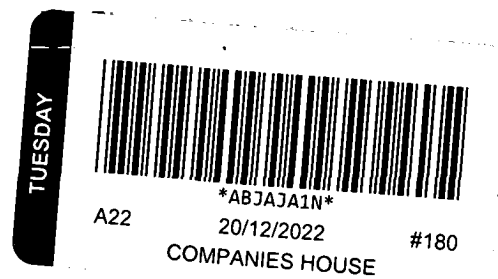


Egton Medical Information Systems Limited

Annual report and financial statements

Registered number 02117205

31 December 2021



Contents

Officers and professional advisers to the members of Egton Medical Information Systems Limited	1
Strategic report	2
Directors' report	8
Independent Auditor's Report to the members of Egton Medical Information Systems Limited	13
Profit and loss account and other comprehensive income	17
Balance sheet	18
Statement of changes in equity	19
Notes	20

Officers and professional advisers to the members of Egton Medical Information Systems Limited

Directors

A J Thorburn
P J Southby
S O'Hanlon
S M Foster

Secretary

C Benson

Company number

02117205 (England and Wales)

Registered office

Fulford Grange
Micklefield Lane
Rawdon
Leeds
LS19 6BA

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, 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 acquired the trade, assets and liabilities of fellow subsidiaries within the wider Emis Group to create a simpler and more efficient group structure. On 31 May 2021 the Company acquired the business of Patient Platform Limited, with Ascribe Limited and Rx Systems Limited following on 31 October and 31 December 2021 respectively. All employees were subject to a TUPE to the Company during the year. These transactions are discussed further in note 1.18 and note 18.

Revenue for the year of £122.2m (2020: £112.4m) was ahead of expectations with growth as a result of the acquired businesses (acquired revenues of £5.4m (2020: £nil)), complemented by increased on-boarding within the partner programme, increased digitisation project work and growth in analytics revenues. Cost of goods and services for the year of £14.2m (2020: £16.9m) was lower than the previous year due to a focus on more profitable revenue streams during the year, with the comparative period having included higher than usual lower margin hardware sales.

Operating Profit of £25.6m (£24.2m excluding acquisitions) (2020: £30.5m) was lower than the previous year due to increased staff costs reflecting the additional costs from the staff transferred with the acquired businesses, higher bonus charges, higher package and reward levels for an increasingly skilled and in-demand workforce, and lower levels of capitalisation due to fewer projects meeting the criteria for capitalisation. Other operating expenses were also higher due to additional costs associated with the technology transformation programme, including Microsoft and AWS.

EMIS Health improved its UK GP market leadership position with a market share of 58% (2020: 57%) and maintained its number two market position in community at 20% (2020: 20%).

EMIS Health continues to deliver against the GP IT Futures framework in England from forward-thinking interoperability projects to a significant number of unplanned and essential projects implemented to support NHS Digital with Covid-19 initiatives. The framework governs the provision of the majority of EMIS Health's clinical IT system-related services to GPs in England. As previously confirmed, the framework renewal, next due at the end of March 2023, is now being conducted on a financial viability status basis only. Given the financial strength of EMIS, this is expected to be a formality. The related Digital Buying Catalogue, which facilitates procurement, will run on an ongoing basis. During 2021 EMIS released a number of products that integrate EMIS systems across different sectors, for example NHS Digital's transfer of care initiative. GP practices can now receive electronic discharges and outpatient letters from hospitals straight into EMIS Web through the national fast healthcare interoperability resources (FHIR) interoperability standard.

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

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

In Northern Ireland, EMIS Health has secured an extension to the GP Systems of Choice (GPSoC) framework until 2023 so that it can continue to provide GP systems under the existing arrangements. We are working on various Northern Ireland-specific enhancements to EMIS Web to continue to support its Covid-19 response. During 2021 EMIS Health secured its position on the Digital Health and Care Wales (DHCW) primary care framework to supply GP IT systems and services, providing growth opportunities in this market. EMIS Health and NWIS continue to work together on strategic projects to accelerate the digitisation of unscheduled care, such as refreshing the technology infrastructure.

Strategic report *(continued)*

Review of the business and results *(continued)*

The development of EMIS-X and EMIS-X Analytics continues. Since the launch of EMIS-X Analytics ahead of schedule in 2020, we have moved further into the research and life sciences market during 2021. We are underway with a number of new projects with major global life sciences organisations to explore how the business can enable and accelerate research with EMIS-X technology.

Results

Total revenue was £122.2m (2020: £112.4m) and revenue excluding the results of businesses acquired during the year was £116.8m. Operating profit amounted to £25.6m (2020: £30.5m) and operating profit excluding results of acquisitions was £24.2m. The profit for the year including interest and after charging tax amounted to £21.2m (2020: £25.4m), profit for the year excluding results of acquisitions amounted to £19.8m. A dividend of £2.50 per share, totalling £20.0m was paid to the parent company during the year (2020: £2.50 per share, totalling £20.0m).

The ultimate parent Company, EMIS Group PLC has planned to rationalise the number of legal entities within the Group. As a result of this, the trade and assets of fellow group companies, Patient Platform Limited, Ascribe Limited and Rx Systems Limited have been transferred into the company during the year. See note 18 for further detail.

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 and revenues. Non-financial KPIs include the numbers of sites deployed, customer satisfaction and staff turnover.

Principal risks and uncertainties

Healthcare structure and procurement changes

The commercial success of the Company is dependent on the healthcare sector and its strategic direction to use IT to reduce costs and improve efficiency. There is a risk that the Company's products and services are not in line with the healthcare sector's strategies, or that these will change as healthcare organisations' plans continue to evolve. Examples of this include the transition from Clinical Commissioning Groups (CCGs) to Integrated Care Systems and the planned merging of NHS Digital and NHSX with NHS England and NHS Improvement.

The NHS represents a significant proportion of the Company's revenues; how it is organised and how it procures goods and services could affect the Company's ability to sell effectively to this market.

There is a risk that new competitors could cause market disruption through customer adoption of new technologies and/or changes in competitor business models. This could include major global technology companies, which may impact the Group's market share and financial returns.

The Company has the following measures in place to mitigate the risk:

- Our strategy is aligned with planned and published government policy on healthcare and technology through close engagement with the NHS at strategic and tactical levels. This ensures products meet the essential requirements of the NHS's current and future major frameworks;
- Close engagement with the NHS at strategic and tactical levels;
- Increasing diversification of the Company's business reduces reliance on the NHS as a revenue source;
- Focus on the ongoing GP IT Futures call off competitions;
- The Company has continued to invest significantly in clear, product-led strategies;
- EMIS-X will provide extensive integration and interoperability across both the Company's and third party products and will serve both the NHS and the wider healthcare sector;
- The Company strives to ensure it is perceived as a supplier of integrated healthcare IT solutions and regularly monitors key markets and competitors; and
- Customer experience measures are continually reviewed to ensure issues are resolved in a timely manner.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Technology and software development

The Company provides innovative and interoperable IT healthcare systems that are critical to the efficient and effective operation of a wide range of healthcare organisations. Developing excellent, robust and reliable software systems is essential to the ongoing success of the business.

