11 December 2015

Electronic Data Processing PLC (EDP)

Preliminary results for the year ended 30 September 2015

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

Highlights:

- Turnover £5.16 million (2014: £5.51 million)
- As anticipated, overall revenue impacted following the acquisition of a competitor software business during 2014 by one of our major customers. Underlying revenue was broadly comparable with 2014, and revenue in the second half of 2015 was 5% higher than the first half
- Contracted recurring revenues remain strong, representing 79% of total revenue (2014: 80%)
- Hosting revenues continue to exceed 50% of total revenues; the Company now has 200 hosted customers (2014: 184), demonstrating the success of its strategy to grow the hosting/cloud side of the business
- Adjusted operating profit £459,000 (2014: £553,000), gives an operating margin of 8.9% (2014: 10.0%)
- Sale of surplus freehold property in Sheffield completed in July for £425,000, generating a profit on disposal of £117,000 and annualised cost savings of £27,000.
- Offer of £1.2 million accepted on remaining surplus freehold property; carrying value written down by £189,000
- Pre-tax profit £347,000 (2014: £401,000). Excluding property transactions, pre-tax profit was £419,000, an underlying increase of 4%
- R&D expenditure increased by 9% to £1,067,000 in the year (2014: £981,000) reflecting continuing enhancement of Quantum VS and Vecta products
- Strong debt-free balance sheet; cash balances of £5.55 million at 30 September 2015 (2014: £5.0 million) will be used to further develop the business
- Final dividend 3.0p per share, meaning overall dividend maintained at 5.0p for the full year
- 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, 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:

“With a robust, cash generative business model combined with a strong balance sheet I remain confident about the future”.

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Chairman's Statement

Turnover for the year to 30 September 2015 was £5.16 million compared with £5.51 million the previous year. As we reported last year, one of our major customers acquired a competitor software business and subsequently transferred to that company's software product. The above figures reflect the full year impact of this. However, it is pleasing to report that second half revenues were up on the first half by £120,000 or 5%.

Adjusted operating profit was £459,000, compared with £553,000, which reflects the impact of the reduction in turnover offset by significant cost savings. (Adjusted operating profit excludes non-cash IFRS charges and credits together with one-off restructuring costs.)

Our statutory pre-tax profit for the year was £347,000 (2014: £401,000) after a net charge of £72,000 in relation to two property matters referred to below.

We have continued to enhance our main products, Quantum VS and Vecta, and the operating result for the year is after increasing R&D expenditure by 9% to £1,067,000 (2014: £981,000).

Hosting revenues continue to represent in excess of half of total revenues during the year under review. Contracted recurring revenues, which include annual software licence fees and hosting charges, amounted to 79% of total revenue compared with 80% in the previous year.

I am pleased to report that in July we sold our surplus freehold warehouse in Sheffield for a cash consideration of £425,000, generating a profit after disposal costs of £117,000. This will result in annual cost savings of approximately £27,000. We now have one remaining surplus freehold property which is located in Milton Keynes on which we have recently accepted an offer of £1.2 million. Whilst this is lower than its previous carrying value, this property has been on the market for some time and accordingly we have written the property down by £189,000 to reflect the expected net sale proceeds. We are early in the sale process but, if it proceeds, the sale would result in annual cost savings of approximately £35,000. We will update shareholders further in due course.

Cash flows during the year were strong and at the year-end our cash balances were £5.55 million (2014: £4.98 million). This is after £425,000 proceeds from the property disposal and dividends paid during the year of £504,000. We continue to be interested in using our cash balances should opportunities to acquire similar software producing businesses arise.

Net assets at 30 September 2015 were £4.96 million compared to £5.34 million at 30 September 2014. This in part reflects a further provision of £232,000, net of deferred tax, against the liability relating to our defined benefit pension scheme following a further decrease in the discount rate used to value liabilities under IAS19. This is discussed further in the Chief Executive's Statement.

