

EMIS Group plc
 (“EMIS Group” or “the Group”)

Preliminary Results for the financial year ended 31 December 2013

EMIS Group plc (AIM: EMIS.L), the UK leader in connected healthcare software and services, today announces its results for the year ended 31 December 2013.

Financial highlights

	2013	2012	Increase
Total revenue	£105.5m	£86.3m	22%
Recurring revenue	£81.4m	£69.4m	17%
Operating profit reported	£24.9m	£24.1m	3%
adjusted ⁽¹⁾	£26.1m	£22.8m	14%
Cash generated from operations ⁽²⁾	£32.6m	£27.4m	19%
Net (debt)/cash	£(13.5m)	£7.7m	
Earnings per share reported	32.6p	32.5p	
adjusted ⁽¹⁾	34.0p	30.8p	11%
Dividends proposed final	8.0p	7.1p	13%
total for year	16.0p	14.2p	13%

⁽¹⁾ Excludes exceptional items, capitalisation and amortisation of development costs and amortisation of acquired intangibles. Earnings per share calculations also adjust for the related tax and non-controlling interest impact.

⁽²⁾ Stated after deduction of capitalised development costs of £6.1m (2012: £5.3m).

Operational highlights

Overall results in line with expectations:

- Positive contribution from 2013 acquisitions
- Net debt reduced from pro forma £18.7m, as announced at the time of acquisition of Ascribe, to £13.5m

Primary & Community Care

- UK primary care software market leading position maintained with market share of 53.0% (5,232 GP practices) (2012: 51.2% (5,113 GP practices))
- Doubling of GP practices live with EMIS Web to 3,327 (2012: 1,635)
- Community Child and Mental Health (CCMH) focus showing results in contract wins and an unprecedented level of bid activity

Community Pharmacy

- High street pharmacy numbers increased to 4,781 community pharmacies, 35.3% of the UK market (2012: 4,595 pharmacies, 34.8%)
- Medicines Manager developed, piloted and ready for launch

Secondary & Specialist Care

- Acquisitions deliver strategic platform for integrated care with Ascribe providing substantial UK presence in PAS, A&E, Pharmacy and Mental Health, and Digital Healthcare being England's market leader for diabetic eye screening software and services
- Post acquisition, Ascribe secured several significant contracts and Digital Healthcare now rolling out upgraded diabetic eye screening software.

Current trading and outlook:

- Group continues to trade in line with management expectations and with continuing strong revenue visibility
- Current number of EMIS Web GP practices installed stands at 3,453 with all the remaining English estate having either placed an order or currently using the familiarisation service. Balance of the English EMIS Web GP installations expected throughout 2014
- GPSoCR Lot 1 negotiations expected to conclude shortly
- CCMH presence and pipeline strengthening further
- Organisational and product integration of both Digital Healthcare and Ascribe progressing well including interoperability of the acquired product sets with EMIS Web for GPs

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

"EMIS Group has had an exceptionally productive year with the accelerated roll-out of EMIS Web for GPs, the acquisitions and integration of Digital Healthcare and Ascribe completing our strategic platform for integrated care, strong organic revenue growth and a high level of profitability maintained."

"As financial and demographic factors continue to impact the NHS, EMIS Group confidently expects to remain at the heart of healthcare IT with our strategic mission of integrating healthcare systems spanning primary, CCMH, community pharmacy, secondary and specialist care."

There will be an analyst meeting today at 10:15am for a 10:30am start at Numis Securities, 10 Paternoster Square, London EC4M 7LT. Please contact Giles Robinson at MHP Communications on 0203 128 8788, emis@mhpc.com, for details.

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Notes to Editors

EMIS Group is the UK leader in connected healthcare software and services. Its solutions are widely used across every major UK healthcare setting from primary and community care, to high street pharmacies, secondary care and specialist services. Through integration and interoperability, EMIS Group helps clinicians share vital information, facilitating better, more efficient healthcare and supporting longer and healthier lives.

EMIS Group serves the following healthcare settings:

- Primary and Community Care, under the EMIS brand, the UK leader in clinical IT systems for GPs and commissioners. EMIS Group products, including the flagship EMIS Web, hold over 40 million patient records and are used by nearly 6,000 healthcare organisations, including community-based teams. EMIS's patient.co.uk website is the UK's leading independent provider of patient-centric medical and well-being information and related transactional services.
- Community Pharmacy, under the Rx Systems brand, the UK's single most used integrated community pharmacy and retail system.
- Secondary and Specialist Care, under the Ascribe and Digital Healthcare brands. Ascribe is a leading software provider to 70% of the UK's NHS Acute Trusts and Boards, focused primarily on Hospital Pharmacy, A&E (holding over 30 million patient records), Mental Health and Patient Administration Systems. Digital Healthcare is England's leading provider of diabetic eye screening and other ophthalmology-related solutions.

