

Avia Health Informatics plc

(formerly Avia Investments plc)

Admission to trading on AIM

Placing to raise £1.18 million at 60p per share Acquisition of The Plain Software Company Limited

Avia Health Informatics plc (AIM: AVIA) ('Avia' or 'the Company'), the developer and provider of clinical decision support systems worldwide, announces that it has completed the acquisition of The Plain Software Company Limited ('Plain'), and that dealings on AIM have commenced.

HIGHLIGHTS

- Cancellation from trading on PLUS, reverse takeover and admission to AIM
- Placing to raise £1.18 million before expenses at a placing price of 60p per share
- Acquisition of The Plain Software Company Limited completed. Plain develops and delivers clinical decision support systems for primary and emergency healthcare markets in the UK and internationally
- Plain Odyssey software suite supports triage, assessment and advice for first line patient contacts, including out-of-hours services, GP practices, emergency medical services, walk-in centres, prisons and insurance companies
- Over 60 per cent of Primary Care Trusts commissioned out-of hours services in England use Odyssey, covering around 30 million people
- Plain has in excess of 60 contracts with customers for installation, licences and support - more than 20 per cent of these customers have been with the company for over five years
- Extensive, proprietary, clinical database developed over the past 15 years by teams of doctors, nurses and academics. Software is wholly owned by the Company and its design draws on Bayes' theorem of conditional and marginal probability
- New .NET version of Odyssey developed; service-orientated architecture and web-deployed version is under development.

Chairman, Barry Giddings, commented:

"Plain has significant growth potential and by investing in product development, we are confident of being able to accelerate its growth. It is also an operational platform on which Avia can build, through organic growth and via acquisition. These will be complementary and will enhance market penetration, providing access to new markets as well as improving product usability and function."

"Health informatics is a fast-moving, growing market with a large number of small, underfunded businesses, many with excellent products and intellectual property but without the commercial support to realise their potential."

"Our aim is to build a global healthcare informatics business in an expanding market."

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Introduction

Avia Investments plc announced on 27 February 2009 that it had entered into a conditional agreement to acquire the entire issued share capital of Plain, a company which operates in the healthcare technology sector. The consideration for the Acquisition was approximately £1.6 million satisfied by the issue of 2,501,662 Consideration Shares at the Placing Price and the payment by the Company of £105,000 in cash.

Background

Avia was admitted to trading on PLUS on 25 March 2008 with the objective of making equity investments in the healthcare technology sector. On 27 February 2009, the Company announced that it had made a secured loan of £100,000 to Plain in order to provide the company with additional working capital and allow it to expand its current activities, prior to the Acquisition. Avia also announced on 27 February 2009 that it had signed a conditional agreement to acquire Plain and trading of the Company's shares was temporarily suspended from trading on PLUS pending the publication of this document.

The Directors have significant experience in the medical, healthcare, software and technology sectors and intend to grow the Enlarged Group through both the expansion of existing trade and by further acquisitions.

Background information on Plain

Plain develops and delivers clinical decision support systems for primary and emergency healthcare markets in the UK and internationally. Its Odyssey software suite supports triage, assessment and advice for first line patient contacts, including out-of-hours services, GP practices, emergency medical services, walk-in-centres, prisons and insurance companies.

Plain was founded in February 1995 by Prof. Jeremy Dale, Robert Crouch and Michael Bennett, to develop and market clinical decision support software for primary care workers.

Prof. Jeremy Dale is Plain's Clinical Director and a non-executive director of Avia.

Plain's initial product was a telephone triage clinical decision support system, (known as "TAS"), which recorded its first sale in November 1995. TAS was selected as one of three systems for the then new NHS Direct. In 1998, an independently-led randomised control trial research study into the safety and effectiveness of nurse telephone consultation using TAS in out-of-hours primary care, the SWOOP study, showed cost savings and efficiency gains that could be achieved as a result of an improved clinical assessment using TAS.

The study found that nurses using the product were at least as effective as GPs in out-of-hours telephone consultations. This in turn reduced demands on doctors' time while allowing for savings in staffing costs.

TAS was initially selected by nine of the 17 NHS Direct pilot sites and was also supplied to GP out-of-hours and walk-in-centres in the UK. However, in 2000, the NHS Direct tender was awarded to the AXA group using an American decision support system which had not been one of three original systems trialled. As a result, Plain lost its NHS Direct contracts, forcing a major retrenchment of the business. Subsequently, the management team refocused their efforts on markets not addressed by NHS Direct, targeting out-of-hours and face to face care. TAS was re-designed and re-launched as 'TAS Odyssey' in 2002.