The Company's products may be disrupted by competitors if they develop more innovative technology. Failure to implement cloud-based technologies may have a significant impact in meeting customer demands. To ensure the secure and effective development and implementation of both new and existing products, the Company has in place a range of mitigating controls, including:

- Continued investment in new development, product and project management talent and technologies;
- Adoption of strategic product portfolio management;
- Improved in-life software management processes including for software defects, enhancements and clinical safety;
- Continued development of best practice standards and ways of working across all areas of the product life cycle, using SAFe methodology;
- Close liaison between product and sales teams to create commercially attractive product propositions supported by clear product roadmaps;
- Aligning product and development teams to specific business and strategic areas with cross-functional teams to apply direct feedback from users and customers throughout the software life cycle; and
- Central team responsible for the architecture of the Company's software, ensuring that its platform continues to evolve as new technologies emerge.

People and Culture

The Company is reliant on the skills and knowledge of its people in a range of areas, but especially in software development and infrastructure, clinical safety and information technology systems. The Company may not be able to recruit or retain an appropriate calibre of employees.

As a result of Covid-19, the people landscape has altered significantly with changes in career expectations, demands to working and aspirations of new market entrants which has led to an increase in this risk. The Company's response to Covid-19 resulted in a permanent change in working patterns based on a new flexible way of working, mainly from home. Whilst some offices have reopened as collaboration hubs to support this, there is a risk that the Group does not optimise this approach, creating short-term disruption and uncertainty that could lead to the loss of skills and knowledge.

Failure to recruit or retain appropriate numbers of qualified people in critical areas could lead to a deterioration in quality of products and services. This could result in an inability to meet customers' needs, loss of business and the failure to deliver expected financial returns.

Key mitigating actions in place include;

- Continued empowerment and accountability through the matrix organisational structure;
- Company-wide refresh and communication of business values;
- Investment in line manager training to manage teams remotely;
- Focus on engaging employees and internal communication, particularly during Covid-19;
- A clear and transparent performance management process;
- Team management objectives included in bonus achievement of senior leaders and formal recognition programme EMIS Heroes;
- Development of succession plans for key senior roles including identification and mitigation of single points of failure;
- Operating a regularly reviewed and externally benchmarked pay and benefits framework to ensure greater consistency across the Company;
- A focus on physical, financial and mental wellbeing; and
- Creation of three diversity and inclusion groups, all led and participated in by employees.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Information Governance and cyber security

Hosting personal data (in particular special category data such as patient care records) carries risks associated with information security, data protection and system reliability, including loss, theft and corruption of data. Breaches may arise in relation to any of the three pillars of information security: confidentiality, integrity or availability.

Most reported data breach incidents are owing to human error in inadvertently disclosing data, but attacks and malware incidents continue to rise. The media report an increase in blanket attacks by cyber criminals often backed by hostile nation states targeting civilian and commercial organisations, owing to the value of the personal and personal sensitive data held.

The risks are perceived to have increased over the last year through ransomware as a service (RaaS) and increased use of cloud services. Increasingly sophisticated phishing and social engineering attacks remain a risk, particularly with the rise of remote working.

The Company's trusted reputation rests on its integrity and the quality of stewardship it applies in respect of its customers' sensitive data.

An information governance (IG) framework has been established including the following key features:

- Culture placing data and information governance at the heart of the business;
- A data governance board is responsible for enforcement of policy and compliance activities;
- All employees are required to complete annual information governance and security training, including an NHS e-learning programme; and
- Key policies and procedures are reviewed annually to meet corporate and regulatory compliance.

The Company has a continual security improvement programme to raise the standards of technical and non-technical controls across the Company through detailed reviews and assessments. This combines an emphasis on security culture and human behaviour with training, education and increasing awareness. The programme includes:

- Remote working security measures;
- Penetration testing and vulnerability scanning;
- Maintaining compliance to ISO 27001, ISO 22301, ISO 9001, ISO 20000 and Cyber Essentials Plus;
- Comprehensive security education, communication and policy attestation;
- Cloud security measures for cloud platforms and services;
- Specialist cyber responders to manage breaches;
- Investment in the latest industry-leading security tools to prevent and detect cyber events/incidents; and
- Cyber insurance.

Clinical safety

As a provider of critical IT systems to organisations that provide healthcare to patients, the Company is exposed to a range of clinical risks.

These include risks associated with the use of clinical content and algorithms in the Company's products, which clinicians use in day-to-day patient care. For pharmacy software products, similar risks exist around incorrect dosages and labelling of products dispensed. The Company's Patient business provides technology-based enabling tools for the general public. There are no direct clinical services provided by Patient.

There is an increasing use of artificial intelligence (AI) and analytics within the healthcare area. As a result, an error might have a major impact across a larger population of individuals. There is a risk of clinical harm to patients should the software used by healthcare professionals fail to provide accurate, reliable and timely data, including patient allergies, existing medication or other relevant personal information.

Most clinical risks are allied to other principal risks. Failures in software development, recruitment and information governance could lead to clinical harm to patients.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Clinical safety (continued)

Mitigating actions specifically relevant to clinical risk management are noted here:

- Chief Medical Officer and a network of Clinical Safety Officers in place with responsibility for clinical safety across the Company;
- Policies and procedures designed to meet the regulatory requirements of NHSD's clinical risk management standards DCB 0129;
- Policies and processes in place to meet regulatory standards for embedded algorithms and decision support;
- Accredited clinicians identify and mitigate potential clinical risks in new software development, releases and updates;
- Weekly KPI reports and a monthly clinical governance board chaired by the Chief Medical Officer; and
- Oversight by external regulators.

Emerging risks

Emerging risks differ from principal risks, or other lesser risks in the risk management system. They have a higher degree of uncertainty around when, or even if, they may occur; therefore their impact cannot readily be assessed. Emerging risks have the potential to increase in significance and affect the performance of the Company and its ability to meet its strategic objectives. Their timeline may be well beyond the current three-year time horizon applied to future risks. As their status changes and they become more certain and more quantifiable, they may move into the risk registers as clearer, better-defined risks. The Risk Management Committee is the main forum for identifying, assessing and reporting on any significant emerging risks facing the Company. In addition, a number of horizon scanning and emerging risk sessions are carried out regularly by the Company to identify and mitigate any such risks which are deemed significant.