These markets are also supported, under the Egton brand, by the provision of specialist ICT infrastructure, software, hardware and engineering services.

CHIEF EXECUTIVE'S OVERVIEW

EMIS Group has had an exceptionally productive year with the accelerated roll-out of EMIS Web for GPs, the acquisition and integration of Digital Healthcare and Ascribe (delivering a strategic platform for integrated care), strong organic revenue growth and a high level of profitability maintained.

As the Group moves towards the effective completion of the roll-out of EMIS Web to GPs in England it sees substantial medium and long term growth opportunities especially related to health record sharing across the Group's own product suite and with third party products. The Medical Interoperability Gateway ("MIG"), from the Group's joint venture Healthcare Gateway Limited ("HGL"), now gives access to virtually all UK primary care and community health records. The Health Application Platform ("HAP") from Ascribe gives access to EMIS Group and third party health records in secondary care. The MIG and the HAP, coupled with other products and tools, like the Group's Medicine Manager for community pharmacy, increasingly facilitate integrated care across the whole "healthcare economy": primary, community, child and mental health ("CCMH"), community pharmacy, secondary and specialist care.

Health Minister, Jeremy Hunt, speaking at Cambridge Health Network on 5 February 2014 described certain things as "absolute givens": that the NHS will become totally dependent on personal and population level electronic health records and that patients will take charge of their own "health destinies". EMIS Group is closely aligned in facilitating those trends in healthcare: first, as custodian of not only the cradle-to-grave GP record but also of millions of the more episodic records created in CCMH, community pharmacy, secondary and other settings; second through Patient Access, the Group's patient transactional service made available through patient.co.uk which is already used by millions of patients and clinicians every month.

OPERATIONAL REVIEW

The Group, through its subsidiaries EMIS, Rx Systems, Digital Healthcare and Ascribe, is a major provider of healthcare software, information technology and related services in the UK. The Group is unique in holding a strong market position in every major area of UK healthcare IT.

Primary & Community Care

Primary Care

EMIS remains the clear UK GP software market leader and grew its market share during 2013 to 53.0% (5,232 GP practices) (2012: 51.2% (5,113 GP practices)). 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 (the Group's transformational healthcare IT system).

Renegotiation of the expanded English GP Systems of Choice (GPSoC) Framework continues with intended conclusion of Lot 1 by 31 March 2014. Until then, the previous framework has been deemed to remain in place to secure vital continuity of service. Discussions have begun regarding GPSoC Lots 2 and 3 and the renewal of the GP system framework for Northern Ireland.

Following the phased withdrawal of CSC's iSoft product from the UK primary care market, 269 former iSoft practices migrated to EMIS in England during the year. The Group 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. A number of the iSoft sites are in Wales where NHS Wales began rolling out a centrally hosted IT service to its GPs with EMIS Web customer acceptance testing being concluded in March 2013 and the first EMIS Web practice going live in June.

EMIS Web GP

Throughout the year, the primary care division maintained the rollout to GP practices of EMIS Web. 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.

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 Community, Child and Mental Health

EMIS has a growing presence in CCMH, where the procurements are led by CCGs. An experienced Director of CCMH joined the Group 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.

In Camden, the North London CCG is using data-sharing to help clinicians integrate care across primary, community, secondary and specialist care. Subject to patient consent at the point of care, clinicians have a secure view of vital medical information held in GP records, using EMIS Web in key clinical areas including community: diabetes, chronic kidney disease, geriatrics, heart failure, chronic obstructive pulmonary disease and memory service. Using EMIS Web's search and reports facility, clinicians treating 1407 patients in the diabetes service reduced the did not attend rate from 26 per cent in 2012 to 10 per cent in 2013. It is also helping them to triage care more effectively.

In London, in April, EMIS signed the T30 Framework to supply clinical information systems to 30 community and mental health trusts in London and the South. In Glasgow, EMIS implemented the first phase of a contract to share information on 240,000 children across a range of community services. As the second half of the year progressed, bid activity increased markedly and the Group secured new CCMH contracts for EMIS Web in:

- Bromley, replacing a Servelec RiO system, providing all community services to 350,000 local adults and children. The system will deliver a common patient record, shared with local GPs, and central functions such as appointment booking. Productivity is already up by 20 per cent along with improved clinical outcomes. For example, leg ulcer healing rates are down from 21 weeks to five;
- East London Urgent Care Centre, helping prevent unnecessary admissions to Newham Hospital A&E department, caring for over 70,000 patients a year. After only using EMIS Web for two months, the centre surpassed a target to refer no more than a quarter of patients to A&E by using two-way patient record sharing with local GPs.

