

Egton Medical Information Systems Limited

Annual report and financial statements

Registered number 02117205

31 December 2022

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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

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Registered office

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Leeds
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Auditor

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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 March 2022 the Company acquired the business of Pinnacle Systems Management Limited, with FourteenFish Limited and Edenbridge Healthcare Limited following on 31 October 2022. 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 increased by £47.9m to £170.1m (2021: £122.2m) as a result of revenues from acquired businesses contributing £55.0m (2021: £5.4m) in the period. This was partly offset by reduced revenues through the continuation of the strategy to exit lower margin Resale Partner business, which has also led to a reduction of £1.5m in the cost of goods and services for the year to £12.7m (2021: £14.2m).

During the year exceptional costs of £8.2m (2021: £nil) were incurred in delivering a technology transformation programme as the Company transitions to the cloud. These included staff costs (relating to the cost of time employees spent working directly on supporting these projects, largely relating to roles already in the business where time was diverted to these projects from other value-adding activities and therefore the corresponding cost of these employees would have been included within adjusted operating profit in the prior year), third party costs incurred as a direct consequence of the project and incremental depreciation and amortisation charges.

Adjusted operating profit, being operating profit excluding exceptional items, for the year was £43.2m (2021: £25.6m), £29.7m (2021: £24.2m) excluding acquisitions, reflecting increased revenue partly offset by higher staff costs and increased operating expenses largely reflecting the transfer of trade from fellow subsidiaries within the Emis Group.

Operating Profit of £35.1m (2021: £25.6m), £21.6m excluding acquisitions (2021: £24.2m) was lower than the previous year due primarily to exceptional costs.

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

In England, EMIS was successfully appointed to the Tech Innovation Framework (TIF). The objective of TIF is to encourage innovation and new ways of working, requiring cloud-based systems that are modular, highly interoperable and browser based, delivering both core clinical functions and new, higher spec capabilities. EMIS-X technology meets all of these requirements, ensuring the Company remains well placed to meet NHS England's technology transformation strategy. The focus for the primary care market is developing EMIS-X functionality for GPs as part of the modernisation programme for EMIS Web. The business expects to begin roll-out of new clinician-facing features during the second half of 2023.

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

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

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

Strategic report *(continued)*

Review of the business and results *(continued)*

Integrating care settings through technology is one of EMIS's strengths. EMIS is well placed to be at the forefront of NHS change and improvement with a broad reach across key healthcare markets, strong market shares, existing interoperability technology and the ongoing delivery of EMIS-X capabilities. EMIS is already providing technology to power integrated care between GPs, community pharmacists, community and urgent care centres, emergency departments, primary care network (PCN) hubs and patients. EMIS systems speed up care pathways and allow information to flow securely to every stakeholder involved in a patient's care.

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

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

Results

Total revenue was £170.1m (2021: £122.2m) and revenue excluding the results of business acquired under common control transactions during the year (see note 18) was £161.0m (2021: £116.8m). Operating profit amounted to £35.1m (2021: £25.6m) and operating profit excluding results of acquisitions was £30.3m (2021: £24.2m). The profit for the year including interest and after charging tax amounted to £28.7m (2021: £21.2m), profit for the year excluding results of acquisitions amounted to £24.0m (2021: £19.8m). No dividend was paid to the parent company during the year (2021: £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, Pinnacle Systems Management Limited, FourteenFish Limited and Edenbridge Healthcare 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 customer satisfaction and employee engagement.

Strategic report *(continued)*

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 (covering Integrated Care Boards and Integrated Care Partnerships) as well as the merger of NHS Digital with NHS England.

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 Company's market share and financial returns.

The Company has the following measures in place:

- Alignment of strategy with planned and published government policy on healthcare and technology, ensuring 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, reducing reliance on the NHS as a revenue source;
- Focus dedicated to ongoing GP IT Futures call off competitions and the recently established TIF;
- Continued significant investment in clear, product-led strategies;
- The provision of extensive integration and interoperability across both the Company's and third party products driven by EMIS-X, serving both the NHS and the wider healthcare sector;
- The Company works to ensure it is seen as a supplier of integrated healthcare IT solutions, regularly monitoring key markets and competitors; and
- The continual review of customer experience measures to ensure issues are resolved in a timely manner.

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.
- EMIS Group Board-level responsibility for product and acquisition integration with a clear strategic plan and regular monitoring in light of the changing healthcare market.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

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.

Over recent years the people landscape has altered significantly with changes in career expectations, demands to work more flexibly and aspirations of new market entrants which has led to an increase in this risk. Whilst significant measures with demonstrable increases in engagement have been implemented to anticipate and adapt to this change, there is a risk that the Company does not optimise its approach which may lead to disruption and uncertainty that could lead to the loss of skills and knowledge.

Failure to integrate acquisitions may result in strategic goals, synergies and savings not being met.

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;

- An employer of choice programme has been established to attract, recruit and retain the people the Company needs and enable employees to perform at their best;
- Clear empowerment and accountability through the matrix organisational structure;
- Regular communication and recognition of business values;
- Introduction of a single integrated system to capture and track actions arising from employee surveys and feedback;
- A clear and transparent performance management process;
- Strong internal communication and "town hall" sessions held across departments
- Team management objectives included in bonus achievement of senior leaders and formal recognition programme EMIS Heroes;
- Monitoring 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 continued focus on physical, financial and mental wellbeing; and
- Regular employee forum groups, including an equity, diversity and inclusion group.

