improving our work environment, processes and external brand recognition.

Our metric of success is the employee engagement score, which increased to 71 during 2022, something we are very proud of in year one of our three-year employer of choice programme.

Positive progress on our technology roadmap

Technology development has continued in line with our product roadmap and we remain committed to investment to drive growth through our strong product portfolio. We are confident that we can deliver on the needs of our core healthcare markets through a development strategy that is closely aligned with NHS strategy and policy, delivering integrated, efficient and intelligent systems underpinned by EMIS-X technology.

Continued investment into EMIS-X technology

EMIS-X is the platform for modernising and expanding the capabilities of both our core GP and community pharmacy systems. All new software features will be developed on EMIS-X technology, including those to drive greater interoperability and integration with other healthcare systems and services.

We continue to invest in the development of EMIS-X technology for our healthcare markets, actionable insight for the research and life sciences market, and digital patient-facing services, with new product releases demonstrating the positive progress made during 2022.

Bolt-on acquisitions strengthening and expanding our business

EMIS continues to deliver on its strategy of growth by acquisition, principally in the EMIS Enterprise sector, strengthening and expanding our market offers. During the year we completed three bolt-on acquisitions for a total initial net cash consideration of £30.8m:

- Edenbridge Healthcare, a leading provider of business intelligence tools for GP practices, federations and commissioners;
- FourteenFish, the leading expert in software to support GP medical appraisals and training; and
- Healthcare Gateway, the healthcare interoperability specialist that connects data between different healthcare settings.

All three acquisitions have made positive contributions to both our market proposition and business performance during the year.

Recommended acquisition of EMIS Group plc by Bordeaux UK Holdings II Limited (Bidco)

On 17 June 2022, the Boards of Bordeaux UK Holdings II Limited, an affiliate of Optum UK and a wholly-owned subsidiary of UnitedHealth Group Incorporated, and EMIS announced that they had reached agreement on the terms of a recommended all cash offer pursuant to which Bidco will acquire the entire issued and to be issued ordinary share capital of EMIS, to be implemented by means of a court-sanctioned scheme of arrangement (Scheme).

On 9 August 2022, EMIS announced that at the Court Meeting to consider the Scheme and the General Meeting to consider the Special Resolution relating to the Proposed Acquisition, all resolutions were approved by the requisite majorities. EMIS further announced that a notification had been made and accepted under the NS&I Act and that the Secretary of State had confirmed that no further action will be taken in relation to the Proposed Acquisition.

On 31 March 2023, the United Kingdom's Competition and Markets Authority (the "CMA") announced that it had rejected a proposed remedy submitted by Bidco to address the CMA's

competition concerns following its Phase 1 investigation and referred the Proposed Acquisition for a Phase 2 investigation.

On 6 April 2023, Bidco and EMIS announced that they intend to proceed with the Phase 2 investigation and will continue to engage constructively and collaboratively with the CMA during this period. On the basis that the CMA has referred the Proposed Acquisition to a Phase 2 investigation, Bidco and EMIS have agreed, with the consent of the Executive of the Panel on Takeovers and Mergers (the "Panel"), to extend the Long Stop Date for completion of the Acquisition from 30 June 2023 to 30 June 2024 (subject to the approval of the Court). The Scheme remains subject to Court sanction and the satisfaction of the remaining CMA condition. As regards the remaining substantive regulatory condition, the statutory deadline for the CMA's Phase 2 investigation is 5 October 2023. Accordingly, based on a typical Phase 2 timetable, EMIS expects the Scheme would become effective in Q4 2023 or Q1 2024.

Summary and outlook

Now almost five months into the current financial year, we are confident of delivering on our full year expectations. Given the timing of opportunities, this growth is likely to be more weighted to the second half than in prior years.

On a medium-term view, the NHS has set out a clear strategy for integrated care, requiring high-performing integrated technology systems. It is essential for patient data to be effortlessly and securely available whenever and wherever it is needed for all involved in care – from front line clinicians to research and life science organisations.

EMIS remains well placed to deliver the systems that will enable the NHS to realise its ambition of better, faster and proactive preventative care for the UK population. Our technology roadmap remains closely aligned with NHS England strategy and our position on NHS Digital's new Tech Innovation Framework (TIF) demonstrates our ability to deliver the NHS's integrated digital future.

OPERATIONAL REVIEW

EMIS Health

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

Market shares

EMIS maintained its UK GP market leadership position with a market share of 58% (2021: 58%). The Group holds the number two market position in acute A&E at 19% (2021: 21%) and in community at 19% (2021: 20%).

Strong position in primary care

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

England

In England, EMIS was successfully appointed to the Tech Innovation Framework (TIF). The objective of TIF is to encourage innovation and new ways of working, requiring cloud-based systems that are modular, highly interoperable and browser based, delivering both core clinical functions and new, higher spec capabilities. EMIS-X technology meets all of these requirements, ensuring the Group remains well placed to meet NHS England's technology transformation strategy.

The focus for the primary care market is developing EMIS-X functionality for GPs as part of the modernisation programme for EMIS Web. The business expects to begin roll-out of new clinician-facing features during the second half of 2023.

NHS England is forming plans for the Digital Primary Care Framework (DPCF), the successor to the existing GP IT Futures Framework, which will open additional opportunities for EMIS.

Scotland, Wales and Northern Ireland

EMIS continues to work closely with Digital Health Care Wales (DHCW) and the Business Services Organisation (BSO) in Northern Ireland on the development of future plans, aligning software development and roll-out with each national strategy to suit each customer's different requirements and specifications.

EMIS formally withdrew from the Scottish GP IT Re-provisioning Framework during 2022. After extensive evaluation, the Group decided to prioritise the EMIS Web modernisation programme and EMIS-X; it was not practical to do this simultaneously with the bespoke developments required within the timescales of the Scottish framework. The business continues to support its many users in Scotland.

