17 December 2014

Electronic Data Processing PLC (EDP)

Preliminary results for the year ended 30 September 2014

EDP is an IT solution provider to the UK wholesale distribution industry and a supplier of Sales Intelligence software solutions more widely.

Highlights:

- Turnover £5.51 million (2013: £5.83 million)
- First half revenues impacted by delays to a number of discrete customer orders; second half revenues were consistent with those experienced in the second half of the previous financial year
- Contracted recurring revenues remain strong representing 80% of total revenue (2013: 77%)
- Hosting revenues continue to increase and now represent 52% of total revenues (2013: 48%) demonstrating the success of our strategy to grow the hosting/cloud side of the business
- Adjusted operating profit £553,000 (2013: £835,000), gives an operating margin of 10.0% (2013: 14.3%)
- Pre-tax profit £401,000 (2013: £794,000)
- Continuing commitment to R&D expenditure of £981,000 in the year (2013: £940,000)
- Strong debt-free balance sheet; cash balances of £5.0 million at 30 September 2014 (2013: £5.7 million) will be used to further develop the business
- 3p special interim dividend returned £379,000 to shareholders during the year
- Final dividend maintained at 2.0p per share, making 5.0p for the full year (2013: 7.0p)
- Future dividends will be reviewed according to acquisition opportunities and the overall cash position at the time. However, in view of the Company's relatively large cash balances and as reported at the half year results, it is the Board's current intention to pay an interim dividend of 2p per share and a final dividend of 3p per share in future years

Sir Michael Heller, Chairman of EDP, said:

"Whilst we expect to face a number of challenges in the coming year, which are addressed in the Chief Executive's statement, we have made appropriate changes within the business in anticipation of this and I remain confident about the future".

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Chairman's Statement

Turnover for the year to 30 September 2014 was £5.51 million compared with £5.83 million the previous year. As we reported in May, sales during the first half of the year were impacted by delays to a number of discrete customer orders. However, sales in the second half returned to more normal levels in an environment which remains competitive.

Adjusted operating profit was £553,000, compared with £835,000, reflecting the reduced revenue in the first half. This underlying cash-based measure of our performance excludes non-cash IFRS charges and credits and represents an operating margin of 10.0% (2013: 14.3%). Statutory pre-tax profit for the year was £401,000 (2013: £794,000).

We have continued to move forwards our main products, Quantum VS and Vecta, in terms of their functionality, increasing R&D expenditure during the year to £981,000, up from £940,000 the previous year.

Hosting revenues represented 52% of total revenues during the year under review. This is the first time they have exceeded half of our turnover. Contracted recurring revenues, which include annual software licence fees and hosting charges, amounted to 80% of total revenue compared with 77% in the previous year.

We have previously reported that we had accepted an offer for our property in Milton Keynes which is surplus to requirements. Regrettably this sale is now looking unlikely to proceed. Whilst we are actively exploring other opportunities to dispose of this property it is appropriate to transfer it from current assets back into fixed assets. At 30 September 2014 it is included in the Group balance sheet at £1.39 million net of depreciation. We will report any further progress in due course. We have one further surplus freehold property in Sheffield which is also included in fixed assets in the Group balance sheet at £303,000 and which is currently being marketed for sale.

Year-end cash balances were £5.0 million (2013: £5.7 million). This is after dividends paid during the year of £631,000. We continue to be interested in using our cash balances should opportunities to acquire similar software producing businesses arise.

Net assets at 30 September 2014 were £5.3 million compared to £6.1 million. The difference principally reflects a £619,000 actuarial loss on the defined benefit pension scheme following a decrease in the discount rate used to value liabilities under IAS19. This is explained more fully in the Chief Executive's Statement.

The Board is proposing to maintain the final dividend at 2.0p per share giving a total for the year of 5.0p (2013: 7.0p). The total dividend paid to shareholders will therefore be £631,000. If approved by shareholders, the final dividend will be paid on 7 April 2015 to those shareholders on the register at 6 March 2015. The shares will be ex-dividend on 5 March 2015.