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.

Ransomware remains the single biggest threat to organisations and the use of sophisticated phishing and social engineering techniques by cyber criminals persists as the main method of entry and compromise.

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

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Information Governance and cyber security (continued)

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 by accredited managed security providers;
- Maintaining compliance to ISO 27001, ISO 22301, ISO 9001, ISO 20000, NHS Data Security Toolkit and Cyber Essentials Plus;
- Comprehensive security education, communication and policy attestation;
- Cloud security measures for cloud platforms and services;
- Specialist cyber and data 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 ever-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.

Mitigating actions specific to clinical risk management include:

- 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.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

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 two-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 increased regulatory requirements (e.g. Data Protection and Digital Information Bill), increased competition arising from NHS procurement changes, failure of critical IT infrastructure and specific ESG-related risks including climate change. In addition, the Company continues to review the impact ESG has on its current principal risks.

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.

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 2022. 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.

Strategic report *(continued)*

Future developments

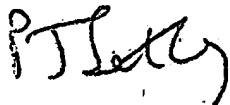
On 17 June 2022 the company's immediate and ultimate parent company, EMIS Group PLC, agreed a proposal for the Group to be acquired by Bordeaux UK Holdings II Limited, an affiliate of Optum Health Solutions (UK) Limited (Optum) and a wholly-owned subsidiary of UnitedHealth Group Incorporated. In March 2023, the UK's Competition and Markets Authority announced that it had referred the Proposed Acquisition for Phase 2 investigation and on 6 April 2023 the Group announced, jointly with UHG, its intention to proceed with the Phase 2 investigation. On 11 August 2023 the CMA published a summary of its provisional findings from its Phase 2 investigation which provisionally cleared the Proposed Acquisition. The CMA is now publicly consulting on the provisional findings before reaching a final decision by 5 October 2023. A further update is expected once the public consultation period has ended and the CMA has issued its final report..

While this is of course of interest to our employees and other stakeholders, it does not affect the underlying strength of the business or the commitment of the people who work for and with it to achieving its purpose. 2022 has demonstrated that the business is resilient and that the future is positive, irrespective of the current macro-economic challenges or any demands of the Proposed Acquisition. We are confident of delivering on our full year expectations. Given the timing of opportunities, this growth is likely to be more weighted to the second half of 2023 than in prior years.

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

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

By order of the board



Peter Southby

Director

15 September 2023

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 2022.

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

No dividend was paid during the year (2021: £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 £16.4m (2021: £14.5m) of which £3.8m (2021: £3.0m) 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 (2021: £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 strives to build an inclusive culture that encourages, supports and celebrates the diverse voices of its employees. The Company is committed to ensuring that all of its employees and prospective employees are treated fairly and equally. EMIS's Dignity at Work Policy sets out its commitment to provide a working environment that operates on equality of opportunity and freedom from harassment or unlawful discrimination on the grounds of race, sex, pregnancy and maternity, marital or civil partnership status, gender reassignment, disability, religion or beliefs, age, or sexual orientation. All employees are treated fairly and equally.

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' report *(continued)*

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 52 to 58 of EMIS Group PLC's 2022 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

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 expected for the foreseeable future.

The Directors have performed a going concern assessment covering a period of at least twelve months from the date of approval of these financial statements. These forecasts, including consideration of severe but plausible downside scenarios informed by the principal risks and uncertainties set out in the strategic report, including increased market competition linked to the GP IT Futures framework, failure to monitor and rectify software defects on a timely basis, failure to recruit or retain appropriate numbers of suitably qualified people in critical areas, and failures to comply with information governance legislation. These forecasts show steady revenue growth and stronger operating profit growth, and the Company continuing to operate with sufficient funds to meet its liabilities as they fall due for that period.

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 twelve months from completion of the Acquisition. Considering the above, the Directors have concluded that the completion of this Acquisition would not impact the appropriateness of the going concern basis of preparation of these financial statements. The Directors also considered the potential impact of the Proposed Acquisition on the cash flow forecasts used in the going concern assessment and concluded that there was currently no basis for modelling any impact arising directly from a potential future completion.

Directors' report *(continued)*

Going concern *(continued)*

Consequently, given the strength of the financial performance and position of the Company, 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

EMIS is committed to reducing its environmental impact and has developed a new environmental strategy to deliver improvements in this area, anchored in UN SDGs 12 and 13. EMIS aims to place environmental impact at the centre of its operations and value chain, steadily delivering measurable improvements.

EMIS will deliver this through four newly established environmental objectives:

- Reduce EMIS's directly and indirectly owned and controlled greenhouse gas emissions in the long term;
- Create a fully sustainable supply chain that enables EMIS's sustainability strategy goals;
- Ensure everyone at EMIS takes personal responsibility for mitigating their environmental impact; and
- Drive continuous improvement in the sustainability of EMIS's products and services.

In support of these objectives, EMIS established its greenhouse gas emissions (emissions) during 2022. A specialist consultancy was engaged to measure and analyse emissions data across Scopes 1 (direct emissions), 2 (indirect emissions) and 3 (emissions for which a company is indirectly responsible, up and down its value chain), which has allowed EMIS to confirm its 2021 baseline emissions.