The Directors are proposing to pay a final dividend of 3p per share (2014: 2p) maintaining the total dividend for the year at 5.0p. Total dividends paid to shareholders will therefore be £631,000. If approved by shareholders, the final dividend will be paid on 6 April 2016 to those shareholders on the register at 4 March 2016. The shares will be ex-dividend on 3 March 2016.

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, 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. At the year-end share price of 65.5p this is equivalent to a yield of 7.6%.

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

With a robust, cash generative business model combined with a strong balance sheet I remain confident about the future.

Sir Michael Heller
Chairman
10 December 2015

Chief Executive's Statement

As anticipated, our overall revenue was impacted following the acquisition of a competitor software business during 2014 by one of our major customers who then transferred to their software product. As a result, turnover for the year under review was 6% down at £5.16 million compared with £5.51 million last year. Underlying revenue was broadly comparable with 2014 and revenue in the second half of 2015 was 5% higher than the first half.

We were able to offset a substantial proportion of the anticipated reduction in revenue through targeted cost savings in both property and personnel costs. These annualised cost savings amounted to approximately £200,000 after taking into account the cost of strengthening our new business sales team. Overall our adjusted operating profit for the year was £459,000 compared with £553,000.

Last year we reported that we had for the first time seen the proportion of our revenues delivered via our hosting centre exceed 50%. This year we were delighted to reach the landmark of 200 hosted customers (just under two thirds of our customers by number), up from 184 a year earlier, reinforcing our long-term strategy of growing the hosting/cloud side of our business, further strengthening our recurring revenues and therefore visibility.

Our increased investment in product R&D has meant that we have had a number of exciting product releases during the year including our Quantum e-business solution and Vecta 8. These are described more fully below.

As previously noted, we have continued to see a gradual but steady move away from up-front revenues towards stronger on-going subscription revenues, particularly with Vecta, as adoption of the Cloud-computing model continues. Whilst the impact of this in any single year so far has been modest, the trend continues. This trend has an impact on both the profile of our reported revenues and on our cash balances, a significant proportion of which result from up-front billings.

We noted last year that we expected a number of combined factors to put pressure on our revenues and this remains the case. Whilst we are confident that Quantum VS is an excellent solution for the significant majority of users of our legacy applications, the process of migrating our existing customers to Quantum VS will inevitably lead to higher levels of customer "churn" than we have historically seen. As a result, we strengthened our new business sales team during 2015 in addition to increasing investment in our product portfolio. I am pleased to note that we have continued to sign new orders for both Quantum and Vecta.

With keen price competition throughout our markets, it remains important that we continue to manage our overall cost base carefully.

Business Model

Our business model revolves around supplying our software products under long-term contracts of up to five years initial duration. These can be either in the form of traditional on-site licencing arrangements or cloud-based, hosted service level agreements. During the year under review contracted recurring revenues arising from these agreements represented 79% of our total revenues, giving us a strong base of business on which to build.

The remainder of our revenues arise from initial software licence fees, hosting joining fees and the provision of a range of implementation, training and consultancy services. We also supply a small amount of computer hardware and maintenance (which is low-margin) to certain customers.

Our business model is strong and provides us with excellent visibility of revenues, which assists us to actively manage our cost base and monitor working capital carefully.

Strategy

Our aim 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. Our principal products, Vecta and Quantum VS respectively, address these aims. These products are complementary with many of our customers using both.

Quantum VS is an ERP application addressing the requirements of a number of verticals within the distribution sector. These include builders and timber merchants, suppliers of fixings and fastenings, industrial and security products, electrical wholesalers and food distributors.

Our strategy for Quantum remains to develop a single software application which provides both a clear upgrade path for our existing customers of our legacy application products (Merchant, Charisma, Esprit and The Business Programme) together with an opportunity to exploit new business opportunities in our target markets.

As an ERP solution, Quantum VS provides the core of our customers' business and as such we enjoy long relationships with our customers. Sales cycles, in common with other suppliers of similar applications, can be over 12 months.