We will review future dividends according to the acquisition opportunities that arise and our overall cash position at the time. However, in view of our relatively large cash balances and as reported at the time of our half year results, it is our current intention to pay an interim dividend of 2p per share and a final dividend of 3p per share in future years.

I would like to thank all our members of staff and my colleagues on the Board for their contribution during the year.

Whilst we expect to face a number of challenges in the coming year, which are addressed in the Chief Executive's statement, we have made appropriate changes within the business in anticipation of this and I remain confident about the future.

Sir Michael Heller
Chairman

16 December 2014

Chief Executive's Statement

Our turnover for the year to 30 September 2014 was £5.51 million, a 5% reduction from last year's £5.83 million. As we noted when we reported our interim results, turnover in the first half was impacted by delays to a number of discrete customer orders during February and March. Second half revenues were consistent with those experienced in the second half of the previous financial year.

It is pleasing to note that the proportion of our revenues delivered through our hosting centre has exceeded 50% for the first time. This reflects our strategy to grow the hosting/cloud computing side of the business.

The upgrade of our existing customers to Quantum VS, our latest ERP solution for distributors, has continued during the year under review. Pleasingly we have also signed a number of new business customers for Quantum. Whilst Quantum provides an excellent choice for the majority of the existing users of our legacy applications it is unrealistic to expect that all of them will migrate. We therefore expect to see higher "churn" of customers in coming years than has traditionally been the case. It is therefore important that we increase our new business sales efforts to address this. Accordingly we have recently strengthened our lead generation and new business sales teams.

In common with many other software vendors, we continue to see a move away from upfront revenues towards stronger on-going subscription revenues, particularly with Vecta, as the Cloud/SaaS business model continues to gain traction. Whilst the impact of this has again been modest during the year, we expect the trend to continue.

We are continuing to see keen price competition in the markets for both Quantum VS and Vecta and it is important therefore that we continue to invest in R&D to ensure that our products remain attractive. During the year under review R&D expenditure increased to £981,000 from £940,000.

We reported at the half year that one of our major customers acquired a competitor software business. They have recently completed their transition to that business's product which will impact our revenues in the current financial year by approximately £300,000.

Whilst these factors combined will undoubtedly put some pressure on our revenues in the coming year, we have identified annual cost savings (after strengthening our new business sales team) within the business amounting to £200,000 which have already been implemented after the period end. These relate to personnel and property/establishment costs. We expect to achieve further annual cost savings of circa £75,000 in 12 to 24 months' time as we reduce the property costs associated with operating our current satellite office locations. We will continue to manage our cost base prudently and seek opportunities to reduce costs wherever possible without affecting our ability to deliver our products and services to our customers.

Business Model

Our business model revolves around supplying our software products under long-term contracts either in the form of traditional on-site licencing arrangements or cloud-based, hosted service level agreements. These long-term agreements provide us with good visibility of revenues from our existing customers for up to 5 years. Contracted recurring revenues during the period under review represented 80% of our total revenues.

The rest of our revenues have traditionally been derived from our initial software licence fees, hosting joining fees and the provision of implementation, training and consultancy services. In addition, we supply a small amount of computer hardware and maintenance to certain customers which is generally low-margin.

Our business model is strong. We continue to manage our cost base prudently and monitor working capital carefully.

Strategy

Our strategy is to deliver software solutions that offer clear business benefits, assisting our customers to generate sales growth or to create efficiencies and drive down costs in their business.

We have aimed to increase the number of customers who receive their software through the Cloud, and we have been doing so for 14 years from our hosting centre in Milton Keynes, thereby strengthening our commitment to our customers and vice versa.

We have two main product groups – software applications for distributors and merchants, where Quantum VS is our latest product; and Vecta, our award-winning CRM and Business Intelligence (BI) product.

The products are complementary with many of our customers using both. Whilst Quantum focusses on a number of discrete sectors within distribution, Vecta has a wider target market across a broader range of verticals.