Enabling integrated healthcare

The NHS continues to focus on integrated care. The 2022 Health and Care Act introduced new legislative measures to make it easier for health and care organisations to deliver joined-up care across multiple different healthcare services. 42 newly formed Integrated Care Systems (ICSs) are accountable for all care delivered in each ICS locality across England, with a focus on improving care delivery and addressing underlying causes of health inequalities. The NHS recognises that a key component to drive this transformation is integrated technology.

Integrating care settings through technology is one of EMIS's strengths. EMIS is well placed to be at the forefront of NHS change and improvement with a broad reach across key healthcare markets, strong market shares, existing interoperability technology and the ongoing delivery of EMIS-X capabilities, along with the 2022 acquisition of Healthcare Gateway.

EMIS is already providing technology to power integrated care between GPs, community pharmacists, community and urgent care centres, emergency departments, primary care network (PCN) hubs and patients. EMIS systems speed up care pathways and allow information to flow securely to every stakeholder involved in a patient's care.

EMIS-X is the platform upon which all future care management, interoperability and integration of systems will be delivered for all core markets, including GPs, community pharmacists and urgent care.

Improving customer experience

A key priority of the EMIS Web modernisation programme is to ensure that users have a great experience of the system, recognising that some users have encountered issues. The business has a clear action plan in place through the EMIS Web modernisation programme to ensure that the system performs well and meets customers' needs.

EMIS continued to invest in data analytics and its customer service platform to automate early identification and resolution of issues including new incremental tools to proactively analyse

EMIS Web performance. Support teams are now better able to spot, diagnose and fix many issues before customers are even impacted.

At the same time, we have focussed on a Group-wide “customer first” culture and implemented an executive-led programme for continuous improvement in customer experience to maintain strong focus on customer retention.

Reflecting these initiatives, we were pleased to report that customer satisfaction improved during 2022 by 20%.

Planning ahead, EMIS’s product development roadmap focuses on continuous improvement to the existing product portfolio. The Group has set a clear goal to build excellent software that its busy customers can rely on during vital healthcare interactions with patients. 91 members of the clinical team meticulously oversee new developments, bringing real-life clinical experience from a wide range of settings, from primary care to A&E to community pharmacy. The product experience and design team ensure all new developments meet end users’ needs, keeping every detail of new product development in alignment with market requirements.

Changes and improvements to development working processes mean that the business is even more efficient, better able to forecast and plan delivery of software releases, leading to completion of roadmap elements on schedule.

Gold standard learning

EMIS achieved its 18th successive accreditation by the Learning and Performance Institute and its fourth successive rating of Gold, the highest possible grading. The team helps end users make the most of EMIS software and implement new ways of working so that they can focus their time and energy on patient care. The team delivered 15,000 hours of training during 2022 – upskilling end users and increasing customer satisfaction.

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 maintained its market-leading position in community pharmacy during 2022 of 39% (2021: 39%) and maintained its number two market position in hospital pharmacy with a market share of 33% (2021: 36%).

Adding value for community pharmacy customers

The community pharmacy industry is expanding beyond its traditional dispensing role into service provision, at the same time as efficiently managing increasing numbers of prescriptions. EMIS plays a vital role, offering community pharmacies technology that supports them to manage increasing demands on their time and resources.

EMIS helped community pharmacies with the following services released during 2022:

- Adhera dispensing – allowing pharmacy groups to reduce resources required in branch by utilising barcode scanning and packing; and
- integration between ProScript Connect and the Pinnacle suite of products to support delivery of the flu service. Further integration functionality will follow.

EMIS's Outcomes4Health remained the solution of choice in primary care and mass vaccination centres for recording Covid-19 vaccinations with a total of 1.3 million first dose vaccines recorded, 2.3 million second dose vaccinations recorded and 23.5 million booster vaccinations recorded in 2022.

The NHS England Community Pharmacist Consultation Service (CPCS) launched in April 2022, making it easier for patients to be treated in a pharmacy setting to relieve pressure on GP practices. PharmOutcomes captured more than 85% of the available market, with over 8,900 pharmacies choosing to use the platform to manage this service.

More than 4,700 GP practices used the GP CPCS referral solutions offered by EMIS's PharmOutcomes to refer patients suffering with minor ailments to community pharmacies. More than 500,000 patients have been referred using one of the PharmOutcomes integrated solutions, showing the trend of integrated care between GPs and community pharmacies, supported by EMIS technology.

Actionable data insight through EMIS-X Analytics

Deriving actionable insight from data is becoming increasingly important to the future of the UK's healthcare service. The EMIS-X Analytics suite of cloud-based tools enables the NHS, research and life sciences market and academia to carry out meaningful healthcare research at scale to improve long-term patient outcomes.

During the period EMIS released two EMIS-X Analytics products: Recruit and Pathway. Recruit provides the technological link between the research and life sciences industry, clinicians and the UK public to enable efficient recruitment into clinical trials. With only 31% of UK clinical trials meeting enrolment goals, the entire industry stands to benefit to facilitate positive change to UK healthcare. The business onboarded its first partner for Recruit during 2022, completing a successful pilot. Three further studies have since gone live in the early part of 2023.

One use case of Pathway is to utilise clinical intelligence to identify cohorts of patients who are at risk of long-term health conditions. This is being used to facilitate the NHS England hepatitis C virus elimination programme: healthcare teams are using EMIS software to identify patients who are at risk of hepatitis C so that they can be proactively tested and treated.

Patient: connecting the UK directly to healthcare services

The "digital front door" for patients to access healthcare services remains vital to NHS policy. EMIS's Patient business connects the UK's population directly to healthcare services.