Unprecedented tender activity continued throughout the second half and into 2014.

Patient.co.uk

Patient.co.uk, the Group'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 period. In January 2013, the site had 5m unique visitors and 11m page impressions; by December, following further enhancements to the content and functionality of the site, this had risen to 11m unique visitors and 21m page impressions. The division also developed and released patient-focussed apps including the UK's first Patient Access App launched on 13 March 2013 at the NHS Innovation Expo.

Community Pharmacy

Rx Systems provides healthcare IT, software, and services to 35.3% (2012: 34.8%) of UK high street pharmacies. ProScript, the Group's community pharmacy software, is the single most widely used dispensary management system in the UK. To complement and expand ProScript into pharmacy retail systems, Multepos Computer Systems Limited was acquired on 14 January 2013 for a net cash consideration of £0.7 million financed from the Group's existing cash resources. Multepos was quickly integrated within the first half of the year.

Rx Systems also had a successful year organically: growing its user base; creating, piloting and preparing for the formal launch of Medicine Manager, new functionality facilitating information flow between GP practices and community pharmacies, with pilot sites starting to go live in April 2013; and drawing up detailed plans for the development of its next generation integrated community pharmacy software.

Secondary and Specialist Care

On 5 August 2013, the Group acquired Digital Healthcare for a net cash consideration of £3.1m. Digital Healthcare is a leading provider of diabetic eye screening and other ophthalmology-related solutions. In England it has a market share of 80% and it also has a well-established international presence. As well as a strong position in a profitable specialist niche market, adjacent to EMIS Group's presence in primary care, CCMH, community pharmacy, secondary and specialist systems, Digital Healthcare also provides opportunities for hosting and delivering fully managed ophthalmology-related services.

On 16 September 2013, the Group acquired Ascribe for an initial enterprise value of £57.5m (with an associated placing of 4.4m new shares raising £26.3m net of expenses) and further cash payments contingent on performance of up to £3.0m. Ascribe is a well-established UK based healthcare software and IT services provider, principally focused on Hospital Pharmacy, A&E, Mental Health and Patient Administration Systems (PAS)/Electronic Patient Records (EPR), with a high level of penetration into NHS secondary care organisations. 70% of the UK NHS Acute Trusts and Boards use at least one Ascribe solution. Ascribe's suite of solutions and its HAP facilitate significant cross-selling opportunities and growth through interoperability and/or integration with EMIS Group's primary, CCMH, community pharmacy and specialist solutions. Ascribe also has international reach with 18% of its recurring revenue derived from Australasia.

The organisational and product integrations of both Digital Healthcare and Ascribe are progressing well. Since acquisition, Ascribe has secured several significant contracts to supply clinical IT solutions to major NHS hospital trusts, including Doncaster & Bassetlaw and South Devon. Digital Healthcare is also progressing well as the first supplier to widely roll-out upgraded diabetic eye screening software to deliver the new Common Pathway required by Public Health England as well as over 50 enhancements requested by clinicians. Both businesses operate similar business models to EMIS, with a high proportion of recurring revenues.

As stated at the time of their respective acquisitions, both businesses are expected to enhance earnings in the first full year of ownership in 2014. Specifically, the acquisition of Ascribe is expected to deliver £0.5m savings from synergies this year, with further potential future efficiencies and economies of scale.

FINANCIAL REVIEW

In the year ended 31 December 2013 the Group again delivered strong organic growth in revenue and operating profit, complemented by positive contributions from the acquisitions made in the period.

Adjusted operating profit for the year as set out in the table below was £26.1m (2012: £22.8m) while operating profit was £24.9m (2012: £24.1m).

**Selected financial extracts
(rounded)**

	2013				2012		
	Primary & Community Care £m	Community Pharmacy £m	Secondary & Specialist Care £m	Total £m	Primary & Community Care £m	Community Pharmacy £m	Total £m
Revenue	80.0	17.0	8.5	105.5	69.8	16.5	86.3
Segmental operating profit	23.6	3.0	0.3	26.9	22.5	3.0	25.5
Development costs capitalised	(5.3)	-	(0.8)	(6.1)	(5.3)	-	(5.3)
Amortisation of intangibles ⁽¹⁾	3.9	0.9	1.3	6.1	2.7	0.8	3.5
Adjusted segmental operating profit	22.2	3.9	0.8	26.9	19.9	3.8	23.7
Group expenses				(0.8)			(0.9)
Adjusted operating profit⁽²⁾				26.1			22.8

	2013 Pence	2012 Pence
Earnings per share – reported	32.6	32.5
Earnings per share – adjusted	34.0	30.8

⁽¹⁾ Includes amortisation of development costs and acquired intangibles

⁽²⁾ Adjusted to exclude exceptional transaction costs of £1.1m (2012: £0.4m)

Revenue

Group revenue from continuing operations increased by 22% to £105.5m (2012: £86.3m), including revenue from acquisitions during the year of £9.0m.