Quantum VS provides the core of our customers' business. The product and market are characterised by long relationships with customers but also lengthy sales cycles which typically, and in common with other suppliers of similar applications, can be over 12 months.

Vecta balances this with much shorter sales cycles, sometimes measured in weeks, and shorter implementation times.

Quantum VS

Quantum VS is a graphical software application focussed on a number of vertical markets within the distribution sector including:

- builders and timber merchants
- suppliers of fixings and fastenings
- industrial and security products
- electrical wholesalers
- food distributors

Our strategy has been and remains to develop a single software application which provides:

- primarily, a clear upgrade path for our existing customers by bringing into this single product the key functionality from our established distribution applications - Merchant, Charisma, Esprit and The Business Programme;
- a software application to exploit new business opportunities in the markets we address; and
- a platform for continued enhancements in functionality.

We have significantly strengthened our development and product management resource during the year to further accelerate the delivery of new functionality.

New functionality delivered during the year includes integrated telephony (TAPI), improved credit card handling, new signature pad functionality and the introduction of mega menus to improve navigation throughout the product. Quantum has also recently been released on an SQL database which will improve access to data and reporting capabilities.

Looking ahead, in 2015 we will be releasing a new document scanning and archiving solution together with a completely new e-business solution for our customers.

Vecta

Vecta is a powerful, combined CRM and Business Intelligence (BI) product which assists businesses to drive sales. It is positioned between the major CRM products, which typically do not deliver sales analysis, and traditional BI tools.

Our aim is to provide an essential tool that will fulfil all the CRM and sales intelligence requirements of a broad range of businesses without the need for a separate third-party CRM solution.

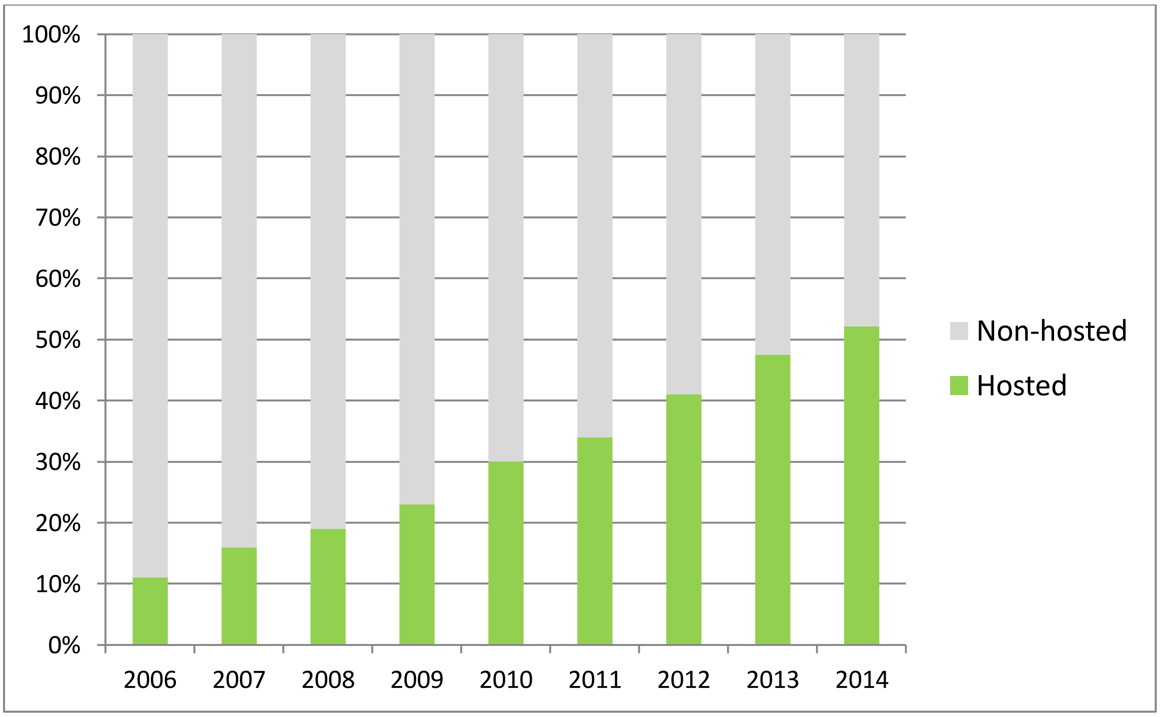
Vecta is optimised for the latest Internet Browsers which facilitate its use on a wide range of devices whether desk-top or mobile. Vecta is now exclusively delivered though the cloud. We have continued to add new features during the year and I am delighted to report that Vecta won the 'Software Innovation Solution of the Year' and 'SME Solution of the Year' categories at the industry renowned European IT & Software Excellence Awards for 2014.