Building on the consultancy's recommendations, EMIS has established a carbon reduction plan (net zero strategy), with the input of stakeholders from across the Company, including its ESG committee. The net zero strategy has led to the development of EMIS's emissions reduction targets, which, as a key supplier to the NHS, is in full support of the NHS's net zero plan. The net zero strategy will remain under continued review and will evolve as EMIS improves its emissions data processing, analysis and understanding and in response to continued global market and infrastructure developments. Going forward, EMIS will place only minimal reliance on offsetting to address its residual emissions as appropriate, reviewing its approach to investment in such projects during 2023 with a revised focus on social value.

In pursuit of its commitment to reach net zero, EMIS has set a new target to achieve net zero greenhouse gas emissions across all scopes by 2040. The Company aims for a 90% reduction in its Scope 1 and 2 emissions by 2030, which will serve as a milestone on the journey. This will be delivered by focussing on both a near term to 2030 and long term to 2040 science-based approach and milestones, as EMIS is committed to achieving verification with the Science Based Targets Initiative in the future.

In the near-term, EMIS will introduce further energy efficiency upgrades to its owned buildings. EMIS is reviewing employee usage of and interaction with its owned sites through behavioural change in collaboration with the employer of choice programme. This supports the already established commitments to:

- Deliver a 100% electric vehicle fleet by 2026;
- Utilise 100% renewable electricity at its owned sites and where EMIS is responsible for the electricity contracts at its leased sites;
- Use recyclable packaging materials by 2024;
- Reduce waste through improvements to the business' packaging materials, refurbishing and reusing end-of-life IT equipment where possible; and
- Migrate EMIS's services to the cloud.

92% of EMIS's 2022 emissions were situated in its supply chain, namely in capital goods and purchased goods and services. As such, in the long term, to 2040 and beyond, EMIS is committed to delivering emissions reductions in this area. During 2022 EMIS began to take proactive steps to address this, including collaboration with its top tier suppliers to ensure alignment with their own emissions reduction trajectories.

Directors' report *(continued)*

Environment *(continued)*

To drive collective success, EMIS developed a new supplier code of conduct outlining clear measures in support of the sustainability strategy. This will require a certain percentage of the supply chain to deliver commitments to net zero by set deadlines, including the decarbonisation of their products. EMIS's supplier engagement and communications strategy will continue to evolve and shift as necessary to ensure that suppliers are operating in full support of EMIS's environmental strategy and decarbonisation efforts in the long term.

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 emissions. 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. Scope 3 emissions include all other indirect emissions that occur in the upstream and downstream activities of the Company.

EMIS's 2022 SECR statement includes all Scope 1, 2 and 3 energy and carbon emissions for the financial year ended 31 December 2022. In order to compare the 2022 SECR data to prior years, EMIS has recalculated emissions for its 2021 baseline to include a full Scope 1, 2 and 3 energy and carbon inventory. EMIS is now certified as "carbon measured" through Natural Carbon Solutions for its 2021 and 2022 carbon footprints. The SECR statement uses the UK government's GHG conversion factors for company reporting. The report uses the metric of revenue (£m) as the intensity ratio. Please note that the waste management figures related to EMIS's leased assets are reported by the owners and controllers of the leased assets. Emissions relating to where EMIS controls the waste contracts were included in the calculations of the total emissions figures below.

Greenhouse gas emissions	2022	2021
Scope 1 (tCO ₂ e) ¹	249	285
Scope 2 (tCO ₂ e)	671	687
Scope 3 (tCO ₂ e) ²	10,010	9,123
Total Scope 1, 2 and 3 (tCO₂e)	10,930	10,105
Scope 1 (kWh)	1,007,006	1,190,065
Scope 2 (kWh)	3,471,868	3,283,624
Scope 3 (kWh) ³	174,764	76,290
Total Scope 1, 2 and 3 (kWh)	4,653,638	4,549,979
Intensity ratio	£m	£m
Total revenue	170.1	122.2
tCO ₂ e/£m revenue	64.3	82.7
kWh/£m revenue	27,358	37,233.9

¹ Scope 1 figures include updated energy consumption data from all sites and the 2021 data has been adjusted accordingly.

² Scope 3 emissions are included for all relevant categories in accordance with the GHG Protocol. The categories included here are Scope 3.1, Scope 3.2, Scope 3.3, Scope 3.4, Scope 3.5, Scope 3.6, Scope 3.7, Scope 3.8, Scope 3.9 and Scope 3.12. 2021 data has been adjusted to include these additional emissions.

³ The Scope 3 energy consumption sources included here are from vehicles for which EMIS supplies fuel for business purposes, such as grey fleet vehicles. Transport and vehicle types for which EMIS does not purchase fuel, such as flights and train journeys, have not been included.