Examples of emerging risks covered during the year include digital power concentration and disruption by a major technology organisation, digital inequality, failure of critical IT infrastructure, infectious diseases and specific ESG related risks including climate change. In addition, the Company has reviewed the impact ESG has on its current principal risks.

The response to Russia's invasion of Ukraine may have an impact through increased cyber threats and wider macro-economic factors. This could include disruptions in the price and/or supply of energy and other commodities. EMIS will continue to monitor the situation and take all necessary precautionary measures.

Financial risk management

The Company's activities expose it to financial risks including credit risk, liquidity risk, interest rate risk, price risk and foreign exchange risk. The Company manages these risks through a risk management programme that seeks to minimise potential adverse effects on the Company's performance. Exposure to financial risks is monitored by the finance team under policies approved by the EMIS Group Board and Audit Committee. 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 Group policy and that any new risks are appropriately managed.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables, 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 the Company trades extensively with various parties within the National Health Service. However, the Company has long-standing relationships with these parties, which, in addition to the normal credit management processes, assist management in controlling its credit risk.

Credit risk also arises on cash and cash equivalents placed with the Company's banks. The Company monitors the financial standing of any institution with which it deposits cash and there is a formal treasury policy in place covering the maximum amount of cash to be placed with any one institution and the minimum credit rating required.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

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 has limited exposure to interest rate risk with no borrowings at 31 December 2021. Interest received on cash and cash equivalent balances is subject to fluctuations in market rates.

Price risk

As a significant proportion of the Company's revenues are secured under framework agreements or other long-term contracts, it has only limited exposure to price risk other than at the point of renegotiation of these frameworks or contracts. Where these negotiations are material, the Company, including the EMIS Group Board, is fully engaged with the process in order to secure the best possible outcome.

Foreign exchange risk

The Company has limited transactional exposure arising from the purchase of services denominated in a currency other than the functional currency of the purchasing company.

Future developments

Our focus for 2022 is continuing to deliver our strategic plan of innovation and growth through technology innovation, positive customer experience and close customer relationships that will enable EMIS's vision to be the leading provider of innovative technology that improves people's lives.

On 17 June 2022 the company's immediate and ultimate parent company, EMIS Group PLC, agreed a proposal for the group to be acquired by Bordeaux Holdings II Limited, an affiliate of Optum Health Solutions (UK) Limited and a wholly owned subsidiary of UnitedHealth Group Incorporated (UnitedHealth Group). The proposed acquisition will create a stronger, more capable organisation that can support the delivery of key elements of the NHS Long Term Plan, in order to deliver the best possible standard of care to patients in the UK. The acquisition is expected to complete in the first quarter of 2023 and is still in progress at the time of finalising these financial statements.

On 31 October 2022 the Company acquired 50% of the entire issued share capital of Healthcare Gateway Limited (HGL) for cash consideration of £14,000,000, increasing the Company's shareholding to 100%. The acquisition was funded by way of a repayment of amounts owing from the Company's immediate parent company.

Founded in 2010, HGL are specialists in medical interoperability through a secure middleware technology known as MIG (Medical Interoperability Gateway). 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 our strategic intent to deliver revenue growth and align with NHS policy (notably in the areas of connected-care and data analytics), and also presents further opportunities for growth within the Partners market.

By order of the board



Peter Southby

Director

14 December 2022

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 2021.

Directors

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

A J Thorburn
P J Southby
S O'Hanlon
S M Foster

Dividends

A final dividend of £2.50 a share, totalling £20.0m was paid during the year (2020: £2.50 a share, totalling £20.0m).

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 £14.5m (2020: £9.1m) of which £3.0m (2020: £4.8m) was capitalised. Research and development activities are mainly the researching, designing and development of innovative healthcare technology.

Political donations

The Company made no political donations or incurred any political expenditure during the year (2020: £nil).

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.

Directors' statement of compliance with duty to promote the success of the Company

Section 172 of the Companies Act 2006 requires the Directors to take into consideration the interests of the stakeholders in their decision making. The Directors have regard to the interests of the Company's employees and other stakeholders, including its impact on the community, environment and its reputation, when making their decisions. The Directors consider what is likely to promote the success of the Company for its members in the long term in all their decision making.

Further information on how we engage with our stakeholders can be found in the strategic report on pages 2 to 49 and the corporate governance statement on pages 53 to 58 of EMIS Group PLC's 2021 annual report and accounts.

The Directors therefore consider that they have fulfilled their duties in respect of s172 of the Companies Act 2006 to act in good faith in a way that would most likely promote the interests of the Company for the benefit of its shareholder.

Other information

An indication of likely future developments in the business has been included in the Strategic Report on page 2.

Auditor

KPMG LLP is the auditor 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.

Going concern

Notwithstanding the net current liabilities of £5.1m as at 31 December 2021 (2020: net current assets of £27.0m), the Directors are satisfied that the going concern basis of preparation remains appropriate for the following reasons. 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 at least 12 months from the date of approval of the financial statements.

The Directors have performed a going concern assessment covering a period of twelve months from the date of approval of these financial statements. These forecasts, including consideration of reasonably possible downside scenarios linked to the principal risks and uncertainties set out in the strategic report show that the Company will continue to operate with sufficient funds to meet its liabilities as they fall due for that period.

In addition, the Company has also received written assurances from its immediate parent company, EMIS Group PLC, that it will offer financial support, if necessary, to enable the Company to meet its financial liabilities as they fall due, for a period of at least 12 months from the date of approval of these financial statements. The Directors of the Company have assessed the ability of the parent company to provide such financial support, if required, and have no reason to believe it would not have the ability to provide such support given EMIS Group's financial position and trading performance. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

As explained in note 28, on 17 June 2022 the company's immediate and ultimate parent company, EMIS Group PLC, 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 Company's existing business with no material changes to its existing operations for at least a period of 12 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 these financial statements.

Directors' report *(continued)*

Going concern (continued)

Consequently, given the strength of the financial performance and position of the Company, the assurances provided by its immediate parent company as explained above, and the anticipated business outlook in the event the acquisition completes, the Directors are confident that no material changes are planned in respect of the Company's existing operations, and that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least a period of 12 months from the date of approval of these financial statements. The financial statements have therefore been prepared on a going concern basis.