The 12% organic growth in the year was driven by a strong performance in the Primary and Community Care business due to the roll-out of the EMIS Web product, with the size of the estate doubling during the course of the year.

Performance in the Community Pharmacy business benefitted from continued gains in the estate and from the cross-selling of additional services, including Electronic Point-of-Sale systems delivered by the Multepos acquisition completed in January 2013. The comparative figures for this segment include £1.6m one-off revenue associated with the roll-out of the electronic prescription service (EPS) which has effectively been replaced by new, recurring, revenues in 2013.

Secondary and Specialist Care reflects the post-acquisition results of the Digital Healthcare and Ascribe businesses from August and September respectively. Both acquisitions have performed well in their early months as part of the Group, with momentum building into the new financial year.

Revenue Mix

Group recurring revenue, principally licensing, maintenance & software support, hosting and other support services was £81.4m (2012: £69.4m). This represented 77% of total revenue and provides a strong platform for the business to continue to invest with confidence in developing future products and services.

Key drivers of revenue growth within the Group included the following:

- hosting, which increased to £14.3m (2012: £9.0m), as a result of the further market penetration of the EMIS Web product;
- training, consultancy and implementation, which increased to £12.1m (2012: £6.5m) with EMIS Web roll-out related revenue in Primary Care complemented by new revenues in the Secondary sector;

- maintenance & software support, driven by incremental revenues from the acquisitions completed in the year to £17.7m (2012: £13.3m);
- licences, which increased to £40.0m (2012: £38.2m), due principally to growth in the Primary Care and Community Pharmacy estates;
- an increase in hardware revenues to £6.9m (2012: £5.2m) with growth in the provision of hardware by Egton to the Group's customers; and
- other support services, where the reduction in EPS roll-out revenue was offset by growth in EPS support and new revenues from the acquisitions, resulting in total revenues of £14.5m (2012: £14.1m).

Profitability

Adjusted operating profit increased by 14% to £26.1m (2012: £22.8m), including £0.9m from acquisitions in the year. The Primary and Community Care business was the key driver behind the 10% organic growth in the year, principally due to the continued successful roll-out of the hosted EMIS Web GP product.

As expected, staff costs continued to rise with average staff numbers (excluding acquisitions) increasing to 1,239 (2012: 1,116). This was a result of the recruitment undertaken in 2012. By contrast, in 2013, headcount (excluding acquisitions) remained broadly unchanged. Including acquired businesses, the Group employed 1,574 staff at the year-end (2012: 1,236).

Adjusted operating profit included the benefit of £0.3m (2012: £nil) of Research & Development tax credits under the "Above The Line" arrangements in effect from 1 April 2013. In previous periods tax credits in this area have been recognised as a component of the income tax charge.

After accounting for the capitalisation and amortisation of development costs, the amortisation of acquired intangibles and exceptional transaction costs of £1.1m, operating profit was £24.9m (2012: £24.1m), an increase of 3%.

Taxation

The tax charge for the year of £4.7m is after taking into account a reduction in the provision for deferred tax of £1.0m arising from a lowering of the future rate of corporation tax from 23% to 20%.

Earnings per share ("EPS")

Adjusted basic and diluted EPS increased by 11% to 34.0p (2012: 30.8p and 30.7p respectively). The statutory basic and diluted EPS from continuing operations were both 32.6p (2012: 32.5p).

Dividend

Subject to shareholder approval at the Annual General Meeting on 30 April 2014, the Board proposes an increase in the final dividend to 8.0p (2012: 7.1p) per ordinary share payable on 2 May 2014 to shareholders on the register at the close of business on 11 April 2014. This would make a total dividend of 16.0p (2012: 14.2p) per ordinary share for 2013, an increase of 13% higher than the prior year, reflecting the Board's commitment to increasing the dividend and its confidence in the Group's future prospects.

Cash flow

The principal movements in net debt were as follows:

	2013	2012
	£m	£m
Cash from operations:		
Cash generated from operations	38.7	32.7
Less: internal development costs capitalised	(6.1)	(5.3)
Net cash generated from operations	32.6	27.4
Business combinations	(57.5)	(0.8)
Placing proceeds	26.3	-
Net capital expenditure	(8.7)	(12.8)
Transactions in own shares	0.6	(1.8)
Tax	(5.1)	(4.6)

Dividends	(9.1)	(7.7)
Other	(0.3)	-
	(53.8)	(27.7)
Change in net debt in the year	(21.2)	(0.3)
Net (debt)/cash at end of year (note 8)	(13.5)	7.7

Net cash generated from operations was 19% higher than the previous year at £32.6m (2012: £27.4m) reflecting a stronger working capital performance and growth in the business. The Group typically has a seasonal cash flow profile, with stronger inflows in the first half reflecting the timing of annual licence renewals.