Directors' report *(continued)*

Streamlined energy and carbon reporting *(continued)*

The following figures compare the difference in emissions and energy consumption between 2021 and 2022:

- Total Scope 1, 2 and 3 energy consumption increased by 2%, while total emissions increased by 8%. These increases are largely due to rising Scope 3 emissions sources. As noted in the footnotes above, the figures for 2021 have been recalculated and therefore restated.
- Scope 1 (natural gas and vehicle fuels) energy consumption decreased by 15% and emissions by 13%. These reductions are a result of a reduction in natural gas consumption and lower levels of business miles being completed across the 2022 reporting period.
- Scope 2 electricity consumption increased by 6%; however, Scope 2 emissions decreased by 4%. This energy consumption increase is due to the phased reintroduction of employees back into the offices, whilst electric vehicle (EV) charging points installed in staff car parks have allowed employees to charge their vehicles. The decrease in carbon emissions from energy consumption is mainly due to the continual decarbonisation of the UK national grid.
- Scope 3 energy consumption (from vehicles for which EMIS supplies fuel for business purposes, such as grey fleet vehicles) increased by 129% and Scope 3 emissions by 10% because of increased activity following the pandemic, largely associated with increasing levels of business travel. The inclusion of emissions from employee commuting for the 2022 SECR report has also contributed to an increase in Scope 3 emissions. Employee commuting emissions were excluded from the 2021 SECR figures as complete and reliable datasets were not available; therefore, the decision was made to exclude emissions from this category until more complete data was sourced.

Energy efficiency actions undertaken during the reporting year include:

- All EMIS-owned offices being now contractually supplied by 100% renewable energy.
- Providing employees with free access to EV charging ports at EMIS's Leeds sites to promote low-carbon technologies.
- Completing a number of building enhancements including new, more efficient air conditioning units, additional passive infrared sensors to reduce energy consumption, and transitioning away from gas to alternative heating methods in communal areas.
- Increasing EMIS's fleet vehicle types to 15% electric and 47% hybrid (2021: 56% hybrid, no electric).

By order of the Board



Peter Southby

Director

Fulford Grange, Micklefield Lane, Rawdon, Leeds LS19 6BA
15 September 2023

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 2022 which comprise the Profit and loss account and other comprehensive income, the Balance sheet, the 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 2022 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.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

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 account 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 management may be in a position to make inappropriate accounting entries; and
- the risk that revenue is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those journals with unexpected account pairings or posted to unusual accounts.
- Assessing whether accounting judgements made are indicative of potential bias.
- Selecting a sample of revenue and deferred revenue transactions and agreeing to supporting documentation to evaluate 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, through discussion with the directors and others management (as required by auditing standards), and discussed with the directors and other management 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 areas as those most likely to have such an effect: health and safety, data protection, clinical safety, anti-bribery and corruption, employment law and certain aspects of company legislation, 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 other management 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 fraud 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 14, 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.



Christopher Vaulks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

18 September 2023

Profit and loss account and other comprehensive income

For the year ended 31 December 2022

	Note	2022 £	2021 £
Revenue	2	170,121,449	122,248,400
Changes in stocks		(10,210)	32,499
Cost of goods and services		(12,653,792)	(14,161,917)
Staff costs	7	(70,867,121)	(58,104,241)
Other operating expenses	3	(51,506,062)	(24,395,016)
Adjusted operating profit		43,241,761	25,619,725
Exceptional costs	6	(8,157,497)	-
Operating profit		35,084,264	25,619,725
Income from shares in group undertakings		626,258	725,000
Interest payable and similar expenses	4	(215,833)	(19,720)
Interest receivable and similar income	5	-	16,565
Profit before taxation	6	35,494,689	26,341,570
Taxation of profit	8	(6,775,704)	(5,099,920)
Profit for the financial year		28,718,985	21,241,650

Revenue and Operating Profit for the year are derived from the company's continuing operations. There is no other comprehensive income in the current or prior year and therefore total comprehensive income is equal to profit for the year.

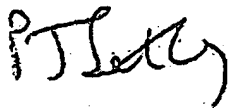
The notes on pages 22 to 39 form part of these financial statements.

Balance sheet

As at 31 December 2022

	Note	2022 £	2021 £
Non-current assets			
Tangible assets	10	12,414,482	15,891,352
Intangible assets	11	11,191,482	12,998,661
Investments	12	14,000,638	638
		<u>37,606,602</u>	<u>28,890,651</u>
Current assets			
Stocks	13	518,561	528,771
Debtors	14	72,623,097	54,106,159
Cash at bank and in hand		6,148,239	6,967,774
		<u>79,289,897</u>	<u>61,602,704</u>
Current liabilities			
Creditors: amounts falling due within one year	15	(64,919,424)	(65,953,718)
Lease liabilities	17	(538,580)	(717,372)
		<u>(65,458,004)</u>	<u>(66,671,090)</u>
Net current assets/(liabilities)		<u>13,831,893</u>	<u>(5,068,386)</u>
Total assets less current liabilities		<u>51,438,495</u>	<u>23,822,265</u>
Non-current liabilities			
Deferred tax liability	20	(497,562)	(453,648)
Lease liabilities	17	(1,517,352)	(2,664,021)
		<u>(2,014,914)</u>	<u>(3,117,669)</u>
Net assets		<u>49,423,581</u>	<u>20,704,596</u>
Capital and reserves			
Called up share capital	16	8,001,000	8,001,000
Profit and loss account		71,293,994	42,575,009
Capital contribution reserve		1,747,781	1,747,781
Merger reserve		(31,619,194)	(31,619,194)
Shareholder's funds		<u>49,423,581</u>	<u>20,704,596</u>