Patient Access allows appointment booking for GP and community pharmacy services, as well as private provider healthcare services, and is the UK's leading independent healthcare app. During the period registered users increased to 16.1 million (2021: 14.0 million), boosted by organic growth and a new development allowing users to log in to Patient Access with their NHS credentials. Patient Access users booked 1.3 million GP appointments (2021: 1.5 million) and ordered 19 million prescriptions (2021: 22 million). Adding the NHS log in increased the number of repeat prescriptions ordered from a six-monthly average of 1.5 million prescriptions per month to 1.9 million prescriptions per month.

Patient.info continues to be one of the UK's leading medical information sites. 67 million unique users viewed 135 million pages during 2022, a resilient performance compared with the prior year, which had been boosted by the heightened interest in health information during the pandemic (2021: 96 million users, 187 million page views). The focus for 2023 and beyond

is on providing high-quality content, attracting 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 during 2023, as well as planning a unified platform to bring Patient.info and Patient Access together, to drive up engagement and revenue.

Extending the partner programme for a stronger customer proposition

The partner programme continued to perform well during 2022. The programme contributes directly to the Group's strategy of increased customer satisfaction and sustainable financial growth. Enhancing interoperability between products strengthens the Group's overall proposition, allowing the business to focus on developing its core product set. Customers benefit from a wide range of digital options to improve efficiency and digitise processes.

During 2022 EMIS proactively sought partners to join the programme to add new capabilities for customers, with new partners Civica, Hero Health and Scan House joining the programme to add capability in caseload management for community services, PCN patient scheduling and regulatory guidelines summary service respectively.

The number of companies partnered with EMIS increased to 175 (2021: 148), partnering either directly with EMIS or through the NHS Digital partner programme.

FINANCIAL REVIEW

The results for the year ended 31 December 2022 reflect continued momentum with increases in the Group's revenue, recurring revenue, adjusted operating profit and adjusted operating margin. Reported operating profit and reported operating margin were reduced as a result of the exceptional costs incurred during the year. As expected, adjusted cash flow from operations was stronger despite continued investment in the business to deliver future growth, as a result of one-off adverse working capital movements in the comparative period. Reported cash flow from operations was 2% lower as a result of the cash cost of the exceptional programmes.

Group revenue increased by 4% to £175.4m (2021: £168.2m) and included revenue of £4.4m from the acquisitions of Edenbridge, FourteenFish and Healthcare Gateway completed during the year. Recurring revenue grew by 6% to £143.3m (2021: £134.8m), representing 82% (2021: 80%) of the Group's total revenue.

Adjusted operating profit for the year, as set out in the table below, grew by 10% to £47.7m (2021: £43.5m), including a contribution of £1.7m from acquisitions, and reflecting increases in both recurring and non-recurring revenue and an improved gross margin sales mix, partly offset by higher staff costs and increased operating expenses. With levels of development costs capitalised and amortisation charges broadly similar to the prior year, and £12.8m of exceptional costs, reported operating profit was £27.7m (2021: £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 2022 £'m	EMIS Health 2021 £'m	EMIS Enterprise 2022 £'m	EMIS Enterprise 2021 £'m	Total 2022 £'m	Total 2021 £'m
Revenue	103.9	107.9	71.5	60.3	175.4	168.2
Adjusted segmental operating profit	26.4	26.3	22.8	18.9	49.2	45.2
Group expenses					(1.5)	(1.7)
Adjusted operating profit¹					47.7	43.5
Adjusted operating margin	25.4%	24.4%	32.0%	31.4%	27.2%	25.9%
Reported segmental operating profit	23.9	22.1	18.1	15.4	42.0	37.5
Group expenses					(1.5)	(1.7)
Exceptional costs					(12.8)	—
Reported operating profit					27.7	35.8
Reported operating margin	23.0%	20.4%	25.4%	25.6%	15.8%	21.3%

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

In EMIS Health, overall revenue reduced by 4% to £103.9m (2021: £107.9m) with the continuation of the strategy to exit lower margin Resale Partner business. The higher quality revenue mix resulted in adjusted operating profit marginally increasing to £26.4m (2021: £26.3m), delivered while continuing to invest in developing the strategic roadmap. Recurring revenue reduced only marginally to £88.8m (2021: £89.4m) as the majority of the revenue exited was non-recurring in nature. Reported divisional operating profit was 8% higher at £23.9m (2021: £22.1m) due to a reduction in the level of amortisation of development costs and acquired intangible assets.

In EMIS Enterprise, revenue increased by 19% to £71.5m (2021: £60.3m) and recurring revenue increased by 20%, reflecting the FourteenFish and Edenbridge acquisitions together with strong growth in the existing business particularly from analytics and Pinnacle. With the segment continuing to focus on execution 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 £22.8m (2021: £18.9m) and reported operating profit also increased to £18.1m (2021: £15.4m).

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 £116.8m (2021: £104.5m), reflecting the impact of the three acquisitions in the year and higher revenues from the Group's existing customers particularly in analytics, Pinnacle and community;
- **interface and connectivity charges** revenue reduced slightly to £23.6m (2021: £24.3m) as a result of reduced new EMIS Anywhere and Wi-Fi connections following the large demand as a result of the pandemic in the comparative period;
- **other services** revenue reduced slightly to £15.4m (2021: £16.3m) due to lower levels of digitisation project work partly offset by growth in analytics;
- **perpetual licences, training, consultancy and implementation** revenue reduced to £10.6m (2021: £12.4m) with an expected reduction in set-up revenues in relation to the NHS Covid-19 vaccination programme; and
- **hardware and related services** revenue reduced to £9.0m (2021: £10.7m) following a planned reduction in lower margin resale partner activities.

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 10% on the comparative period at £47.7m (2021: £43.5m), including a £1.7m contribution from acquisitions, with the adjusted operating margin increasing to 27.2% (2021: 25.9%).

Total staff costs (including capitalised development costs) were 7% higher than in 2021, reflecting higher package and reward levels for an increasingly skilled and in-demand workforce. Year-end staff numbers increased to 1,539 (2021: 1,429) principally due to the addition of staff of the businesses acquired during the year, while the average headcount was lower at 1,470 (2021: 1,508), with a higher than usual level of unfilled vacancies, notably in India in the first half of the year.

