

Egton Medical Information Systems Limited

Annual report and financial statements

Registered number 02117205

31 December 2013

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Officers and professional advisers

Directors

P J Southby
C M K Spencer
S O'Hanlon

Secretary

C L Farbridge

Company number

02117205 (England and Wales)

Registered office

Rawdon House
Green Lane
Yeadon
Leeds
LS19 7BY

Auditor

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Strategic report

Principal activities

The Company's principal activities during the year were the design of computer software for healthcare professionals, mainly General Practitioners, together with the hosting, supply and support of computer systems for the healthcare profession and other users. The Company had an exceptionally productive year in 2013 with the accelerated roll-out of EMIS Web for GPs and the concentration of efforts in the Community, child and mental health care market.

Review of the business, results and dividends

During the year, EMIS made substantial progress towards its vision of supporting longer and healthier lives for everyone by providing integrated, excellent and innovative healthcare IT for patients and those involved in their care.

EMIS GP Systems

EMIS remains the UK GP software clear market leader with a market share of 53.0% (5,232 GP Practices) (2012: 51.2% (5,113 Practices)) and also has a growing presence in community, child and mental health (CCMH, where the procurements are led by clinical commissioning groups (CCGs)).

In March 2014, agreement was successfully reached with The Health and Social Care Information Centre (HSCIC) regarding the commercial terms of Lot 1 of the expanded English GP Systems of Choice (GPSoC) Framework (Framework). Lot 1 covers the centrally funded GP Clinical IT system functionality, support and hosting essential for a modern paper-light practice and already in use by a large majority of practices.

The outcome of the Lot 1 negotiations was considered by the Company to be positive and in line with management's expectations. The revised Framework offers opportunities for EMIS to benefit from a degree of additional funding in exchange for expanded and enhanced capabilities and increased usage ("more for more") and EMIS expects no material effect on profits in the financial year to 31 December 2014, with the benefit starting to flow in 2015.

The Framework will govern the provision of the majority of the Company's clinical IT system-related services to GPs in England for at least the initial Framework term of two years. The Framework envisages extension for a further term of up to two years. The first procurements under the Framework were also issued covering the period to 31 December 2016.

Discussions are also continuing regarding the less material locally funded GPSoC Lots 2 and 3. Lot 2 covers other functionality that supports GP practices which may be through integration with the principal clinical system or may be independent. Lot 3 covers services that integrate with Lot 1 systems to deliver end-to-end interoperability between GP practices and other care settings. The discussions are expected to conclude later this year.

Following the phased withdrawal of CSC's iSoft product from the UK primary care market, 269 former iSoft practices migrated to EMIS Web during the year. EMIS ultimately expects to win around three-quarters of the former iSoft English estate and approximately two-thirds of the total iSoft estate of 492 practices.

In March 2013, customer acceptance testing was achieved for EMIS Web in Wales and the first practice received EMIS Web in June 2013. Together with additional practices migrating from the former iSoft estate, EMIS expects to have deployed approximately 200 practices in Wales by the middle of 2015, 35 of these having been completed by the end of 2013.

The formal procurement process for the renewal of the Framework in Northern Ireland has commenced. Current framework services to 190 practices are being delivered under an order that expires on 31 March 2015.

EMIS continues to develop PCS in Scotland and are working with NHS Scotland on a longer term strategy to migrate practices onto EMIS Web. The size of EMIS' current Scottish estate is just over 500 practices.

Strategic report *(continued)*

EMIS Web GP

The roll-out to GP practices of EMIS Web, our transformational healthcare IT system, was maintained throughout the year. At the end of 2013 there were 3,327 live EMIS Web practices in England and Wales (representing 74% of EMIS's total GP estate in those countries and an increase of 1,692 practices during the year). The remaining 1,196 practices have all either placed an order or are in the EMIS Web familiarisation service (provided for those practices planning to upgrade to EMIS Web).

EMIS Web mobile was completed, tested and released in early 2013 enabling GPs, and others in CCMH and other integrated care settings, to access the core elements of EMIS Web on a tablet device when working away from their clinical base.