Environment

As a mainly homeworking software development business, the Company's activities do not involve any energy-intensive processes or generate significant waste. Nonetheless, EMIS is committed to reducing its environmental impact and is developing a new environmental strategy to establish and measure improvement in this area. This will build on what the business has achieved so far and embrace its new remote, flexible and collaborative ways of working across a simplified and reduced property portfolio.

EMIS has committed to becoming carbon neutral by 2030 across its operations. Working with suppliers, customers and partners on an ESG agenda is a priority and as a key supplier to the NHS, EMIS is supporting the NHS's net zero plan.

EMIS changed the packaging used by its warehouses to materials made from recycled fibres (75% for cardboard packaging, 50% for plastic packaging). The business switched to corrugated cardboard boxes with the highest recycling rates and bubble wrap made from low density polythene, which has a lower carbon footprint than other plastics. A new cardboard shredder recycles cardboard waste into packaging for the warehouse, reducing the amount of bubble wrap used.

On World Earth Day in April 2021, EMIS planted 25 saplings for each new starter that had joined the business during the previous twelve months, resulting in more than 4,800 new saplings planted in countries that have been badly affected by deforestation through the environmental organisation, Ecologi. In addition, during the year EMIS donated more than 1,300 electrical waste items to charities. EMIS supports its end customers' objectives to reduce their carbon footprint with digital alternatives to original paper-based processes. This includes the electronic prescription request service between GP practices and pharmacies, and patient repeat prescription requests via Patient Access. EMIS has facilitated digital consultations through integrated telephony and video, which has reduced or eliminated patients' need to travel.

Streamlined energy and carbon reporting

The Company measures and reports on energy and carbon data, providing comprehensive data to assess its overall environmental impact for Scope 1 and 2 and mandatory Scope 3. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Mandatory Scope 3 covers indirect emissions from the grey fleet. EMIS's SECR statement includes all emission sources required under the 2019 regulations for the financial year ended 31 December 2021 and a comparison to the 2020 data. It uses the UK government's GHG conversion factors for company reporting. The report uses the metric of revenue (£m) as the intensity ratio.

Directors' report *(continued)*

Streamlined energy and carbon reporting *(continued)*

Greenhouse gas emissions	2021	2020
Scope 1 – tonnes of CO ₂ e		
- Natural Gas	38	41
- Other fuels	1	2
- Travel	240	292
Total Scope 1 – tonnes of CO ₂ e	279	335
Scope 2 – tonnes of CO ₂ e	719	839
Scope 3 – tonnes of CO ₂ e	49	83
Total carbon footprint – tonnes of CO₂e	1,047	1,257
Scope 1 – energy use (kWh)		
- Natural Gas	208,881	223,078
- Other fuels	4,362	8,400
- Travel	968,209	1,160,732
Total Scope 1 – energy use (kWh)	1,181,452	1,392,210
Scope 2 – energy use (kWh)	3,383,884	3,599,437
Scope 3 – energy use (kWh)	210,936	345,210
Total kWh	4,776,272	5,336,857
Carbon offsets in tonnes of CO ₂ e ¹	2,140	-
Intensity ratio	£m	£m
Total revenue	122.2	112.4
kWh/revenue	39,070	47,498
tCO ₂ e/revenue	8.56	11.19

¹ The 2,140 tonnes of carbon offset has been purchased through Ecologi, an organisation that partners with climate projects worldwide to offset carbon emissions.

Total energy consumption for the UK decreased by 10.5%, while emissions decreased by 16.8%. Scope 1 consumption decreased by 15.1% and emissions by 16.5%. This reduction was mainly due to a lower level of business miles. There was greater visibility of company car vehicle type, which resulted in a more accurate calculation of emissions. Scope 2 consumption decreased by 6.6% and emissions by 14.4%. This reduction was mainly owing to the closure of two sites as the business moved to predominantly homeworking, consolidating office spaces into collaboration hubs. Scope 3 consumption decreased by 38.9% and emissions by 41.7% because of reduced travel during the pandemic and an increase in digital meetings.

By order of the Board



Peter Southby

Director

Fulford Grange, Micklefield Lane, Rawdon, Leeds LS19 6BA
14 December 2022

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

The directors are responsible for preparing the Strategic Report, the 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Egton Medical Information Systems Limited ("the Company") for the year ended 31 December 2021 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected, or alleged fraud.

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

- Reading board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Considering remuneration incentive schemes and performance targets for management and directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into accounts possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries. We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Selecting a sample of accrued and deferred revenue entries and agreeing to supporting documentation to assess whether the accounting treatment was in line with relevant accounting standards.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following area most likely to have such an effect; health and safety, anti-bribery, data protection and employment law recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

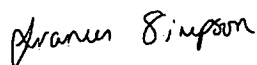
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

The purpose of our audit work and to whom we owe our responsibilities

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.



Frances Simpson (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

15 December 2022

Profit and loss account and other comprehensive income
For the year ended 31 December 2021

	<i>Note</i>	2021 £	2020 £
Revenue	2	122,248,400	112,359,420
Changes in stocks		32,499	(83,927)
Cost of goods and services		(14,161,917)	(16,888,333)
Staff costs	7	(58,104,241)	(41,520,699)
Other operating expenses	3	(24,395,016)	(23,367,084)
Operating profit		25,619,725	30,499,377
Income from shares in group undertakings		725,000	850,000
Interest payable and similar expenses	4	(19,720)	(76,747)
Interest receivable and similar income	5	16,565	1,500
Profit before taxation	6	26,341,570	31,274,130
Taxation of profit	8	(5,099,920)	(5,874,264)
Profit for the financial year		21,241,650	25,399,866
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		21,241,650	25,399,866

Revenue and Operating Profit for the year are derived from the company's continuing operations.

The notes on pages 20 to 35 form part of these financial statements.

