

REGISTERED NUMBER: 6470277 (England and Wales)

**REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011
FOR
AVIA HEALTH INFORMATICS PLC**

**AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)**

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FOR THE YEAR ENDED 31 MARCH 2011**

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AVIA HEALTH INFORMATICS PLC

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2011**

DIRECTORS:	Barry Giddings, Chairman Prof. Jeremy Dale, Clinical Director Nigel Leavy, Non-Executive Director Roger Lane-Smith, Non-Executive Director
SECRETARY:	Paul Preece (appointed September 2010)
REGISTERED OFFICE:	16 Thorney Leys Business Park Witney Oxfordshire OX28 4GE
HEAD OFFICE:	St. Mary`s Court The Broadway Old Amersham Buckinghamshire HP7 0UT
REGISTERED NUMBER:	6470277 (England and Wales)
NOMAD AND BROKER:	Panmure Gordon (UK) Ltd Moorgate Hall 155 Moorgate London EC2M 6XB
AUDITOR:	Baker Tilly UK Audit LLP 25 Farringdon Street London EC4A 4AB
LEGAL ADVISOR:	DLA Piper 3 Noble Street London EC2V 7EE

PRINCIPAL BANKERS:

The Royal Bank of Scotland
London Drummonds Branch
49 Charing Cross
London
SW1A 2DX

HSBC Bank
65 Cornmarket Street
Oxford
OX1 3HY

Co-operative Bank
Stockport
Greater Manchester
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**AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)**

**CHAIRMAN'S REPORT
FOR THE YEAR ENDED 31 MARCH 2011**

I present here the results for Avia Health Informatics plc ("Avia" or "the Company") for the year ended 31st March 2011. During this period, the principal activity of the Company changed from being a holding company to a trading company, engaged in developing, building and maintaining the Odyssey clinical decision support systems. Avia is now selling these products directly and through international partners around the world.

During the year Avia has had to meet the challenges of the uncertain world economic situation and its impact upon the UK healthcare market. While this presented a challenge in the short term, the Company also feels this is an opportunity as the entire Odyssey range supports the delivery of effective healthcare with the potential to achieve considerable cost savings when compared to existing practices.

Corporate Activity

In June 2010, the Company announced it had raised £200k by way of a subscription of 333,334 new ordinary shares at a price of 60p per share. This was followed in March 2011 by a further £558k by way of a subscription of 1,155,440 new ordinary shares at a price of 50p per share (discount to market of 14%). The net proceeds of both these subscriptions, amounting to approximately £705k, were applied in completing further enhancements of the technology platform and to funding initiatives for international growth. This includes the internationalisation of the Odyssey product software, localisation of clinical content and development of e-learning tools whilst also developing new routes to market, including channel partners.

The Company now has a total of 6,399,023 ordinary shares in issue.

During the year the company strengthened its group of advisers so as to reflect Avia`s growing business model world-wide. Baker Tilly UK Audit LLP was appointed our group Auditor, DLA Piper our global corporate lawyers and Panmure Gordon (UK) Ltd our Nominated Advisor and Broker.

Financial Performance

The consolidated results for the year ended 31 March 2011 show turnover for the year of £2.10 million (year ended 31 March 2010: £1.75 million) which resulted in an operating loss of £0.54 million (2010: operating loss £0.32 million). The gross profit margin in the year reduced slightly to 41 per cent (2010: 44 per cent) due to the establishment of the US subsidiary in the second half of the year. However we were able, whilst developing our UK and international operating bases, to maintain control over our administrative costs. Product development costs of £0.19 million have been capitalised in the year (2010:£0.37). The loss per share for the year was 12.25 pence (2010: loss of 6.11 pence per share).

The Group's cash balance as at 31 March 2011 was £0.37 million (2010: £0.5 million). The cash held as at 31 December 2011 by the Company was £0.22 million.

Group Strategy

Avia continues to seek to grow its business through a combination of different strategies as follows:

- Organic growth in the sale of PathFinderRF and Odyssey clinical decision support software product and service range, working with UK and international partners and resellers to increase penetration of the Company's products;
- Marketing and selling other third party vendor products and services to its UK and international customer base;
- Acquisition of related health informatics IPR, businesses and/or companies.

The Group's primary focus continues to be in achieving global market penetration for Plain's products by delivering clinical content, training and other services in the UK and international markets via web-deployed, cloud-enabled, mobile and PC technologies. Sales growth is being targeted through a direct sales force and the engagement of resellers and added value partners, the latter particularly being pursued to increase penetration in new international markets.