EMIS Web CCMH

EMIS has a growing presence in CCMH where the procurements are led by CCGs. An experienced Director of CCMH joined the Company in June 2013, further strengthening and focussing the CCMH team following additional investment in development, product, support and sales specialists. CCMH and integrated care functionality relating to cross-organisational tasks was released in May 2013 and cross-organisational appointments were released in July. EMIS Web is now used in at least 205 clinical settings beyond primary care and unprecedented tender activity has continued into 2014.

Patient.co.uk

Patient.co.uk, the Company's website that helps patients play a key part in their own care through access to clinically reviewed health and well-being information and the gateway for transactional healthcare services, saw a rapid growth in patient and clinical visitors during the year. In January 2013, the site had 5 million unique visitors and 11 million page impressions; by December, following further enhancements to the content and functionality of the site, this had risen to 11 million unique visitors and 21 million page impressions. The division also developed patient-focused apps including the UK's first Patient Access App launched on 13 March 2013 at the NHS Innovation Expo.

Results

Total revenue was £83.1m (2012: £71.9m).

Operating profit amounted to £22.2m (2012: £19.8m), an increase of 12.1%.

The profit for the year including interest and after charging tax, amounted to £16.8m (2012: £15.4m). A dividend of £10.0m was paid to the parent company during the year (2012: £nil).

Key performance indicators

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

Strategic report *(continued)*

Principal risks and uncertainties

EMIS supplies GP software and certain other services in England under a framework agreement which had been extended until 31 March 2014. Whilst the directors had expected this to be replaced with a similar framework which would involve renegotiation, this representing an opportunity to retain or improve the position under the previous framework agreement, they recognised that there was a risk this would not be possible under the present economic climate.

In March 2014, the renegotiation proved successful when the Company announced its agreement with The Health and Social Care Information Centre (HSCIC) regarding the commercial terms of Lot 1 of the expanded English GP Systems of Choice (GPSoC) Framework (Framework), Lot 1 being the most significant part of the Framework covering the centrally funded GP Clinical IT system functionality, support and hosting. Discussions continue regarding Lots 2 and 3 which cover other functionality supporting GP practices and services that integrate with Lot 1 systems to deliver end-to-end interoperability between GP practices and other care settings respectively. These discussions are expected to conclude later this year.

As the Company moves towards the effective completion of the roll-out of EMIS Web to GPs in England, instead of this process being a risk, the Company sees substantial medium and long term growth opportunities especially related to health record sharing across the EMIS Group's own product suite and with third party products.

The primary care user base remains loyal and 76% of EMIS's English GP practices have used an EMIS system for over 10 years. This growth and loyalty is in the face of practice consolidation, competitor activity, the alternative single system choices of a small number of clinical commissioning groups (CCGs) and the risk of churn created by the estate-wide migration from older EMIS products to EMIS Web for GPs.

Further development, hosting and roll-out of EMIS Web presents both opportunities and risks. Any development of major software and its hosting is inherently subject to risk. However, by using extensive internal and external testing procedures, controls, disaster recovery and avoiding a single point of failure, the company has mitigated the risk of delay or failure as far as is possible.

Financial instruments – risk management

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

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

Credit risk

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

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

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

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Liquidity risk

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

Interest rate risk

The company does not hedge its interest rate risk.

Price risk

During 2013, significant changes were being made within the NHS and as described on page 5, renegotiation of the framework agreement under which EMIS provides clinical IT system-related services to GPs in England, was ongoing. March 2014 saw the successful agreement reached between EMIS and HSCIC in relation to a significant part of the Framework but renegotiation of other parts of the Framework are still ongoing with discussions not expected to be completed until later this year.

Future developments

EMIS continues to trade in line with the Board's expectations, with continuing strong revenue visibility and improved profit performance in the second half of 2013 continuing into 2014, principally due to the ongoing growth in the EMIS Web GP estate. This momentum provides confidence that further progress will be achieved in 2014. A successful outcome to the remaining GPSoC Framework renegotiation together with the completion of the roll-out of EMIS Web GP in England through 2014, remain two of the key objectives for the Company. Other high priority objectives include capitalising on the post National Programme re-letting of contracts in the CCMH market and optimising development delivery and other operational efficiencies. Meeting these objectives will deliver strong and sustainable growth during 2014 and beyond.