Other operating expenses increased with additional costs associated with the technology transformation programme, corporate transaction costs and investment in the Group's internal systems.

While adjusted operating profit moved ahead, reported operating profit reduced to £27.7m (2021: £35.8m), reflecting £12.8m of exceptional costs relating to the technology transformation programme and to corporate transaction costs (including staff costs relating to the cost of time employees spent working directly on supporting these projects, largely relating to roles already in the business where time was diverted to these projects from other value-adding activities and therefore the corresponding cost of these employees would have been included within adjusted operating profit in the prior year). However, profit before tax increased to £38.9m (2021: £36.1m) reflecting an exceptional fair value gain of £10.7m (2021: £nil) on the revaluation of the previously held interest in a joint venture resulting from the Healthcare Gateway acquisition.

Taxation

The tax charge for the year was £5.8m (2021: £7.0m). The effective tax rate for the year before fair value gains and share of result of joint venture and associate was 20.7% (2021: 19.1%) reflecting a higher level of non-deductible expenditure in the year.

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 62.0p and 61.2p respectively (2021: 56.1p and 55.5p). The statutory basic and diluted EPS were also both higher at 52.5p and 51.8p respectively (2021: 46.2p and 45.6p).

Dividend

Subject to shareholder approval at the Annual General Meeting on 29 June 2023, the Board proposes an increase in the final dividend to 21.1p (2021: 17.6p) per ordinary share, payable on 11 July 2023 to shareholders on the register at the close of business on 16 June 2023. This would make a total dividend of 38.7p (2021: 35.2p) per ordinary share for 2023. 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:

	2022	2021
	£m	£m
Cash from operations:		
Cash generated from operations	48.8	50.1
Less: capitalised development costs	(4.4)	(4.1)
Adjusted cash generated from operations	54.6	46.0
Cash cost of exceptional items	(10.2)	—
Net cash generated from operations	44.4	46.0
Business combinations	(34.6)	(2.0)
Capital expenditure	(2.7)	(2.3)
Transactions in own shares	0.1	(1.5)
Tax	(2.7)	(7.5)
Dividends	(22.2)	(21.1)
Lease payments	(1.2)	(1.2)
Finance/other	0.8	0.6
Change in net cash in the year	(18.1)	11.0
Net cash at end of year	45.9	64.0

Cash generated from operations decreased to £48.8m (2021: £50.1m) despite an improvement in working capital movements due to the cash costs of exceptional items. 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 19% higher than in 2021 at £54.6m (2021: £46.0m).

Capital expenditure on property, plant and equipment and purchased software excluding capitalised development costs remained tightly controlled at £2.7m (2021: £2.3m). Capital additions in the year included £2.1m on computer equipment, £0.3m on property assets and £0.3m on software.

The Group paid initial net cash consideration of £30.8m to acquire the Edenbridge, FourteenFish and Healthcare Gateway businesses in the period, and £3.8m in contingent consideration including the final instalment of £2.0m in respect of the 2020 Pinnacle acquisition and £1.5m in respect of Edenbridge following the achievement of product delivery targets during the year.

After transactions in own shares, a reduced level of tax paid due to refunds received relating to prior years, dividends, lease payments and finance/other transactions, the total net cash outflow of £18.1m resulted in a year-end net cash position of £45.9m (2021: £64.0m).

As at 31 December 2022, 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 £105.9m at the year end.

Group statement of comprehensive income

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Revenue	3,4	175,373	168,226
Costs			
Changes in inventories		(12)	(83)
Cost of goods and services		(12,889)	(16,172)
Staff costs		(77,375)	(72,303)
Other operating expenses		(40,411)	(26,749)
Depreciation of property, plant and equipment		(4,915)	(4,196)
Amortisation of intangible assets	9	(12,025)	(12,938)
Adjusted operating profit¹		47,686	43,533
Development costs capitalised	9	4,361	4,052
Amortisation of intangible assets ²	9	(11,539)	(11,800)
Exceptional costs	12	(12,762)	—
Operating profit	3	27,746	35,785
Finance income		480	50
Finance costs		(531)	(476)
Share of result of joint venture and associate		533	727
Exceptional fair value gain on previously held interest in joint venture	12, 13	10,706	—
Profit before taxation		38,934	36,086
Income tax expense	5	(5,764)	(7,010)
Profit for the period		33,170	29,076
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		42	(55)
Other comprehensive income		42	(55)
Total comprehensive income for the year		33,212	29,021
Attributable to:			
- equity holders of the parent		33,212	29,021
Total comprehensive income for the year		33,212	29,021
Earnings per share attributable to equity holders of the parent	6	Pence	Pence
Basic		52.5	46.2
Basic diluted		51.8	45.6
Adjusted ¹		62.0	56.1
Adjusted diluted ¹		61.2	55.5

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

² Excluding amortisation of computer software used internally of £486,000 (2021: £1,138,000).

