

Egton Medical Information Systems Limited

Annual report and financial statements

Registered number 02117205

31 December 2014



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Contents

Officers and professional advisers	1
Strategic report	2
Directors' report	6
Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements	8
Independent auditor's report to the members of Egton Medical Information Systems Limited	9
Profit and loss account	11
Balance sheet	12
Notes	13

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.

Review of the business, results and dividends

During the year, EMIS continued to make 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.

Primary Care

The Group's primary care market share rose slightly to 53.1% (5,138 GP practices) (31 December 2013: 53.0% (5,232 GP practices)). The primary care user base continues to be loyal and 78% of the Company's English GP practices have used an EMIS system for over ten years.

The procurements of Lots 1 and 2 of the English GPSoC and of the Northern Ireland GP frameworks all reached a successful conclusion during 2014 and the procurement of Lot 3 GPSoC is progressing as expected.

EMIS Web GP

The roll-out programme for GPs in England was almost complete at the end of the year and all the Company's practices in Wales are scheduled to have transitioned to EMIS Web by the end of 2015. At the year-end, there were 4,261 live EMIS Web GP practices, an increase of 934 compared with 3,327 at 31 December 2013. In Northern Ireland, practices will have the option to upgrade to EMIS Web from the latter part of 2015.

EMIS Web CCMH

The Community, Children's and Mental Health (CCMH) team was expanded, especially in relation to sales and implementation specialists from within and outside the Company, as it both won contracts and began to implement them. Additional functionality was released relating to cross-organisational tasks and appointments and data migration tools for transfers from Servelec RiO to EMIS Web.

The Company's significant pipeline for its integrated offering to both the south and, increasingly, the north, led to contract wins totalling over £14m in value including:

- Blackpool;
- Southport and Ormskirk;
- North Somerset;
- Sirona (South Gloucestershire);
- Bristol;
- Glasgow;
- South Tyneside;
- First Community;
- Leeds (occupational health);
- St Andrew's (physical health); and
- Gibraltar.

By the end of the year the Company's CCMH market share was 8% compared with 3% at 31 December 2013.

Strategic report *(continued)*

Patient

Patient.co.uk (Patient) is the Company's online portal helping patients proactively manage their own care by using clinically reviewed health and well-being information. Patient continued to grow its patient and clinical user base to 17 million unique monthly visitors at the year-end compared with 11 million at the end of 2013.

Further patient-focussed apps were launched and included mobile versions of the Patient medical content, the Patient Access gateway, tools relating to irritable bowel syndrome, sleep, weight, depression and migraine, a diabetes microsite and an innovative Patient Health Record (capable of sitting alongside the clinical record in EMIS Web) the latter linking to Apple's HealthKit.

Patient, now a UK registered trademark, also provides a gateway to Patient Access, the Group's transactional healthcare services portal. After completion of the Lot 1 GPSoc procurement, a process began to select providers to deliver paid-for patient-facing services. That selection has now been made and the Company expects to begin monetisation of Patient Access in 2015.

Hardware and engineering (Egton)

Throughout the year the Company's engineers continued to upgrade NHS operating systems to Windows 7. In June 2014 the Company completed the £1.2m purchase of the intellectual property rights in the automated arrivals software used in the existing primary care estate of circa 1,800 systems, facilitating entry into both the secondary & community care markets. The business also continued to work towards the Group mission of joining up products and organisations and delivering even greater efficiencies including migration and full integration of the Community Pharmacy division's implementation engineers.

Results

Total revenue was £93.9m (2013: £83.1m).

Operating profit amounted to £26.5m (2012: £22.2m), an increase of 19.4%.

The profit for the year including interest and after charging tax, amounted to £20.7m (2013: £16.8m). A dividend of £15.0m was paid to the parent company during the year (2013: £10.0m).

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

Healthcare structure and procurement changes

The Company needs to ensure it is not disadvantaged by changes in healthcare structure and procurement and that its strategy closely matches government policy. We have mitigated the risk in a number of ways including the successful negotiation of GPSoC procurement in Lots 1 and 2, by close engagement with the NHS at both strategic and tactical levels and development of a clear market and product strategy.

