

Egton Medical Information Systems Limited

Annual report and financial statements

Registered number 02117205

31 December 2016

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Contents

Officers and professional advisers	1
Strategic report	2
Directors' report	5
Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements	7
Independent auditor's report to the members of Egton Medical Information Systems Limited	8
Profit and loss account and other comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes	13

Officers and professional advisers

Directors

A J Thorburn – Appointed 1st May 2017
P J Southby
C M K Spencer – Resigned 30th April 2017
S O'Hanlon
M Murphy – Resigned 10th March 2017
S Wilcock
D S Lawrence – Appointed 10th March 2017

Secretary

C L Farbridge – Resigned 2nd September 2016
S Waite – Appointed 2nd September 2016

Company number

02117205 (England and Wales)

Registered office

Rawdon House
Green Lane
Yeadon
Leeds
LS19 7BY

Auditor

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA



Strategic report

Principal activities

The Company's principal activities during the year were the design of computer software for healthcare professionals, mainly General Practitioners, together with the hosting, supply and support of computer systems for the healthcare profession and other users.

Review of the business and results

During the year, the Company continued to make progress towards its vision of supporting longer and healthier lives for everyone by providing integrated, excellent and innovative healthcare IT for patients and those involved in their care. Primary Care maintained its record of steady growth from a loyal customer base, with almost three-quarters of our English GP practices being EMIS Health users for over ten years.

Emis Health - Primary Care (EHPC)

EMIS Health's leading market share of 55% (2015: 55%) was increasingly supported by a local NHS strategy to consolidate clinical management systems and the number of 100% EHPC Clinical Commissioning Groups (CCGs) again rose from 46 to 51. This common strategy creates a platform for STPs to seamlessly connect primary, community and other healthcare data.

The estate-wide deployment and utilisation of nationally-created electronic services in England, such as electronic prescriptions and the transfer of GP records, reached an all-time high for EMIS Health, further facilitating connected care that involves primary care professionals. These NHS national programmes also include Patient Access, with 5.1 million citizens registered to interact with GP services online by the end of 2016.

In Northern Ireland, implementation of EMIS Web for primary care began slowly, with the first pilot sites live on 16 August 2016, however the roll-out is expected to be completed in 2017. In Scotland, EMIS Web is being offered in place of the Group's older software and pre-procurement engagement has begun for likely implementation in 2018. In Wales, re-procurement of the primary care framework agreement has begun although it is worth noting that existing EMIS Web agreements will continue until 2019–2020.

EMIS Health – Child Community & Mental Health (CCMH)

CCMH market share grew to 16% (2015: 12%), exceeding the Group's internal target despite the general sluggishness of the market as a whole. A number of previously unannounced material contract wins were secured in the year including:

- Tameside Hospital NHS Foundation Trust – Community
- Isle of Man Department of Health and Social Care – Community
- First Community Health & Care – Community and Mental Health
- Central Manchester University Hospitals NHS Foundation Trust

Including those previously announced 2016 wins had an aggregate total contract value in excess of £11m with a strong pipeline of opportunities in 2017 as former National Programme for IT CCMH contracts continue to be re-procured. Two material CCMH contracts (Bridgewater Community Healthcare and Central Surrey) have already been secured in early 2017. The CCMH team has secured 38 CCGs where EMIS Health is the sole supplier in primary care as well as having a strong presence in CCMH. This further supports the Group's strategy of helping delivery of connected care.

Strategic report *(continued)*

Results

Total revenue was £104.0m (2015: £97.6m). Operating profit amounted to £27.9m (2015: £27.2m). The profit for the year including interest and after charging tax amounted to £24.5m (2015: £19.5m). A dividend of £20.0m was paid to the parent company during the year (2015: £35.0m).

Key performance indicators (KPIs)

The directors have monitored the performance of the Company by reference to certain financial and non-financial key performance indicators (KPIs). The financial indicators include profitability, revenues and cash generation. Non-financial KPIs include the numbers of sites deployed, customer satisfaction and staff turnover.

Principal risks and uncertainties

Healthcare structure and procurement changes

The Company is dependent on the strategic direction of the NHS in respect of how it plans to make use of available IT innovations to reduce its costs and improve its efficiency. We have mitigated the risk in a number of ways including close engagement with the NHS, proactive response to published NHS plans, regular monitoring of markets/competition and review of sales team structures.

Product integration and interoperability

The Company must ensure its products are integrated with the rest of the EMIS Group in order to efficiently align technology and workflows. This leads to the realisation of the best clinical safety and financial outcomes. We are mitigating this risk by divisional restructure and integration and by Group product integration.