In 2003, MedicInfo B.V. ("MedicInfo") in Holland acquired 10 per cent of Plain's issued capital, becoming a strategic partner and distributor of Odyssey in Holland. Due to further

share issues in 2003 and 2005 the shareholding of MedicInfo was diluted to 9.6 per cent of the company. Plain currently receives fees for the provision of six Odyssey contracts in Holland.

The tender process for out-of-hours decision support was relaxed in 2003 by allowing competitive tenders to NHS Direct. In 2005, Plain supplied 32 per cent of PCT commissioned out-of hours services in England using Odyssey. In 2008, this had grown to over 60 per cent. Currently, around 30 million people in the UK are covered by out-of-hours services using Odyssey products.

In 2007, Barry Giddings was brought in as a consultant to help develop the Plain business. He was subsequently appointed as Chairman and Managing Director of the company. The Board and management team were restructured with additional focus placed on the sales and marketing function, product design and technical development expertise to complement the existing clinical and academic expertise.

In 2009, Plain, with the assistance of a secured loan from Avia, commenced the development of a new .NET version of Odyssey.

Clinical database

Plain's products, further details of which are provided below, are based on an extensive, proprietary, clinical database developed over the past 15 years by teams of doctors, nurses and academics. The Odyssey clinical database currently comprises age/sex specific interlinked symptom-based question sets, each of which includes questions and potential answers together with self-care advice, immediate care advice, differential diagnosis, examination and care plan guidance and prompts and education text. Every question has multiple potential answers, each of which carries a weighting, and it is the cumulative analysis of the weighted responses that determines the advice that the patient receives. The database has over 50,000 questions and answers with 13,000 potential examination findings covering sets of symptoms specifically relating to adults, children and the elderly. A team of clinicians led by Dr. Mark Vorster is responsible for reviewing and updating the entire clinical content on an on-going basis.

All clinical content is encrypted to prevent copyright infringement.

The decision support software

The proprietary software is wholly owned by the Company. Its design draws on Bayes' theorem of conditional and marginal probability to evaluate and analyse clinical information input by the user against decision support criteria which are stored in the clinical database. This differs from algorithmic approaches, as adopted by Plain's primary competitors, since typically such systems lead the user through rigidly structured "yes/no" based questions and without the ability to alter previous answers without restarting the data entry. The Directors believe that Plain's system has the advantage of supporting natural consultation and decision making processes, so allowing the clinician to respond flexibly to a patient's description of symptoms.

The National Programme for IT requires industry standard communication protocols, the most recent being HL7 Version 3 which is essentially an XML-based mark-up standard intended to specify the encoding, structure and semantics of clinical documents for exchange. XML makes it possible to define the content of a document separately from its formatting, making it easy to reuse that content in other applications or for other presentation environments. This is especially important for systems that share structured

data, particularly across the Internet, and for adaptable applications that are either translated into different world languages or which are frequently updated.

All Odyssey systems currently use XML for communication and Odyssey is capable of being embedded into third party systems which provide the requisite link to the National Spine.

Applications

All products are marketed under its 'Odyssey' brand. Odyssey comprises a suite of applications, which between them allow both non-clinically trained staff and clinicians to assess and process patients efficiently and safely. The products are designed for easy inter-operability and cross-platform integration and are embedded into the patient administration system used by the majority of the UK's out-of-hours GP services. The products can also be integrated with other national and international patient administration systems and ambulance management systems.

The products are available either via annual subscription, quarterly subscription (if 10 or more licences are purchased) or on a consumption basis, in the case of Odyssey Pay As You Go. Customer support, education and consultancy advice is an integral part of the product offering. Regular and ad hoc updates of clinical content are included in subscription fees.

The products have been translated into German, French, Italian and Dutch and are already in use in these languages.

The current product suite comprises four stand-alone decision support front-end applications and an integrated set of three of the applications:

Odyssey TeleAssess

Plain's first application, originally known as 'TAS', was launched in 1995 and subsequently rebranded. Odyssey TeleAssess supports clinician-led telephone triage and provides up to date clinical advice for patient assessment. In the UK, it is used primarily by both out-of-hours services and by GP surgeries in-hours to efficiently manage patient care.