As financial and demographic factors continue to impact the NHS, EMIS confidently expects to remain at the heart of healthcare IT while the wider EMIS Group continues taking further and significant steps towards its strategic vision of integrated healthcare systems joining primary, community, secondary and specialist care.

Signed on behalf of the Board



Peter Southby
Director

29 May 2014

Directors' report

The directors submit their report and the financial statements of Egton Medical Information Systems Limited ("EMIS") for the year ended 31 December 2013.

Principal activities

The Company's principal activities during the year were the design of computer software for healthcare professionals, mainly General Practitioners, together with the hosting, supply and support of computer systems for the healthcare profession and other users. Further information on the Company's principal activities is on pages 3 to 4.

Directors

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

S D Riddell (resigned 4 February 2013)
N Laycock (resigned 31 March 2014)
P A Woodrow (resigned 10 January 2013)
P J Southby
C M K Spencer (appointed 4 February 2013)
S O'Hanlon

Directors' indemnities

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

Research and development

Research and development expenditure in the year amounted to £9.8m (2012: £8.9m).

Disabled persons

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

Employee involvement

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

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

Directors' report *(continued)*

Disclosure of information to auditor

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

Auditor

During the year, Baker Tilly LLP resigned as auditor and KPMG LLP were appointed to fill the vacancy arising. 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.

Signed on behalf of the Board



Peter Southby
Director

29 May 2014

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

We have audited the financial statements of Egton Medical Information Systems Limited for the year ended 31 December 2013 set out on page 11 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice: and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the period for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

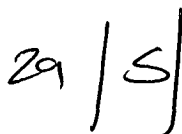
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Johnathan Pass (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment
Leeds
West Yorkshire
LS1 4DW



2014

Profit and loss account
For the year ended 31 December 2013

	<i>Note</i>	2013 £	2012 £
Revenue	<i>2</i>	83,138,447	71,936,054
Costs			
Changes in stocks		120,396	(136,936)
Cost of goods and services		(7,409,338)	(5,336,805)
Staff costs		(38,843,866)	(34,009,213)
Other operating expenses (including contract asset depreciation)	<i>3</i>	(11,716,747)	(10,355,244)
Earnings before interest, taxes, depreciation and amortisation		25,288,892	22,097,856
Depreciation of property, plant and equipment		(2,988,258)	(2,272,330)
Amortisation of intangible fixed assets		(141,232)	(56,190)
Operating profit		22,159,402	19,769,336
Interest receivable	<i>4</i>	5,572	29,697
Interest payable	<i>5</i>	(135,807)	(47,538)
Profit on ordinary activities before taxation	<i>6</i>	22,029,167	19,751,495
Taxation	<i>8</i>	(5,272,191)	(4,370,000)
Profit for the financial year	<i>18</i>	16,756,976	15,381,495

Revenue and Operating Profit for the year are derived from the company's continuing operations. No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Balance sheet

As at 31 December 2013

	Note	2013 £	2012 £
Fixed assets			
Tangible assets	10	23,648,580	21,799,235
Intangible assets	11	785,504	415,445
Investments	12	2,136,965	2,136,965
		<hr/>	<hr/>
		26,571,049	24,351,645
Current assets			
Stocks	13	1,353,353	1,232,957
Debtors	14	50,185,096	34,774,708
Cash at bank and in hand		6,381,948	6,415,193
		<hr/>	<hr/>
		57,920,397	42,422,858
Creditors: amounts falling due within one year	15	(41,063,107)	(30,103,140)
		<hr/>	<hr/>
Net current assets		16,857,290	12,319,718
		<hr/>	<hr/>
Total assets less current liabilities		43,428,339	36,671,363
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	8,001,000	8,001,000
Profit and loss account	17	35,427,339	28,670,363
		<hr/>	<hr/>
Equity shareholder's funds	18	43,428,339	36,671,363
		<hr/>	<hr/>

These financial statements were approved by the board of directors on
signed on its behalf by:

29 May 2014 and were



P J Southby
Director

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

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

Going concern

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

Accordingly, after careful enquiry and review of available financial information, including projections of profitability and cash flows for the two years to 31 December 2015, the directors believe that the company has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of the financial statements of the company.