Software development and hosting

The Company needs to ensure the development, hosting and roll-out of new and existing products delivers customers' expectations. We are mitigating this risk by the implementation of new processes supported by disaster recovery plans and utilising our ISO certified secure IT hosting facilities.

Recruitment and retention

The Company is reliant on the skills and knowledge of its people in a wide range of areas, but especially in software development, clinical safety and information technology systems. Failure to recruit and retain an appropriate number of suitably qualified people in critical areas could lead to a deterioration in the quality of our products and services. A people strategy has been implemented across the Emis Group including succession plans in place for key roles and a pay and benefits review.

Information Governance and security

The Company is responsible for hosting over 40 million individual patient records containing confidential and sensitive personal data. Our systems contribute towards the efficient operation of GP surgeries and other healthcare providers through the secure, reliable and accurate processing of such information. There are significant risks associated with managing and hosting such information, including loss, theft or corruption of data. The Company recognises that the trust placed in it by Government, by healthcare providers and by citizens is fundamental to the success of our business. Our reputation rests on our integrity and the quality of stewardship we apply to such sensitive and valuable data. Mitigating controls include maintenance of ISO 27001 certification, including an in-house ISO quality assurance team, documented and externally tested business continuity and disaster recovery plans.

Clinical safety

As a provider of critical IT systems to organisations that provide direct healthcare to patients, and as a direct provider of healthcare itself, the Company is exposed to a range of clinical risks. There is a risk of clinical harm to patients should the Company's IT systems fail to provide accurate, reliable and timely personal information to healthcare professionals; for example, regarding a patient's known allergies, existing prescribed medication or other relevant personal information.

Strategic report (continued)

Principal risks and uncertainties (continued)

Clinical safety (continued)

The risk is mitigated by the Group's Chief Medical Officer and a network of clinical safety officers in place with responsibility for clinical safety across the Group. Our policies and procedures are designed to meet the regulatory requirements of NHS Digital's information standards SCCI0129 or SCCI0160 (depending upon the nature of the business involved). The Company has accredited clinicians involved in software development procedures to identify and mitigate potential clinical risks in new software releases or updates. Clinical sign-off is required for all releases and new implementations

Financial instruments – risk management

The Company's activities expose it to financial risks including credit risk, liquidity risk, interest rate risk and price risk. The Company manages these risks through an effective risk management programme that seeks to minimise potential adverse effects on the Company's performance.

Exposure to financial risks is monitored by the finance/administration department under policies approved by the Board. An assessment of the risks is provided to the Board at regular intervals and is discussed to ensure that the risk mitigation procedures are compliant with company policy and that any new risks are appropriately managed.

Credit risk

The Company's credit risk is primarily attributable to its trade debtors, which are stated net of allowances for any estimated irrecoverable amounts. However, this risk is mitigated by payment being received in advance for a significant proportion of goods and services provided.

There is some concentration of risk, as EMIS has significant dealings with various parties within the National Health Service. However, the Company has long standing relationships with its large number of end users and in addition to the normal credit management processes, the nature of these relationships assist management in controlling its credit risk.

Credit risk also arises on cash and cash equivalents placed with the Company's bank. EMIS monitors the financial standing of any institution with which it deposits cash.

Liquidity risk

Management controls and monitors the Company's cash flow on a regular basis, including forecasting future cash flows, to ensure that it has sufficient financial resources to meet its obligations as they fall due.

Interest rate risk

The company does not hedge its interest rate risk.

Future developments

The Company continues to trade in line with the Board's expectations, with good revenue visibility and profit performance continuing into 2017. The high level of recurring revenue and strong order book at the start of 2017 provide an excellent platform for the business to continue to invest with confidence in developing future products and services.

Patient Platform Limited was incorporated as a wholly owned subsidiary of Emis Group plc on 15th February 2016. The trading results associated with Patient.Info (the UK's leading independent provider to consumers of medical and well-being information) are being recognised in Patient Platform Limited from 1st January 2017. Patient.Info revenues in 2016 accounted for a relatively small proportion of Egton Medical Information Systems Limited total revenues.

By order of the board



Peter Southby

Director

23 June 2017

Directors' report

The directors present their report and the audited financial statements of Egton Medical Information Systems Limited ("EMIS") for the year ended 31 December 2016.