Balance sheet
As at 31 December 2021

	<i>Note</i>	2021 £	2020 £
Non-current assets			
Tangible assets	10	15,891,352	12,736,008
Intangible assets	11	12,998,661	11,809,673
Investments	12	638	105
Deferred tax asset	20	-	53,236
		28,890,651	24,599,022
Current assets			
Stocks	13	528,771	496,272
Debtors	14	54,106,159	55,049,555
Cash at bank and in hand		6,967,774	13,224,980
		61,602,704	68,770,807
Current liabilities			
Creditors: amounts falling due within one year	15	(65,953,718)	(41,201,856)
Lease liabilities	17	(717,372)	(526,133)
		(66,671,090)	(41,727,989)
Net current (liabilities)/assets		(5,068,386)	27,042,818
Total assets less current liabilities		23,822,265	51,641,840
Non-current liabilities			
Deferred tax liability	20	(453,648)	-
Lease liabilities	17	(2,664,021)	(559,700)
		(3,117,669)	(559,700)
Net assets		20,704,596	51,082,140
Capital and reserves			
Called up share capital	16	8,001,000	8,001,000
Profit and loss account		42,575,009	41,333,359
Capital contribution reserve		1,747,781	1,747,781
Merger reserve		(31,619,194)	-
Shareholder's funds		20,704,596	51,082,140

The notes on pages 20 to 35 form part of these financial statements. These financial statements were approved by the board of directors on 14 December 2022 and were signed on its behalf by:



Peter Southby
Director

Statement of changes in equity
For the year ended 31 December 2021

	Profit and loss account	Called up share capital	Capital contribution reserve	Merger reserve	Total Equity
	£	£	£	£	£
As at 1 January 2020	35,933,493	8,001,000	1,747,781	-	45,682,274
Profit for the year	25,399,866	-	-	-	25,399,866
Dividend	(20,000,000)	-	-	-	(20,000,000)
As at 1 January 2021	41,333,359	8,001,000	1,747,781	-	51,082,140
Profit for the year	21,241,650	-	-	-	21,241,650
Dividend (see note 9)	(20,000,000)	-	-	-	(20,000,000)
Acquisition of common control subsidiary (see note 18)	-	-	-	(31,619,194)	(31,619,194)
As at 31 December 2021	42,575,009	8,001,000	1,747,781	(31,619,194)	20,704,596

The notes on pages 20 to 35 form part of these 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 accounting standards in conformity with the requirements of the Companies Act 2006 ('UK adopted 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 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

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

1.2 New standards, amendments and IFRIC interpretations

There are no new or amended accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have had a material impact on the Company.

1.3 Going concern

Notwithstanding the net current liabilities of £5,068,386 as at 31 December 2021 (2020: net current assets of £27,042,818), the Directors are satisfied that the going concern basis of preparation remains appropriate for the following reasons. 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 at least 12 months from the date of approval of the financial statements.

The Directors have performed a going concern assessment covering a period of twelve months from the date of approval of these financial statements. These forecasts, including consideration of reasonably possible downside scenarios linked to the principal risks and uncertainties set out in the strategic report show that the Company will continue to operate with sufficient funds to meet its liabilities as they fall due for that period.

Notes (continued)

1 Accounting policies (continued)

1.3 Going concern (continued)

In addition, the Company has also received written assurances from its immediate parent company, EMIS Group PLC, that it will offer financial support, if necessary, to enable the Company to meet its financial liabilities as they fall due, for a period of at least 12 months from the date of approval of these financial statements. The Directors of the Company have assessed the ability of the parent company to provide such financial support, if required, and have no reason to believe it would not have the ability to provide such support given EMIS Group's financial position and trading performance. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

As explained in note 28, on 17 June 2022 the company's immediate and ultimate parent company, EMIS Group PLC, 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 Company's existing business with no material changes to its existing operations for at least a period of 12 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 these financial statements.

1.4 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 are included, the company has taken advantage of the exemption clauses within the Companies Act 2006 s401 not to prepare consolidated accounts.

1.5 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.

1.6 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:

Freehold property	50 years
Leasehold property	Life of lease
Computer equipment	3 to 6 years
Fixtures, fittings and equipment	4 to 10 years
Motor vehicles	5 years

1.7 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.

Notes (continued)

1 Accounting policies (continued)

1.7 Intangible fixed assets (continued)

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:

Computer software purchased externally	4 to 6 years
Computer software developed internally	4 to 6 years

Expenditure on computer software developed internally is capitalised in accordance with the criteria of IAS 38, and for this reason is not regarded as a realised loss.

1.8 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.

1.9 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.

1.10 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 expected credit losses. A provision for expected credit losses is established using the simplified approach under IFRS 9. Specific provisions are made against high risk trade receivable balances, where balances are in dispute or where doubt exists about the customer's ability to pay.

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.

1.11 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.

Notes (continued)

1 Accounting policies (continued)

1.12 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 enforceable 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.

1.13 Leases

The Company has leases over property, office equipment and motor vehicles. The Company is not a lessor.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate adjusted to reflect factors specific to the lease such as the term and the type of asset leased.

The lease liability is measured at amortised cost using the effective interest method. In certain circumstances, the lease liability will be remeasured, such as when a change in the Company's assessment of whether it will exercise a purchase or termination option takes place. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment and lease liabilities on the face of the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.14 Pensions

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

1.15 Revenue

Revenue from subscription fees that contain a right to access software (non-perpetual licences for which the underlying software is not controlled by the customer), maintenance and software support and other support services is recognised on a straight-line basis as performance obligations are met over the period of supply. Advertising revenue generated in the Patient business is recognised as advertisements are displayed.

Notes (continued)

1 Accounting policies (continued)

1.15 Revenue (continued)

Revenue from training, consultancy and system implementations, and revenue from granting a right of use of software perpetual licences which grant the customer control of the software), is recognised at the point in time that delivery to a customer has occurred with no significant vendor obligations remaining and where the collection of the resulting receivable is considered probable. For long-term software installation contracts (principally within Acute Care), revenue is recognised according to the stage of completion which is measured based on delivery of certain milestones with observable acceptance criteria.

In determining whether a right of use or a right of access to software has been granted, the Company considers whether the contract requires, or the customer reasonably expects, that the Company will undertake activities that significantly affect the software to which the customer has rights, whether those activities would impact the customer, and whether those activities would result in a transfer of a service to the customer as they occur. If all these criteria are met, the Company deems there to have been a grant of a right of access to software and revenue is therefore recognised over the period of supply.

Revenue from interface and connectivity services is recognised over time, as the performance obligations are delivered. Progress is measured using either an input method (where there are significant upfront requirements in order for the Company to deliver obligations under the contract) or on a straight-line basis over the contract term.

Revenue from hardware sales is recognised at the point in time when ownership passes.

Other services revenue includes Digitisation projects for which revenue is recognised based on successful delivery of agreed milestones for both scanning and upload activities, and Managed Service revenues which are recognised over time on a straight line basis as performance obligations are delivered over the period of supply.

Where invoices are raised in advance of the performance obligations being satisfied, these are recorded on the balance sheet as deferred income. This deferred income relates predominantly to services which are recognised on a straight-line basis over the period of supply. These services are typically invoiced at the beginning of the provision of service and the associated revenue is recognised over this period. These are captured within current liabilities on the basis that they are expected to be recognised in revenue over the next twelve months.

Where recognition criteria have been met but no invoice to the customer has been raised at the reporting date, revenue is recognised and included as accrued income, within trade and other receivables.

1.16 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.

1.17 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.