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

Vecta has much shorter sales cycles and implementation times, sometimes measured in a matter of weeks, compared with those experienced with Quantum VS which can exceed 12 months.

Our strategy over recent years has been to increase the number of customers who receive their software through the Cloud via our hosting centre in Milton Keynes, thereby strengthening our relationships with our customers.

Products

Quantum VS

During the year our strengthened development team has remained focussed on balancing the need to work with our existing customers to continue their migration from our legacy software products to Quantum VS, whilst providing new functionality to support our push for new business.

As planned, we launched the first release of our new document scanning and archiving module for Quantum VS earlier in the year.

We have also delivered a completely new e-business solution, "Quantum e-business". This new product allows us to offer a single product to our customers offering a complete range of on-line capabilities from a simple website, through on-line catalogue access, to a sophisticated e–business solution fully integrated into their back-office application. Initial customer reactions have been extremely positive.

Vecta

A major new update, Vecta 8, was released during the year. This provides users with a completely new and improved look and feel. It also features a fully responsive design enabling Vecta to be even more easily deployed across the full range of desktop and mobile devices.

This latest version has been extremely well received by customers and prospects. Credit must go to our development team for this and also for the fact that Vecta won "SaaS solution of the year" at the industry renowned European IT & Software Excellence Awards. This was in addition to the two awards we won last year.

Financial Review

Revenue for the year was £5.16 million compared with £5.51 million last year. Second half revenues were up on the first half by £120,000 or 5%. The level of recurring revenues was maintained at 79% of total revenues (2014: 80%).

We incurred one-off costs amounting to £76,000 during the year in relation to property and personnel cost savings.

Adjusted operating profit for the year was £459,000 compared with £553,000 last year, giving an operating margin of 8.9% compared with 10.0%.

We use adjusted operating profit to monitor the performance of the business on a day-to-day basis. It excludes interest receivable, any gains and losses on property transactions, one-off restructuring costs and a number of non-cash items which arise under IFRS (that is defined benefit pension scheme charges and the capitalisation and amortisation of development costs). A full reconciliation is provided in note 3 to the accounts.

Profit before tax on a statutory basis was £347,000 compared to £401,000 last year. In broad terms the difference represents the net effect in the current year of a profit on disposal of property of £117,000 and a provision of £189,000 against the carrying value of our sole remaining surplus freehold property. Excluding the effect of these property items, statutory pre-tax profit increased to £419,000 compared with £401,000 last year.

Operating cash flows were very strong during the year at £966,000 (2014: £240,000). After dividends of £504,000, capital expenditure of £323,000, and the proceeds from the disposal of fixed assets of £424,000, our net cash balances increased by £563,000 to £5.55 million at 30 September 2015.

We have again increased our R&D expenditure as we continue to enhance our software products. In the year to 30 September 2015 this amounted to £1,067,000, up from £981,000. Of this £139,000 (2014: £79,000) was capitalised as required by IAS 38. Amortisation of previously capitalised R&D expenditure amounted to £66,000 (2014: £36,000). Therefore the R&D charge in the income statement has increased to £994,000 from £938,000 last year.

The tax charge for the year of £43,000 (2014: £3,000 credit) produces an effective tax rate of 12%. This is lower than the current rate of UK corporation tax due to additional tax relief on qualifying Research and Development expenditure and the fact that no tax was payable on the freehold property sale.

Earnings per share was 2.41p or 2.39p on a fully diluted basis (2014: 3.21p and 3.16p).

Pension

The liability associated with the Group's defined benefit pension scheme has increased this year, from £1.58 million net of deferred tax to £1.81 million. Of the £232,000 increase, £170,000 has been written off directly through reserves as an actuarial loss; this relates primarily to a further weakening of the discount rate assumption, driven by the continuation of the fall in corporate bond yields seen in recent years. The remaining £62,000 has been charged in the income statement. The scheme was closed to future accrual in 2014 and consequently there was no current service cost in 2015.