We have a major new release of Vecta planned for the first half of 2015. This will use the latest technologies to deliver an improved look and feel and provide a platform to ensure that Vecta remains an essential tool for our customers' management and sales teams into the future.

Hosting/cloud computing

We have offered our customers the facility to have their software hosted at our own purpose-built facility in Milton Keynes for many years. This gives our customers a single IT provider for their software, hardware and operating system requirements.

For the first time, hosting now represents more than half of our revenues, at 52% (2013: 48%). The number of hosted customers has also increased to 184 at 30 September 2014 from 172 a year earlier. The following graph illustrates the growth in recent years in the proportion of our revenues which are delivered in this way:



Financial Review

Turnover for the year was £5.5 million compared with £5.8 million in the previous year. Revenues in the first and second halves were £2.6 million and £2.9 million respectively (2013: £2.9 million and £2.9 million respectively). Recurring revenues increased to 80% of total revenues from 77% last year.

Adjusted operating profit for the year was £553,000 compared with £835,000 last year. Our operating margin therefore was 10.0% compared with 14.3%.

Adjusted operating profit is calculated after adding back a net charge of £198,000 (2013: £126,000) relating to a number of non-cash items which arise under IFRS; principally amortisation of intangible assets, defined benefit pension scheme charges and the capitalisation and amortisation of development costs.

Statutory pre-tax profit was £401,000 compared to £794,000 last year. This reflects the impact of reduced turnover during the year together with a one-off IFRS charge of £60,000 resulting from our decision to close the defined benefit pension scheme to future accrual and a £95,000 increase in the level of R&D charged in the income statement under IFRS.

R&D expenditure, which relates principally to the continued enhancement of Quantum VS and Vecta, increased to £981,000 from £940,000 last year. Of this £79,000 (2013: £118,000) was capitalised as required by IAS 38. Amortisation of previously capitalised R&D amounted to £36,000 (2013: £21,000). The amount charged in the income statement in respect of the current year has therefore increased to £938,000 from £843,000 last year.

As a result of lower interest rates available on our surplus cash balances our interest income during the year was £46,000 compared with £85,000 last year.

The tax credit of £3,000 on pre-tax profit of £401,000 arises due to the receipt of additional tax relief on qualifying Research and Development expenditure. We expect to be able to continue to benefit from the Government's initiatives in this area in the coming year.

Earnings per share was 3.21p or 3.16p on a fully diluted basis (2013: 4.68p and 4.63p).

Cash balances at 30 September 2014 were £5.0 million (2013: £5.67 million). Operating cash flows were £336,000. In addition we received £48,000 in interest on our cash deposits. Dividends paid returned £631,000 to shareholders. Other significant cash outflows were £144,000 corporation tax and £176,000 of capital expenditure.

Pension

The liability relating to the Group's defined benefit pension scheme increased by £931,000 (£745,000 net of deferred tax). The Group balance sheet reflects a gross liability in respect of this scheme of £1.975 million (£1.580 million net of deferred tax). The increase in the liability arises mainly from an actuarial loss resulting from a significant reduction in the discount rate used to value the scheme liabilities. Under IAS19 the discount rate is equivalent to the yield available on AA-rated corporate bonds.