Notes (continued)

1 Accounting policies (continued)

1.18 Business Combinations under common control

Business Combinations under common control (BCUCC) occur when the Company acquires the business of a company which is under the same common control. Typically, this would be where both the transferring and the receiving company have the same ultimate parent company.

Assets and liabilities acquired as part of a BCUCC are recognised using the transferring Company's book values on the effective date of the transfer. Consideration paid or received is measured using the book value of the assets received or transferred. Any difference between the consideration paid and the net assets or liabilities acquired is recognised as part of equity within a Merger Reserve. The Company recognises the assets, liabilities, income and expenses of the transferred business prospectively from the combination date without restating pre-combination information.

1.19 Dividend payable/receivable

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders. Dividend income is recognised when the right to receive payment is established.

1.20 Other reserves

The Company recognises any differences between the consideration paid and the net assets or liabilities acquired as part of a BCUCC, within equity, presented in the statement of changes in equity in a separate merger reserve. See note 1.18 for further details.

Capital contributions made to the Company from its immediate parent are credited to equity and presented in the statement of changes in equity within a capital contribution reserve.

2 Revenue

The company's revenue is derived from its continuing principal activities and is analysed as follow:

	2021 £	2020 £
Software subscription and support	75,454,995	69,753,817
Interface and connectivity charges	16,008,007	11,547,968
Hardware and related services	14,926,491	10,300,307
Perpetual licences, training, consultancy and implementation	7,993,204	4,941,165
Other services	7,865,703	15,816,162
	122,248,400	112,359,420

Revenue of £2,141,355 (2020: £1,430,500) is derived from customers outside of the UK.

3 Other operating expenses by function

	2021 £	2020 £
Administration costs	12,772,606	13,579,085
Amortisation of intangible fixed assets	5,354,856	2,816,923
Depreciation of property, plant and equipment	2,810,289	3,336,759
Establishment costs	2,550,612	2,527,465
Motor, travel and selling costs	906,653	1,106,852
Total other operating expenses	24,395,016	23,367,084

Establishment costs include rent, rates, facilities management and insurance costs.

Notes (continued)

4 Interest payable and similar expenses

	2021 £	2020 £
Interest on lease liabilities	16,073	22,846
Exchange loss	3,647	8,212
Interest paid to group company	-	45,689
	<u>19,720</u>	<u>76,747</u>

5 Interest receivable and similar income

	2021 £	2020 £
Exchange gain	16,565	176
Bank interest	-	1,324
	<u>16,565</u>	<u>1,500</u>

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2021 £	2020 £
Depreciation of property, plant and equipment:		
Charge for the year:		
Owned assets	2,388,451	2,586,900
Leased assets	421,838	749,859
Amortisation of intangible fixed assets	5,354,856	2,816,923
Profit on sale of fixed assets	-	(46,805)
Auditor remuneration:		
Audit of these financial statements	100,000	165,709
Research and development expenditure	14,468,185	9,125,846
Operating lease rentals:		
Land and buildings	91,751	147,088
Other	<u>74,401</u>	<u>66,088</u>

The total research and development cost shown above of £14,468,185 (2020: £9,125,846) principally relates to relevant staff and directly related costs.

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.

Notes (continued)

7 Staff numbers and costs

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

	2021 No.	2020 No.
Software support and development	633	512
Sales, maintenance and training	285	252
Management and administration	73	42
Other	66	51
	1,057	857

	2021 £	2020 £
The aggregate payroll costs of these persons are as follows:		
Wages and salaries	49,578,585	38,413,230
Social security costs	6,980,784	4,597,519
Pension costs (See note 19)	2,546,713	1,851,263
Share based payments (See note 21)	2,047,922	1,479,238
	61,154,004	46,341,250

Dealt with as follows:

Charged in profit and loss account	58,104,241	41,520,699
Capitalised in the development of software developed internally	3,049,763	4,820,551
	61,154,004	46,341,250

Directors' remuneration

	2021 £	2020 £
Aggregate emoluments	1,952,529	1,377,680
Company contributions payable to individual personal pension plans	64,381	122,378
	2,016,910	1,500,058

Retirement benefits are accruing to four (2020: four) directors under defined contribution personal pension schemes.

Highest paid director

	2021 £	2020 £
Aggregate emoluments	704,181	435,591
Company contributions payable to individual personal pension plan	61,800	42,109
	765,981	477,700

Notes (continued)

8 Taxation

	2021 £	2020 £
<i>Corporation tax</i>		
Current tax on income for the period	4,676,850	5,240,044
Adjustments in respect of the prior year	(207,817)	220,918
Total current tax	<u>4,469,033</u>	<u>5,460,962</u>
<i>Deferred tax</i>		
Adjustments in respect of the prior year	239,125	(206,811)
Current year	217,290	620,113
Deferred tax rate change	174,472	-
Total deferred tax	<u>630,887</u>	<u>413,302</u>
Tax on profit	<u>5,099,920</u>	<u>5,874,264</u>

Factors affecting the tax charge for the year:

	2021 £	2020 £
Profit for the year	21,241,650	25,399,866
Total tax expense	5,099,920	5,874,264
Profit before taxation	<u>26,341,570</u>	<u>31,274,130</u>
Profit multiplied by the averaged standard rate of corporation tax in the UK of 19.0% (2020: 19.0%)	5,004,898	5,942,085

Effects of:

Deferred tax rate change	174,472	-
Adjustments in respect of prior years	31,308	14,107
Expenses / income not deductible / taxable for tax purposes	(110,758)	(81,928)
Tax charge for the year	<u>5,099,920</u>	<u>5,874,264</u>

In March 2021 the UK government announced that the UK corporation tax rate for large companies would rise to 25% from 1 April 2023. Following the substantive enactment of the Finance Bill 2021 on 24 May 2021, this change resulted in a one-off deferred tax charge of £174,472 in the period, with a corresponding increase in the Company's net deferred tax liability.

9 Dividend

	2021 £	2020 £
Ordinary shares		
Final paid - £2.50 a share (2020: £2.50)	20,000,000	20,000,000
	<u>20,000,000</u>	<u>20,000,000</u>

Notes (continued)

10 Tangible fixed assets

	Land and buildings	Computer equipment	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
<i>Cost</i>					
At 1 January 2021	6,692,062	13,159,154	3,628,333	2,137,044	25,616,593
Additions	(20,822)	2,354,077	414,345	9,880	2,757,480
Acquisition of business under common control (see note 18)	2,718,494	550,731	82,962	-	3,352,187
Remeasurement of lease liability	-	-	-	(144,034)	(144,034)
Disposals	(181,661)	-	-	-	(181,661)
At 31 December 2021	9,208,073	16,063,962	4,125,640	2,002,890	31,400,565
<i>Depreciation</i>					
At 1 January 2021	1,014,874	8,941,240	1,797,517	1,126,954	12,880,585
Charged in the year	188,817	1,849,279	379,470	392,723	2,810,289
Disposals	(181,661)	-	-	-	(181,661)
At 31 December 2021	1,022,030	10,790,519	2,176,987	1,519,677	15,509,213
<i>Net book value</i>					
At 31 December 2021	8,186,043	5,273,443	1,948,653	483,213	15,891,352
At 1 January 2021	5,677,188	4,217,914	1,830,816	1,010,090	12,736,008

Included within the net book value of tangible fixed assets is £3,055,027 (2020: £995,601) of right of use assets. See note 17.

