

EMIS Group plc

Preliminary Results for the financial year ended 31 December 2012

EMIS Group plc (“EMIS Group” or “the Group”), the UK’s leading supplier of clinical software and related services to GPs and other healthcare practitioners and a major supplier to high street pharmacies, today announces its results for the year ended 31 December 2012.

Financial highlights

	2012	2011	Increase
Total revenue	£86.3m	£73.2m	18%
Recurring revenue	£69.4m	£61.1m	14%
Operating profit from continuing operations			
• reported	£24.1m	£21.5m	12%
• adjusted ⁽¹⁾	£22.8m	£20.8m	10%
Cash generated from continuing operations ⁽²⁾	£27.4m	£27.1m	
Net cash	£7.7m	£8.0m	
EPS from continuing operations			
• reported	32.55p	28.71p	13%
• adjusted ⁽¹⁾	30.76p	27.69p	11%
Dividends			
▪ proposed final	7.1p	6.2p	15%
▪ total for year	14.2p	12.4p	15%

⁽¹⁾ Excludes exceptional items and capitalised development costs and adds back all amortisation charged in the year. For EPS calculations also adjusts for the related tax impact.

⁽²⁾ Stated after deduction of capitalised development costs of £5.3m (2011: £3.8m).

Operational highlights⁽¹⁾

- UK GP software market leading position maintained:
 - UK market share 51.2% (5,113 GP practices) (2011: 51.6% (5,247 GP Practices))
- EMIS Web GP roll-out transitioned from controlled to accelerated status and by the year end:
 - 1,635 GP practices live (2011: 360)
 - 1,252 unfulfilled orders (2011: 1,565)
 - 2,564 practices in the EMIS Web GP familiarisation service (2011: 2,359)
- RX Systems:
 - High street pharmacy numbers increased to 4,595 pharmacies (34.8%) (2011: 4,338 pharmacies, 34.4%)
 - Electronic Prescription Service (EPSR2) successfully rolled out to nearly all of RX Systems’ pharmacies

- New Group HQ successfully refurbished and occupied
- Transformation of healthcare delivery in the UK opening up new markets:
 - EMIS Web Community Care, Child Health and Mental Health (CCMH) pathfinder projects progressing and development and commercial focus now in hand
 - EMIS Web Mobile developed and launched
 - EMIS IQ GP Extraction Service (GPES) contract successfully delivered in line with milestones
 - Healthcare Gateway beginning to gain traction as pilots move to full agreements

⁽¹⁾ EMIS and RX Systems data estimated based on company records showing customers installed as at 31 December 2012. 31 December 2011 data for GP practices has been restated to exclude 150 practices where EMIS software was ordered but not installed as at that date.

Current trading and outlook:

- EMIS Group continues to trade in line with management expectations, with continuing strong revenue visibility
- Maintenance of the EMIS Web installation run rate and continuing investment in development and infrastructure planned throughout 2013
- Current number of EMIS Web GP practices installed stands at 2,007 with orders placed for a further 1,200
- UK's first Patient Access App launched on 13 March 2013 at NHS Innovation Expo

Chris Spencer, Interim Chief Executive of EMIS Group, said:

“EMIS Group was very busy again in 2012, in particular accelerating the roll-out to GPs of EMIS Web, our transformational healthcare system, and with RX Systems continuing to grow its estate.

As ring fenced public health budgets formally pass in 2013 to Clinical Commissioning Groups, EMIS Web will enable an increasing number of healthcare professionals to use and securely share patient data. We are well placed to play an integral part in delivering the IT strategy of the NHS: delivering faster, cheaper and safer patient care.”

There will be an analyst meeting at 9:30 am today at Numis Securities, 10 Paternoster Square, London EC4M 7LT. Please contact Giles Robinson at MHP Communications on 0203 128 8788 for details.

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Notes to Editors

EMIS Group is the UK's leading supplier of software and related services to GP practices and a major supplier to high street pharmacies. 51.2%* of GP Practices in the UK use an EMIS system. In addition, 34.8%* of high street pharmacies use an RX Systems application.

The Group's core activities include software development, software licensing, hosting and support, hardware support and maintenance services, hardware sales, third party software sales and training services.