Directors

The directors of the company, who, unless otherwise stated, have held office throughout the year and subsequently, are as follows:

A J Thorburn – Appointed 1st May 2017
P J Southby
C M K Spencer – Resigned 30th April 2017
S O'Hanlon
M Murphy – Resigned 10th March 2017
S Wilcock
D S Lawrence – Appointed 10th March 2017

Dividends

A final dividend of £2.50 a share, totalling £20.0m, was paid during the year.

Directors' indemnities

As permitted by the Articles of Association, the officers of the company would be indemnified in respect of proceedings which might be brought by a third party. No cover is provided for directors in respect of any fraudulent or dishonest actions.

Research and development

Research and development expenditure in the year amounted to £9.7m (2015: £13.5m). Research and development activities are mainly the researching, designing and development of medical software.

Political Donations

The Company made no political donations or incurred any political expenditure during the year.

Disabled persons

The Company treats applications for employment from disabled persons equally with those of other applicants having regard to their ability, experience and the requirements of the job. Where existing employees become disabled, appropriate efforts are made to provide them with continuing suitable work within the Company and to provide retraining if necessary.

Employee involvement

The Company's policy is to ensure adequate provision for the welfare, and health and safety of its employees and of other people who may be affected by its activities. The Company is committed to ensuring there are equal opportunities for all employees, irrespective of age, gender, race, colour, sexual orientation, disability or marital status.

The Company encourages the involvement of its employees and employees are made aware of significant matters through regular updates from the Board of Directors and Divisional Managing Directors, management meetings, informal briefings, team meetings and the Company's intranet, discussion forums and website.

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business has been included in the Strategic Report on Page 4.

Intrelate Limited was acquired by EMIS Group plc on 22nd December 2016, with the trade and net assets hived across into Egton Medical Information Systems on 31st December 2016. It is now integrated into the EMIS business, and rebranded as Egton Digital Social Care.

Auditor

KPMG LLP are the auditors of the Company. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will, therefore, continue in office.

By order of the Board



Peter Southby
Director
23 June 2017

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Egton Medical Information Systems Limited

We have audited the financial statements of Egton Medical Information Systems Limited for the year ended 31 December 2016 set out on pages 10 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Egton Medical Information Systems Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Johnathan Pass (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

23 June 2017

Profit and loss account and other comprehensive income

For the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	2	103,966,070	97,610,634
Changes in stocks		547,575	(256,740)
Cost of goods and services		(10,536,673)	(7,379,456)
Staff costs	6	(40,706,792)	(39,934,432)
Other operating expenses (including contract asset depreciation)	3	(15,352,849)	(13,152,513)
Earnings before interest, taxes, depreciation and amortisation		37,917,331	36,887,493
Depreciation of property, plant and equipment		(3,002,328)	(3,566,134)
Amortisation of intangible fixed assets		(5,849,338)	(6,083,045)
Cost reduction programme	5	(1,161,661)	-
Operating profit		27,904,004	27,238,314
Impairment of investment		-	(2,136,965)
Gain on sale of investment	11	1,532,323	-
Investment income		400,000	-
Interest payable	4	(169,352)	(184,338)
Profit on ordinary activities before taxation	5	29,666,975	24,917,011
Taxation of profit on ordinary activities	7	(5,200,490)	(5,415,436)
Profit for the financial year		24,466,485	19,501,575
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		24,466,485	19,501,575

Revenue and Operating Profit for the year are derived from the company's continuing operations. The accompanying notes form part of these financial statements

Balance sheet
As at 31 December 2016

	<i>Note</i>	2016 £	2015 £
Fixed assets			
Tangible assets	9	17,355,940	17,747,472
Intangible assets	10	17,795,224	20,886,653
Investments	11	105	105
		<hr/>	<hr/>
		35,151,269	38,634,230
Current assets			
Stocks	12	1,732,465	1,184,890
Debtors	13	56,533,305	47,635,671
Cash at bank and in hand		4,487,951	1,095,666
		<hr/>	<hr/>
		62,753,721	49,916,227
Creditors: amounts falling due within one year	14	(42,430,661)	(36,792,473)
		<hr/>	<hr/>
Net current assets		20,323,060	13,123,754
		<hr/>	<hr/>
Total assets less current liabilities		55,474,329	51,757,984
Creditors: amounts falling due after more than one year			
Provisions for liabilities			
Deferred tax liability	18	(913,830)	(1,663,970)
		<hr/>	<hr/>
Net assets		54,560,499	50,094,014
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	15	8,001,000	8,001,000
Profit and loss account		44,811,718	40,345,233
Capital contribution reserve		1,747,781	1,747,781
		<hr/>	<hr/>
Shareholder's funds		54,560,499	50,094,014
		<hr/>	<hr/>

The accompanying notes form part of the financial statements.