11 Intangible fixed assets

	Computer software developed internally	Computer software purchased externally	Total
	£	£	£
<i>Cost</i>			
At 1 January 2021	46,912,965	7,087,524	54,000,489
Additions	3,049,763	126,291	3,176,054
Acquisition of business under common control (see note 18)	3,359,713	8,077	3,367,790
At 31 December 2021	53,322,441	7,221,892	60,544,333
<i>Amortisation</i>			
At 1 January 2021	36,991,093	5,199,723	42,190,816
Charge for the year	4,249,524	1,105,332	5,354,856
At 31 December 2021	41,240,617	6,305,055	47,545,672
<i>Net book value</i>			
At 31 December 2021	12,081,824	916,837	12,998,661
At 1 January 2021	9,921,872	1,887,801	11,809,673

Notes (continued)

12 Fixed asset investments

	2021 £	2020 £
Shares in subsidiary undertakings and joint ventures	638	105

During the year the Company acquired 100% of the share capital of ASC Computer Software (NZ) Limited and ASC Computer Software (Aus) Pty Ltd as part of a business combination under common control (see note 18). The cost of the investments acquired was £533.

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
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
ASC Computer Software (NZ) Limited – software services	New Zealand	£1 ordinary	100
ASC Computer Software (Aus) Pty Ltd – software services	Australia	£1 ordinary	100

The registered office of Healthcare Gateway is: Ground Floor, Unit 3 Rawdon Park, Green Lane, Leeds, LS19 7BA.

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.

The registered office of ASC Computer Software (NZ) Limited is: Suite 6035, 17b Farnham Street, Parnell, Auckland 1052.

The registered office of ASC Computer Software (Aus) Pty Ltd is: Level 22, 567 Collins Street, Melbourne, Victoria, Australia 3000.

13 Stocks

	2021 £	2020 £
Finished goods	528,771	496,272

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £14,129,418 (2020: £16,972,261). The write-down of stocks to net realisable value amounted to £nil (2020: £nil). The reversal of write-downs amounted to £nil (2020: £nil).

14 Debtors

	2021 £	2020 £
Due within one year:		
Trade debtors	17,106,050	8,306,469
Amount owed by parent company	14,205,062	26,012,844
Prepayments and accrued income	12,182,126	10,046,587
Corporation tax	6,273,173	3,247,097
Amounts owed by fellow group companies	4,312,170	7,355,861
Other debtors	27,578	80,697
	54,106,159	55,049,555

Amounts owed by fellow group companies are unsecured, interest free and repayable on demand.

Notes (continued)

15 Creditors: amounts falling due within one year

	2021 £	2020 £
Accruals and deferred income	42,869,268	25,667,264
Amounts owed to fellow group companies	10,999,188	1,018,574
Other taxation and social security	5,491,898	8,095,181
Trade creditors	4,216,322	4,795,214
Other creditors	2,377,042	1,625,623
	<u>65,953,718</u>	<u>41,201,856</u>

Amounts owed to fellow group companies are unsecured, interest free and repayable on demand.

16 Equity share capital

	2021 £	2020 £
<i>Allotted, issued and fully paid:</i>		
8,001,000 ordinary shares of £1 each	<u>8,001,000</u>	<u>8,001,000</u>

17 Leases

Right of use assets recognised on the balance sheet within tangible assets are as follows:

	Land and buildings £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
At 1 January 2021	-	13,896	981,705	995,601
Additions to right of use assets	-	-	9,880	9,880
Acquisition of business under common control	2,615,418	-	-	2,615,418
Remeasurement of lease asset	-	-	(144,034)	(144,034)
Depreciation charge for the year	(23,832)	(13,896)	(384,110)	(421,838)
At 31 December 2021	<u>2,591,586</u>	<u>-</u>	<u>463,441</u>	<u>3,055,027</u>

Liabilities recognised on the balance sheet in respect of leases are as follows:

	Total £
At 1 January 2021	1,085,833
Additions in respect of new leases	9,880
Acquisition of business under common control	2,882,731
Remeasurement of lease liability	(144,034)
Payments	(469,090)
Interest expense	16,073
At 31 December 2021	<u>3,381,393</u>
Current lease liability	717,372
Non-current lease liability	<u>2,664,021</u>
Total lease liability	<u>3,381,393</u>

Notes (continued)

18 Business Combinations under Common Control

During the year the Company acquired the trade, assets and liabilities of companies with the same ultimate parent company. Due to the common control that exists across both the Company and the transferring company, these transactions have been accounted for as Business Combinations under Common Control as set out in 1.18.

In all cases control of the transferring business was obtained through acquiring all operating assets and liabilities, a transfer of customer and supplier contracts and employees. The transactions were undertaken to create a simpler and more efficient wider group structure.

The Directors anticipate further transactions of this nature to complete in 2022, with the business of other wholly owned subsidiaries of Emis Group PLC transferring into the Company.

	Patient Platform Limited	Ascribe Limited	Rx Systems Limited	Total
Effective date	31 May 2021	31 October 2021	31 December 2021	
	£	£	£	£
Net assets/(liabilities) acquired at book value:				
Non-current assets				
Tangible assets	-	965,136	2,387,051	3,352,187
Intangible assets	1,878,518	945,107	544,165	3,367,790
Investments	-	533	-	533
Deferred tax asset	-	121,672	83,472	205,144
	1,878,518	2,032,448	3,014,688	6,925,654
Current assets				
Stocks	-	-	121,136	121,136
Debtors	1,011,727	3,602,777	2,044,227	6,658,731
	1,011,727	3,602,777	2,165,363	6,779,867
Current liabilities				
Creditors	(525,411)	(8,821,245)	(5,185,269)	(14,531,925)
Lease liabilities	-	(162,308)	(236,903)	(399,211)
	(525,411)	(8,983,553)	(5,422,172)	(14,931,136)
Net current assets/(liabilities)	486,316	(5,380,776)	(3,256,809)	(8,151,269)
Total assets less current liabilities	2,364,834	(3,348,328)	(242,121)	(1,225,615)
Non-current liabilities				
Deferred tax	(81,141)	-	-	(81,141)
Lease liabilities	-	(317,335)	(2,166,186)	(2,483,521)
	(81,141)	(317,335)	(2,166,186)	(2,564,662)
Net Assets/(liabilities)	2,283,693	(3,665,663)	(2,408,307)	(3,790,277)
Amount recognised in merger reserve	3,716,307	27,244,844	658,043	31,619,194
Total cash consideration paid/(received)	6,000,000	23,579,181	(1,750,264)	27,828,917

Notes (continued)

19 Employee benefits

The total cost charged to profit and loss account amounts to £2,546,713 (2020: £1,851,263) representing company contributions payable to Company and individual personal pension plans.