The Group completed three acquisitions in the year (Multepos, Digital Healthcare and Ascribe) for net cash consideration of £57.5m. The Ascribe acquisition was part funded by a placing of 4.4m shares in September 2013 at £6.15 per share which raised a net £26.3m after expenses.

Net capital expenditure reduced to £8.7m (2012: £12.8m), comprised primarily of investment in hosting assets, computer equipment and additional freehold premises in central Leeds for warehousing, engineering services and hosting.

The Group's Employee Benefit Trust received £0.6m (2012: net expenditure of £1.8m) for shares transferred in connection with the Group's share schemes. After tax and dividends, the total net cash outflow of £21.2m resulted in a year end net debt of £13.5m (2012: net cash of £7.7m), comprised of cash of £4.2m and bank debt of £17.7m. At 31 December 2013, the Group had available bank debt facilities of £33.0m, including a £16.0m Revolving Credit Facility committed until 2017 of which £15.0m was undrawn.

SUMMARY AND OUTLOOK

EMIS Group 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 and the benefits of last year's acquisitions provide confidence that further progress will be achieved in the current year.

A successful outcome to the GPSoC framework renegotiation and completing the roll-out of EMIS Web GP in England through 2014 remain two of the key objectives for the primary care division. Other high priority objectives for the Group include capitalising on the post National Programme re-letting of contracts in the CCMH and secondary markets, continuing to focus on the integration of Ascribe and Digital Healthcare with the Group (both at an organisational and product level) 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 on the NHS, EMIS Group confidently expects to remain at the heart of healthcare IT while taking further and significant steps towards its strategic vision of integrated healthcare systems joining primary, community, secondary and specialist care.

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

	<i>Note</i>	2013 £'000	2012 £'000
Revenue	2	105,542	86,333
Costs:			
Changes in inventories		174	(179)
Cost of goods and services		(11,954)	(10,712)
Staff costs		(42,522)	(32,818)
Other operating expenses ¹		(16,773)	(12,560)
Depreciation of property, plant and equipment		(3,286)	(2,349)
Amortisation of intangible assets		(6,236)	(3,604)
Adjusted operating profit		26,065	22,820
Development costs capitalised		6,098	5,330
Exceptional transaction costs		(1,144)	(435)
Amortisation of intangible assets ²		(6,074)	(3,604)
Operating profit	2	24,945	24,111
Finance income		20	54
Finance costs		(262)	(130)
Share of result of associate		20	(2)
Share of result of joint venture		(88)	26
Profit before taxation		24,635	24,059
Income tax expense	3	(4,706)	(4,625)
Profit for the year		19,929	19,434
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		(22)	-
Other comprehensive income		(22)	-
Total comprehensive income for the year		19,907	19,434
Attributable to:			
- equity holders of the parent		19,369	18,932
- non-controlling interest in subsidiary company		538	502
Total comprehensive income for the year		19,907	19,434
Earnings per share attributable to equity holders of the parent	4	Pence	Pence
Basic		32.6	32.5
Diluted		32.6	32.5

¹ Including contract asset depreciation of £3,241,000 (2012: £2,589,000) and exceptional transaction costs of £1,144,000 (2012: £435,000).

² Excluding amortisation of computer software purchased externally of £162,000. In 2012 the equivalent amortisation of £56,000 was not excluded on materiality grounds.

GROUP BALANCE SHEET
as at 31 December 2013

	<i>Note</i>	2013 £'000	2012 £'000
ASSETS			
Non-current assets			
Goodwill		60,135	21,951
Other intangible assets	6	67,204	30,838
Property, plant and equipment		24,610	22,144
Investment in joint venture and associates		2,760	2,740
		154,709	77,673
Current assets			
Inventories		1,431	1,243
Trade and other receivables		21,448	15,188
Cash and cash equivalents	8	4,167	11,107
		27,046	27,538
Total assets		181,755	105,211
LIABILITIES			
Current liabilities			
Trade and other payables		(16,705)	(12,426)
Current tax liabilities		(2,341)	(1,919)
Bank loans	8	(7,902)	(396)
Contingent acquisition consideration		(3,000)	-
Deferred income		(25,453)	(15,857)
		(55,401)	(30,598)
Non-current liabilities			
Bank loans	8	(9,756)	(3,000)
Deferred tax liability		(11,481)	(7,548)
Contingent acquisition consideration		(994)	-
		(22,231)	(10,548)
Total liabilities		(77,632)	(41,146)
NET ASSETS		104,123	64,065
EQUITY			
Ordinary share capital		633	586
Share premium		51,045	24,767
Own shares held in trust		(2,325)	(2,877)
Retained earnings		48,522	38,076
Other reserve		2,197	-
Equity attributable to owners of the parent		100,072	60,552
Non-controlling interests		4,051	3,513
TOTAL EQUITY		104,123	64,065