Valuing the scheme under the accounting rules prescribed by IAS19, net assets since 2009 have been reduced by £2.0 million. A significant factor in the scale of this write off has been the steady fall in corporate bond yields since 2009, reflecting the low interest rate environment that has prevailed over that period. This has resulted in the discount rate assumption falling steadily over time, from 5.7% in 2009 to 3.7% in 2015. It should be noted that a subsequent increase in interest rates and recovery in corporate bond yields would, all other things being equal, lead to an improvement in the IAS19 position of the scheme.

In sharp contrast with the IAS19 valuation, the most recent triennial actuarial valuation of the scheme, which was performed at 31 July 2013, showed a small surplus on an ongoing funding basis.

Importantly, as a result of the scheme being fully funded on this basis, the Group is not currently required to make cash contributions into the scheme.

The defined benefit pension scheme comprises a grouped funding arrangement whose sole asset is a with-profits insurance policy backed by corporate bonds. The main difference between the IAS19 valuation and the ongoing funding valuation is that IAS19 requires the scheme asset to be 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 ongoing scheme funding valuation.

Net assets

Net assets reduced to £4.96 million from £5.34 million which reflects inter alia the property write-down and increase in pension liability referred to above. Net assets per share amounted to 39.3p (2014: 42.4p).

Property

We sold our freehold warehouse in Sheffield in July for £425,000. Net cash proceeds after disposal costs were £417,000 which generated a profit of £117,000. Having relocated our repair centre to a small unit on a short-term licence at a minimal cost, we will achieve cost savings of approximately £27,000 a year.

In addition to the hosting centre in Milton Keynes we now have one further freehold property. We have recently accepted an offer of £1.2 million for this property, which is surplus to operational requirements. The offer is subject to a change of use planning application.

We have written the property down in the balance sheet from its previous carrying value of £1.37 million by £189,000 to reflect the expected net sale proceeds. In deciding to accept this offer, we have taken into account the fact that the property has been on the market for a number of years and that significant cost savings can be achieved on its eventual sale. As reported last year, we have currently let this property on a short-term lease to a charitable organisation and, whilst this does not generate significant rental income, this arrangement continues to mitigate business rates of £52,000 per annum. An eventual disposal of this property will generate further annualised cost savings of around £35,000.

Since the year-end we have relocated our Southern office in East Grinstead achieving annual cost savings of £25,000.

Outlook

We have positioned the business to address the challenges we expect to face by strengthening our product R&D and sales teams over the last two years. Our new product offerings have already been well received by customers and should provide us with good opportunities over the coming year.

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

Julian Wassell
Chief Executive

10 December 2015

Consolidated Income Statement

for the year ended 30 September 2015

	2015 £'000	2014 £'000
Revenue	**5,157**	5,508
Gross profit	**4,758**	5,074
Administrative expenses	**(4,381)**	(4,719)
Operating profit	**377**	355
Profit on sale of property	**117**	-
Write-down of property value	**(189)**	-
Finance income	**42**	46
Profit before tax	**347**	401
Income tax (expense)/credit	**(43)**	3
Profit for the period attributable to equity holders of the parent	**304**	404
Earnings per share		
- Basic	**2.41p**	3.21p
- Diluted	**2.39p**	3.16p

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2015

	2015 £'000	2014 £'000
Profit for the period	**304**	404
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurement losses on defined benefit pension scheme	**(213)**	(774)
Income tax on other comprehensive income	**43**	155
Other comprehensive income for the period, net of tax	**(170)**	(619)
Total comprehensive income for the period attributable to equity holders of the parent	**134**	(215)