Integration

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

Software development and hosting

The Company needs to ensure the development, hosting and roll-out of new and existing products delivers customers' expectations. We are mitigating this risk by ensuring a strategy is in place to lead effective development prioritisation and by ensuring functionality, service and stability is delivered.

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

2014 saw negotiations between EMIS and HSCIC in relation to the majority part of the GPSoC Framework and culminated in successful negotiation of GPSoC procurement in Lots 1 and 2.

Future developments

The Company continues to trade in line with the Board's expectations, with good revenue visibility and profit performance continuing into 2015. The high level of recurring revenue and strong order book at the start of 2015 provide an excellent platform for the business to continue to invest with confidence in developing future products and services

During 2015, the Group will launch a new brand: EMIS Health, aligning the Company with other businesses of the Group working in Secondary Care, Community Pharmacy and Specialist Services. EMIS Health will provide every health sector with innovative technologies and unrivalled customer support. Egton and Patient will retain their separate brands as the Group's providers of specialist ICT infrastructure, software, hardware, engineering services and online patient-centric services respectively.

There is ongoing, all-party, acceptance that integrated care is a key part of the solution to the social, demographic and financial challenges of the NHS. EMIS confidently expects to remain at the heart of healthcare IT as we remain uniquely placed to help provide faster, better and cheaper healthcare through connected software and services.

Signed on behalf of the Board



Peter Southby

Director

30 April 2015

Directors' report

The directors submit their report and the financial statements of Egton Medical Information Systems Limited ("EMIS") for the year ended 31 December 2014.

Directors

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

N Laycock (resigned 31 March 2014)
P J Southby
C M K Spencer
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 £12.3m (2013: £9.8m).

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

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

Signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'P Southby', is written above the printed name.

Peter Southby

Director

30 April 2015

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.



KPMG LLP

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

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 2014 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, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's 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 2014 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

30 April 2015

Profit and loss account
For the year ended 31 December 2014

	<i>Note</i>	2014 £	2013 £
Revenue	2	93,855,756	83,138,447
Costs			
Changes in stocks		88,277	120,396
Cost of goods and services		(8,521,899)	(7,409,338)
Staff costs	7	(39,629,106)	(38,843,866)
Other operating expenses (including contract asset depreciation)	3	(15,611,411)	(11,716,747)
Earnings before interest, taxes, depreciation and amortisation		30,181,617	25,288,892
Depreciation of property, plant and equipment		(3,300,956)	(2,988,258)
Amortisation of intangible fixed assets		(430,432)	(141,232)
Operating profit		26,450,229	22,159,402
Interest receivable	4	51	5,572
Interest payable	5	(183,496)	(135,807)
Profit on ordinary activities before taxation	6	26,266,784	22,029,167
Taxation	8	(5,517,010)	(5,272,191)
Profit for the financial year	18	20,749,774	16,756,976

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 2014

	<i>Note</i>	2014 £	2013 £
Fixed assets			
Tangible assets	10	21,693,757	23,648,580
Intangible assets	11	2,127,349	785,504
Investments	12	2,136,965	2,136,965
		<hr/>	<hr/>
		25,958,071	26,571,049
Current assets			
Stocks	13	1,441,630	1,353,353
Debtors	14	63,878,120	50,185,096
Cash at bank and in hand		4,820,858	6,381,948
		<hr/>	<hr/>
		70,140,608	57,920,397
Creditors: amounts falling due within one year	15	(46,920,566)	(41,063,107)
		<hr/>	<hr/>
Net current assets		23,220,042	16,857,290
		<hr/>	<hr/>
Total assets less current liabilities		49,178,113	43,428,339
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	8,001,000	8,001,000
Profit and loss account	17	41,177,113	35,427,339
		<hr/>	<hr/>
Equity shareholder's funds	18	49,178,113	43,428,339
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 30 April 2015 and were signed on its behalf by:



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 2016, 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 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:

	2014 £	2013 £
United Kingdom	92,281,515	81,127,716
Rest of the World	1,574,241	2,010,731
	<u>93,855,756</u>	<u>83,138,447</u>

3 Other operating expenses by function

	2014 £	2013 £
Administration costs	8,074,902	4,747,473
Establishment costs	1,150,919	1,353,445
Motor, travel and selling costs	2,624,826	2,375,013
Contract asset depreciation	3,760,764	3,240,816
	<u>15,611,411</u>	<u>11,716,747</u>

Notes (continued)

4 Interest receivable and similar income

	2014 £	2013 £
Bank interest	10	38
Interest on Corporation Tax	-	4,842
Other interest	41	692
	<u>51</u>	<u>5,572</u>

5 Interest payable and similar charges

	2014 £	2013 £
Interest paid to group company	183,496	135,807
	<u>183,496</u>	<u>135,807</u>

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets:		
Charge for the year:		
Owned assets: Contract assets	3,760,763	3,240,816
Other assets	3,404,416	2,988,258
Amortisation of intangible fixed assets	430,432	141,232
Profit on sale of fixed assets	103,453	36,488
Auditor remuneration		
- Audit of these financial statements	35,000	35,000
Research and development	12,349,415	9,764,000
Operating lease rentals:		
Land and buildings	148,095	165,323
Other	47,870	5,386
	<u>148,095</u>	<u>165,323</u>

Notes (continued)

7 Employees

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

	2014 No.	2013 No.
Management and administration	60	79
Software support and development	577	590
Sales, maintenance and training	381	403
Others	95	68
	<u>1,112</u>	<u>1,140</u>

	2014 £	2013 £
Staff costs for above people:		
Wages and salaries	34,805,652	34,536,277
Share incentive plan (See note 21)	76,767	282,535
Share based payments (See note 21)	191,025	184,163
Social security costs	3,622,084	3,743,358
Other pension costs (See note 20)	933,578	97,533
	<u>39,626,106</u>	<u>38,843,866</u>

Directors' remuneration

	2014 £	2013 £
Aggregate emoluments	1,232,802	1,198,735
Company contributions payable to individual personal pension plans	115,273	78,671
	<u>1,348,075</u>	<u>1,277,406</u>

Retirement benefits are accruing to three (2013: three) directors under defined contribution personal pension schemes.

Highest paid director

	2014 £	2013 £
Aggregate emoluments	469,292	285,982
Company contributions payable to individual personal pension plan	45,000	18,960
	<u>514,292</u>	<u>304,942</u>

Notes (continued)

8 Taxation

	2014 £	2013 £
<i>Corporation tax</i>		
Current year tax charge	6,400,678	5,416,463
Adjustments in respect of the prior year	(225,416)	94,616
	<hr/>	<hr/>
Total current tax	6,175,262	5,511,079
	<hr/>	<hr/>
<i>Deferred tax</i>		
Current year	(658,252)	(238,888)
	<hr/>	<hr/>
Total deferred tax	(658,252)	(238,888)
	<hr/>	<hr/>
Tax on profit on ordinary activities	5,517,010	5,272,191
	<hr/>	<hr/>

Factors affecting the tax charge for the year

	2014 £	2013 £
Profit on ordinary activities before taxation	26,266,784	22,029,167
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the averaged standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	5,647,359	5,121,781
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	45,698	181,028
Research and development enhanced relief	-	(138,634)
Research and development expenditure credit	62,577	-
Depreciation in excess of capital allowances	645,044	252,288
Adjustments in respect of prior years	(225,416)	94,616
	<hr/>	<hr/>
Current tax charge for the year	6,175,262	5,511,079
	<hr/>	<hr/>