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 2013

	<i>Note</i>	2013 £'000	2012 £'000
Cash generated from operations	7	38,725	32,732
Finance costs		(600)	(114)
Finance income		20	54
Tax paid		(5,073)	(4,566)
Net cash generated from operating activities		33,072	28,106
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,403)	(12,491)
Proceeds from sale of property, plant and equipment		219	245
Internally developed software		(6,098)	(5,330)
Purchase of software		(524)	(521)
Business combinations		(57,534)	(757)
Net cash used in investing activities		(72,340)	(18,854)
Cash flows from financing activities			
Share placing		26,322	-
Transactions in own shares held in trust		552	(1,816)
Bank loan repayments		(2,400)	(1,200)
Bank loans drawn down		17,000	-
Dividends paid	5	(9,146)	(7,735)
Net cash generated from/(used in) financing activities		32,328	(10,751)
Net decrease in cash and cash equivalents		(6,940)	(1,499)
Cash and cash equivalents at beginning of year		11,107	12,606
Cash and cash equivalents at end of year	8	4,167	11,107

GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Share capital £'000	Share premium £'000	Own shares held in trust £'000	Retained earnings £'000	Other reserve £'000	Non - controlling interest £'000	Total equity £'000
Balance at 1 January 2012	586	24,767	(1,061)	26,789	-	3,011	54,092
Profit for the year	-	-	-	18,932	-	502	19,434
Transactions with owners							
Share acquisitions less sales	-	-	(1,816)	-	-	-	(1,816)
Share-based payments	-	-	-	90	-	-	90
Dividends paid (note 5)	-	-	-	(7,735)	-	-	(7,735)
Balance at 1 January 2013	586	24,767	(2,877)	38,076	-	3,513	64,065
Profit for the year	-	-	-	19,391	-	538	19,929
Transactions with owners							
Share placing	44	26,278	-	-	-	-	26,322
Shares issued	3	-	-	-	2,219	-	2,222
Share acquisitions less sales	-	-	552	-	-	-	552
Share-based payments	-	-	-	195	-	-	195
Deferred tax in relation to share-based payments	-	-	-	6	-	-	6
Dividends paid (note 5)	-	-	-	(9,146)	-	-	(9,146)
Other comprehensive income							
Currency translation differences	-	-	-	-	(22)	-	(22)
Balance at 31 December 2013	633	51,045	(2,325)	48,522	2,197	4,051	104,123

NOTES TO THE PRELIMINARY ANNOUNCEMENT
for the year ended 31 December 2013

1. Basis of preparation

The financial information set out in this preliminary announcement does not constitute the company's statutory financial statements for the years ended 31 December 2013 or 2012 but is derived from those financial statements.

Statutory financial statements for 2012 have been delivered to the registrar of companies, and those for 2013 will be delivered in due course. The auditors have reported on those financial statements; their reports were (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory financial statements for the year ended 31 December 2013 will be posted no later than 1 April 2014 to shareholders and, once approved, will be delivered to the Registrar of Companies following the Annual General Meeting on 30 April 2014.

Copies of the Annual Report and Financial Statements for the year ended 31 December 2013 will be available on the Company's website www.emis-online.com/investors from 1 April 2014 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.

Following the acquisitions made in the year, the Group now has three operating segments, involved with the supply and support of software and related services, as set out below:

- (a) Primary & Community Care (previously described as "EMIS");
- (b) Community Pharmacy (previously described as "RX" and including the acquired Multepos business); and
- (c) Secondary & Specialist Care (including the acquired Ascribe and Digital Healthcare businesses).

Each operating segment is assessed by the Board based on a measure of adjusted operating profit. This measurement basis 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. 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.