Internationally, Odyssey TeleAssess is currently used in the Netherlands and the Republic of Ireland for out-of-hours services, by health insurance companies in Switzerland and the Netherlands and by an attendance management company in the United States.

Odyssey FaceToFace

Odyssey FaceToFace was launched in 2005, targeted at Walk-in Centres and similar nurse-led clinics. It supports nurses who carry out direct patient consultation providing assessment and examination decision support, documentation and care management plans. In addition to providing access to the clinical database and assessment system, Odyssey FaceToFace also has the capability to capture and annotate digital photographs and x-rays which are stored in the patient's records.

It is currently in use in the UK by NHS walk-in-centres and primary care centres staffed by varying grades of nurses and, more recently, it is also being used by the prison service.

Odyssey Reception

Odyssey Reception was developed in 2006 to support non-clinician decision making with respect to the prioritisation of patient queues and the identification of potential emergencies.

The product is aimed primarily at call handlers and receptionists throughout primary care services. It has been designed to allow easy operation without prior medical knowledge. Odyssey Reception presents short sets of age and gender specific questions, based on the patient's symptoms, and subsequently allocates the patient to the most appropriate grade of available medical staff to deal with the severity or complexity of the matter.

Odyssey Gold

Odyssey Gold is a combination product which comprises Odyssey TeleAssess, Odyssey FaceToFace and Odyssey Reception combined into one suite. This allows for simple integration and information sharing across the product range, from initial call through to a face to face consultation.

Odyssey Pay As You Go

Applications can also be made available to lower volume users who are charged on a per patient encounter basis.

Odyssey SelfAssess

Odyssey SelfAssess was developed for pilot site use from February 2009 and is an on-line self assessment decision support system, created by Plain for individuals wanting to assess their symptoms and acute healthcare needs, and gain access to healthcare advice and/or the need and urgency of contacting a healthcare provider. It supports patients to characterise their problem through answering questions connected to the symptoms they are presenting, in just the same way as a doctor or nurse might explore their history.

Odyssey eCover

Odyssey eCover was launched to enable telephone triage of patients during a public health crisis. It is the first of Plain's web-delivered products and is currently being marketed to help primary care trusts manage the pandemic swine flu outbreak.

Odyssey FirstAssess

Odyssey FirstAssess is to replace the versions of Odyssey FaceToFace and Odyssey Reception now being used to improve healthcare within prisons, supporting high levels of achievement against many of the Offender Health Prison Health Performance and Quality Indicators and offering leading clinical decision support.

Odyssey FirstAssess is currently in development to offer enhanced functionality designed for use in the HM Prison environment.

Odyssey ParaMedic

Odyssey ParaMedic is currently in development for pilot use in the 'SAFER' trials with Swansea University and three ambulance services. Embedded into a mobile system on board ambulances it is designed to empower paramedics to make decisions regarding the safety of taking patients home rather than to hospital, thereby saving the health economy significant resources. Initial trials are being planned and focus on elderly patients suffering falls.

Odyssey TAS

Odyssey TAS is a Dutch-market specific version of Odyssey TeleAssess.

Additional services

Plain offers a range of additional fee earning services that support the Odyssey products including implementation, technical support, training and consultancy. These services are

self-contained and can be purchased on an ad hoc basis by existing customers or by non-customers.

Migration to .NET

Plain has developed a new .NET version of Odyssey, which is currently being evaluated by a customer. In order to dramatically open up new market opportunities, the current product requires an updated delivery mechanism which reduces the significant intervention requirements associated with installation, training and support on client-server networks. By redesigning the software delivery of the clinical content, Avia will be able to service existing Odyssey clients more efficiently via the SaaS model, especially with regard to technical and clinical upgrades, while also enabling the opening of significant new markets for global expansion.

Specifically these new markets include; GP Surgeries, Care Homes, Ambulance Services, Prisons and crucially the distribution of Odyssey products by sales channel partners.

In order to migrate the products onto a new technology platform, Plain is developing a service orientated architecture ("SOA"). This will allow the development of products that can be deployed locally on a device (PC/tablet PC/mobile phone in the future); embedded in 3rd party applications and hosted in a SaaS solution held in secure data centres in regional and national locations.