Group balance sheet

as at 31 December 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Goodwill	8, 13	85,600	52,177
Other intangible assets	9, 13	38,588	24,358
Property, plant and equipment		14,803	18,694
Investment in joint venture and associate		199	355
		139,190	95,584
Current assets			
Inventories		518	530
Current tax assets		254	4,730
Trade and other receivables		38,889	32,057
Cash and cash equivalents		45,918	64,042
		85,579	101,359
Total assets		224,769	196,943
Current liabilities			
Trade and other payables		(34,175)	(29,180)
Deferred income		(34,342)	(29,582)
Other financial liabilities	10	(1,500)	(2,000)
Lease liabilities	11	(705)	(903)
		(70,722)	(61,665)
Non-current liabilities			
Deferred tax liability		(4,916)	(1,788)
Other financial liabilities	10	(3,000)	—
Lease liabilities	11	(3,660)	(5,013)
		(11,576)	(6,801)
Total liabilities		(82,298)	(68,466)
Net assets		142,471	128,477
Equity			
Ordinary share capital		633	633
Share premium		51,045	51,045
Own shares held in trust		(4,529)	(4,639)
Retained earnings		93,541	79,699
Other reserve		1,781	1,739
Total equity		142,471	128,477

Group statement of cash flows

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Profit before taxation		38,934	36,086
Finance income		(480)	(50)
Finance costs		531	476
Share of result of joint venture and associate		(533)	(727)
Exceptional fair value gain on previously held interest in joint venture	13	(10,706)	—
Operating profit		27,746	35,785
Adjustments for non-cash items			
Amortisation of intangible assets	9	12,025	12,938
Depreciation of property, plant and equipment		4,915	4,196
Loss/(profit) on disposal of property, plant and equipment		84	(9)
Share-based payments		1,933	1,788
Operating cash flow before changes in working capital		46,703	54,698
Changes in working capital			
Decrease in inventory		12	83
Increase in trade and other receivables		(5,385)	(2,136)
Increase/(decrease) in trade and other payables		4,830	(3,007)
Increase in deferred income		2,653	421
Adjusted cash generated from operations		54,634	46,007
Development costs capitalised		4,361	4,052
Cash cost of exceptional items		(10,182)	—
Cash generated from operations		48,813	50,059
Finance costs		(281)	(90)
Finance income		336	26
Tax paid		(2,659)	(7,483)
Net cash generated from operating activities		46,209	42,512
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,478)	(2,227)
Proceeds from sale of property, plant and equipment		9	10
Development costs capitalised	9	(4,361)	(4,052)
Purchase of software	9	(267)	(126)
Dividends received		626	725
Acquisition contingent consideration paid	10	(1,751)	—
Acquisition of subsidiaries net of cash acquired	13	(30,847)	—
Net cash used in investing activities		(39,069)	(5,670)
Cash flows from financing activities			
Transactions in own shares held in trust		110	(1,505)
Payment of lease liabilities	11	(1,181)	(1,157)
Contingent consideration	10	(2,000)	(2,000)
Dividends paid	7	(22,193)	(21,146)
Net cash used in financing activities		(25,264)	(25,808)
Net (decrease)/increase in cash and cash equivalents		(18,124)	11,034
Cash and cash equivalents at beginning of year		64,042	53,008
Cash and cash equivalents at end of year		45,918	64,042

Group statement of changes in equity

for the year ended 31 December 2022

	Notes	Share capital £'000	Share premium £'000	Own shares held in trust £'000	Retained earnings £'000	Other reserve £'000	Total equity £'000
At 1 January 2021		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
Profit for the year		—	—	—	33,170	—	33,170
Transactions with owners							
Share acquisitions less sales		—	—	110	—	—	110
Share-based payments		—	—	—	1,933	—	1,933
Deferred tax in relation to share-based payments		—	—	—	932	—	932
Dividends paid	7	—	—	—	(22,193)	—	(22,193)
Other comprehensive income							
Currency translation differences		—	—	—	—	42	42
At 31 December 2022		633	51,045	(4,529)	93,541	1,781	142,471

Notes to the preliminary announcement

for the year ended 31 December 2022

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 2022 or 2021.

Statutory accounts for 2021 have been delivered to the registrar of companies, and those for 2022 will be delivered in due course. The auditor has reported on those accounts; 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 2022 will be posted no later than 5 June 2023 to shareholders and, once approved, will be delivered to the Registrar of Companies following the Annual General Meeting on 29 June 2023.

Copies of the Annual Report and financial statements for the year ended 31 December 2022 will be available on the company's website (<https://www.emisgroupplc.com/investors>) from 5 June 2023 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, comprising a revolving credit facility of £25m and an overdraft facility of £5m.

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 2022. These forecasts include consideration of severe but plausible downside scenarios informed by the Group's principal risks and uncertainties, including increased market competition linked to the GP IT Futures framework, failure to monitor and rectify software defects on a timely basis, failure to recruit or retain appropriate numbers of suitably qualified people in critical areas, and failures to comply with information governance legislation. These forecasts show the Group continuing to operate with significant cash reserves and not needing to draw on the £30m bank facility in place under any of the scenarios considered.

As explained in the Chief Executive Officer's statement, on 17 June 2022 the Group agreed a proposal for the group to be acquired by Bordeaux UK Holdings II Limited, an affiliate of Optum Health Solutions (UK) Limited ("Optum") and a wholly owned subsidiary of UnitedHealth Group Incorporated. The Directors have considered statements in the announcement made pursuant to rule 2.7 of the takeover code in respect of the Proposed Acquisition, and discussions with Optum senior management, regarding Optum's intention to ensure continuity of the Group's existing business with no material changes to its existing operations for at least a period of twelve months from completion of the Acquisition. Considering the above, the Directors have concluded that the completion of this acquisition would not impact the appropriateness of the going concern basis of preparation of the financial statements. The Board also considered the potential impact of the Proposed Acquisition on the cash flow forecasts used in the going concern assessment and concluded that there was currently no basis for modelling any impact arising directly from a potential future completion.

Based on this assessment the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for at least twelve months from the date of approval of the financial statements for the year ended 31 December 2022 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.