The most recent triennial actuarial valuation of the scheme at 31 July 2013 has recently been completed and this showed a small surplus on an on-going funding basis.

The defined benefit pension scheme comprises a grouped funding arrangement whose sole asset is a with-profits insurance policy backed by corporate bonds. Under the accounting rules prescribed by IAS19 the scheme asset is valued at the insurance policy's discontinuance surrender value at the period end. This valuation does not take into account the guaranteed annuity rates which have been secured by the policy and which are included in the on-going scheme funding valuation.

We have previously reported that we were consulting with members regarding closing the scheme to future accrual. This was completed during the year effective from 31 August 2014. This closure to future accrual has given rise to a one-off curtailment charge in the income statement of £60,000. The three remaining affected members have transferred into our group money purchase pension scheme.

As a result of the matters described above, net assets reduced to £5.34 million from £6.15 million. Net assets per share amounted to 42.4p (2013: 49.1p).

Property

In addition to the hosting centre in Milton Keynes we have two further freehold properties, both of which are surplus to operational requirements.

We have previously reported that we had accepted an offer to sell one of these properties (which is in Milton Keynes) and, as a result, had categorised it in the Group balance sheet as an asset held for sale at its expected net sale proceeds of £1.42 million. Disappointingly, it now appears that the purchaser is unable to proceed with the transaction and accordingly we have transferred the property back into fixed assets in the Group balance sheet. At 30 September 2014 it is stated at £1.39 million net of depreciation.

We are actively pursuing other opportunities to dispose of this property. In the short-term we have let the property to a charitable organisation and, whilst this doesn't generate significant rental income, we are currently mitigating business rates of £52,000 per annum effective from July this year. An eventual disposal of this property will generate total annual cost savings of around £87,000. This includes, inter alia, the £52,000 business rates referred to above and £19,000 of depreciation.

The remaining property, which is an industrial unit in Sheffield, is included in fixed assets at a value of £303,000. We have changed property agents during the year and continue to market the property. Annual cost savings of £35,000 (including £4,000 depreciation) would be achievable if we dispose of the property.

Outlook

We have a strong product and services offering, a robust business model and considerable financial strength which will enable us to meet the challenges we will face in the forthcoming year. Having strengthened our sales team we expect to be well positioned to take advantage of those new business opportunities which do arise.

Finally, I would like to thank all of my colleagues throughout the business for their hard work and commitment during the year.

Julian Wassell
Chief Executive

16 December 2014

Consolidated Income Statement

for the year ended 30 September 2014

	2014 £'000	2013 £'000
Revenue	**5,508**	5,827
Gross profit	**5,074**	5,419
Administrative expenses	**(4,719)**	(4,710)
Operating profit	**355**	709
Finance income	**46**	85
Profit before tax	**401**	794
Income tax credit/(expense)	**3**	(207)
Profit for the period attributable to equity holders of the parent	**404**	587
Earnings per share		
- Basic	**3.21p**	4.68p
- Diluted	**3.16p**	4.63p

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2014

	2014 £'000	2013 £'000
Profit for the period	**404**	587
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurement (losses)/gains on defined benefit pension scheme	**(774)**	169
Income tax on other comprehensive income	**155**	(32)
Other comprehensive income for the period, net of tax	**(619)**	137
Total comprehensive income for the period attributable to equity holders of the parent	**(215)**	724

Consolidated Balance Sheet

at 30 September 2014

	2014	2013
	£'000	£'000
Non-current assets		
Property, plant and equipment	**3,097**	1,743
Deferred tax asset	**395**	209
Intangible assets	**356**	322
	3,848	2,274
Current assets		
Inventories	**67**	81
Trade and other receivables	**1,546**	1,537
Cash and cash equivalents	**4,984**	5,667
Assets held for sale	**-**	1,423
	6,597	8,708
Total assets	**10,445**	10,982
Current liabilities		
Deferred income	**(1,914)**	(2,291)
Income tax payable	**(16)**	(177)
Trade and other payables	**(1,068)**	(1,195)
	(2,998)	(3,663)
Non-current liabilities		
Deferred income	**(17)**	(57)
Employee benefits	**(1,975)**	(1,044)
Deferred tax liability	**(113)**	(70)
	(2,105)	(1,171)
Total liabilities	**(5,103)**	(4,834)
Net assets	**5,342**	6,148
Equity		
Share capital	**689**	689
Share premium	**119**	119
Capital redemption reserve	**625**	625
Treasury shares	**(587)**	(627)
Retained earnings	**4,496**	5,342
Total equity attributable to equity holders of the parent	**5,342**	6,148