Exemptions applied

As the company is a wholly owned subsidiary of EMIS Group plc, incorporated in England and Wales, which publishes consolidated financial statements in which the company and its subsidiary undertakings, EMIS Professional Publishing Limited (dormant) and Pathway Trust Limited (dormant) are included, these accounts relate only to EMIS and the following exemptions have been applied:

- preparation of consolidated financial statements
- preparation of a cash flow statement
- disclosure of transactions with group undertakings

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Tangible fixed assets

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

Freehold property	2% straight line
Computer equipment	33% straight line
Fixtures, fittings and equipment	25% on reducing balance
Motor vehicles	20% straight line

Notes (continued)

1 Accounting policies (continued)

Intangible fixed assets

Computer software purchased externally is stated at historical cost less amortisation, which is provided on all intangible fixed assets, using the straight-line method over an estimated useful life of between four and six years.

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.

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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from that in which they are recognised in the financial statements.

A deferred tax asset is recognised where, in the view of the directors, timing differences resulting in excess tax paid over that recognised for accounting purposes is recoverable against future trading profits.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leased assets and obligations

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

Pensions

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

Turnover

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

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

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

Notes (continued)

1 Accounting policies (continued)

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.

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

2 Segmental reporting

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

	2013 £	2012 £
United Kingdom	81,127,716	68,691,065
Rest of the World	2,010,731	3,244,989
	<u>83,138,447</u>	<u>71,936,054</u>

3 Other operating expenses by function

	2013 £	2012 £
Administration costs	4,747,473	4,353,396
Establishment costs	1,353,445	1,219,413
Motor, travel and selling costs	2,375,013	2,193,403
Contract asset depreciation	3,240,816	2,589,032
	<u>11,716,747</u>	<u>10,355,244</u>

Notes (continued)

4 Interest receivable and similar income

	2013 £	2012 £
Bank interest	38	29,697
Interest on Corporation Tax	4,842	-
Other interest	692	-
	<u>5,572</u>	<u>29,697</u>

5 Interest payable and similar charges

	2013 £	2012 £
Exchange loss	-	15,911
Interest paid to group company	135,807	31,627
	<u>135,807</u>	<u>47,538</u>

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2013 £	2012 £
Depreciation of tangible fixed assets:		
Charge for the year:		
Owned assets: Contract assets	3,240,816	2,589,032
Other assets	2,988,258	2,272,330
Amortisation of intangible fixed assets	141,232	56,190
Profit on sale of fixed assets	36,488	69,279
Audit Services		
- Baker Tilly UK Audit LLP	13,161	34,000
- KPMG LLP	35,000	-
Research and development	9,764,000	8,859,000
Operating lease rentals:		
Land and buildings	165,323	339,124
Other	5,386	32,827
	<u>165,323</u>	<u>339,124</u>

Notes (continued)

7 Employees

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

	2013	2012
Management and administration	79	81
Software support and development	590	526
Sales, maintenance and training	403	381
Others	68	48
	<u>1,140</u>	<u>1,036</u>

	2013 £	2012 £
Staff costs for above people:		
Wages and salaries	34,536,277	30,714,670
Share incentive plan (See note 21)	282,535	-
Share based payments (See note 21)	184,163	-
Social security costs	3,743,358	3,108,760
Other pension costs	97,533	185,783
	<u>38,843,866</u>	<u>34,009,213</u>

Directors' remuneration

	2013 £	2012 £
Aggregate emoluments	1,198,735	870,152
Company contributions payable to individual personal pension plans	78,671	139,766
	<u>1,277,406</u>	<u>1,009,918</u>

Retirement benefits are accruing to three (2012: four) directors under defined contribution personal pension schemes.