	2022			2021		
	EMIS Health £'000	EMIS Enterprise £'000	Total £'000	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Segmental result						
Revenue	103,910	71,463	175,373	107,953	60,273	168,226
Segmental operating profit as reported internally	26,373	22,864	49,237	26,328	18,921	45,249
Development costs capitalised	2,962	1,399	4,361	2,674	1,378	4,052
Amortisation of development costs	(3,591)	(2,758)	(6,349)	(4,155)	(1,972)	(6,127)
Amortisation of acquired intangible assets	(1,814)	(3,376)	(5,190)	(2,787)	(2,886)	(5,673)
Segmental operating profit	23,930	18,129	42,059	22,060	15,441	37,501
Group operating expenses			(1,551)			(1,716)
Exceptional costs			(12,762)			—
Operating profit			27,746			35,785
Net finance costs			(51)			(426)
Share of result of joint venture and associate			533			727
Exceptional fair value gain on previously held interest in joint venture			10,706			—
Profit before taxation			38,934			36,086

Revenue excludes intra-group transactions on normal commercial terms from the EMIS Health segment to the EMIS Enterprise segment totalling £2,052,000 (2021: £2,115,000). Revenue of £113,882,000 (2021: £110,910,000) is derived from the NHS and related bodies. Revenue of £3,491,000 (2021: £3,446,000) is derived from customers outside the UK.

4. Revenue analysis

Revenue is analysed as follows:

	2022			2021		
	EMIS Health £'000	EMIS Enterprise £'000	Total £'000	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Software subscription and support	80,475	36,278	116,753	79,024	25,479	104,503
Interface and connectivity charges	4,077	19,560	23,637	5,411	18,945	24,356
Other services	8,151	7,242	15,393	10,495	5,775	16,270
Perpetual licences, training, consultancy and implementation	6,795	3,832	10,627	7,272	5,150	12,422
Hardware and related services	4,412	4,551	8,963	5,751	4,924	10,675
	103,910	71,463	175,373	107,953	60,273	168,226

5. Income tax expense

	2022 £'000	2021 £'000
Income tax:		
– UK current year tax charge	7,034	7,508
– Overseas current year tax charge	181	148
– Adjustment in respect of prior years	(249)	(452)
Total current tax	6,966	7,204
Deferred tax:		
– UK current year	(1,485)	(899)
– Adjustment in respect of prior years	283	441
– Deferred tax rate change	—	264
Total deferred tax	(1,202)	(194)
Total tax charge in Group statement of comprehensive income	5,764	7,010
Factors affecting the tax charge for the year		
Profit before taxation	38,934	36,086
Taxation at the average UK corporation tax rate of 19% (2021: 19%)	7,397	6,856
Tax effects of:		
– Expenses not allowable in determining taxable profit	679	64
– Exceptional fair value gain on previously held interest in joint venture not chargeable in determining taxable profit	(2,034)	—
– Adjustment in respect of prior years	34	(11)
– Joint venture reported net of tax	(101)	(138)
– Other temporary differences not recognised in deferred tax	(174)	—
– Effect of overseas tax rates	(37)	(25)
– Deferred tax rate change	—	264
Tax charge for the year	5,764	7,010

6. Earnings per share (EPS)

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

	2022 £'000	2021 £'000
Earnings		
Basic earnings attributable to equity holders	33,170	29,076
Development costs capitalised	(4,361)	(4,052)
Amortisation of development costs and acquired intangible assets	11,539	11,800
Exceptional costs	12,762	—
Exceptional fair value gain on previously held interest in joint venture	(10,706)	—
Tax effect of above items at 19% (2021: 19%)	(3,253)	(1,472)
Adjusted earnings attributable to equity holders	39,151	35,352
	2022 Number '000	2021 Number '000
Weighted average number of ordinary shares		
Total shares in issue	63,311	63,311
Shares held by Employee Benefit Trust	(186)	(335)
For basic EPS calculations	63,125	62,976
Effect of potentially dilutive share options	848	745
For diluted EPS calculations	63,973	63,721
	2022 Pence	2021 Pence
EPS		
Basic	52.5	46.2
Basic diluted	51.8	45.6
Adjusted	62.0	56.1
Adjusted diluted	61.2	55.5

7. Dividends

	2022 £'000	2021 £'000
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
Final dividend for the year ended 31 December 2021 of 17.6p	11,085	—
Interim dividend for the year ended 31 December 2022 of 17.6p	11,108	—
	22,193	21,146

A final dividend for the year ended 31 December 2022 of 21.1p amounting to approximately £13,303,000 will be proposed at the Annual General Meeting on 29 June 2023. If approved, this dividend will be paid on 11 July 2023 to shareholders on the register on 16 June 2023. 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 2023.

8. Goodwill

	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Cost			
At 1 January 2021	41,810	26,550	68,360
Reallocation	1,622	(1,622)	—
At 31 December 2021	43,432	24,928	68,360
Acquisitions (see note 13)	16,892	16,531	33,423
At 31 December 2022	60,324	41,459	101,783
Accumulated impairment losses			
At 1 January 2021, 31 December 2021 and 31 December 2022	8,825	7,358	16,183
Net book value			
At 31 December 2022	51,499	34,101	85,600
At 31 December 2021	34,607	17,570	52,177
At 1 January 2021	32,985	19,192	52,177

Impairment tests for goodwill

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:

	2022 £'000	2021 £'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
Edenbridge	6,160	—
FourteenFish	10,371	—
Healthcare Gateway	16,892	—
	85,600	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 allocation of goodwill arising from the acquisition of Healthcare Gateway is currently provisional (see note 13).

The value in use for each CGU has been calculated using internal budgets for the year ending 31 December 2023 to forecast cash flows from each CGU. These cash flows have then been extrapolated for a further four years assuming average annual growth rates of between 3.5% and 17.7% (2021: 3.5%) until 31 December 2027 and then 2.5% into perpetuity (2021: 1%) for all CGUs. The cash flows have been discounted back to 31 December 2022 using a pre-tax discount rate of between 12.3% and 13.9% (2021: 12.3% to 13.9%). The exercise has confirmed that there has been no impairment in any CGU.

The key assumptions underpinning the value in use calculation are revenue and operating profit growth, which impact forecast cash flows, and the discount rate. Management has determined the discount rates for each CGU using the UK government 10-year bond yield as the risk free rate of return, adjusted for both the market rate of return based on industry data and any CGU specific risks. Growth rates beyond the budget period are determined based on an assessment of long-term growth rates which takes into account historic data on growth rates of the group, its acquisitions and the growth phase of the CGU.