Consolidated Statement of Changes in Equity

for the year ended 30 September 2014

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2012	689	119	625	(627)	5,464	6,270
Profit for the period	-	-	-	-	587	587
Other comprehensive income:						
- remeasurement gain on defined benefit pension scheme net of tax	-	-	-	-	137	137
Total comprehensive income	-	-	-	-	724	724
Transactions with owners:						
- share-based payment transactions	-	-	-	-	9	9
- deferred tax on share-based payment transactions	-	-	-	-	22	22
- dividends paid	-	-	-	-	(877)	(877)
Total transactions with owners	-	-	-	-	(846)	(846)
Balance at 30 September 2013	689	119	625	(627)	5,342	6,148

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2013	689	119	625	(627)	5,342	6,148
Profit for the period	-	-	-	-	404	404
Other comprehensive income:						
- remeasurement loss on defined benefit pension scheme net of tax	-	-	-	-	(619)	(619)
Total comprehensive income	-	-	-	-	(215)	(215)
Transactions with owners:						
- share-based payment transactions	-	-	-	-	1	1
- deferred tax on share-based payment transactions	-	-	-	-	2	2
- issue of shares out of treasury	-	-	-	40	(3)	37
- dividends paid	-	-	-	-	(631)	(631)
Total transactions with owners	-	-	-	40	(631)	(591)
Balance at 30 September 2014	**689**	**119**	**625**	**(587)**	**4,496**	**5,342**

Consolidated Cash Flow Statement

for the year ended 30 September 2014

	2014	2013
	£'000	£'000
Cash flows from operating activities		
Profit for the period	**404**	587
Adjustments for:		
Depreciation	**248**	193
Amortisation	**126**	158
Net loss on disposal of property, plant and equipment	**-**	2
Transfer of inventory (to)/from property, plant and equipment	**(10)**	5
Defined benefit pension charge net of employer contributions	**157**	93
Finance income	**(46)**	(85)
Income tax (credit)/expense	**(3)**	207
Change in inventories	**14**	(2)
Change in receivables	**(11)**	1
Change in payables	**(127)**	(116)
Change in deferred income	**(417)**	(162)
Equity settled share-based payment transactions	**1**	9
Cash received from operations	**336**	890
Interest received	**48**	98
Income taxes paid	**(144)**	(173)
Net cash from operating activities	**240**	815
Cash flows from investing activities		
Purchase of property, plant and equipment	**(176)**	(235)
Purchase of intangible assets	**(81)**	(6)
Development expenditure	**(79)**	(118)
Proceeds from sale of property, plant and equipment	**7**	440
Net cash (used in)/generated by investing activities	**(329)**	81
Cash flows from financing activities		
Issue of shares out of treasury	**37**	-
Dividends paid	**(631)**	(877)
Net cash used in financing activities	**(594)**	(877)
Net (decrease)/increase in cash and cash equivalents	**(683)**	19
Cash and cash equivalents at beginning of period	**5,667**	5,648
Cash and cash equivalents at end of period	**4,984**	5,667

Notes

1. Financial Information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 September 2013 or 2014 but is derived from those accounts. Statutory accounts for 2013 have been delivered to the registrar of companies, and those for 2014 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors 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 financial information has been prepared on a basis consistent with that presented in the 30 September 2013 financial statements.

2. Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRS and under the historical cost basis except as described elsewhere in note 2.