Highest paid director

	2013 £	2012 £
Aggregate emoluments	285,982	188,239
Company contributions payable to individual personal pension plan	18,960	18,217
	<u>304,942</u>	<u>206,456</u>

Notes (continued)

8 Taxation

	2013 £	2012 £
<i>Corporation tax</i>		
Current tax charge	5,416,463	4,370,000
Adjustments in respect of the prior year	94,616	-
	<hr/>	<hr/>
Total current tax	5,511,079	4,370,000
	<hr/>	<hr/>
<i>Deferred tax</i>		
Current year	(238,888)	-
	<hr/>	<hr/>
Total deferred tax	(238,888)	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	5,272,191	4,370,000
	<hr/>	<hr/>

Factors affecting the tax charge for the year

	2013 £	2012 £
Profit on ordinary activities before taxation	22,029,167	19,751,495
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the averaged standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	5,121,781	4,839,116
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	181,028	14,411
Research and development enhanced relief	(138,634)	(434,039)
Share scheme relief	-	(74,123)
Accelerated capital allowances	252,288	23,435
Other movements	-	1,200
Adjustments in respect of prior years	94,616	-
	<hr/>	<hr/>
Current tax charge for the year	5,511,079	4,370,000
	<hr/>	<hr/>

9 Dividend

	2013 £	2012 £
Ordinary shares		
Interim - £1.25 a share (2012: nil a share)	10,000,000	-
	<hr/>	<hr/>

Notes (continued)

10 Tangible fixed assets

	Land and buildings £	Computer equipment £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<i>Cost</i>					
At 1 January 2013	7,024,637	21,112,978	3,453,154	5,965,644	37,556,413
Additions	1,749,487	5,772,520	199,618	593,567	8,315,192
Disposals	-	-	(1,479,592)	(924,590)	(2,404,182)
Transfer	(436,539)	(57,632)	(188,952)	-	(683,123)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	8,337,585	26,827,866	1,984,228	5,634,621	42,784,300
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 January 2013	808,729	10,324,315	2,345,177	2,278,957	15,757,178
Charged in the year	183,606	4,690,225	245,823	1,109,420	6,229,074
Disposals	-	-	(1,479,592)	(742,376)	(2,221,968)
Transfer	(275,311)	(348,185)	-	(5,068)	(628,564)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	717,024	14,666,355	1,111,408	2,640,933	19,135,720
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 2013	7,620,561	12,161,511	872,820	2,993,688	23,648,580
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	6,215,908	10,788,663	1,107,977	3,686,687	21,799,235
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

11 Intangible fixed assets

	Computer software purchased externally £
<i>Cost</i>	
At 1 January 2013	471,635
Additions	456,732
Transfer	68,046
	<hr/>
At 31 December 2013	996,413
	<hr/>
<i>Amortisation</i>	
At 1 January 2013	56,190
Charge for the year	141,232
Transfer	13,487
	<hr/>
At 31 December 2013	210,909
	<hr/>
<i>Net book value</i>	
At 31 December 2013	785,504
	<hr/>
At 31 December 2012	415,445
	<hr/>

Notes (continued)

12 Fixed asset investments

	2013 £	2012 £
Unlisted	2,136,965	2,136,965

The company's investment in its subsidiaries is as follows:

	2013 £	2012 £
Costs – as at start of year	-	289,930
Less: amounts provided in prior years	-	(289,930)
Net book value at end of year	-	-

Details of the subsidiary undertakings are as follows:

Name and nature of business	Country of registration	Class of share	% held
EMIS Professional Publishing Limited - dormant	England	£1 ordinary	100
Pathway Trust Limited - dormant	England	£1 ordinary	100

Name and nature of business	Country of registration	Class of share	% held	Capital and reserves £'000	Profit/(loss) before taxation £'000	Profit/(loss) after taxation £'000
Healthcare Gateway Limited – establishment of Medical Interoperability Gateway (“MIG”)	Canada	\$1 Class A	50	(450)	(231)	(177)
Pharmacy 2U – internet mail order pharmaceutical supplier	England	£1 ordinary	20	3,430	117	100

EMIS Inc. – Medical Systems, the Company's Canadian subsidiary, was voluntarily dissolved on 25 April 2013. This followed a managed exit from the Canadian healthcare market which started in 2010. The dissolution did not have any effect on these financial statements as all necessary provisions had been made previously and the cost of the investment had been provided for in full.