Development of software that is web deployed (i.e. click on a link and it will install on a local machine) and web enabled (access it directly through a web browser either hosted on a local network or central server) has been commenced. The following stages have been taking place over the past six months and will continue into the first quarter of 2010. These represent the key stages of the development lifecycle of Odyssey.NET SOA.

- *Initial Exploration:* including an 'intellectual property harvest' of the current product range.
- *Prioritisation:* of the results of the IP harvest to define the scope of planned development.
- *Design:* performed mainly by the .NET Solution Architect and working closely with both internal and external customers to identify requirements.
- *Training:* a significant amount of effort is being applied to training of existing staff, through structured training events, weekly development training sessions and peer programming.
- *Development:* the development process involves a series of 2-6 week iterations, known as sprints, intended to focus on a prioritised set of objectives, or storyboards.
- *Building:* framework services (demographics, security, clinical etc).

Delivering: at the same time delivering saleable products for the business – to this aim, the Odyssey eCover application is the first .NET product to market.

Testing: this is crucial to delivering high-quality product to the marketplace – the philosophy of the Odyssey.NET SOA is to test early and test often.

It is envisaged that although the final delivery of the .NET SOA will not be until Q2 2010, Plain has released certain products and applications already. A refined version of Odyssey eCover is expected in Q4 2009 and will provide additional opportunities in the global markets. This initial release will contribute to the release of the full Odyssey.NET TeleAssess product, to be undertaken in 2010. To assist the roll out of these products Plain will rely on close cooperation with its partners and discussions are progressing well with all major suppliers to the group's existing markets.

Plain is cooperating with key third party suppliers for the Clinical Content service for TeleAssess to allow close integration of these tools within their own product development which is expected to lead to additional revenues.

The Directors believe that the .NET architecture offers significantly enhanced ease of use and flexibility and will enable Avia to target both a wider patient base and a wider geographical coverage.

Within all of the Odyssey applications is a comprehensive and secure audit trail, documenting details such as times, dates, symptoms and advice given.

Financial summary of Plain

The table below contains information extracted from the audited financial information for Plain for the three financial periods ended 31 March 2009 and research and development expenditure for those three years.

	Audited 12 months to 28 February 2007 £'000	Audited 12 months to 29 February 2008 £'000	Audited 13 months to 31 March 2009 £'000
Revenue	1,615	1,547	1,878
Profit/(Loss) before tax	71	112	(217)
R&D Expenditure charged against profits	173	245	136

For the period up to 31 December 2008, Plain's research and development expenditure has been fully written off in the year in which it was incurred. From 1 January 2009, development expenditure is capitalised when it meets the criteria set out for recognition in International Accounting Standard 18 and amortised over its useful economic life. In the financial statements for the 13 months ended 31 March 2009, £31,141 was capitalised.

Plain has incurred trading losses in the 13 months ended 31 March 2009 as a result of the recruitment of 18 employees in order to further expand and develop its operations.

Market background

Clinical decision support technology has grown in response to the needs of governments and healthcare providers to improve the safety, efficiency and effectiveness of healthcare services in the face of increased expectations, demands and costs. A key area for cost savings comes from the more effective use of skilled nursing staff, allied health professionals and healthcare assistants who, to help relieve the pressure on doctors' time, can assume greater responsibility for certain roles and patient assessments which have historically been undertaken by doctors. This not only increases doctors' access to patients with more complex or urgent needs, therefore improving waiting times and care

levels, but can also reduce overheads. Clinical decision support software can support clinical processes from patient self- assessment to telephone and face- to- face nurse or receptionist assessment in areas as diverse as pharmacies, prisons, ambulances and insurance. It can also provide rigorous documentation and audit trails in the event of insurance and litigation.

The UK healthcare market has changed in recent years. The consolidation of Strategic Health Authorities and the reduction in number of Primary Care Trusts from 309 to 152 in 2006 and English Ambulance Trusts from 31 to 13 attempted to standardise services and to centralise budgets and purchasing decisions. On the other hand, there has been a move towards greater competition in the delivery of services; for example, increasing use of the private sector for the provision of services such as out-of hours, GP-led health centres ('polyclinics'), emergency medicine and an increasingly important role for high street pharmacists. The increase in alternative primary care services such as walk-in-centres and polyclinics coupled with acknowledged gaps in clinical assessment skills, opens the market for effective clinical decision support technology.