These financial statements were approved by the board of directors on 23 June 2017 and were signed on its behalf by:



Peter Southby
Director

Statement of changes in equity
For the year ended 31 December 2016

	Profit and loss account	Called up share capital	Capital contribution reserve	Total Equity
	£	£	£	£
As at 1 January 2015	55,843,658	8,001,000	-	63,844,658
Profit for the year	19,501,575	-	-	19,501,575
Dividends	(35,000,000)	-	-	(35,000,000)
Capital contribution	-	-	1,747,781	1,747,781
	<hr/>	<hr/>	<hr/>	<hr/>
As at 1 January 2016	40,345,233	8,001,000	1,747,781	50,094,014
Profit for the year	24,466,485	-	-	24,466,485
Dividends	(20,000,000)	-	-	(20,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2016	44,811,718	8,001,000	1,747,781	54,560,499
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

1.1 Basis of preparation

Egton Medical Information Systems Limited ("the Company") is a limited company incorporated and domiciled in the UK. The Company is exempt by virtue of the Companies Act 2006 from the requirement to prepare group financial statements. The financial statements represent information about the Company as an individual undertaking and not about its group. These financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and also in accordance with the Companies Act 2006.

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-IFRS), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's ultimate parent undertaking, EMIS Group Plc, includes the company in its consolidated financial statements, which are prepared in accordance with EU-IFRS, and are available to the public through www.emisgroupplc.com/investors.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of EMIS Group Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

The company's activities, together with an outline of the developments taking place in relation to its products, services and marketplace, along with information in relation to the revenue, trading results, cash flows and the company's financial risks and the management of capital risks, are considered in the Strategic report. The company is profitable and expects to continue to be so. It has significant cash resources, a high and continuing level of recurring revenue and also expects to continue to have high cash conversion for the foreseeable future.

Accordingly, after careful enquiry and review of available financial information, including projections of profitability and cash flows for the two years to 31 December 2018, the directors believe that the company has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of the financial statements of the company.

1.3 Exemptions applied

As the company is a wholly owned subsidiary of EMIS Group plc, incorporated in England and Wales, which publishes consolidated financial statements in which the company and its subsidiary undertakings, EMIS Professional Publishing Limited (dormant and dissolved 23rd August 2016) and Pathway Trust Limited (dormant and dissolved 23rd August 2016) are included, the company has taken advantage of the exemption clauses within the Companies Act 2006 s401 not to prepare consolidated accounts.

1.4 Research and development

Research costs are expensed as incurred. Development expenditure is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

1.5 Tangible fixed assets

Tangible fixed assets are stated at historical cost less depreciation, which is provided on all tangible fixed assets other than freehold land, to write assets down to their estimated residual value over their estimated useful lives at the following annual rates:

Freehold property	2% straight line
Computer equipment	25% straight line
Fixtures, fittings and equipment	25% straight line
Motor vehicles	20% straight line

Notes (continued)

1 Accounting policies (continued)

1.6 Intangible fixed assets

Expenditure on software development is capitalised as an intangible asset if it meets the criteria set out in IAS 38 'Intangible Assets', requiring it to be probable that the expenditure will generate future economic benefits and can be measured reliably. To meet these criteria, it is necessary to be able to demonstrate, among other things, the technical feasibility of completing the intangible asset so that it will be available for use or sale.

The costs incurred in the development stage for substantially new or enhanced products are assessed against the IAS 38 criteria and considered for recognition as an asset when they meet those criteria. These costs are generally incurred in developing the detailed product design, software configuration and interfaces, in the coding of software, in its integration with hardware, and in its testing.

Development expenditure directed towards incremental improvements in existing products, remedial work and other maintenance activity does not qualify for recognition as an intangible asset.

Where a product is technically feasible, production and sales are intended, a market exists, and sufficient resources are available to complete the project, development costs (including only direct employee costs) are capitalised and subsequently amortised on a straight-line basis over the estimated useful life, reflecting the pattern of the expected future economic benefits. Where these conditions are not met, development expenditure is recognised as an expense in the period in which it is incurred.

Intangible fixed assets are stated at historical cost less amortisation, which is provided on all intangible fixed assets, to write assets down to their estimated residual value over their estimated useful lives at the following annual rates:

Computer software purchased externally	12.5% to 25% straight line
Development costs	12.5% to 25% straight line

Development expenditure is capitalised in accordance with the criteria of IAS 38, and for this reason is not regarded as a realised loss.