The Group's software includes all of the functionality specified in NHS accreditation standards for GPs, including holding the patient's cradle to grave electronic healthcare record, practice appointment booking systems and consultation and intelligent prescribing modules as well as a full range of high street pharmacy software products and related services.

EMIS Web represents the next generation of clinical software systems and the Directors believe it has the potential to transform the delivery of healthcare by enabling GPs and other healthcare practitioners to connect with each other and securely share access to a patient's cradle to grave electronic health record.

Established in 1987, EMIS Group's shares were listed on AIM under the trading symbol EMIS.L following a successful fundraising in March 2010.

(*EMIS data estimated based on company records showing customers installed as at 31 December 2012. RX Systems data is based on company records to 31 December 2012 and latest available data from public statistics published in 2011 and 2012.)

CHIEF EXECUTIVE'S REVIEW

EMIS Group, through its subsidiary companies EMIS and RX Systems, is a major provider of healthcare software, information technology and services in the UK. EMIS is the UK GP software market leader with 51.2% (2011: 51.6%) of UK GP practices. RX Systems provides healthcare IT, software and services to 34.8% (2011: 34.4%) of UK high street pharmacies.

EMIS Group's core objective is to improve the health of communities by developing systems to help clinicians and others involved in patient care to create and mobilise each patient's electronic healthcare record. Through EMIS Web and its other products, the Group is continuing to make significant progress towards the delivery of cross organisational, integrated healthcare systems: an objective completely aligned with NHS strategy.

In 2013 and beyond, EMIS Group expects to assist with and benefit from the "connect all" healthcare strategies being pursued throughout the UK with information sharing being widely seen as the key to better care outcomes and reduced cost. With effect from April 2013 these policies will start to be driven forward in England by Clinical Commissioning Groups (CCGs) along with the NHS Commissioning Board (NHS CB).

The roll-out of EMIS Web to GPs and our other products and initiatives represent substantial medium and long term growth opportunities for the Group.

BUSINESS & FINANCIAL REVIEW

EMIS GP Systems

EMIS's overall UK GP market share remained broadly unchanged at 51.2% (5,113 GP practices) (2011: 51.6% (5,247 GP Practices)). The user base remains loyal and over 70% of EMIS UK GP practices have used an EMIS system for over 10 years, reflecting the quality of EMIS's offering. This was achieved despite continuing practice consolidation and competitor activity.

Discussions about the renewal of the English GPSoC Framework continue. As the formal re-procurement has not yet been initiated, clear indications have been given that the previous framework will be deemed to remain in place to secure vital continuity of service pending the formal tender process. Similar indications have been given relating to Northern Ireland.

In Scotland EMIS's system is one of only two available to GPs and the deployed 517 practices (51% of the market) are generating a recurring revenue stream of £2m per annum. To support these customers, a Scottish field-based engineering team was recruited in the final quarter of 2012. In February 2013 EMIS opened a Scottish hub office. This will also form the base for developers to enhance the Group's Scottish products for the GP, CCMH and other integrated markets in the country.

The withdrawal of iSoft from the UK Primary Care market led to considerable sales activity and required additional resources aimed at capitalising on the opportunity for iSoft practices to join EMIS. This was especially focussed on Wales where not only did iSoft hold 14.5% of the market but also EMIS was awarded one of only two Framework Agreements for the supply of a managed EMIS Web GP service solution. EMIS expects to win a significant number of the 492 iSoft practices across the UK.

EMIS Web GP

Throughout 2012, EMIS accelerated the roll-out to GPs of EMIS Web, its transformational healthcare IT system. There were 1,635 GP practices using EMIS Web by the end of the year (2011: 360). The EMIS Web Familiarisation Service (provided for those practices planning to upgrade to EMIS Web) was, at the year end, installed in 2,564 practices (2011: 2,359). In total there were 1,252 unfulfilled orders for EMIS Web GP by the end of 2012; this figure now stands at 1,200.

Maximum sustained delivery capability remains in the order of 200 EMIS Web practices per month. Taking into account seasonal and other factors the average is likely to be similar to that in the second half of 2012 and EMIS expects to have deployed substantially all of its outstanding EMIS Web GP order book by the end of 2013.