Sensitivity analysis has been performed on the key assumptions which indicated that, with the exceptions of Pinnacle and Healthcare Gateway, no reasonably possible change to these key assumptions would cause an impairment.

The carrying value of the Pinnacle CGU is £7,255,000 (including £4,208,000 of Goodwill). The estimated recoverable amount exceeded the carrying value by £942,000 and therefore the Directors concluded no impairment was necessary. However, the recoverable amount is sensitive to reasonably possible changes in the forecast levels of revenue, operating profit and the discount rate applied. If growth in revenue and operating profit were reduced by 3.5% to nil in the medium term, the recoverable amount of the CGU would be comparable to that of its carrying value. An increase in the discount rate of 1.0%, with all other assumptions left unchanged, would reduce the recoverable amount of the CGU to its carrying value.

The carrying value of the Healthcare Gateway CGU is £27,184,000 (including £16,892,000 of Goodwill). The estimated recoverable amount exceeded the carrying value by £3,933,000 and therefore the Directors concluded no impairment was necessary. However, the recoverable amount is sensitive to reasonably possible changes in the forecast levels of revenue, operating profit and the discount rate applied. If growth in revenue and operating profit was reduced by 6.0% to 4.0% in the medium term, the recoverable amount of the CGU would be reduced to a level comparable with its carrying value. An increase in the discount rate of 1.1%, with all other assumptions left unchanged, would reduce the recoverable amount of the CGU 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 2021	8,250	64,688	43,330	31,946	148,214
Additions	126	4,052	—	—	4,178
At 31 December 2021	8,376	68,740	43,330	31,946	152,392
Acquisition of businesses	—	—	20,360	1,267	21,627
Additions	267	4,361	—	—	4,628
At 31 December 2022	8,643	73,101	63,690	33,213	178,647
Accumulated amortisation and impairment					
At 1 January 2021	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	7,456	54,079	39,259	27,240	128,034
Charged in year	486	6,349	2,967	2,223	12,025
At 31 December 2022	7,942	60,428	42,226	29,463	140,059
Net book value					
At 31 December 2022	701	12,673	21,464	3,750	38,588
At 31 December 2021	920	14,661	4,071	4,706	24,358
At 1 January 2021	1,932	16,736	7,637	6,813	33,118

10. Other financial liabilities

	At 31 December 2021 £'000	Recognised on business combinations (see note 13) £'000	Paid in cash £'000	As at 31 December 2022 £'000
Current				
Contingent acquisition consideration – Pinnacle	2,000	—	(2,000)	—
Contingent acquisition consideration – Edenbridge	—	3,000	(1,500)	1,500
Contingent acquisition consideration – FourteenFish	—	251	(251)	—
	2,000	3,251	(3,751)	1,500
Non-current				
Contingent acquisition consideration – Edenbridge	—	3,000		3,000

The liabilities in respect of Edenbridge are payable based on the achievement of specified revenue 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 future performance of Edenbridge, are not based on observable market data. A payment of £1,500,000 was made during the year following the achievement of specified product delivery targets, and the possible minimum and maximum undiscounted amounts of contingent consideration payable in cash are £nil and £4,500,000 respectively.

In respect of the Pinnacle contingent acquisition consideration, a payment of £2,000,000 was made during the year following the achievement of specified profit targets.

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 £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000	£'000
At 1 January 2021	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
At 31 December 2021	4,571	—	452	5,023	(5,916)
Additions	112	—	11	123	(123)
Remeasurement of lease asset and liability	(835)	—	4	(831)	831
Depreciation expense	(853)	—	(280)	(1,133)	—
Interest expense	—	—	—	—	(319)
Payments	—	—	—	—	1,181
Effect of movements in exchange rates	19	—	—	19	(19)
At 31 December 2022	3,014	—	187	3,201	(4,365)

During the year the Group exercised a break clause on a property lease resulting in a reduction in the lease asset of £835,000 and a corresponding decrease in the lease liability.

12. Exceptional costs

During the year the following costs were incurred in delivering the technology transformation programme as the Group transitions to the cloud and in relation to corporate transaction costs, including the recommended acquisition of EMIS Group Plc by Bordeaux UK Holdings II Limited. These costs have been classified as exceptional owing to the material one-off nature of these projects:

	2022	2021
	£'000	£'000
Technology transformation programme		
Staff costs	2,197	—
Other operating expenses	5,137	—
Depreciation of property, plant and equipment	783	—
Amortisation of intangible assets	40	—
	8,157	—
Corporate transaction costs		
Staff costs	972	—
Other operating expenses	3,633	—
	4,605	—
Total		
Staff costs	3,169	—
Other operating expenses	8,770	—
Depreciation of property, plant and equipment	783	—
Amortisation of intangible assets	40	—
	12,762	—

Staff costs classified as exceptional reflect the cost of time employees spent working directly on supporting these projects and relate largely to roles already in the business where time was diverted to these projects from other value-adding activities (and therefore the corresponding cost of these employees would have been included within adjusted operating profit in the prior year). Other operating expenses are third party costs incurred as a direct consequence of the projects. Depreciation and amortisation are the incremental charges incurred either as a result of revisions to the useful lives of existing assets as a result of the projects, or charges arising from assets purchased specifically for the purpose of supporting the technology transformation programme.

The cash cost of exceptional items shown on the Group statement of cash flows of £10,182,000 (2021: £nil) relates to the total staff and other operating costs of £11,939,000 (2021: £nil) less an increase in the trade and other payables relating to the projects of £1,757,000 (2021: £nil).