Board appointments

Professor Jeremy Dale PhD, MA, MB, BS, FRCGP was previously a Non-executive Director of the Company and became an Executive Director being appointed on 6th September 2010. He also continues as a director of Plain. Paul Preece ACCA was appointed Company Secretary of the Company in September 2011.

Nigel Leavy FCA relinquished his role as part time Finance Director on 31st March 2011 and became a Non-executive Director at that date. The Board wishes to thank Nigel for his services since the inception of the Company and are pleased he will continue as a valued member of the Board until 31st January 2012 when he retires.

Trading Outlook

The challenging market conditions experienced in our core UK markets over the period remained and continued through into the current year, restraining UK growth. However, we are now experiencing new sales from PathFinderRF in the final Quarter of the year and anticipate interest from the Care Home sector with our recent announcement of CareAssess via the cloud as a service. In addition we also anticipate interest from the GP market for Odyssey PatientAssess and Odyssey Reception.

The major investment that the Company has continued to make, both in clinical and software development, is targeted at innovative cost-effective product solutions. This means that we are well-placed to capitalise on new opportunities as they present themselves in the future.

The Board is encouraged by the strength of interest shown from international markets in our core technology software which can now be deployed on touch-screen PCs, laptops and mobile tablet devices operated in many instances by lay personnel. It is anticipated that as new applications for our base clinical technology continue to emerge it will also be capable of being delivered on new generations of mobile platforms (smartphones on the 3G platform).

Whilst the Board sees positive signs of growth from our new UK markets it continues to believe that a move will occur in the next financial year from the Company's dependence on the UK market towards major international growth markets, specifically the emerging markets in the Far East, the Americas and elsewhere where we now have Odyssey in American English. Our product and service development resources continue to be focused on meeting the customer needs in these markets with such development as being able to deliver Odyssey software via the cloud as a service to iPad and other tablets. The major effort during the year ahead will be in developing a cost-effective "route to market" strategy of working with value-added partners, resellers and distributors into these new developing market areas.

Whilst the Board recognises the clear potential of the business and is cautiously optimistic looking forward the Board draws the reader's attention to:

The Group's ability to continue as a going concern depends on its ability to increase sales over the next three months. The main sales increase is projected to come from the PathFinderRF product, which is a new product acquired in June 2011. The first order for PathFinderRF was received in December 2011 and the second order received in January 2012, but because this is a new product there can be no certainty over the level of future sales. Therefore, significant uncertainty exists over the Group's ability to meet its forecast. This situation indicates the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

Trading since the Year End

The anticipated improvement in the first half of the current year did not materialise. Sales in the UK, especially in the Prison and GP sectors, were well below initial expectations. This was mainly due to cost constraints and lack of a clear healthcare strategy within the UK healthcare market. It became clear that due to lack of growth in company's performance from May 2011 onwards that the company's cash reserves would be compromised. This resulted in a shortfall in cash of £200k in the short term and the directors took the decision to ask for a suspension of its shares on AIM. This was granted on 5th August 2011. Subsequently the company issued an update on 24th August (repeated on 30th August 2011) confirming receipt of short term funding from the directors and staff but with the acknowledgement that the company needed, and the directors would be seeking, to attract longer term funding of up to £1m. In November, as part of the Interim Accounts announcement, the Directors noted that taking into account recent trading and the nature of the markets in which the Group operated, they believed that the appropriate funding needed was c. £1.5 million. However whilst the Board notes the material uncertainty alluded to in the going concern

statement in Note 1 to Financial Statements, based on the Company's forecast prepared in January 2012 the Company should only be seeking net funding of not less than £0.5 million to support the development of new products and services for existing and new markets.

The Board continues to believe in the undoubted potential for the Company in overseas markets whilst at the same time remaining cautiously optimistic about seeing growth in its new customer base within the UK market during the next financial year.

Barry Giddings

Chairman
27th January 2012

**AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)**

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2011**

REVIEW OF BUSINESS

UK

Whilst the market conditions remain difficult, Avia made inroads into both its traditional and targeted new markets of GP practices, walk-in centres and prisons/detention centres with year on year growth. Technical and clinical innovation has delivered a range of products that enabled the UK sales team to diversify from its traditional base into new areas. The Company secured a number of key UK 3-year customer contracts with both new and long-term customers, including sales of Odyssey Reception, Odyssey TeleAssess, and Odyssey FaceToFace, so consolidating its position within the UK. It also secured its first sale of Odyssey FirstAssess within the prison service.