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

EMIS Web CCMH

The ongoing EMIS Web pathfinder projects, integrating other healthcare services with EMIS' GP systems (in particular in CCMH), generally progressed well through 2012 and successfully demonstrated the clinical benefits of the Group's integrated solutions. The procurement hiatus created by the move from Primary Care Trusts (PCTs) to CCGs is having some impact on the level of revenues and new contract wins in this part of the business, although this is expected to be largely resolved during 2013. EMIS has made some internal changes to sharpen focus, including recruiting a Head of CCMH and continued refinement of the product offerings. This will position the Group well to benefit from the coming market opportunities in this area.

RX Systems

RX Systems, whose ProScript software is the most widely used community pharmacy dispensary management system in the UK, had another successful year in which it continued to grow its user base to 4,595 community pharmacies, 34.8% of the UK market (2011: 4,338 pharmacies, 34.4%). RX's underlying user base has increased by 6% over the last 12 months.

RX also successfully rolled out EPSR2 in England (which enables prescribers, primarily GPs, to send prescriptions electronically to pharmacists) into nearly all of its estate. During the year a pharmacy message broker was developed by EMIS and rapidly deployed by EMIS and RX into approximately 4,000 RX sites over three months. This message broker functionality was previously licensed from a third party and will increase the level of business intelligence resident within the ProScript application.

During the second half of 2012, negotiations took place with Multepos Computer Systems Limited, the pharmacy retail systems supplier in which RX Systems already held a 25% shareholding, and, on 14 January 2013, the remaining shares were acquired for a cash consideration of £0.8 million, financed from the Group's existing cash resources.

Healthcare Gateway

Healthcare Gateway Limited (HGL) is a 50:50 joint venture company, established with INPS in 2010, to facilitate the sharing of patient data via a medical interoperability gateway (MIG). 2012 saw considerable commercial progress by HGL. This was reflected in the final quarter of 2012 with the execution of nine MIG contracts for the delivery of Detailed Care Record and Electronic Clinical Correspondence services. HGL customer locations reflect strong EMIS and INPS GP system penetration areas and are clustered predominantly in the North West of England and London. However, in January 2013, the remaining GP suppliers also indicated their intention to make the data from their systems available through the MIG which would offer access to virtually all Primary Care data in every part of the UK.

EMIS IQ

EMIS IQ, the division established to meet the demand for high-quality clinical and management information, successfully delivered against the milestones under its contract with the NHS Information Centre to provide a secure data extraction service to support the national General Practice Extraction Service (GPES). GPES is a centrally managed system that obtains information from GP practices across England for specific, approved purposes, using robust information governance principles to ensure patient confidentiality and privacy.

Patient.co.uk, a patient information website to help patients play a key part in their own care, redesigned its site, developed a new underlying technology platform, and launched a social media strategy. This led to a 42% growth in total visits to the site for 2012 compared with 2011. In January 2013, the site had 5m unique visitors and 11m page impressions. 2012 also saw the development and release of several patient-focussed apps: the first app reaching number one in the iTunes health app store.

Financial Review

The Group continued to make good progress during the year under review with double-digit percentage increases in key profitability metrics, achieved despite a significant increase in the cost base of the business.

Operating profit for the year was £24.1m (2011: £21.5m) while adjusted operating profit as set out in the table below was £22.8m (2011: £20.8m).

Selected financial extracts (rounded)	2012			2011		
	EMIS £m	RX £m	Total £m	EMIS £m	RX £m	Total £m
Revenue	69.8	16.5	86.3	59.6	13.6	73.2
Segmental operating profit	22.5	3.0	25.5	20.7	1.6	22.3
Development costs capitalised	(5.3)	-	(5.3)	(3.8)	-	(3.8)
Amortisation of intangibles	2.7	0.8	3.5	2.2	0.9	3.1
Adjusted segmental operating profit	19.9	3.8	23.7	19.1	2.5	21.6
Group operating expenses			(0.9)			(0.8)
Adjusted operating profit⁽¹⁾			22.8			20.8

Continuing operations:	Pence	Pence
EPS – reported	32.55	28.71
EPS – adjusted	30.76	27.69

⁽¹⁾ 2012 is adjusted to exclude exceptional transaction costs of £0.4m

Revenue

Group revenue from continuing operations increased by 18% to £86.3m (2011: £73.2m).