Basis of consolidation

The consolidated financial information incorporates the accounts of Electronic Data Processing PLC and all its subsidiaries. Such accounts are all made up to 30 September 2014.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial information of subsidiaries is included in the consolidated financial information from the date that control commences until the date that control passes. Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information.

Revenue

The Group's revenues derive from a number of sources which are described below. All revenue excludes value added tax and any sales between Group companies. Revenue relating to future periods is deferred. Revenue is recognised to the extent that it is probable the economic benefits will flow to the Group and the revenue can be reliably measured.

The Group’s software revenues are broken down into initial licence fees, upfront hosting charges and recurring software usage charges. Initial licence fees are recognised as revenue in full on delivery of the software following receipt of a non-cancellable contract as the Group considers that at this point all of the significant risks and rewards of ownership of the licence have been transferred to the customer. Upfront hosting charges are recognised as revenue on provision of access to the Group’s servers following receipt of a signed non-cancellable contract. Recurring software usage charges and periodic hosting service charges are recognised evenly over the period to which they relate.

Other software related revenues are mainly from the provision of professional services including implementation, training and consultancy. This revenue is recognised when the services have been performed. Sales of computer equipment are recognised on delivery to customers and equipment maintenance charges are recognised evenly over the period to which they relate.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and impairment losses. Land is not depreciated. The Directors assess the residual values and useful economic lives of the properties on an annual basis. Depreciation is provided so as to write off the cost, or deemed cost, less the estimated residual value of each asset in equal instalments over its estimated useful life from the time it becomes operational, at the following rates:

Freehold property	-	1 to 2 per cent
Motor vehicles	-	20 to 33 per cent
Equipment, fixtures and fittings	-	15 to 25 per cent

Assets held for sale

A non-current asset is classified as held for sale if, at the balance sheet date, its carrying value will be recovered principally through sale rather than through continuing use, it is available for immediate sale and that sale is highly probable within one year. On initial classification as held for sale, non-current assets are measured at the lower of previous carrying amount and fair value less costs to sell, with any adjustments taken to the income statement. The same applies to gains and losses subsequent to re-measurement.

Employee benefits - pensions

The Group operates both defined contribution and defined benefit pension schemes. The premiums relating to defined contribution schemes are charged to the income statement in the period in which they accrue.

The Group's net obligation in respect of its defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of the scheme assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method.

Remeasurement gains and losses arising from changes in actuarial assumptions, plan experience and differences between the expected and actual return on plan assets are recognised in "other comprehensive income" in the statement of comprehensive income in the year in which they occur.

All other movements in the pension asset or liability are recognised in the income statement for the relevant period.

3. Segmental Analysis

The Group has identified its reportable segment based on the financial reports that internally are provided to the Group's chief operating decision maker (CODM). In line with its management structure, the Executive Directors collectively make the key operating decisions and review internal monthly management accounts and budgets as part of this process. Accordingly, the Executive Directors collectively are considered to be the CODM. The information reported regularly to the CODM presents the Group as a single segment supplying software and related services to customers operating in similar markets. The Group's software products share a common sales, development and implementation resource. Consequently the Group has determined that there is one operating segment and therefore one reportable segment, Software.

Segment performance is measured based on segment profit before tax excluding IAS 19 defined benefit pension scheme adjustments and profits or losses on property disposals or revaluations.

	Software 2014 £'000	Software 2013 £'000
Revenue - external customers	**5,508**	5,827
Profit		
Adjusted operating profit	**553**	835
Segment non-cash net IFRS charge	**(41)**	(33)
Interest revenue	**46**	85
Segment profit before tax	**558**	887
Defined benefit pension scheme charge net of employer contributions	**(157)**	(93)
Consolidated profit before tax	**401**	794
Other segment items		
Interest revenue	**46**	85
Depreciation and amortisation	**374**	351
Capital expenditure	**257**	241

Geographical analysis

Geographical segment revenues, based on the geographical location of customers, are as follows:

Revenue by destination	**2014 £'000**	2013 £'000
United Kingdom	**5,271**	5,601
Rest of the world	**237**	226
	5,508	5,827