In February 2011 the Company announced the signing of a reseller agreement between its wholly-owned subsidiary, Plain Healthcare Limited ("Plain") and the Advanced Health and Care division ("AHC") of Advanced Computer Software plc ("ACS"), for the sale of its Odyssey CareAssess product in the UK care home market. AHC is a supplier of health and care software solutions and already has an existing customer base in the UK care home sector. Their contacts and experience within the care home sector is expected to help promote the adoption of Odyssey CareAssess in this new environment. Odyssey CareAssess has been designed specifically to meet the needs of nursing and residential care homes and draws on the Company's years of experience within the healthcare industry. It enables both clinical and non-clinically trained staff to offer care home residents high levels of care and support in the event of illness or injury. Avia will sell Odyssey CareAssess globally to the care home market through Avia's expanding international reseller network.

Amicus ITS, the IT services division of leading independent primary care provider Harmoni HS Limited ("Harmoni") signed a major three-year contract for the delivery of Odyssey TeleAssess for use at all Harmoni sites. Harmoni has been delivering clinical support services for the last 15 years using Odyssey TeleAssess, and currently provides out of hours cover to over 7 million patients across the UK.

Odyssey customer, SSAFA Forces Help and British Forces Germany, was awarded the prestigious Innovation and Service Development Award at the Military and Civilian Health Partnership Awards 2010 for its delivery of out of hours care using Odyssey TeleAssess.

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**REPORT OF THE DIRECTORS
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International

Despite global recession, we see positive signs that the providers of healthcare services will continue to invest in new technologies to enable improved service delivery at lower costs. Our strategy for global expansion is to identify and work with distribution partners, operationally with other health IT systems, and strategic partners that can provide access to global markets.

Major steps have been taken during the year with the establishment of our own subsidiary in the USA, Avia Health Informatics Inc incorporated on 1 November 2010 and based in Florida with a full-time seasoned director. We see the Americas as a major growth area for our range of products and are now actively seeking direct sales and the appointment of resellers in the USA, Latin America and Canada.

In Australia, Avia has appointed Clarity Business and IT Solutions ("Clarity") as its first Australian reseller. Clarity consultants are noted for their healthcare expertise and track record of working with public sector IT projects. With Avia's Australian reference site in New South Wales we believe we have a strong partner in the region to develop this market.

On the global market Avia's wholly owned subsidiary, Plain signed an agreement with European-based shipping management group, Intresco Limited ("Intresco") to trial Odyssey MarineAssess, on a touchscreen tablet, aboard its cargo ships.

In Europe and other economies with mature health infrastructures, telehealth is growing in importance as a means to provide efficiency in healthcare provision and continues to attract funding; clinical decision support is at the heart of this. Avia has secured two new international contracts in Europe which, while not significant in terms of total group turnover for the current financial year, illustrate the positive steps being taken to enhance its international business. The first is an order from a new client for its Odyssey TeleAssess clinical decision support product in the German language to support call centre telephone triage services over the next three years. The second is for bespoke learning and development services for an existing international client, which the Group was able to devise and deliver in less than two weeks.

Further afield we are seeing less developed economies now focusing on improving access to healthcare. During the year Avia announced the appointment of two new resellers within this market sector. AB Informatics and DeMiTAG HealthConcepts will sell the Odyssey range in Nigeria. AB Informatics is a United Kingdom registered company set up to service the healthcare sector in Africa and is committed to the supply and maintenance of functional and accessible clinical care, which now includes Odyssey information solutions and platforms in Africa. DeMiTAG HealthConcepts Limited has branches in Abuja, Lagos and London with sales outlets in 36 of the state capitals of Nigeria. Their vision is to transform the Nigeria healthcare sector to what is provided in developed countries by supporting government, non-governmental organisations, corporate bodies and individuals in the acquisition of health information management tools.

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**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2011**

Development within the Odyssey product range is being focused on designing appropriate tools to enable all types of clinicians, non-clinicians and even patients themselves to safely and quickly assess clinical needs, whether based in a clinic, a call centre or at a remote location. With the right partners on board, we continue to see vast potential for our products to be sold in diverse markets around the world.