Group recurring revenue, principally licensing, software support and hosting was £69.4m (2011: £61.1m). This represented 80% of total revenue and underpins the ability of the business to invest with confidence in the future.

Key drivers of growth within the EMIS business included the following:

- hosting to NHS Connecting for Health standards (including incremental EMIS Web recurring revenues), which amounted to £9.0m (2011: £5.8m);
- licences and software support, which increased to £31.5m (2011: £28.9m) due to additional revenues in deployment, CCMH and other integrated care and in Scotland;
- hardware and training, which were driven primarily by a £2.0m increase in training revenues to £9.7m (2011: £7.5m); and
- increases in other revenues which totalled £5.7m (2011: £3.5m), principally due to activity in the Defence sector and data transfer revenues associated with the EMIS Web GP rollout.

The growth in revenue and profit within RX Systems reflected the expansion of its estate over the year and also £1.6m of revenue associated with the roll-out of EPSR2, which was largely completed by the end of the year.

Profitability

Adjusted operating profit increased by 10% to £22.8m (2011: £20.8m) with increased contribution from both EMIS and RX Systems further to their growth in revenues. This was achieved despite a significant increase in the staff costs of the business as the Group scaled up for the accelerated roll-out of EMIS Web GP and also continued to invest in product enhancements for the future. Average staff numbers increased to 1,116 (2011: 898) with 1,236 staff employed at the end of the year (2011: 972).

After accounting for capitalised development costs, the amortisation of intangibles and exceptional transaction costs of £0.4m (one-off professional costs incurred investigating the acquisition of complementary businesses), statutory operating profit was £24.1m (2011: £21.5m), an increase of 12%.

Taxation

The tax charge for the year of £4.6m is after taking into account a reduction in deferred tax provisions of £1.0m arising from a lowering of the future rate of corporation tax from 26% to 23%.

Earnings per share (“EPS”)

Adjusted basic and diluted EPS increased by 11% to 30.76p and 30.71p respectively (2011: 27.69p for both measures). The statutory basic and diluted EPS from continuing operations were 32.55p and 32.50p (2011: 28.71p).

Dividend

The Directors have adopted a progressive dividend policy. Subject to shareholder approval at the Annual General Meeting on 30 April 2013, the Board proposes paying a final dividend of 7.1p (2011: 6.2p) per ordinary share on 3 May 2013 to shareholders on the register at the close of business on 19 April 2013. This would make a total dividend of 14.2p (2011: 12.4p) per ordinary share for 2012, an increase of 15%, reflecting the growth in earnings and the Board’s confidence in the Group’s future prospects.

Cash flow

The principal movements in net cash were as follows:

	2012	2011
	£m	£m
Cash from operations:		
Generated from continuing operations	32.7	30.9
Less: internal development costs capitalised	(5.3)	(3.8)
	27.4	27.1
Discontinued operation	-	(0.8)
Contingent consideration for acquisition	(0.8)	(0.2)
Acquisition of property, plant & equipment and software	(12.8)	(6.2)
Net finance costs	-	(0.1)
Transactions in own shares	(1.8)	(0.9)

Tax paid	(4.6)	(5.6)
Dividends paid	(7.7)	(6.9)
	<u>(27.7)</u>	<u>(20.7)</u>
Change in net cash in the year	<u>(0.3)</u>	<u>6.4</u>
Net cash at end of year (note 7)	<u>7.7</u>	<u>8.0</u>

The Group typically has a seasonal cash flow profile, with stronger inflows in the first half reflecting annual licence renewals.

Net cash flow generated from operations was consistent with the previous year at £27.4m (2011: £27.1m). Net capital expenditure increased to £12.8m (2011: £6.2m), driven primarily by investment in hosting assets, computer equipment and the Group's new head office which was refurbished and occupied during the year. Since the year end, the Group has also acquired additional freehold premises in central Leeds, for a consideration of £1.5m, to consolidate and expand the existing leasehold premises used for warehousing, engineering services and hosting.

In addition, the Group's Employee Benefit Trust spent a net £1.8m (2011: £0.9m) on acquiring shares in the market. After tax and dividends, net cash reduced by £0.3m to £7.7m (2011: £8.0m), comprised of cash of £11.1m and bank debt of £3.4m.