During the year the Group recognised an exceptional fair value gain on a previously held interest in a Joint Venture (see note 13) of £10,706,000 (2021: £nil). In line with the Group's accounting policies, this was considered an exceptional item due to its size and one-off nature and has therefore been presented separately on the Group statement of comprehensive income. As it is recognised below reported operating profit, it is not an item taken into account in arriving at adjusted operating profit.

13. Business combinations

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 expands 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 Group. FourteenFish is the chosen training system of the Royal College of General Practitioners (RCGP) and strengthens the Group's training proposition. The Group acquired the business for £15,862,000 in cash paid from the Group's existing resources.

On 31 October 2022 the Group completed the acquisition of the remaining 50% of the share capital of Healthcare Gateway Limited (HGL), increasing the Group's shareholding to 100%. HGL specialises in medical interoperability through a secure middleware technology known as Medical Interoperability Gateway (MIG). MIG connects over 4,500 health and social care organisations across the UK including NHS Trusts and Integrated Care Systems with real-time patient information. This acquisition reflects the Group's strategic intent to strongly align with NHS policy, notably in areas of connected-care and data analytics. The Group acquired the remaining 50% for £14,000,000 in cash paid from the Group's existing resources.

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

	Edenbridge Healthcare £'000	FourteenFish £'000	Healthcare Gateway £'000	Total £'000
Intangible assets – computer software	4,890	5,677	9,793	20,360
Intangible assets – customer relationships	258	430	579	1,267
Property, plant and equipment	—	10	36	46
Trade and other receivables	379	189	627	1,195
Cash and cash equivalents	11	1,155	1,598	2,764
Trade and other payables	(292)	(178)	(386)	(856)
Corporation tax liability	—	(136)	(61)	(197)
Deferred income	(172)	(186)	(1,749)	(2,107)
Deferred tax liability	(1,234)	(1,470)	(2,560)	(5,264)
Total identifiable net assets	3,840	5,491	7,877	17,208
Goodwill	6,160	10,371	16,892	33,423
	10,000	15,862	24,769	50,631
Consideration:				
Cash consideration	4,000	15,611	14,000	33,611
Contingent consideration – cash-settled (note 10)	6,000	251	—	6,251
Fair value of previous equity interest	—	—	10,769	10,769
Total potential consideration	10,000	15,862	24,769	50,631
Cash and cash equivalent balances acquired	(11)	(1,155)	(1,598)	(2,764)
Contingent consideration not yet settled	(4,500)	—	—	(4,500)
Fair value of previous equity interest	—	—	(10,769)	(10,769)
Net cash cost of acquisition paid in period	5,489	14,707	12,402	32,598
Initial cash consideration, net of cash acquired	3,989	14,456	12,402	30,847
Contingent consideration paid	1,500	251	—	1,751
Net cash cost of acquisition paid in period	5,489	14,707	12,402	32,598

The fair values in respect of all acquisitions are finalised. The allocation of goodwill to CGUs is currently provisional in respect of the Healthcare Gateway acquisition, and may subsequently be revised.

Goodwill relates principally to anticipated future profit from expansion opportunities and synergies of the businesses, and the experienced staff within the business. None of the goodwill recognised is expected to be deductible for tax purposes.

Fair values of assets and liabilities represent the best estimate of the fair values at the date of acquisition. The acquired software and customer relationships were 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 key assumptions used relate to expected future cash flows and the rate used to discount these. There have been no material fair value adjustments to any other identifiable assets, as book value is similar to fair value.

The post-acquisition contribution of the acquired businesses to Group revenue and adjusted operating profit was £4,409,000 and £1,727,000 respectively. Had the acquisitions occurred on 1 January 2022, the Group's revenue and adjusted operating profit for the year would have been £178,903,000 and £48,939,000 respectively.

Acquisition-related other operating costs of £410,000 have been expensed in the statement of comprehensive income.

On the date of acquisition, the carrying value of the Group's previously held 50% equity interest in HGL was £62,000. Upon completion of the acquisition of the remaining 50%, this was remeasured to a fair value of £10,769,000, generating a gain of £10,706,000 recognised on the face of the statement of comprehensive income. The acquisition date fair value of the previously held interest was considered to be equal to the £14,000,000 paid for the remaining 50%, less an estimated 30% control premium.

For further details on the contingent consideration arrangements see note 10.

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 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.

	2022 £'000	2021 £'000
Reported revenue	175,373	168,226
Non-recurring revenue	(32,042)	(33,417)
Recurring revenue	143,331	134,809

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 effects of the operating profit adjustments, and the exceptional fair value gain on previously held interest in joint venture.

The Board uses these metrics to assess 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.

	2022 £'000	2021 £'000
Reported operating profit	27,746	35,785
Development costs capitalised	(4,361)	(4,052)
Amortisation of computer software developed for external sale	6,349	6,127
Amortisation of intangible assets arising on business combinations	5,190	5,673
Exceptional costs	12,762	—
Adjusted operating profit	47,686	43,533

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

	2022 £'000	2021 £'000
--	---------------	---------------

Profit attributable to equity holders	33,170	29,076
Development costs capitalised	(4,361)	(4,052)
Amortisation of computer software developed for external sale	6,349	6,127
Amortisation of intangible assets arising on business combinations	5,190	5,673
Exceptional costs	12,762	—
Exceptional fair value gain on previously held interest in joint venture	(10,706)	—
Tax effect of above items	(3,253)	(1,472)
Adjusted profit attributable to equity holders	39,151	35,352

The tax effect adjusts for the estimated impact on the income tax expense of the adjusting items, reflecting expenses/income that are not expected to be allowable/chargeable in determining taxable profit, and has been calculated at a rate of 19% (2021: 19%).

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.

	2022	2021
	£'000	£'000
Reported cash generated from operations	48,813	50,059
Development costs capitalised	(4,361)	(4,052)
Cash cost of exceptional items	10,182	—
Adjusted cash generated from operations	54,634	46,007

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 2022 the Group was in a net cash position, with no borrowings.