	2013				2012		
	Primary & Community Care £'000	Community Pharmacy £'000	Secondary & Specialist Care £'000	Total £'000	Primary & Community Care £'000	Community Pharmacy £'000	Total £'000
Revenue	80,065	16,980	8,497	105,542	69,757	16,576	86,333
Adjusted segmental operating profit as reported internally	22,159	3,869	822	26,850	19,901	3,831	23,732
Development costs capitalised	5,271	22	805	6,098	5,330	-	5,330
Amortisation - of development costs	(1,836)	-	(40)	(1,876)	(621)	-	(621)
- of acquired intangible assets	(2,076)	(851)	(1,271)	(4,198)	(2,132)	(851)	(2,983)
Segmental operating profit	23,518	3,040	316	26,874	22,478	2,980	25,458
Group operating expenses				(785)			(912)
Exceptional transaction costs				(1,144)			(435)
Operating profit				24,945			24,111
Net finance costs				(242)			(76)
Share of result of associates				20			(2)
Share of result of joint venture				(88)			26
Profit before taxation				24,635			24,059

Revenue excludes intra-group transactions on normal commercial terms from the Primary & Community Care segment to the Community Pharmacy segment totalling £3,073,000 (2012: £2,179,000).

Revenue of approximately £75,884,000 (2012: £60,201,000) is derived from the NHS and related bodies.

Revenue of £3,182,000 (2012: £2,948,000) is derived from customers outside the United Kingdom.

Exceptional transaction costs relate to professional fees incurred in the business acquisitions made during the year.

3. Income tax expense	2013	2012
	£'000	£'000
Income tax:		
- current tax charge	6,147	5,164
Total current tax	6,147	5,164
Deferred tax:		
- current period	(1,441)	(539)
Total deferred tax	(1,441)	(539)
Total tax charge in Group statement of comprehensive income	4,706	4,625
Factors affecting the tax charge for the year:		
Profit before taxation	24,635	24,059
Profit before taxation multiplied by the average domestic income tax rate in the UK of 23.25% (2012: 24.5%)	5,728	5,894
Tax effects of:		
- expenses not deductible for tax purposes	60	133
- research and development enhanced relief	(139)	(434)
- joint venture/associate reported net of tax	17	(6)
- deferred tax rate change	(960)	(962)
Tax charge for the year	4,706	4,625

4. Earnings per share (“EPS”)

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

	2013	2012
	£'000	£'000
Earnings		
Basic earnings attributable to equity holders	19,391	18,932
Exceptional transaction costs	1,144	435
Development costs capitalised	(6,098)	(5,330)
Amortisation of development costs and acquired intangible assets	6,074	3,604
Tax and non-controlling interest effect of above items	(287)	249
Adjusted earnings attributable to equity holders	20,224	17,890

	2013	2012
	Number	Number
	'000	'000
Weighted average number of ordinary shares		
Total shares in issue	59,946	58,550
Held as own shares in Treasury by Employee Benefit Trust	(506)	(381)
For basic EPS calculations	59,440	58,169
Effect of potentially dilutive share options	114	79
For diluted EPS calculations	59,554	58,248

	2013	2012
	Pence	Pence
Earnings per share		
Basic	32.6	32.5
Adjusted	34.0	30.8

Basic diluted	32.6	32.5
Adjusted diluted	34.0	30.7

5. Dividends

	2013	2012
	£'000	£'000
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
Final dividend for the year to 31 December 2012 of 7.1p	4,120	-
Interim dividend for the year to 31 December 2013 of 8.0p	5,026	-
	9,146	7,735

A final dividend for the year to 31 December 2013 of 8.0p amounting to approximately £5,030,000 will be proposed at the Annual General Meeting on 30 April 2014. If approved, this dividend will be paid on 2 May 2014 to shareholders on the register on 11 April 2014. The dividend is not accounted for as a liability in these financial statements and will be accounted for as an appropriation of revenue reserves in the year to 31 December 2014.

6. Other intangible assets

	Computer software purchased externally £'000	Computer software developed internally £'000	Computer software acquired on business combinations £'000	Customer relationships £'000	Total £'000
Cost					
At 1 January 2012	-	10,709	8,797	18,864	38,370
Additions	521	5,330	-	-	5,851
At 31 December 2012	521	16,039	8,797	18,864	44,221
Additions	524	6,098	25,327	10,653	42,602
At 31 December 2013	1,045	22,137	34,124	29,517	86,823
Accumulated amortisation					
At 1 January 2012	-	158	5,202	4,419	9,779
Charged in year	56	621	1,558	1,369	3,604
At 31 December 2012	56	779	6,760	5,788	13,383
Charged in year	162	1,876	2,498	1,700	6,236
At 31 December 2013	218	2,655	9,258	7,488	19,619
Net book value					
At 31 December 2013	827	19,482	24,866	22,029	67,204
At 31 December 2012	465	15,260	2,037	13,076	30,838
At 1 January 2012	-	10,551	3,595	14,445	28,591

7. Cash generated from operations

	2013	2012
	£'000	£'000
Profit before taxation	24,635	24,059
Finance income	(20)	(54)
Finance costs	262	130
Share of result of associates	(20)	2
Share of result of joint venture	88	(26)
Operating profit	24,945	24,111