Board

Following the year end, Sean Riddell, Chief Executive of EMIS, indicated his intention to retire from his full-time executive role to focus on his family commitments. Sean has formally stepped down from his executive role today, but will remain on the Board as a non-executive director to ensure a smooth transition of responsibilities and retention of his sector experience.

Chris Spencer, with effect from today, becomes Chief Executive on an interim basis; he joined the board to work alongside Sean as Joint Chief Executive in early February 2013. Chris joined EMIS in 1999 and his recent roles have included those of Chief Administrative Officer, Group Counsel and Company Secretary. He has been a member of EMIS's senior management strategy forum since 1999.

The Board has begun a recruitment process to select a permanent successor for Sean, with both external and internal candidates being considered.

Andy McKeon was also appointed as a new non-executive director on 4 February 2013. Andy has enjoyed a long and distinguished career in the senior echelons of the Department of Health and the NHS and has broad knowledge of the Healthcare IT sector. He is a non-executive director of the National Institute for Health and Clinical Excellence (NICE). Andy's appointment ensures an appropriate balance of directors on the Board and adds relevant skills and expertise.

Ethos and People

Throughout an extended period of recruitment, EMIS Group has, through selection and training, maintained its "healthcare first" ethos and reputation. The Board is pleased with progress and performance to date, and thanks all employees for their innovation, commitment and hard work. Without them this year's acceleration of the EMIS Web GP roll-out could not have been achieved.

Summary and Outlook

EMIS Group continues to trade in line with the Board's expectations, with continuing strong revenue visibility.

Maintaining the accelerated roll-out of EMIS Web GP through 2013 remains the primary focus for both the sales and deployment resources whilst also capitalising on the announced withdrawal of iSoft from the Primary Care market. These drivers underpin expected strong growth in revenues during 2013 and beyond.

The Board is encouraged by the prospects for RX Systems and, in the medium term, the ability of the Group to leverage its already strong market positioning in the GP marketplace to exploit further growth opportunities for EMIS Web CCMH, integrated care and other adjacent markets. The Group will maintain its considerable investment in development and other resource in these and other related areas through 2013 in order to take advantage of these opportunities.

Overall, the Board believes the Group is making significant progress towards delivery of its strategic vision of cross-organisational healthcare systems.

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	Note	Adjusted 2012 £'000	Adjustments ¹ 2012 £'000	Total 2012 £'000	Adjusted 2011 £'000	Adjustments ¹ 2011 £'000	Total 2011 £'000	
Continuing Operations								
Revenue	2	86,333	-	86,333	73,238	-	73,238	
Costs:								
Changes in inventories		(179)	-	(179)	854	-	854	
Cost of goods and services		(10,712)	-	(10,712)	(11,713)	-	(11,713)	
Staff costs		(38,148)	5,330	(32,818)	(29,852)	3,830	(26,022)	
Exceptional transaction costs		-	(435)	(435)	-	-	-	
Other operating expenses ²		(12,125)	-	(12,125)	(10,272)	-	(10,272)	
Depreciation of property, plant and equipment		(2,349)	-	(2,349)	(1,486)	-	(1,486)	
Amortisation of intangible assets		-	(3,604)	(3,604)	-	(3,081)	(3,081)	
Operating profit	2	22,820	1,291	24,111	20,769	749	21,518	
Finance income		54	-	54	100	-	100	
Finance costs		(130)	-	(130)	(148)	-	(148)	
Share of result of associate		(2)	-	(2)	81	-	81	
Share of result of joint venture		26	-	26	(116)	-	(116)	
Profit before taxation		22,768	1,291	24,059	20,686	749	21,435	
Income tax expense	3	(4,376)	(249)	(4,625)	(4,238)	(153)	(4,391)	
Profit for the year from continuing operations		18,392	1,042	19,434	16,448	596	17,044	
Discontinued operations								
Loss from discontinued operations		-	-	-	-	(1,894)	(1,894)	
Total comprehensive income/profit for the year		18,392	1,042	19,434	16,448	(1,298)	15,150	
Attributable to:								
- equity holders of the parent		17,890	1,042	18,932	16,190	(1,298)	14,892	
- non-controlling interest in subsidiary company		502	-	502	258	-	258	
Total comprehensive income for the year		18,392	1,042	19,434	16,448	(1,298)	15,150	
Earnings per share attributable to equity holders of the parent								
				Pence				
Basic earnings per share:								
- from continuing operations				32.55			28.71	
- from discontinued operations				-			(3.24)	
	4			<u>32.55</u>			<u>25.47</u>	
Diluted earnings per share								
- from continuing operations				32.50			28.71	
- from discontinued operations				-			(3.24)	
	4			<u>32.50</u>			<u>25.47</u>	