The notes on pages 22 to 39 form part of these financial statements. These financial statements were approved by the board of directors on 15 September 2023 and were signed on its behalf by:



Peter Southby
Director

Statement of changes in equity
For the year ended 31 December 2022

	Profit and loss account	Called up share capital	Capital contribution reserve	Merger reserve	Total Equity
	£	£	£	£	£
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	(20,000,000)	-	-	-	(20,000,000)
Acquisition of common control subsidiary	-	-	-	(31,619,194)	(31,619,194)
As at 1 January 2022	42,575,009	8,001,000	1,747,781	(31,619,194)	20,704,596
Profit for the year	28,718,985	-	-	-	28,718,985
As at 31 December 2022	71,293,994	8,001,000	1,747,781	(31,619,194)	49,423,581

The notes on pages 22 to 39 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 section 400 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 2022 that have had a material impact on the Company.

1.3 Going concern

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 expected for the foreseeable future.

The Directors have performed cash flow forecasts covering a period of at least twelve months from the date of approval of these financial statements. These forecasts include consideration of severe but plausible downside scenarios informed by the principal risks and uncertainties set out in the Strategic report, including increased market competition linked to the GP IT Futures framework, failure to monitor and rectify software defects on a timely basis, failure to recruit or retain appropriate numbers of suitably qualified people in critical areas, and failures to comply with information governance legislation. These forecasts show steady revenue growth and stronger operating profit growth, and the Company continuing to operate with significant cash reserves.

Notes (continued)

1 Accounting policies (continued)

1.3 Going concern (continued)

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 twelve months from completion of the Acquisition. The Directors also considered the potential impact of the Proposed Acquisition on the cash flow forecasts used in the going concern assessment and concluded that there was currently no basis for modelling any impact arising directly from a potential future completion. 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.

Based on this assessment the Directors have a reasonable expectation that the Company has adequate resources to continue in existence for at least twelve months from the date of approval of these financial statements and therefore continue to adopt the going concern basis of accounting in preparing 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 section 400 of the Companies Act 2006 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 8 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 enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

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

1.13 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15 Revenue

Revenue is recognised at the fair value of the right to the consideration received or receivable for goods sold and services provided in the normal course of business during the year. Revenue is shown net of value added tax, returns, rebates and discounts.

The Company recognises revenue when (or as) control of goods or services passes to the customer in accordance with when distinct performance obligations are met, and at the amount to which the Company is entitled. Specific criteria in respect of the Company's revenue categories are described below.

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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 Exceptional items

Exceptional items are items of income and expense relating to non-recurring projects which are material and, due to their nature or size, are presented separately on the face of the income statement in order to provide an understanding of the Company's underlying financial performance.

1.21 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.

Notes (continued)

2 Revenue

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

	2022 £	2021 £
Software subscription and support	111,980,800	75,454,995
Interface and connectivity charges	23,637,088	16,008,007
Other services	15,229,870	7,993,204
Perpetual licences, training, consultancy and implementation	10,310,969	7,865,703
Hardware and related services	8,962,722	14,926,491
	<u>170,121,449</u>	<u>122,248,400</u>

Revenue of £1,797,857 (2021: £2,141,355) is derived from customers outside of the UK.

Of the £6,529,097 accrued income at 31 December 2021, £761,790 remains accrued at 31 December 2022 (2021: £328,349) and £5,767,307 has been invoiced in 2022 (2021: £5,347,225). Other significant movements include £486,340 (2021: £1,314,262) of balances acquired through business combinations under common control (see note 18) and £8,692,966 (2021: £4,886,486) of revenue recognised in the year which was not invoiced at the reporting date.

Of the £27,313,829 deferred income at 31 December 2021, £2,030,726 remains deferred at 31 December 2022 (2021: £1,836,669) and £24,054,158 has been recognised as revenue in 2022 (2021: £15,791,896). Other significant movements include £4,744,977 (2021: £11,197,811) of balances acquired through business combinations and £25,634,759 (2021: £14,766,780) of invoices raised in the year which remain deferred at the reporting date.

For a description of the revenue recognition policy, including details of which of the above revenue categories are typically recognised at a point in time or over time, see note 1.15.

3 Other operating expenses by function

	2022 £	2021 £
Administration costs	29,037,529	12,772,606
Amortisation of intangible fixed assets	5,848,750	5,354,856
Depreciation of property, plant and equipment	3,693,929	2,810,289
Establishment costs	3,552,810	2,550,612
Motor, travel and selling costs	1,416,072	906,653
Exceptional administration costs	7,134,212	-
Exceptional depreciation of property, plant and equipment	782,931	-
Exceptional amortisation of intangible fixed assets	39,829	-
Total other operating expenses	<u>51,506,062</u>	<u>24,395,016</u>

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

4 Interest payable and similar expenses

	2022 £	2021 £
Interest on lease liabilities	134,994	16,073
Exchange loss	80,839	3,647
	<u>215,833</u>	<u>19,720</u>

Notes (continued)

5 Interest receivable and similar income

	2022 £	2021 £
Exchange gain	-	16,565
	<u>-</u>	<u>16,565</u>

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2022 £	2021 £
Depreciation of property, plant and equipment:		
Charge for the year:		
Owned assets	3,550,400	2,388,451
Leased assets	926,460	421,838
Amortisation of intangible fixed assets	5,888,579	5,354,856
Loss on sale of fixed assets	82,307	-
Auditor remuneration:		
Audit of these financial statements	100,000	100,000
Exceptional costs		
Staff costs	2,197,348	-
Other operating expenses	5,137,389	-
Depreciation	782,931	-
Amortisation	39,829	-
Research and development expenditure	16,369,096	14,468,185
Low value and short-term lease rentals (see note 1.13)		
Land and buildings	23,010	91,751
Other	5,092	74,401

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.