9 Dividend

	2014 £	2013 £
Ordinary shares		
Interim - £1.87 a share (2013: £1.25 a share)	15,000,000	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 31 December 2013	8,337,585	26,827,866	1,984,228	5,634,621	42,784,300
Additions	1,105,802	3,086,045	628,677	861,423	5,681,947
Disposals	-	(504)	-	(935,777)	(936,281)
Transfer	-	(336,309)	-	-	(336,309)
At 31 December 2014	9,443,387	29,577,098	2,612,905	5,560,267	47,193,657
<i>Depreciation</i>					
At 31 December 2013	717,024	14,666,355	1,111,408	2,640,933	19,135,720
Charged in the year	227,501	5,460,296	379,301	1,098,081	7,165,179
Disposals	-	(250)	-	(800,749)	(800,999)
At 31 December 2014	944,525	20,126,401	1,490,709	2,938,265	25,499,900
<i>Net book value</i>					
At 31 December 2014	8,498,862	9,450,697	1,122,196	2,622,002	21,693,757
At 31 December 2013	7,620,561	12,161,511	872,820	2,993,688	23,648,580

11 Intangible fixed assets

	Computer software purchased externally £
<i>Cost</i>	
At 31 December 2013	996,413
Additions	1,772,277
At 31 December 2014	2,768,690
<i>Amortisation</i>	
At 31 December 2013	210,909
Charge for the year	430,432
At 31 December 2014	641,341
<i>Net book value</i>	
At 31 December 2014	2,127,349
At 31 December 2013	785,504

Notes (continued)

12 Fixed asset investments

	2014 £	2013 £
Unlisted	2,136,965	2,136,965

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”)	England	£1 ordinary	50	(424)	42	33
Pharmacy 2U – internet mail order pharmaceutical supplier	England	£1 ordinary	20	2,833	(612)	(598)

13 Stocks

	2014 £	2013 £
Finished goods	1,441,630	1,353,353

Notes (continued)

14 Debtors

	2014 £	2013 £
Due within one year:		
Trade debtors	6,742,394	6,952,154
Other debtors	213,315	31,215
Prepayments and accrued income	8,162,596	4,138,199
Amount owed by parent company	46,728,458	38,445,890
Amounts owed by fellow group companies	1,128,217	372,750
Deferred tax asset (see below)	903,140	244,888
	<u>63,878,120</u>	<u>50,185,096</u>
	2014 £	2013 £
A deferred tax asset has been recognised as follows:		
Depreciation in excess of capital allowances	844,929	244,888
Other timing differences	58,211	-
	<u>903,140</u>	<u>244,888</u>
	2014 £	2013 £
Opening deferred tax asset	244,888	6,000
Credit to profit and loss account	658,252	238,888
	<u>903,140</u>	<u>244,888</u>
Closing deferred tax asset		

15 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	6,295,774	5,936,900
Corporation tax	2,570,430	2,245,341
Other taxation and social security	3,969,291	3,017,043
Accruals and deferred income	21,670,329	17,993,575
Other creditors	97,419	54,103
Amounts owed to fellow group companies	12,317,323	11,816,145
	<u>46,920,566</u>	<u>41,063,107</u>

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

	2014 £	2013 £
Allotted, issued and fully paid:		
8,001,000 ordinary shares of £1 each	8,001,000	8,001,000

Notes (continued)

17 Profit and loss account

	2014 £	2013 £
Balance at start of year	35,427,339	28,670,363
Profit for the financial year	20,749,774	16,756,976
Equity dividend paid (note 9)	(15,000,000)	(10,000,000)
	<hr/>	<hr/>
Retained profits at end of year	41,177,113	35,427,339
	<hr/>	<hr/>

18 Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Profit for the financial year	20,749,774	16,756,976
Dividend paid	(15,000,000)	(10,000,000)
	<hr/>	<hr/>
Net increase to shareholder's funds	5,749,774	6,756,976
Opening shareholders' funds	43,428,339	36,671,363
	<hr/>	<hr/>
Closing shareholders' funds	49,178,113	43,428,339
	<hr/>	<hr/>

19 Commitments under operating leases

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

	2014 £	2013 £
Land and buildings		
Expiring within one year	20,953	97,894
Expiring between two and five years	37,164	37,164
Plant and machinery		
Expiring within one year	1,129	937
Expiring between two and five years	1,800	-
Expiring in more than five years	7,840	7,840
	<hr/>	<hr/>
	68,886	143,835
	<hr/>	<hr/>

20 Pension commitments

The total costs charged to profit and loss account amounts to £933,578 (2013: £97,533) representing company contributions payable to individual personal pension plans and includes the auto-enrolment of eligible employees from 1 January 2014.