1.7 Fixed asset investments

Fixed asset investments, including investments in joint ventures, associated undertakings and available for sale investments, are stated at cost less any provision made for a permanent impairment in value.

1.8 Impairment of property, plant and equipment and intangible assets

At each year end the carrying amounts of property, plant and equipment and intangible assets is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised whenever the carrying amount of an asset exceeds the asset's recoverable amount. Impairment losses are recognised as an expense.

The recoverable amount of the assets is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate reflects current market assessments of the time value of money and the risks specific to the asset.

Notes (continued)

1 Accounting policies (continued)

1.9 Non-derivative financial instruments

Trade receivables

Trade receivables are amounts due from customers for goods sold and services provided in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when the carrying value of the receivable exceeds the present value of future cash flows discounted using the original effective interest rate.

Investments

Investments in subsidiaries, associates and joint ventures are recorded at cost. They are tested for impairment when there is objective evidence of impairment. Any impairment losses are recognised in the profit and loss account in the period they occur.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.10 Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

1.11 Deferred taxation

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets and liabilities is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Deferred tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, deferred tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

1.12 Leased assets and obligations

Operating lease annual rentals are charged to profit and loss on a straight line basis over the term of each lease.

1.13 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year into defined contribution schemes.

1 Accounting policies (*continued*)

1.14 Revenue

Revenue comprises the value of goods and services provided during the financial year, excluding value added tax, and including income from licences, maintenance, training, consultancy and the supply of third party software and hardware. Each element of revenue is recognised when:

- delivery of goods or provision of services has taken place;
- there are no significant obligations remaining to be delivered; and
- collection of the amount due from the customers is reasonably assured.

Revenue from licences, maintenance & software support and other support services is recognised on a straight line basis over the period of supply. Revenue from training and consultancy is recognised when delivery to a customer has occurred with no significant vendor obligations remaining and where the collection of the resulting receivable is considered probable. In instances where a significant vendor obligation exists, revenue recognition is delayed until the obligation has been satisfied.

1.15 Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.16 Share based payments

Employees of the Company participate in share option schemes operated by the parent company. The grant date fair value of share-based payment awards granted is recognised as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where a member of the Group grants awards to the Company's employees, and the Company has no obligation to settle the award, the Company accounts for these share based payments as equity settled. Amounts recharged by the parent are recognised as a recharge liability with a corresponding debit to the profit and loss account.

2 Turnover

The company's revenue is derived from its continuing principal activities and had the following geographical split:

	2016 £	2015 £
United Kingdom	101,616,329	95,450,039
Rest of the World	2,349,741	2,160,595
	<hr/>	<hr/>
	103,966,070	97,610,634
	<hr/>	<hr/>

Notes (continued)

3 Other operating expenses by function

	2016 £	2015 £
Administration costs	8,138,624	5,693,419
Establishment costs	2,050,636	1,228,476
Motor, travel and selling costs	3,208,044	3,055,933
Contract asset depreciation	1,955,545	3,174,685
	<hr/>	<hr/>
Total other operating expenses	15,352,849	13,152,513
	<hr/>	<hr/>

4 Interest payable and similar charges

	2016 £	2015 £
Exchange loss	15,337	314
Interest paid to group company	154,015	184,024
	<hr/>	<hr/>
	169,352	184,338
	<hr/>	<hr/>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2016 £	2015 £
Depreciation of property, plant and equipment:		
Charge for the year:		
Owned assets: Contract assets	1,955,545	3,174,685
Other assets	3,002,328	3,566,134
Amortisation of intangible fixed assets	5,849,338	6,083,045
Profit on sale of fixed assets	211,125	139,295
Auditor remuneration:		
Audit of these financial statements	36,750	35,000
Cost reduction programme	1,161,661	-
Research and development expenditure	9,718,000	13,508,615
Operating lease rentals:		
Land and buildings	156,612	128,263
Other	835,129	723,871
	<hr/>	<hr/>

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Emis Group plc.

Cost reduction programme costs relate to redundancy and restructuring costs.

Notes (continued)

6 Staff numbers and costs

The average monthly number of people (including directors) employed by the Company during the year was:

	2016 No.	2015 No.
Management and administration	82	68
Software support and development	537	558
Sales, maintenance and training	370	391
Others	110	131
	<u>1,099</u>	<u>1,148</u>

The aggregate payroll costs of these persons are as follows:

	2016 £	2015 £
Wages and salaries	35,234,102	33,950,920
Share based payments (See note 19)	289,732	814,945
Social security costs	3,825,000	3,922,509
Pension costs (See note 17)	1,357,958	1,246,058
	<u>40,706,792</u>	<u>39,934,432</u>

Directors' remuneration

	2016 £	2015 £
Aggregate emoluments	1,202,971	1,042,522
Company contributions payable to individual personal pension plans	115,272	113,212
	<u>1,318,243</u>	<u>1,155,734</u>

Retirement benefits are accruing to five (2015: five) directors under defined contribution personal pension schemes.