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

The total research and development cost shown above of £16,369,096 (2021: £14,468,185) principally relates to relevant staff and directly related costs.

Notes *(continued)*

7 Staff numbers and costs

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

	2022 No.	2021 No.
Software support and development	709	633
Sales, maintenance and training	304	285
Management and administration	82	73
Other	72	66
	1,167	1,057

The aggregate payroll costs of these people are as follows:

	2022 £	2021 £
Wages and salaries	62,377,362	49,578,585
Social security costs	7,360,579	6,980,784
Pension costs (See note 19)	2,931,141	2,546,713
Share based payments (See note 21)	2,012,118	2,047,922
	74,681,200	61,154,004

Dealt with as follows:

Charged in profit and loss account	70,867,121	58,104,241
Capitalised in the development of software developed internally	3,814,079	3,049,763
	74,681,200	61,154,004

Directors' remuneration

	2022 £	2021 £
Aggregate emoluments	2,666,033	1,952,529
Company contributions payable to individual personal pension plans	27,863	64,381
	2,693,896	2,016,910

Retirement benefits are accruing to four (2021: four) directors under defined contribution personal pension schemes.

Highest paid director

	2022 £	2021 £
Aggregate emoluments	964,738	704,181
Company contributions payable to individual personal pension plan	19,983	61,800
	984,721	765,981

Notes (continued)

8 Taxation

	2022 £	2021 £
<i>Corporation tax</i>		
Current tax on income for the period	6,813,054	4,676,850
Adjustments in respect of the prior year	(102,241)	(207,817)
Total current tax	<u>6,710,813</u>	<u>4,469,033</u>
<i>Deferred tax</i>		
Adjustments in respect of the prior year	207,666	239,125
Current year	(142,775)	217,290
Deferred tax rate change	-	174,472
Total deferred tax	<u>64,891</u>	<u>630,887</u>
Tax on profit	<u>6,775,704</u>	<u>5,099,920</u>
<i>Factors affecting the tax charge for the year:</i>		
	2022 £	2021 £
Profit for the year	28,718,985	21,241,650
Total tax expense	6,775,704	5,099,920
Profit before taxation	<u>35,494,689</u>	<u>26,341,570</u>
Profit multiplied by the averaged standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	6,743,990	5,004,898
<i>Effects of:</i>		
Deferred tax rate change	-	174,472
Adjustments in respect of prior years	105,425	31,308
Expenses / income not deductible / taxable for tax purposes	(73,711)	(110,758)
Tax charge for the year	<u>6,775,704</u>	<u>5,099,920</u>

The UK government announced an increase in the corporation tax rate for large companies from 19% to 25% with an effective date of 1 April 2023. This increase was substantively enacted on 24 May 2021 and has therefore been used in the calculation of the deferred tax assets and liabilities as at 31 December 2021 and 31 December 2022.

9 Dividend

	2022 £	2021 £
Ordinary shares		
Final paid - £nil a share (2021: £2.50)	-	20,000,000
	<u>-</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 2022	9,208,073	16,063,962	4,125,640	2,002,890	31,400,565
Additions	224,073	1,319,517	360,539	10,585	1,914,714
Acquisition of business under common control (see note 18)	-	8,641	-	-	8,641
Remeasurement of lease liability	(835,124)	-	-	4,016	(831,108)
Disposals	(635,519)	(124,771)	(64,784)	(1,041,995)	(1,867,069)
At 31 December 2022	7,961,503	17,267,349	4,421,395	975,496	30,625,743
<i>Depreciation</i>					
At 1 January 2022	1,022,030	10,790,519	2,176,987	1,519,677	15,509,213
Charged in the year	1,213,275	2,532,951	441,927	288,707	4,476,860
Disposals	(551,882)	(121,230)	(59,705)	(1,041,995)	(1,774,812)
At 31 December 2022	1,683,423	13,202,240	2,559,209	766,389	18,211,261
<i>Net book value</i>					
At 31 December 2022	6,278,080	4,065,109	1,862,186	209,107	12,414,482
At 1 January 2022	8,186,043	5,273,443	1,948,653	483,213	15,891,352

Included within the net book value of tangible fixed assets is £1,532,236 (2021: £3,055,027) 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 2022	53,322,441	7,221,892	60,544,333
Additions	3,814,079	382,344	4,196,423
Disposals	-	(115,023)	(115,023)
At 31 December 2022	57,136,520	7,489,213	64,625,733
<i>Amortisation</i>			
At 1 January 2022	41,240,617	6,305,055	47,545,672
Charge for the year	5,403,369	485,210	5,888,579
At 31 December 2022	46,643,986	6,790,265	53,434,251
<i>Net book value</i>			
At 31 December 2022	10,492,534	698,948	11,191,482
At 1 January 2022	12,081,824	916,837	12,998,661

Notes (continued)

12 Fixed asset investments

	2022 £	2021 £
Shares in subsidiary undertakings and joint ventures	14,000,638	638

On 31 October 2022 the Company acquired a further 50% interest in the ordinary share capital of Healthcare Gateway Limited (HGL) at a cost of £14,000,000, taking the Company's shareholding to 100%. HGL was a joint venture with In Practice Systems Limited, with the Company previously holding a 50% interest.