Management organisation

To achieve the Company's global objectives, it has continued to recruit and develop key personnel to meet these challenges. The company has moved its main Head Office from North Wales and is consolidating its operations based in St Mary's Court, Old Amersham, Buckinghamshire. These offices now house all head office functions manned by its senior management together with support staff. The offices are strategically placed to allow the company to more effectively meet the challenges from the UK and international markets.

During the year Avia reorganised operational management for the Company's sales into four sales regions (the Americas, Far East, UK and the rest of the world).

In addition, to support the expanding group and development of financial governance a Financial Controller and Company Secretary were appointed on the 20 September 2010.

Since the year end, the Company has continued to strengthen its management structure further by the appointment of a Director of IT Development, a Director of UK Sales and Marketing and a Director of Product Delivery.

Product range

The group's product range has continued to expand as new applications emerge developed on the Odyssey clinical decision support service orientated architect (SOA). The Company has completed the development and launch of a **.NET platform**, which allows global delivery of its clinical content in the language in which Odyssey is translated and in various settings. The milestone use of service oriented architecture (SOA) allows expansion of revenues both from Odyssey and third party applications in all target sectors.

Building on our secure and robust SOA platform, the Company has added 'occasionally-connected' functionality allowing assessments to be completed irrespective of internet connectivity, whilst at the same time providing a centralised monitoring service.

The Company has re-designed the Odyssey user-interface for use with touchscreen technology to enhance the mobility of the application. Additionally it has re-structured the clinical content so that multiple languages and character sets are better supported.

The Odyssey clinical content and business logic is now available via the **Microsoft Azure Cloud** platform, enabling customers and users in countries and regions with connectivity through the internet to enjoy the benefits of Odyssey clinical content with a significant reduction in the cost of deployment.

Delivering the clinical content via the **Cloud** supported by the Odyssey web services will enable our strategic partners, resellers and end users to access the clinical content and business logic from any internet connected location in the world. This will increase our partner opportunities and reduce the time taken to deploy updates to the end user.

These developments will further open up the international markets for Avia's clinical decision support solutions and create new opportunities for Avia's various Odyssey products. Odyssey is now available on CD and via the internet, 3G and the Cloud, for both static and mobile touchscreen and keyboard devices for use by clinicians and non-clinicians.

During the year, the Company announced the launch of the **Odyssey Mobile** product range. This is an advanced system of clinical decision support (CDS) that has been developed to assist the assessment and

care of patients in a broad range of healthcare and urgent care settings. It allows the Company to further increase its product range for use by non-clinicians in areas where clinical care is often difficult to obtain or not easily available. The Company is now working with clinicians across the world to add further clinical content relevant to the different settings in which the products will be used.

The first product from this new range saw the launch of **Odyssey MarineAssess**. This product is designed to be used by the ship's captain or master in the event of a crew illness or injury when the ship is located many miles off shore with limited or no communication. In addition to providing the ship's crew with access to appropriate care advice, **Odyssey MarineAssess** provides actionable clinical summaries for health professionals on-shore, thus reducing the potential need for the ship's captain to divert from his original course in order to seek additional clinical assessments or in certain cases evacuate the ship. By avoiding a diversion or evacuation scenario the shipping companies can save the considerable costs associated with such measures.

Odyssey CareAssess, another software product in our mobile range was also launched towards the end of the year. This offers clinical decision support designed specifically for care homes, ensuring the best possible care is available to residents at all times. It ensures that care homes can support the health and safety needs of their residents, and summon help from GP and emergency care services in a timely and appropriate manner when this is required, so leading to more effective use of care home and health service resources.

Other established products in the range have continued to be upgraded during the period. These include:

Classic Odyssey Range (TeleAssess, FaceToFace, Reception, and Gold)

Selling into UK walk in centres, PCT's, minor injury units, GP surgeries. Definitive clinical assessment for telephone assessment and face to face consultations, embedded in and delivered with leading health information systems in the UK.

Odyssey FirstAssess

Designed for use in prisons and detention centres, both in the UK and overseas, providing initial assessment of new offenders on arrival. It allows the continuous assessment of complex physical and mental health conditions, so enabling drastic reduction in the costs of onward referral by avoiding unnecessary transfers.

Odyssey TeleAssess

Definitive clinical assessment by telephone, helping clients to meet patients' needs safely and make significant savings in time, effort and money. This product can now be delivered cost effectively to similar operations on a global basis.