Adjustment for non-cash items:		
Amortisation of intangible assets	6,236	3,604
Depreciation of property, plant and equipment	6,527	4,938
Share-based payments	195	90
Operating cash flow before changes in working capital	37,903	32,743
Changes in working capital:		
(Increase)/decrease in inventory	(174)	179
Decrease/(increase) in trade and other receivables	1,132	(3,191)
(Decrease)/increase in trade and other payables	(177)	3,282
Increase/(decrease) in deferred income	41	(281)
Cash generated from operations	38,725	32,732

8. Change in net (debt)/cash

	2012 £'000	Cash flow £'000	2013 £'000
Cash and cash equivalents	11,107	(6,940)	4,167
Bank loans due within one year	(396)	(7,506)	(7,902)
Bank loans due after one year	(3,000)	(6,756)	(9,756)
Net cash/(debt)	7,711	(21,202)	(13,491)

9. Business combinations

On 14 January 2013 the Group acquired the 75% of share capital of Multepos Computer Systems Limited (Multepos) which it did not already own, to enable further expansion of electronic point-of-sale services to the community pharmacy customer base. Multepos had not previously been consolidated as it was not material to the financial statements.

On 3 August 2013 the Group acquired 100% of the share capital of Digital Healthcare Limited, a leading provider of diabetic eye screening software and services, giving the Group a strong position in a niche market adjacent to the Group's core presence in GP and Community Pharmacy systems.

On 16 September 2013 the Group completed the acquisition of 100% of the share capital of Ascribe Group Limited (Ascribe), a well-established software and IT services provider to the UK's secondary healthcare market, giving the Group a significant market position in several areas strategically adjacent to but not overlapping with its existing core offerings.

These acquisitions are consistent with EMIS Group's strategy of providing integrated cross-organisational healthcare systems.

The provisional fair values of the net assets acquired, consideration paid and goodwill arising on these transactions is shown in the table below.

	Multepos £'000	Digital Healthcare £'000	Ascribe £'000	Total £'000
Goodwill	658	2,470	35,056	38,184
Intangible assets acquired:				
- Computer software	-	1,011	24,316	25,327
- Customer relationships	-	1,711	8,942	10,653
Property, plant and equipment	3	22	788	813
Inventories	8	6	-	14
Trade and other receivables	61	754	7,198	8,013
Cash and cash equivalents	103	1,837	3,031	4,971

Trade and other payables	(67)	(852)	(3,404)	(4,323)
Deferred income	-	(1,525)	(8,030)	(9,555)
Deferred tax	-	(544)	(4,832)	(5,376)
Total net assets	766	4,890	63,065	68,721
Consideration:				
Cash consideration	766	4,890	56,849	62,505
New share capital issued to vendors	-	-	2,222	2,222
Contingent consideration	-	-	3,994	3,994
Total consideration	766	4,890	63,065	68,721
Cash and cash equivalent balances acquired	(103)	(1,837)	(3,031)	(4,971)
New share capital issued to vendors	-	-	(2,222)	(2,222)
Contingent consideration	-	-	(3,994)	(3,994)
Net proceeds from share placing	-	-	(26,322)	(26,322)
Net cash cost of acquisition	663	3,053	27,496	31,212

Goodwill relates principally to the experienced staff within the business.

Provisional fair values of assets and liabilities represent the best estimate of the fair values at the dates of acquisition. As permitted by IFRS 3 (Revised) 'Business Combinations', these provisional amounts can be amended for a period of up to 12 months following acquisition if subsequent information becomes available which changes the estimates of fair values at the dates of acquisition.

Since acquisition the contribution of the acquired businesses to Group revenue and Group adjusted operating profit has been: Multepos £730,000 and £102,000; Digital Healthcare £1,309,000 and £200,000; and Ascribe £7,188,000 and £622,000.

Had all acquisitions occurred on 1 January 2013 the revenue and adjusted operating profit for the year would have been: Multepos £762,000 and £107,000; Digital Healthcare £3,249,000 and £348,000; and Ascribe £24,927,000 and £3,037,000.

Contingent consideration for the Ascribe acquisition consists of payments of up to £3,000,000 contingent upon Ascribe achieving certain key operational and financial milestones in the 12 month period post acquisition. A further £994,000 is contingent on the realisation of a specific tax claim, to the extent that the Group is able to realise such claim for cash within an agreed timeframe.

In relation to the acquisitions and their financing, costs of £1,144,000 have been expensed in the statement of comprehensive income, £738,000 of share placing costs have been charged to share premium and £370,000 of bank arrangement fees have been recorded on the balance sheet and are being amortised over the life of the Group's bank facilities.