Consolidated Balance Sheet
at 30 September 2015

	2015	2014
	£'000	£'000
Non-current assets		
Property, plant and equipment	**2,545**	3,097
Deferred tax asset	**453**	395
Intangible assets	**431**	356
	3,429	3,848
Current assets		
Inventories	**64**	67
Trade and other receivables	**1,445**	1,546
Investments	**3,000**	-
Cash and cash equivalents	**2,547**	4,984
	7,056	6,597
Total assets	**10,485**	10,445
Current liabilities		
Deferred income	**(2,008)**	(1,914)
Income tax payable	**(79)**	(16)
Trade and other payables	**(1,000)**	(1,068)
	(3,087)	(2,998)
Non-current liabilities		
Deferred income	**(57)**	(17)
Employee benefits	**(2,265)**	(1,975)
Deferred tax liability	**(115)**	(113)
	(2,437)	(2,105)
Total liabilities	**(5,524)**	(5,103)
Net assets	**4,961**	5,342
Equity		
Share capital		
Share premium	**689**	689
Capital redemption reserve	**119**	119
Treasury shares	**625**	625
Retained earnings	**(587)**	(587)
	4,115	4,496
Total equity attributable to equity holders of the parent		
	4,961	5,342

Consolidated Statement of Changes in Equity

for the year ended 30 September 2015

	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

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2014	689	119	625	(587)	4,496	5,342
Profit for the period	-	-	-	-	304	304
Other comprehensive income:						
- remeasurement loss on defined benefit pension scheme net of tax	-	-	-	-	(170)	(170)
Total comprehensive income	-	-	-	-	134	134
Transactions with owners:						
- share-based payment transactions	-	-	-	-	1	1
- deferred tax on share-based payment transactions	-	-	-	-	(12)	(12)
- dividends paid	-	-	-	-	(504)	(504)
Total transactions with owners	-	-	-	-	(515)	(515)
Balance at 30 September 2015	**689**	**119**	**625**	**(587)**	**4,115**	**4,961**

Consolidated Cash Flow Statement

for the year ended 30 September 2015

	2015	2014
	£'000	£'000
Cash flows from operating activities		
Profit for the period	**304**	404
Adjustments for:		
Depreciation	**228**	248
Amortisation	**81**	126
Profit on disposal of property, plant and equipment	**(120)**	-
Write-down of property value	**189**	-
Transfer of inventory to property, plant and equipment	**(2)**	(10)
Defined benefit pension charge net of employer contributions	**77**	157
Finance income	**(42)**	(46)
Income tax expense/(credit)	**43**	(3)
Change in inventories	**3**	14
Change in receivables	**124**	(11)
Change in payables	**(68)**	(127)
Change in deferred income	**134**	(417)
Equity settled share-based payment transactions	**1**	1
Cash received from operations	**952**	336
Interest received	**19**	48
Income taxes paid	**(5)**	(144)
Net cash from operating activities	**966**	240
Cash flows from investing activities		
Purchase of property, plant and equipment	**(167)**	(176)
Purchase of intangible assets	**(17)**	(81)
Capitalised development expenditure	**(139)**	(79)
Proceeds from sale of property, plant and equipment	**424**	7
Net cash generated by/(used in) investing activities	**101**	(329)
Cash flows from financing activities		
Transfers to fixed-term deposit investments	**(3,000)**	-
Issue of shares out of treasury	**-**	37
Dividends paid	**(504)**	(631)
Net cash used in financing activities	**(3,504)**	(594)
Net decrease in cash and cash equivalents	**(2,437)**	(683)
Cash and cash equivalents at beginning of period	**4,984**	5,667
Cash and cash equivalents at end of period	**2,547**	4,984

Notes

1. Financial Information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 September 2014 or 2015 but is derived from those accounts. Statutory accounts for 2014 have been delivered to the registrar of companies, and those for 2015 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 2014 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 2015.

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 derive from its software licensing contracts and software hosting agreements.

Revenue from new software licences, which typically run for between three and five years, is broken down into two components, namely an initial licence fee and ongoing software usage charges. Initial licence fee revenue is recognised in full on delivery of the software to the customer following receipt of a non-cancellable contract. The Group considers that at this point a significant proportion of the risks and rewards of ownership of the licence have been transferred to the customer. Software usage charges, which reflect the Group's ongoing requirement to maintain and support the software, are recognised on a straight line basis as the remaining risks and rewards of ownership are transferred to the customer over the contract term.