Highest paid director

	2016 £	2015 £
Aggregate emoluments	338,838	338,887
Company contributions payable to individual personal pension plan	47,736	46,800
	<u>386,574</u>	<u>385,687</u>

Notes (continued)

7 Taxation

	2016 £	2015 £
<i>Corporation tax</i>		
Current tax on income for the period	6,372,630	6,514,963
Adjustments in respect of the prior year	(422,000)	-
	<hr/>	<hr/>
Total current tax	5,950,630	6,514,963
	<hr/>	<hr/>
<i>Deferred tax</i>		
Current year	(750,140)	(1,099,527)
	<hr/>	<hr/>
Total deferred tax	(750,140)	(1,099,527)
	<hr/>	<hr/>
Tax on profit on ordinary activities	5,200,490	5,415,436
	<hr/>	<hr/>

Factors affecting the tax charge for the year

	2016 £	2015 £
Profit for the year	24,466,485	19,501,575
Total tax expense	5,200,490	5,415,436
	<hr/>	<hr/>
Profit on ordinary activities before taxation	29,666,975	24,917,011
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the averaged standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	5,933,395	5,045,695
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses / income not deductible / taxable for tax purposes	(338,015)	453,871
Adjustments in respect of prior years	(422,000)	-
Other permanent items	27,110	(84,130)
	<hr/>	<hr/>
Tax charge for the year	5,200,490	5,415,436
	<hr/>	<hr/>

8 Dividend

	2016 £	2015 £
Ordinary shares		
Interim £nil (2015: £1.87 a share)	-	15,000,000
Final paid - £2.50 a share (2015: £2.50)	20,000,000	20,000,000
	<hr/>	<hr/>
	20,000,000	35,000,000
	<hr/>	<hr/>

Notes (continued)

9 Tangible fixed assets

	Land and buildings £	Computer equipment £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<i>Cost</i>					
At 1 January 2016	9,967,622	31,202,422	3,461,503	3,977,732	48,609,279
Additions	178,416	3,885,279	796,130	-	4,859,825
Disposals	-	-	(1,160,857)	(1,599,344)	(2,760,201)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	10,146,038	35,087,701	3,096,776	2,378,388	50,708,903
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 January 2016	1,121,585	25,332,264	1,890,205	2,517,753	30,861,807
Charged in the year	196,005	3,715,475	490,509	555,884	4,957,873
Disposals	-	-	(1,160,857)	(1,305,860)	(2,466,717)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,317,590	29,047,739	1,219,857	1,767,777	33,352,963
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 2016	8,828,448	6,039,962	1,876,919	610,611	17,355,940
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2016	8,846,037	5,870,158	1,571,298	1,459,979	17,747,472
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

10 Intangible fixed assets

	Computer software developed internally £	Computer software purchased externally £	Total £
<i>Cost</i>			
At 1 January 2016	29,975,933	4,496,773	34,472,706
Additions	1,882,381	875,528	2,757,909
	<hr/>	<hr/>	<hr/>
At 31 December 2016	31,858,314	5,372,301	37,230,615
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 January 2016	12,259,377	1,326,676	13,586,053
Charge for the year	4,934,296	915,042	5,849,338
	<hr/>	<hr/>	<hr/>
At 31 December 2016	17,193,673	2,241,718	19,435,391
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2016	14,664,641	3,130,583	17,795,224
	<hr/>	<hr/>	<hr/>
At 1 January 2016	17,716,556	3,170,097	20,886,653
	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Fixed asset investments

	2016 £	2015 £
Shares in subsidiary undertakings and joint ventures	105	105
	<u>105</u>	<u>105</u>

Details of the Company's subsidiary undertakings and joint ventures are as follows:

Name and nature of business	Country of registration	Class of share	% held
EMIS Professional Publishing Limited - dormant (dissolved on 23 rd August 2016)	England	£1 ordinary	100
Pathway Trust Limited - dormant (dissolved on 23 rd August 2016)	England	£1 ordinary	100
Healthcare Gateway Limited – establishment of Medical Interoperability Gateway ("MIG")	England	£1 ordinary	50
EMIS Health India Private Limited – development of healthcare software	India	RS10 Ordinary	10

On 2 July 2016 the Company disposed fully of its minority interest in P2U, generating net proceeds and a gain on disposal of £1,532,323, following the full impairment of the investment in the prior year.