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	100
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 Limited is: Fulford Grange, Micklegate Lane, Rawdon, Leeds, LS19 6BA.

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

	2022 £	2021 £
Finished goods	518,561	528,771

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £12,664,002 (2021: £14,129,418). The write-down of stocks to net realisable value amounted to £nil (2021: £nil). The reversal of write-downs amounted to £nil (2021: £nil).

14 Debtors

	2022 £	2021 £
Due within one year:		
Amount owed by parent company	34,447,016	14,205,062
Trade debtors	20,268,595	17,106,050
Accrued income	9,941,096	6,529,097
Prepayments	6,426,501	5,653,029
Corporation tax	1,535,413	6,273,173
Amounts owed by fellow group companies	4,476	4,312,170
Other debtors	-	27,578
	72,623,097	54,106,159

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

Notes (continued)

15 Creditors: amounts falling due within one year

	2022 £	2021 £
Deferred income	32,525,482	27,313,829
Accruals	18,515,516	15,555,439
Other taxation and social security	7,296,819	5,491,898
Trade creditors	3,945,839	4,216,322
Other creditors	2,315,951	2,377,042
Amounts owed to fellow group companies	319,817	10,999,188
	64,919,424	65,953,718

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

16 Equity share capital

	2022 £	2021 £
<i>Allotted, issued and fully paid: 8,001,000 ordinary shares of £1 each</i>	8,001,000	8,001,000

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	2,591,586	-	463,441	3,055,027
Additions to right of use assets	224,073	-	10,585	234,658
Remeasurement of lease asset	(835,124)	-	4,016	(831,108)
Depreciation charge for the year	(646,367)	-	(280,093)	(926,460)
At 31 December 2022	1,334,168	-	197,949	1,532,117

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

	2022 £	2021 £
At 1 January	3,381,393	1,085,833
Additions in respect of new leases	234,658	9,880
Acquisition of business under common control	-	2,882,731
Remeasurement of lease liability	(831,108)	(144,034)
Payments	(864,005)	(469,090)
Interest expense	134,994	16,073
At 31 December	2,055,932	3,381,393
Current lease liability	538,580	717,372
Non-current lease liability	1,517,352	2,664,021
Total lease liability	2,055,932	3,381,393

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.

On 31 March 2023 the trade and assets of Healthcare Gateway Limited were transferred into the Company. The Directors do not anticipate any further transactions of this nature to complete in 2023.

	Pinnacle Systems Management Limited	FourteenFish Limited	Edenbridge Healthcare Limited	Total
Effective date	31 March 2022	31 July 2022	31 July 2022	
	£	£	£	£
Net assets/(liabilities) acquired at book value:				
Non-current assets				
Tangible assets	-	8,641	-	8,641
Deferred tax asset	20,977	-	-	20,977
	20,977	8,641	-	29,618
Current assets				
Stocks	2,043	-	-	2,043
Debtors	4,839,339	169,688	1,425,212	6,434,239
	4,841,382	169,688	1,425,212	6,436,282
Current liabilities				
Creditors	(4,340,333)	(655,012)	(1,574,861)	(6,570,206)
	(4,340,333)	(655,012)	(1,574,861)	(6,570,206)
Net current assets/(liabilities)	501,049	(485,324)	(149,649)	(133,924)
Total assets less current liabilities	522,026	(476,683)	(149,649)	(104,306)
Net assets/(liabilities)	522,026	(476,683)	(149,649)	(104,306)
Total cash consideration paid/(received)	522,026	(476,683)	(149,649)	(104,306)

Notes (continued)

19 Employee benefits

The total cost charged to profit and loss account amounts to £2,931,141 (2021: £2,546,713) 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 2022 £	2021 £	Liabilities 2022 £	2021 £	Net 2022 £	2021 £
Capitalised development expenditure	-	-	(1,445,031)	(2,050,882)	(1,445,031)	(2,050,882)
Tangible fixed assets	67,367	486,430	-	-	67,367	486,430
Other timing differences	880,102	1,110,804	-	-	880,102	1,110,804
Tax assets / (liabilities)	947,469	1,597,234	(1,445,031)	/(2,050,882)	(497,562)	(453,648)

	At 31 Dec 2021 £	Acquisition of business under common control (see note 18) £	(Charged)/credited to Profit and Loss account £	At 31 Dec 2022 £
Capitalised development expenditure	(2,050,882)	-	605,851	(1,445,031)
Tangible fixed assets	486,430	20,977	(440,040)	67,367
Other timing differences	1,110,804	-	(230,702)	880,102
Tax (liabilities) / assets	(453,648)	20,977	(64,891)	(497,562)