¹ Adjustments relate to exceptional costs, the effect of capitalisation and amortisation of development costs, and the amortisation of acquired intangible assets, together with the associated income tax impact.

² Including contract asset depreciation of £2,589,000 (2011: £1,909,000).

GROUP BALANCE SHEET
as at 31 December 2012

	<i>Note</i>	Group	
		2012	2011
		£'000	£'000
ASSETS			
Non-current assets			
Goodwill		21,951	21,951
Other intangible assets		30,838	28,591
Property, plant and equipment		22,144	14,836
Investment in associates		2,740	2,742
		<u>77,673</u>	<u>68,120</u>
Current assets			
Inventories		1,243	1,422
Trade and other receivables		15,188	11,971
Cash and cash equivalents	7	11,107	12,606
		<u>27,538</u>	<u>25,999</u>
Total assets		<u>105,211</u>	<u>94,119</u>
LIABILITIES			
Current liabilities			
Trade and other payables		(12,426)	(9,144)
Current tax liabilities		(1,919)	(1,321)
Bank loans	7	(396)	(1,184)
Contingent consideration re acquisition		-	(757)
Deferred income		(15,857)	(16,138)
		<u>(30,598)</u>	<u>(28,544)</u>
Non-current liabilities			
Bank loans	7	(3,000)	(3,396)
Deferred tax liability		(7,548)	(8,087)
		<u>(10,548)</u>	<u>(11,483)</u>
Total liabilities		<u>(41,146)</u>	<u>(40,027)</u>
NET ASSETS		<u>64,065</u>	<u>54,092</u>
EQUITY			
Ordinary share capital		586	586
Share premium		24,767	24,767
Own shares held in trust		(2,877)	(1,061)
Retained earnings		38,076	26,789
Equity attributable to owners of the parent		<u>60,552</u>	<u>51,081</u>
Non-controlling interests		<u>3,513</u>	<u>3,011</u>
TOTAL EQUITY		<u>64,065</u>	<u>54,092</u>

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 2012

	<i>Note</i>	2012 £'000	2011 £'000
Cash flows from operating activities			
- Continuing operations		32,732	30,913
- Discontinued operations		-	(766)
Cash flows from all operating activities	6	32,732	30,147
Finance costs		(114)	(132)
Finance income		54	100
Tax paid		(4,566)	(5,674)
Net cash generated from operating activities		28,106	24,441
Cash flows from investing activities			
Purchase of property, plant and equipment		(12,491)	(6,699)
Proceeds from sale of property, plant and equipment		245	465
Internally developed software		(5,330)	(3,830)
Purchase of software		(521)	-
Contingent consideration paid for acquisition		(757)	(189)
Net cash used in investing activities		(18,854)	(10,253)
Cash flows from financing activities			
Transactions in own shares held in trust		(1,816)	(918)
Bank term loan repayments		(1,200)	(1,200)
Dividends paid	5	(7,735)	(6,906)
Net cash used in financing activities		(10,751)	(9,024)
Net (decrease)/increase in cash and cash equivalents		(1,499)	5,164
Cash and cash equivalents at beginning of year		12,606	7,442
Cash and cash equivalents at end of year	7	11,107	12,606

GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	Share capital	Share premium	Retained earnings	Non - controlling interest	Own shares held in trust	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Group</i>						
Balance at 1 January 2011	586	24,767	18,796	2,753	(120)	46,782
Transactions with owners						
- share acquisitions less sales	-	-	-	-	(941)	(941)
- value of employee services	-	-	7	-	-	7
Total comprehensive income						
- profit for the year	-	-	14,892	258	-	15,150
Dividends	-	-	(6,906)	-	-	(6,906)
Balance at 1 January 2012	586	24,767	26,789	3,011	(1,061)	54,092
Transactions with owners						
- share acquisitions less sales	-	-	-	-	(1,816)	(1,816)
- value of employee services	-	-	90	-	-	90
Total comprehensive income						
- profit for the year	-	-	18,932	502	-	19,434
Dividends (note 5)	-	-	(7,735)	-	-	(7,735)
Balance at 31 December 2012	586	24,767	38,076	3,513	(2,877)	64,065