The registered office of Healthcare Gateway is: C/O IBB Solicitors, Capital Court, 30 Windsor Street, Uxbridge, UB8 1AB

The registered office of EMIS Health India Private Limited is: Unit No. A1, Level 3, Shriram The Gateway SEZ, No. 16, G.S.T. Road, Perungalathur, Chennai-600 063, India

12 Stocks

	2016 £	2015 £
Finished goods	1,732,465	1,184,890

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £9,989,098 (2015: £7,636,196). The write-down of stocks to net realisable value amounted to £nil (2015: £nil). The reversal of write-downs amounted to £nil (2015: £nil).

Notes (continued)

13 Debtors

	2016 £	2015 £
Due within one year:		
Trade debtors	5,288,412	6,281,971
Other debtors	156,073	115,373
Prepayments and accrued income	15,803,141	10,386,529
Amount owed by parent company	31,352,237	26,789,092
Amounts owed by fellow group companies	3,933,442	4,062,706
	<u>56,533,305</u>	<u>47,635,671</u>

14 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	2,814,933	3,072,662
Corporation tax	1,509,853	3,402,666
Other taxation and social security	3,824,706	3,965,983
Accruals and deferred income	21,328,664	17,578,817
Other creditors	362,089	234,691
Amounts owed to fellow group companies	12,590,416	8,537,654
	<u>42,430,661</u>	<u>36,792,473</u>

Amounts owed to fellow group companies include loan amounts that attract an annual interest rate of 1.6% and are repayable on demand.

15 Equity share capital

	2016 £	2015 £
<i>Allotted, issued and fully paid:</i>		
8,001,000 ordinary shares of £1 each	8,001,000	8,001,000
	<u>8,001,000</u>	<u>8,001,000</u>

Notes (continued)

16 Commitments under operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016 £	2015 £
Land and buildings		
Less than one year	64,104	55,165
Between one and five years	57,154	1,731
More than five years	-	-
Plant and machinery		
Less than one year	1,329,543	126,841
Between one and five years	1,312,937	1,973,801
More than five years	-	-
	<u>2,763,738</u>	<u>2,157,538</u>

17 Employee benefits

The total costs charged to profit and loss account amounts to £1,357,958 (2015: £1,246,058) representing company contributions payable to individual personal pension plans.

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2016 £	2015 £	Liabilities 2016 £	2015 £	Net 2016 £	2015 £
Capitalised development expenditure	-	-	(2,402,695)	(3,020,625)	(2,402,695)	(3,020,625)
Tangible fixed assets	1,481,950	1,309,176	-	-	1,481,950	1,309,176
Other timing differences	6,915	47,479	-	-	6,915	47,479
	<u>1,488,865</u>	<u>1,356,655</u>	<u>(2,402,695)</u>	<u>(3,020,625)</u>	<u>(913,830)</u>	<u>(1,663,970)</u>
Tax assets / (liabilities)	1,488,865	1,356,655	(2,402,695)	(3,020,625)	(913,830)	(1,663,970)

	1 Jan 2016 £	Movement £	31 Dec 2016 £
Movement in deferred tax during the year:			
Capitalised development expenditure	(3,020,625)	617,930	(2,402,695)
Tangible fixed assets	1,309,176	172,774	1,481,950
Other timing differences	47,479	(40,564)	6,915
	<u>(1,663,970)</u>	<u>750,140</u>	<u>(913,830)</u>
Tax assets / (liabilities)	(1,663,970)	750,140	(913,830)

Notes (continued)

19 Share-based payments

The following share option schemes existed during the period;

2011 Share Option Plan							
Grant date	11 October 2011	1 October 2012	2 May 2013	18 October 2013	15 October 2014	28 April 2015	27 April 2016
Exercise period	October 2014 – October 2016	October 2015 – October 2017	May 2016 – May 2018	October 2016 – October 2018	October 2017 – October 2019	April 2018 – April 2020	April 2019 – April 2021
Share price at grant date	528p	812p	730p	656p	737p	901p	970p
Exercise price	528p	812p	730p	656p	737p	901p	970p
Expected volatility	36%	30%	35%	35%	35%	26%	30%
Expected life (years)	3	3	3	3	3	3	3
Risk-free rate	2.75%	1.00%	1.40%	1.40%	2.37%	2.37%	2.37%
Expected dividend yield	2.35%	1.64%	2.20%	2.20%	2.33%	2.03%	2.19%
Fair value per option	109p	153p	157p	141p	164p	152p	190p