20 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2021 £	2020 £	Liabilities 2021 £	2020 £	Net 2021 £	2020 £
Capitalised development expenditure	-	-	(2,050,882)	(1,239,834)	(2,050,882)	(1,239,834)
Tangible fixed assets	486,430	263,141	-	-	486,430	263,141
Other timing differences	1,110,804	1,029,929	-	-	1,110,804	1,029,929
Tax assets / (liabilities)	1,597,234	1,293,070	(2,050,882)	(1,239,834)	(453,648)	53,236

	At 31 Dec 2020 £	Acquisition of business under common control (see note 18) £	(Charged)/credited to Profit and Loss account £	At 31 Dec 2021 £
Capitalised development expenditure	(1,239,834)	(374,102)	(436,946)	(2,050,882)
Tangible fixed assets	263,141	449,023	(225,734)	486,430
Other timing differences	1,029,929	49,082	31,793	1,110,804
Tax assets / (liabilities)	53,236	124,003	(630,887)	(453,648)

Deferred tax balances have been calculated at a rate of 25%, being the rate at which the majority of the deferred tax is expected to reverse.

Notes (continued)

21 Share-based payments

Employees of the Company participate in share option schemes operated by the parent company, including the HMRC-approved EMIS Group plc 2011 Share Option Plan, an LTIP scheme and Restricted Stock Awards (RSA). Options under the following equity-settled share option schemes were awarded during the period;

	2011 Share Option Plan	LTIP	LTIP	RSA	RSA	RSA	RSA	RSA	RSA
Grant date	7 Apr 21	7 Apr 21	7 Oct 21	7 Apr 21	7 Apr 21	7 Apr 21	7 Oct 21	7 Oct 21	7 Oct 21
Exercise period	April 2024– April 2026	April 2024– April 2031	April 2024– April 2031	April 2022– April 2031	April 2023– April 2031	April 2024– April 2031	April 2022– April 2031	April 2023– April 2031	April 2024– April 2031
Share price at grant date	1,140p	1,140p	1,354p	1,140p	1,140p	1,140p	1,354p	1,354p	1,354p
Exercise price	1,140p	0p	0p	0p	0p	0p	0p	0p	0p
Expected volatility	27%	27%	21%	27%	27%	27%	21%	21%	21%
Expected life (years)	3	3	2.5	1	2	3	0.5	1.5	2.5
Risk-free rate	0.17%	0.17%	0.57%	0.01%	0.07%	0.17%	0.33%	0.48%	0.57%
Expected dividend yield	2.81%	2.81%	2.48%	2.81%	2.81%	2.81%	2.48%	2.48%	2.48%
Fair value per option	159p	1,048p	1,257p	1,108p	1,078p	1,048p	1,321p	1,288p	1,257p

There were 186,789 (2020: 6,471) options exercised during the year. The weighted average share price at the date of exercise of share options exercised during the year was £12.48 (2020: £10.36).

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.

22 Capital commitments

At the year end the company had capital commitments of £120,992 (2020: £595,489).

23 Transactions with directors

There were no transactions with directors during the year.

24 Contingent liabilities

The Company and certain other EMIS Group PLC subsidiaries have given guarantees in support of the Group's banking facility consisting of a revolving credit facility of £25,000,000 (2020: £25,000,000), and an overdraft facility of £5,000,000 (2020: £5,000,000). All of the revolving credit facility was undrawn at 31 December 2021 (2020: £25.0m) and there was £5,000,000 of unused overdraft (2020: £5,000,000).

25 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. Copies of the Group financial statements can be obtained from The Secretary, EMIS Group PLC, Fulford Grange, Micklefield Lane, Rawdon, Leeds, West Yorkshire, LS19 6BA.

Notes (continued)

26 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 2021 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
Joint ventures				
2021	-	53,082	-	57,567
2020	-	115,210	-	25,519

27 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:

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 1.15.

Carrying amount of computer software developed for external sale

The carrying amount of Computer software developed for external sale is another source of estimation uncertainty. The carrying value of this asset is significant, with a net book value of £12,081,000 at 31 December 2021 (with the largest carrying values relating to EMIS-X, ProScript Connect and EMIS-X Analytics products). Estimates are required with regard to the period of time over which economic benefits are generated from it. If the useful economic life of all computer software developed for external sale was reduced by one year, the current year amortisation charge would increase by £1,209,000 (2020: £885,000), and assets with a cost equating to approximately 9% (2020: 44%) of the 31 December 2021 net book value have not yet commenced amortisation. There were no significant changes to estimated useful economic lives during the year. Products/software development projects are unique, with eligibility for capitalisation separately considered for each. Typically, amortisation commences when the software has been installed and is available for use, and the asset is then amortised over the period for which software is expected to be used by the customers and markets it serves.

28 Post balance sheet events

On 17 June 2022 the company's immediate and ultimate parent company, EMIS Group PLC, agreed a proposal for the group to be acquired by Bordeaux UK Holdings II Limited, an affiliate of Optum Health Solutions (UK) Limited and a wholly owned subsidiary of UnitedHealth Group Incorporated. The proposed acquisition will create a stronger, more capable organisation that can support the delivery of key elements of the NHS Long Term Plan, in order to deliver the best possible standard of care to patients in the UK. As explained within the going concern section of the Directors' report on page 8, the Directors do not expect the acquisition to result in any material changes to the Company's operations for a period of at least 12 months from completion. The acquisition is expected to complete in the first quarter of 2023 and is still in progress at the time of finalising these financial statements.

On 31 October 2022 the Company acquired 50% of the entire issued share capital of Healthcare Gateway Limited for cash consideration of £14,000,000, increasing the Company's shareholding to 100%. The acquisition was funded by way of a repayment of amounts owing from the Company's immediate parent company.