Notes (continued)

21 Share-based payments

At 31 December 2014 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:

Date of grant	At 1 January 2013 £	Granted £	Lapsed £	At 1 January 2014 £	Granted £	Lapsed £	Exercised £	At 31 December 2014 £
2011 Share Option Plan								
11 October 2011	56,287	-	(1,419)	54,868	-	(11,352)	(25,542)	17,974
1 October 2012	36,595	-	(2,461)	34,134	-	(5,843)	-	28,291
2 May 2013	-	5,476	-	5,476	-	(1,369)	-	4,107
18 October 2013	-	60,960	-	60,960	-	(7,239)	-	53,721
15 October 2014	-	-	-	-	36,273	(1,356)	-	34,917
	92,882	66,436	(3,880)	155,438	36,273	(27,159)	(25,542)	139,010
Weighted average exercise price, p	640	662	708	648	737	644	528	694
Unapproved Option Scheme								
11 October 2011	12,298	-	-	12,298	-	(8,514)	(3,784)	-
1 October 2012	62,000	-	(6,000)	56,000	-	(7,000)	-	49,000
18 October 2013	-	91,000	-	91,000	-	(8,500)	-	82,500
	74,298	91,000	(6,000)	159,298	-	(24,014)	(3,784)	131,500
Weighted average exercise price, p	765	656	812	701	-	656	528	714
EMIS Group LTIP								
29 June 2012	400,000	-	-	400,000	-	(400,000)	-	-
2 May 2013	-	50,000	-	50,000	-	-	-	50,000
16 January 2014	-	-	-	-	49,019	-	-	49,019
1 May 2014	-	-	-	-	204,730	-	-	204,730
	450,000	50,000	-	450,000	253,749	(400,000)	-	303,749
Weighted average exercise price, p	547	710	-	565	-	547	-	117

The number of vested options which had not been exercised at 31 December 2014 was 17,974 (2013: nil). The weighted average share price at the date of exercise for share options exercised in 2014 was £8.05 (2013: no options exercised).

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 under the 2011 Share Option Plan, the Unapproved Option Scheme and the 2012 and 2013 LTIP schemes, and at nil cost under the 2014 LTIP scheme. Performance conditions apply to the 2014 award under the 2011 Share Option Plan, the 2012 and 2013 awards under the Unapproved Option Scheme and the EMIS Group LTIP.

Options are conditional on the employee completing three years' service other than in certain 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 Share-based payments (continued)

	Unapproved Option Scheme			LTIP	
Grant date	18 October 2013	29 June 2012	2 May 2013	16 January 2014	1 May 2014
Exercise period	July 2016 – October 2018	July 2015 – July 2017	July 2015 – July 2017	March 2016	May 2017
Share price at grant date	656p	547p	710p	630p	635p
Expected volatility	35%	30%	30%	35%	35%
Expected life (years)	3	4	3	3	3
Risk-free rate	1.40%	1.00%	1.00%	2.37%	2.37%
Expected dividend yield	2.20%	2.30%	1.90%	2.54%	2.52%
Fair value per option	89p	85p	177p	584p	589p

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

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 £1,800 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 any free shares allocated to members under the scheme during the year, had a value of £77,000 (2013: £283,000).

22 Capital commitments

At the year end the company had capital commitments of £101,668 (2013: £125,158).

Notes *(continued)*

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 term loans of £10m (2013: £17m) and a revolving credit facility of £16m (2013: £16m). Of this revolving credit facility, £7m was undrawn at 31 December 2014 (2013: £15m).

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.