Revenue from the Group’s hosting contracts, which also run for between three and five years, derive from upfront hosting charges and periodic hosting fees. Upfront hosting charges primarily reflect the hardware and software set-up costs incurred on commencement of a new contract. These charges are recognised as revenue once a customer is provided access to their hosted server following receipt of a signed non-cancellable contract. Periodic hosting fees are recognised evenly over the contract term, reflecting the Group’s obligation to maintain provision of the hosted service throughout the contract period.

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

Investments

Investments at the balance sheet date comprise fixed-term bank deposits which have a maturity at acquisition greater than three months.

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 2015 £'000	Software 2014 £'000
Revenue - external customers	**5,157**	5,508
Profit		
Adjusted operating profit	**459**	553
Restructuring costs	**(76)**	-
Segment non-cash net IFRS credit/(charge)	**71**	(41)
Interest revenue	**42**	46
Segment profit before tax	**496**	558
Profit on sale of property	**117**	-
Write-down of property value	**(189)**	-
Defined benefit pension scheme charge net of employer contributions	**(77)**	(157)
Consolidated profit before tax	**347**	401
Other segment items		
Interest revenue	**42**	46
Depreciation and amortisation	**309**	374
Capital expenditure	**184**	257

Geographical analysis

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

	2015	2014
Revenue by destination	**£'000**	£'000

United Kingdom	**4,985**	5,271
Rest of the world	**172**	237
	5,157	5,508

4. Income Tax

	2015 £'000	2014 £'000
Income tax expense/(credit) comprises:		
Current tax		
United Kingdom corporation tax	**79**	85
Tax over provided in prior years	**(12)**	(101)
Group current tax	**67**	(16)
Deferred tax		
Origination and reversal of temporary differences	**(24)**	6
Effect of decrease in the tax rate	**-**	2
Adjustments in respect of prior years	**-**	5
Group deferred tax	**(24)**	13
Income tax expense/(credit)	**43**	(3)

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 £304,000 (2014: £404,000) by 12,610,976 (2014: 12,589,497), being the weighted average number of shares in issue during the year.

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

	2015 Number	2014 Number
Issued ordinary shares at 1 October excluding treasury shares	**12,610,976**	12,530,976
Effect of share options exercised	**-**	58,521
Weighted average number of ordinary shares at 30 September	**12,610,976**	12,589,497

Basic earnings per share is 2.41p (2014: 3.21p).

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 £304,000 (2014: £404,000) by 12,745,733 (2014: 12,784,690), 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:

	2015 Number	2014 Number
Weighted average number of ordinary shares (basic)	**12,610,976**	12,589,497
Effect of outstanding share options	**134,757**	195,193
Weighted average number of ordinary shares at 30 September	**12,745,733**	12,784,690

Diluted earnings per share is 2.39p (2014: 3.16p).

6. Dividends paid and proposed

			2015 £'000	2014 £'000
The following dividends were declared and paid during the year:				
Final dividend for 2014	- 2.0p	(2013: 2.0p)	**252**	252
Interim dividend for 2015	- 2.0p	(2014: 3.0p)	**252**	379
			504	631
Proposed for approval by shareholders at the AGM				
Final dividend for 2015	- 3.0p	(2014: 2.0p)	**379**	252

7. Share Capital

	Ordinary shares of 5p each			
	2015 Number	2014 Number	**2015 £'000**	2014 £'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)**	(1,173,097)	**(59)**	(59)
Issued share capital excluding treasury shares	**12,610,976**	12,610,976	**630**	630

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			
	2015 Number	2014 Number	**2015 £'000**	2014 £'000
Shares held in treasury on 1 October	**1,173,097**	1,253,097	**587**	627
Issued on exercise of EMI share options	**-**	(80,000)	**-**	(40)
Shares held in treasury at 30 September	**1,173,097**	1,173,097	**587**	587

This preliminary announcement was approved by the Board of Directors on 10 December 2015.