Notes (continued)

21 Share-based payments

Employees of the Company participate in share option schemes operated by the parent company, granted in accordance with the rules of the EMIS Group share option schemes and the EMIS Group LTIP (including the EMIS Group Restricted Stock Award). Options under the following equity-settled share option schemes were awarded during the period:

	EMIS Group LTIP	EMIS Group LTIP	EMIS Group LTIP	EMIS Group RSA	EMIS Group RSA	EMIS Group RSA
Grant date	8 April 2022	25 April 2022	20 June 2022	18 March 2022	18 March 2022	18 March 2022
Exercise period	April 2025– April 2032	April 2025– April 2032	April 2025– April 2032	March 2023– March 2032	March 2024– March 2032	March 2025– March 2032
Share price at grant date	1,370p	1,302p	1,870p	1,254p	1,254p	1,254p
Exercise price	0p	0p	0p	0p	0p	0p
Expected volatility	23%	22%	45%	22%	22%	22%
Expected life (years)	3	3	2.8	1	2	3
Risk-free rate	1.55%	1.55%	2.32%	1.41%	1.52%	1.55%
Expected dividend yield	2.57%	2.70%	1.88%	2.81%	2.81%	2.81%
Fair value per option	1,268p	1,200p	1,767p	1,219p	1,185p	1,153p

	EMIS Group RSA	EMIS Group RSA	EMIS Group RSA	EMIS Group RSA	EMIS Group RSA	EMIS Group RSA	EMIS Group RSA	EMIS Group RSA	EMIS Group RSA
Grant date	8 April 2022	8 April 2022	8 April 2022	25 April 2022	25 April 2022	25 April 2022	20 June 2022	20 June 2022	20 June 2022
Exercise period	April 2023– April 2032	April 2024– April 2032	April 2025– April 2032	April 2023– April 2032	April 2024– April 2032	April 2025– April 2032	April 2023– April 2032	April 2024– April 2032	April 2025– April 2032
Share price at grant date	1,370p	1,370p	1,370p	1,302p	1,302p	1,302p	1,870p	1,870p	1,870p
Exercise price	0p	0p	0p	0p	0p	0p	0p	0p	0p
Expected volatility	23%	23%	23%	22%	22%	22%	45%	45%	45%
Expected life (years)	1	2	3	1	2	3	0.8	1.8	2.8
Risk-free rate	1.41%	1.52%	1.55%	1.22%	1.32%	1.38%	2.26%	2.32%	2.32%
Expected dividend yield	2.57%	2.57%	2.57%	2.70%	2.70%	2.70%	1.88%	1.88%	1.88%
Fair value per option	1,335p	1,301p	1,268p	1,267p	1,233p	1,201p	1,835p	1,801p	1,767p

There were 232,496 (2021: 186,789) options exercised during the year. The weighted average share price at the date of exercise of share options exercised during the year was £17.33 (2021: £12.48).

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.

All costs relating to equity-settled share based payments are recharged from the parent Company by way of a decrease to amounts owed by the parent company.

Notes (continued)

22 Capital commitments

At the year end the company had capital commitments of £197,720 (2021: £120,992).

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 (2021: £25,000,000), and an overdraft facility of £5,000,000 (2021: £5,000,000). All of the revolving credit facility was undrawn at 31 December 2022 (2021: undrawn) and there was £5,000,000 of unused overdraft (2021: £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 Company Secretary, EMIS Group PLC, Fulford Grange, Micklefield Lane, Rawdon, Leeds, West Yorkshire, LS19 6BA.

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 2022 with other related parties, are as follows:

	2022 £	2021 £
Joint ventures to 31 October 2022 (see note 12)		
Sales of goods and services during the period when HGL was a joint venture	6,866	53,082
Amounts owed by joint venture as at 31 October 2022 and 31 December 2021	-	57,567

Notes (continued)

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:

Classification of costs as exceptional

A significant judgement relates to the classification of certain costs as exceptional (see note 6). The classification of such costs as exceptional was deemed appropriate as they were directly attributable to a material non-recurring project running in the year. In respect of staff costs, which largely relate to staff already in the business that would have comprised part of the overall staff cost in the comparative period, the time diverted to these projects was from other value-adding activities, and therefore the classification was appropriate to avoid distortion in the underlying performance of the Company.

28 Subsequent events

On 31 March 2023 the trade and assets of Healthcare Gateway Limited were transferred into the Company. The Directors do not anticipate any further transactions of this nature to complete in 2023.

In June 2022 the Group announced that agreement had been reached with Bordeaux UK Holdings Limited, a subsidiary of UnitedHealth Group Incorporated, on a recommended cash offer to acquire the whole of the issued and to be issued share capital of the Company. In March 2023, the UK's Competition and Markets Authority announced that it had referred the Proposed Acquisition for Phase 2 investigation and on 6 April 2023 the Group announced, jointly with UHG, its intention to proceed with the Phase 2 investigation. On 11 August 2023 the CMA published a summary of its provisional findings from its Phase 2 investigation which provisionally cleared the Proposed Acquisition. The CMA is now publicly consulting on the provisional findings before reaching a final decision by 5 October 2023. A further update is expected once the public consultation period has ended and the CMA has issued its final report.