NOTES TO THE PRELIMINARY ANNOUNCEMENT
for the year ended 31 December 2012

1. Basis of preparation

The financial information set out in this preliminary announcement is abridged and does not constitute the Company's statutory financial statements for the year ended 31 December 2012. The statutory accounts for 2012 have been prepared following accounting policies consistent with those for the year ended 31 December 2011. The financial information has been extracted from the financial statements for the year ended 31 December 2012, which were approved by the Board on 20 March 2013 and on which the auditors have reported without qualification.

No statement has been made by the auditor under section 498 (2) or (3) of the Companies Act 2006 in respect of these abridged financial statements.

The statutory financial statements for the year ended 31 December 2012 will be posted no later than 5 April 2013 to shareholders and, once approved, will be delivered to the Registrar of Companies following the Annual General Meeting on 30 April 2013.

Copies of the Annual Report and Financial Statements for the year ended 31 December 2012 will be available on the Company's website www.emis-online.com/investors from 5 April 2013 and from the Company Secretary, EMIS Group plc, Rawdon House, Green Lane, Yeadon, Leeds LS19 7BY.

2. Segmental information

IFRS 8 'Operating Segments' provides for segmental information disclosure on the basis of information reported internally to the chief operating decision-maker for decision-making purposes. The Group considers that this role is performed by the main Board of directors.

The Group has two principal operating segments, both involved with the supply and support of software and related services, namely (a) the EMIS business principally relating to GP practices, CCMH and other integrated care and (b) the RX Systems business, relating to community pharmacies.

Each operating segment is assessed by the Board based on a measure of adjusted operating profit. This measurement basis has been updated during the year and excludes exceptional costs, the effect of capitalisation and amortisation of development costs, and the amortisation of acquired intangible assets as the Board considers this to provide the best measure of underlying performance. In the prior year, the effect of capitalised development costs was not excluded but the comparative figures have now been restated for consistency. Group operating expenses, finance income and costs, cash and cash equivalents and bank and other loans are not allocated to segments, as group and financing activities are not segment-specific.

	2012			2011		
	EMIS £'000	RX £'000	Total £'000	EMIS £'000	RX £'000	Total £'000
Continuing operations						
Revenue	69,757	16,576	86,333	59,633	13,605	73,238
Adjusted segmental operating profit as reported internally	19,901	3,831	23,732	19,148	2,402	21,550
Development costs capitalised	5,330	-	5,330	3,830	-	3,830
Amortisation						
- of development costs	(621)	-	(621)	(155)	-	(155)
- of other intangible assets	(2,132)	(851)	(2,983)	(2,075)	(851)	(2,926)
Segmental operating profit	22,478	2,980	25,458	20,748	1,551	22,299
Group operating expenses			(912)			(781)
Exceptional transaction costs			(435)			-
Total operating profit			24,111			21,518
Finance costs net of income			(76)			(48)
Share of result of associate			(2)			81
Share of result of joint venture			26			(116)
Profit before taxation			24,059			21,435

Revenue excludes intra-group transactions on normal commercial terms from EMIS to RX Systems totalling £2,179,000 (2011: £1,454,000).

Revenue within the EMIS segment of approximately £60,201,000 (2011: £53,403,000) is derived from the NHS and related bodies.

Revenue within the EMIS segment of £2,948,000 (2011: £1,482,000) is derived from customers outside the United Kingdom.

Exceptional transaction costs relate to professional fees incurred investigating the acquisition of complementary businesses.