The out-of hours market accounts for over 60 per cent. of Plain's current turnover. Plain has a dominant position in this market with almost two thirds of PCTs using the Odyssey support services or related products in which Odyssey is incorporated.

Revenue model

Plain sells a range of services to the primary care sector, primarily derived from interrogation of its clinical database.

Customers pay an annual subscription fee based on the chosen software application. Subscription fees also include charges for maintenance and updates of the clinical data. Training and enhanced training courses are offered for an additional fee.

It is the intention of the Enlarged Group to supplement the current range of front-end applications for the database with additional products covering areas such as emergency departments, long term condition management, the Ministry of Defence and ambulance services, as well as health insurers, via self diagnosis systems, care homes, pharmacies and health advice lines. It is envisaged that the revenue model will remain the same with subscription charges being levied on a per user basis.

Customers

Plain has in excess of 60 contracts with customers for installation, licences and support. More than 20 per cent of these customers have been with the company for more than five years. These clients are primarily UK based, with six customers currently coordinated via the strategic alliance with MedicInfo B.V. Plain also has customers in the USA, Switzerland and Ireland.

At present, approximately 60 per cent. of revenue is derived from the sale of services to out-of-hours services providers with a further 23 per cent. directly to walk-in centres.

Competitors

Competitors range from large multinational operators to smaller single sector businesses and compete directly with UK based algorithmic systems providers. It also competes indirectly with doctor-led services where there is a less accepted need for clinical decision support packages. Clinical Solutions (CAS) is currently the largest competitor of the business with software used by NHS Direct, other health advice lines and walk-in centres. Additional competitors in the UK include Nightingale Guidelines and NHS Pathways.

International competitors include McKesson, a US market leader in the insurance sector, Fonemed and PSIAM, a product from Priority Solutions Inc. which offers a fully automated clinical content product integrated with ambulance services.

Product Development

Plain intends to further invest in software and market development to access new markets, which include emergency departments, long term conditions, sickness and absence management, care homes, and increase penetration of existing markets such as ambulance, insurance, prison sectors, and the armed forces. Future development will focus on:

- developing a service orientated architecture that will provide discrete services such as security, demographics or clinical assessment to third party systems. This will facilitate integration of clinical content and improve user experience;
- providing a flexible workflow model that allows healthcare services to adapt the system to their practice;
- enhancing security services to improve protection of patient confidentiality; and
- creating flexible user interfaces to enable products to operate on a wide range of devices including touch screens, mobile devices and tablet PCs.

Future strategy for the Enlarged Group

The Directors intend to develop and grow the Enlarged Group both organically and through a “buy and build” strategy. The Company will target complementary businesses with strong management teams which will operate alongside Plain, enhancing market penetration and providing access to new markets as well as improving product usability and function.

Current trading and prospects of the Enlarged Group

Current trading is in line with Plain’s historical performance for the period ended 31 March 2009 and with management’s expectations. These expectations are based on Plain’s long term strategy to recruit new personnel and train and enhance the skills of existing personnel as required to develop and deliver ‘.Net’ products and services from the fourth quarter 2009. The strategy also includes the further deployment of web enabled products and services for delivery in 2010 and its classic product range for delivery to a wider customer base in existing markets in late 2009.

Development in .NET has progressed throughout the second and third quarter 2009 with product delivery for both research and commercial release. The research and development release of the Odyssey SelfAssess.NET product has been successfully web deployed and has been well received by both GPs and the patients that have used the system.

The Directors are pleased with the progress that has been made over the past few months and anticipate the proceeds of Placing having a significant effect on the outlook for 2010.

Share capital statistics

Placing Price 60p

Number of Placing Shares to be issued 1,975,100

Number of Consideration Shares to be issued 2,501,662

Number of Ordinary Shares to be issued to providers of services in lieu of fees 160,980
Number of Ordinary Shares in issue following Admission 4,950,249
Placing Shares as a percentage of the Enlarged Issued Share Capital 39.90 per cent
Consideration Shares as a percentage of the Enlarged Issued Share Capital 50.54 per cent
Market capitalisation of the Company at the Placing Price on Admission £2.97 million
Gross proceeds of the Placing £1.185 million
Cash consideration for the Acquisition £105,000
Net proceeds of the Placing £1.02 million

Terms defined in the admission document dated 20 October 2009 have the same meaning in this announcement.