4. Income tax

	2014 £'000	2013 £'000
Income tax (credit)/expense comprises:		
Current tax		
United Kingdom corporation tax	**85**	176
Tax over provided in prior years	**(101)**	(6)
Group current tax	**(16)**	170
Deferred tax		
Origination and reversal of temporary differences	**6**	11
Effect of decrease in the tax rate	**2**	22
Adjustments in respect of prior years	**5**	4
Group deferred tax	**13**	37
Income tax (credit)/expense	**(3)**	207

The 2014 corporation tax adjustment in respect of prior years relates to refunds received in respect of claims for R&D tax relief.

5. Earnings per share

Basic earnings per share
Earnings per share is calculated by dividing the profit for the period attributable to equity holders of the parent of £404,000 (2013: £587,000) by 12,589,497 (2013: 12,530,976), being the weighted average number of shares in issue during the year.

The weighted average number of shares has been calculated as follows:

	2014 Number	2013 Number
Issued ordinary shares at 1 October excluding treasury shares	**12,530,976**	12,530,976
Effect of share options exercised	**58,521**	-
Weighted average number of ordinary shares at 30 September	**12,589,497**	12,530,976

Basic earnings per share is 3.21p (2013: 4.68p).

Diluted earnings per share
For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one class of dilutive potential ordinary share which is share options granted to employees under its Enterprise Management Incentive Share Option plan. These shares have been included in the diluted earnings per share calculation.

Diluted earnings per share is calculated by dividing the profit after tax of £404,000 (2013: £587,000) by 12,784,690 (2013: 12,666,864), being the weighted average number of shares in issue adjusted for the effects of all dilutive potential ordinary shares.

The weighted average number of shares has been calculated as follows:

	2014 Number	2013 Number
Weighted average number of ordinary shares (basic)	**12,589,497**	12,530,976
Effect of outstanding share options	**195,193**	135,888
Weighted average number of ordinary shares at 30 September	**12,784,690**	12,666,864

Diluted earnings per share is 3.16p (2013: 4.63p).

6. Dividends paid and proposed

			2014 £'000	2013 £'000
The following dividends were declared and paid during the year:				
Final dividend for 2013	- 2.0p	(2012: 2.0p)	**252**	251
Special interim dividend for 2014	- 3.0p	(2013: 5.0p)	**379**	626
			631	877
Proposed for approval by shareholders at the AGM				
Final dividend for 2014	- 2.0p	(2013: 2.0p)	**252**	251

7. Assets held for sale

	2014 £'000	2013 £'000
At 1 October	**1,423**	1,863
Transferred to property, plant and equipment	**(1,423)**	-
Disposal	**-**	(440)
At 30 September	**-**	1,423

The transfer in the current year relates to the Group's vacant freehold property at Milton Keynes. The Directors consider that a sale of the property within the next twelve months is no longer highly probable and accordingly have transferred it back into non-current assets.

8. Share Capital

	Ordinary shares of 5p each			
	2014 Number	2013 Number	**2014 £'000**	2013 £'000
Allotted, called up and fully paid:				
At 1 October and 30 September	**13,784,073**	13,784,073	**689**	689
Less: held in Treasury	**(1,173,097)**	(1,253,097)	**(59)**	(63)
Issued share capital excluding treasury shares	**12,610,976**	12,530,976	**630**	626

Each holder of an ordinary share is entitled to one vote for each share held at all meetings of shareholders and will be entitled to any dividends declared by the Board of Directors with the exception of treasury shares which do not carry any voting or dividend rights.

Treasury shares

	Ordinary shares of 5p each			
	2014 Number	2013 Number	**2014 £'000**	2013 £'000
Shares held in treasury on 1 October	**1,253,097**	1,253,097	**627**	627
Issued on exercise of EMI share options	**(80,000)**	-	**(40)**	-
Shares held in treasury at 30 September	**1,173,097**	1,253,097	**587**	627

This preliminary announcement was approved by the Board of Directors on 16 December 2014.