3. Income tax expense	2012	2011
	£'000	£'000
Income tax:		
- current tax charge	5,164	5,153
- prior year tax charge	-	(730)
Total current tax	<u>5,164</u>	<u>4,423</u>
Deferred taxation:		
- current period	(539)	(32)
Total deferred tax	<u>(539)</u>	<u>(32)</u>
Total tax charge in Group statement of comprehensive income	<u>4,625</u>	<u>4,391</u>
Factors affecting the tax charge for the year:		
Profit before taxation	<u>24,059</u>	<u>21,435</u>
Profit before taxation multiplied by the average domestic income tax rate in the UK of 24.5% (2011: 26.5%)	5,894	5,680
Tax effects of:		
- expenses not deductible for tax purposes	133	28
- research and development enhanced relief	(434)	(278)
- joint venture/ associate reported net of tax	(6)	9
- adjustment for prior periods	-	(730)
- deferred tax rate change	(962)	(318)
Tax charge for the year	<u>4,625</u>	<u>4,391</u>

4. Earnings per share ("EPS")

The calculation of basic and diluted earnings per share is based on the following earnings and numbers of shares:

	2012	2011
	£'000	£'000
Earnings		
Basic earnings attributable to equity holders	18,932	14,892
Discontinued operations and exceptional items	435	1,894
Development costs capitalised	(5,330)	(3,830)
Amortisation of intangible assets	3,604	3,081
Tax effect of above items	249	153
Adjusted earnings attributable to equity holders	<u>17,890</u>	<u>16,190</u>

	2012	2011
	Number	Number
Weighted average number of ordinary shares (millions)		
Total shares in issue	58.55	58.55
Held as own shares in Treasury by Employee Benefit Trust	(0.38)	(0.08)
For basic EPS calculations	<u>58.17</u>	<u>58.47</u>
Effect of potentially dilutive share options	0.08	-
For diluted EPS calculations	<u>58.25</u>	<u>58.47</u>

	2012	2011
	Pence	Pence
Earnings per share		
Basic	32.55	25.47
Adjusted	30.76	27.69
Basic diluted	32.50	25.47
Adjusted diluted	30.71	27.69

5. Dividends	2012	2011
	£'000	£'000
Final dividend for the year to 31 December 2010 of 5.6p	-	3,276
Interim dividend for the year to 31 December 2011 of 6.2p	-	3,630
Final dividend for the year to 31 December 2011 of 6.2p	3,618	-
Interim dividend for the year to 31 December 2012 of 7.1p	4,117	-
	<u>7,735</u>	<u>6,906</u>

A final dividend for the year to 31 December 2012 of 7.1p amounting to approximately £4,120,000 will be proposed at the Annual General Meeting on 30 April 2013. If approved, this dividend will be paid on 3 May 2013 to shareholders on the register on 19 April 2013. The dividend is not accounted for as a liability in these accounts and will be accounted for as an appropriation of revenue reserves in the year to 31 December 2013.

6. Cash generated from operations <i>Continuing operations</i>	Group	
	2012 £'000	2011 £'000
Profit before tax	24,059	21,435
Finance income	(54)	(100)
Finance costs	130	148
Share of result of associate	2	(81)
Share of result of joint venture	(26)	116
Operating profit from continuing activities	24,111	21,518
Adjustment for non-cash items:		
Amortisation of intangible assets	3,604	3,081
Depreciation of property, plant and equipment	4,938	3,395
Profit on transactions in own shares	-	(23)
Share based payments	90	7
Joint venture loss adjusted on indebtedness	-	(116)
Operating cash flow before changes in working capital	32,743	27,862
Changes in working capital:		
Decrease/(increase) in inventory	179	(754)
Increase in trade and other receivables	(3,191)	(2,889)
Increase in trade and other payables	3,282	1,444
(Decrease)/increase in deferred income	(281)	5,250
Net cash flow from operating activities	32,732	30,913
<i>Discontinued operation</i>		
Operating loss	-	(1,894)
Adjustment for non-cash items:		
Impairment:		
- intangible assets	-	1,442
- deferred taxation released	-	(375)
Depreciation of plant and equipment	-	61
Net cash flow from discontinued operation	-	(766)

7. Change in net cash	2011	Cash flow	2012
	£'000	£'000	£'000
Group			
Cash and cash equivalents	12,606	(1,499)	11,107
Bank loans due within one year	(1,184)	788	(396)
Bank loans due after one year	(3,396)	396	(3,000)
Net cash	8,026	(315)	7,711