13 Stocks

	2013 £	2012 £
Finished goods	1,353,353	1,232,957

Notes (continued)

14 Debtors

	2013 £	2012 £
Due within one year:		
Trade debtors	6,952,154	7,822,681
Other debtors	31,215	84,922
Prepayments and accrued income	4,138,199	4,535,430
Amount owed by parent company	38,445,890	22,044,303
Amounts owed by fellow group companies	372,750	281,372
Deferred tax asset (see below)	244,888	6,000

	50,185,096	34,774,708
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A deferred tax asset has been recognised as follows:

Depreciation in excess of capital allowances	244,888	6,000
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	2013 £	2012 £
Opening deferred tax asset	6,000	6,000
Credit to profit and loss account	238,888	-

Closing deferred tax asset	244,888	6,000
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15 Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	5,936,900	5,788,954
Corporation tax	2,245,341	1,539,999
Other taxation and social security	3,017,043	2,684,519
Accruals and deferred income	17,993,575	14,365,617
Other creditors	54,103	48,668
Amounts owed to fellow group companies	11,816,145	5,675,383

	41,063,107	30,103,140
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Amounts owed to fellow group companies include loan amounts that attract an annual interest rate of 1.6% and are repayable on demand.

16 Equity share capital

	2013 £	2012 £
<i>Allotted, issued and fully paid:</i>		
8,001,000 ordinary shares of £1 each	8,001,000	8,001,000

Notes (continued)

17 Profit and loss account

	2013 £	2012 £
Balance at start of year	28,670,363	13,288,868
Profit for the financial year	16,756,976	15,381,495
Equity dividend paid (note 10)	(10,000,000)	-
	<hr/>	<hr/>
Retained profits at end of year	35,427,339	28,670,363
	<hr/>	<hr/>

18 Reconciliation of movement in shareholders' funds

	2013 £	2012 £
Profit for the financial year	16,756,976	15,381,495
Dividend paid	(10,000,000)	-
	<hr/>	<hr/>
Net increase to shareholder's funds	6,756,976	15,381,495
Opening shareholders' funds	36,671,363	21,289,868
	<hr/>	<hr/>
Closing shareholders' funds	43,428,339	36,671,363
	<hr/>	<hr/>

19 Commitments under operating leases

The company had future annual commitments under non-cancellable operating leases as follows:

	2013 £	2012 £
Land and buildings		
Expiring within one year	97,894	3,427
Expiring between two and five years	37,164	195,269
Plant and machinery		
Expiring within one year	937	-
Expiring between two and five years	-	6,000
Expiring in more than five years	7,840	-
	<hr/>	<hr/>
	143,835	204,696
	<hr/>	<hr/>

20 Pension commitments

The total costs charged to profit and loss account amounts to £97,533 (2012: £185,783) representing company contributions payable to individual personal pension plans.

Notes (continued)

21 Employee share scheme

At 31 December 2013 outstanding awards to subscribe for ordinary shares of 1p each in EMIS Group plc, the Company's immediate and ultimate parent company, granted in accordance with the rules of the EMIS share option schemes and the EMIS Long Term Incentive Plan (LTIP), were as follows:

	At 1 January 2012 £	Granted £	Lapsed £	At 1 January 2013 £	Granted £	Lapsed £	At 31 December 2013 £
Date of grant							
2011 Share Option Plan							
11 October 2011	58,657	-	(2,370)	56,287	-	(1,419)	54,868
1 October 2012	-	36,595	-	36,595	-	(2,461)	34,134
2 May 2013	-	-	-	-	5,476	-	5,476
18 October 2013	-	-	-	-	60,960	-	60,960
	<u>58,657</u>	<u>36,595</u>	<u>(2,370)</u>	<u>92,882</u>	<u>66,436</u>	<u>(3,880)</u>	<u>155,438</u>
Weighted average exercise price, p	<u>528</u>	<u>812</u>	<u>528</u>	<u>640</u>	<u>662</u>	<u>708</u>	<u>648</u>
Unapproved Option Scheme							
11 October 2011	12,298	-	-	12,298	-	-	12,298
1 October 2012	-	62,000	-	62,000	-	(6,000)	56,000
18 October 2013	-	-	-	-	91,000	-	91,000
	<u>12,298</u>	<u>62,000</u>	<u>-</u>	<u>74,298</u>	<u>91,000</u>	<u>(6,000)</u>	<u>159,298</u>
Weighted average exercise price, p	<u>528</u>	<u>812</u>	<u>-</u>	<u>765</u>	<u>656</u>	<u>812</u>	<u>701</u>
EMIS LTIP							
29 June 2012	-	400,000	-	400,000	-	-	400,000
2 May 2013	-	-	-	-	50,000	-	50,000
	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>50,000</u>	<u>-</u>	<u>450,000</u>
Weighted average exercise price, p	<u>-</u>	<u>547</u>	<u>-</u>	<u>547</u>	<u>710</u>	<u>-</u>	<u>565</u>

There were no share options exercisable at 31 December 2013.

The parent company operates share option schemes, (the HMRC approved EMIS Group plc 2011 Share Option Plan and the EMIS Group plc Unapproved Option Scheme) and an LTIP scheme. Tranches of options have been granted at market value to senior members of management. Performance conditions apply to the 2012 and 2013 awards under the Unapproved Option Scheme and the EMIS LTIP.

Options are conditional on the employee completing three years' service, other than in certain limited circumstances. The Group has no legal or constructive obligation to repurchase or settle any of the options for cash.

The key assumptions used in the valuations are shown below. The fair values of options with performance conditions have been determined using the Monte Carlo Model. The fair values of options without performance conditions have been determined using the Black Scholes Model.

Notes (continued)

21 Employee share scheme (continued)

Grant date	Unapproved Option Scheme			LTIP	
	11 October	1 October	18 October	29 June 2012	2 May 2013
Exercise period	October 2014 - October 2016	June 2015 - July 2016	July 2016 - October 2018	July 2015 - July 2017	July 2015 - July 2017
Share price at grant date	528p	812p	656p	547p	710p
Expected volatility	36%	30%	35%	30%	30%
Expected life (years)	3	3	3	4	3
Risk-free rate	2.75%	1.00%	1.40%	1.00%	1.00%
Expected dividend yield	2.35%	1.64%	2.20%	2.30%	1.90%
Fair value per option	109p	75p	89p	85p	177p

Grant date	2011 Share Option Plan			
Exercise period	October 2014 - October 2016	October 2015 - October 2017	May 2016 - May 2018	October 2016 - October 2018
Share price at grant date	528p	812p	730p	656p
Expected volatility	36%	30%	35%	35%
Expected life (years)	3	3	3	3
Risk-free rate	2.75%	1.00%	1.40%	1.40%
Expected dividend yield	2.35%	1.64%	2.20%	2.20%
Fair value per option	109p	153p	157p	141p

The expected volatility assumption is based on statistical analysis of the historical volatility of the parent company's share price.

EMIS Group plc also operates an HMRC approved Share Incentive Plan, which is open to all UK employees with at least one year's service. Those joining contribute a maximum of £1,500 a year, or 10% of salary, whichever is smaller, which is used to acquire shares in the parent company at market price from the EMIS Group plc Employee Benefits Trust, which holds shares in the parent company to satisfy Share Incentive Plan and other employee share scheme requirements.

For every three shares acquired by an employee the Company adds one free 'matching' share. The matching shares, together with further free shares allocated to members under the scheme during the year, had a value of £283,000 (2012: £nil).

22 Capital commitments

At the year end the company had capital commitments of £125,158 (2012: £40,835).

Notes *(continued)*

23 Transactions with directors

During the year the following director purchased a laptop from the company at market value as follows:

C M K Spencer	£717
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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 term loans of £17m and a revolving credit facility of £16m. Of this revolving credit facility, £15m was undrawn at 31 December 2013.

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.