Unapproved Option Scheme			
Grant date	1 October 2012	18 October 2013	27 April 2016
Exercise period	June 2015 – July 2016	July 2016 – October 2018	April 2019 – April 2021
Share price at grant date	812p	656p	970p
Exercise price	812p	656p	970p
Expected volatility	30%	35%	30%
Expected life (years)	3	3	3
Risk-free rate	1.00%	1.40%	2.37%
Expected dividend yield	1.64%	2.20%	2.19%
Fair value per option	75p	89p	190p

LTIP					
Grant date	2 May 2013	16 January 2014	1 May 2014	28 April 2015	27 April 2016
Exercise period	July 2015 – July 2017	January 2017 – January 2024	May 2017 – May 2024	April 2018 – April 2025	April 2019 – April 2026
Share price at grant date	710p	630p	635p	908p	970p
Exercise price	710p	0p	0p	0p	0p
Expected volatility	30%	35%	35%	26%	30%
Expected life (years)	3	3	3	3	3
Risk-free rate	1.00%	2.37%	2.37%	2.37%	2.37%
Expected dividend yield	1.90%	2.52%	2.52%	2.03%	2.19%
Fair value per option	177p	584p	589p	854p	908p

There were 29,519 option exercised during the year. The weighted average share price at the date of exercise of share options exercised during the year was £8.79 (2015: £10.50). The options outstanding at the year end have an exercise price in the range of £nil to £9.70 and a weighted average contractual life of 1.2 years (2015: 1.5 years).

As the consolidated financial statements of EMIS Group Plc include the equivalent disclosures, the Company has taken the exemptions available under FRS 101 in respect of IFRS 2 Share Based Payments.

EMIS Group plc operates a HMRC approved Share Incentive Plan, which is open to all UK employees of the Company with at least one year's service. Those joining contribute a maximum of £1,800 a year, or 10% of salary, whichever is smaller, which is used to acquire shares in the parent company at market price.

Notes (continued)

20 Capital commitments

At the year end the company had capital commitments of £51,179 (2015: £1,731,693).

21 Transactions with directors

There were no transactions with directors during the year.

22 Contingent liabilities

The Company and certain other EMIS Group plc subsidiaries have given guarantees in support of the Group's banking facility, consisting of term loans of £2.0m (2015: £6.0m), a revolving credit facility of £6.0m (2015: £6.0m), and an overdraft facility of £10.0m. £6.0m of the revolving credit facility was undrawn at 31 December 2016 (2015: £4.5m) and there was £7.2m of unused overdraft (2015: £3.5m).

23 Ultimate parent company

The company's immediate and ultimate parent company and the parent company of the smallest and largest group to include the company in its consolidated financial statements is EMIS Group plc, a company incorporated in England and Wales.

24 Related parties

During the year the Company entered into transactions, in the ordinary course of business, with other wholly owned subsidiaries of Emis Group plc. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. Transactions entered into, and trading balances outstanding at 31 December 2016 with other related parties, are as follows:

	Sales to related party	Recharges to related party	Amounts owed by related party	Amounts owed to related party
Associates				
2016	£26,000	-	-	-
2015	£69,000	-	-	-
Joint ventures				
2016	-	£854,269	£79,212	-
2015	-	£598,000	£95,292	-

25 Accounting estimates and judgements

Accounting estimates and judgements are made and continually evaluated based on past experience together with expectations relating to future events that are believed to be reasonable at the present time. Due to the inherent uncertainty involved in making these estimates and judgements, actual outcomes could be different. The critical estimates, assumptions and judgements made in arriving at the amounts recognised in these financial statements that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are as follows:

Development costs

The key areas of judgement are in determining whether the expenditure meets the criteria for capitalisation and the useful life over which this expenditure is amortised. Expenditure is only capitalised if it meets the criteria set out in IAS 38 'Intangible Assets', details are set out in note 1.6. Useful lives are based on management estimates of the period over which assets are expected to generate revenue. These estimates are reviewed periodically for continued appropriateness. Changes to estimates can result in variations in carrying values and amounts charged to the profit and loss account from period to period.

Revenue recognition

The key area of judgement in respect of recognising revenue is the timing of recognition, specifically in relation to deferral of revenues that are invoiced and paid in advance of services being provided. Details are set out in note 1.14.