Odyssey SelfAssess

Successful in reducing clinician time by 25% **Odyssey SelfAssess** provides the robust clinical content in natural language that non clinicians can understand and follow. Providing the platform for a series of assessment tools, development is on-going to adjust the product to specific markets on different touch screen mobile platforms.

Odyssey ParaMedic

Mobile assessment in the face to face environment, developed on the Odyssey SOA platform. This development is on-going with the ambulance services and is the product that will be sold to other emergency services in the field such as the MOD/air ambulances and other global paramedic applications.

Pathfinder RF

PathFinderRF is an innovative on-line referral facilitation and clinical communication system that enables Commissioning Groups and other Primary Care Organisations to manage referrals and the communication of clinical information from general practice to specialist and community services.

PathFinderRF contains regularly updated referral templates and guidelines that reflects referral best practices and is used by clinicians when considering the needs of the patient to assist with decision-making about referral and choice of the care pathway. Supporting documents, literature, weblinks and therapeutics information specific to the patient's needs are available to support the clinician-patient interaction.

PathFinderRF creates a consistent electronic referral letter containing key patient information, clinical consultation notes, patient medication and referral best practice proforma.

Product History

In 2008 Dr James Findlay, a GP in Rushden for 24 years with the support of Nene Commissioning CIC started the development of a web based decision support tool to bring clinical guidelines to life on the GP's desktop. This system called PathFinder supported appropriate referral decision-making and promoted consistent communication of clinical information to other services and providers of care.

GPs started to adopt PathFinder as they recognised it as a resource which makes their lives easier by replacing paper guidelines with electronic versions all held in one place. The referral proformas covered a range of common clinical scenarios that has been extended to facilitate more appropriate use of investigations resulting in the reduction in outpatient referrals.

Many local care providers and hospitals also supported PathFinder as they saw the improvement in the quality of referrals and the information being provided from primary care. Secondary care consultants used PathFinder to support the commissioning of new services and better ways of working collaboratively. Using PathFinder GP's could demonstrate to patients why a referral was not necessary which helped to improve the patient experience and protect the relationship with their GP.

During 2010 Plain Healthcare entered into discussions with Nene Commissioning CIC to re-develop and commercialise PathFinder. This resulted in the conclusion of an exclusive development, support and reseller agreement signed in June 2011. The new version developed by Plain Healthcare called PathFinderRF (RF stands for referral facilitation) was released in September 2011 and will be customisable by each Clinical Commissioning Group to meet their local requirements.

Business Rationale

Changes to the Healthcare policy necessitates £20 billion savings across the NHS. Newly formed Clinical Commissioning Groups face huge challenges in the coming years whilst at the same time the complexity of both clinical guidelines and service provision will continue to increase. Delivering care into the community must be done safely whilst achieving cost savings.

Further impetus to the PathFinderRF strategy was given by recent findings from the King's Fund which supported the ethos of PathFinderRF, namely timely reliable advice and the collaborative local development and implementation of clinical guidelines. In the face of increasing financial constraints all Clinical Commissioning Groups are seeking ways to reduce unnecessary or inappropriate referrals while ensuring that patient care is not compromised.

During the last 3 years Nene Commissioning CIC has used PathFinder as a vehicle to share information about service developments and best practice, and over the same time period there has been a relative fall in the number of referrals made to the local hospitals by GPs as compared with other comparable areas.

PathFinderRF supports Plain Healthcare's strategy to be a trusted partner to the healthcare market whilst delivering safe clinical decision support and communication solutions that meets the needs of a changing health economy.

Deal Structure

Nene Commissioning appointed Plain Healthcare as the exclusive authorised developer, reseller and provider of support and maintenance services to Nene Commissioning CIC and new customers within general practitioner, commissioning groups, secondary care, private and international suppliers of primary and secondary healthcare sector globally.

During the initial 5 year period Nene Commissioning CIC will receive a percentage royalty fee on each PathFinderRF.

Royalty fee includes licensing and support fees based on Plain standard price list (excludes implementation, consultancy & training services)

All the above product software can be deployed on keyboard and touchscreen PCs, laptops and mobile tablet devices. It is anticipated that as new applications for our base clinical technology continues to emerge it will be capable of being delivered on new generations of mobile platforms worldwide.

Clinical excellence

The Company's Clinical Knowledge Unit continues to develop new clinical content suited to new regions and markets. This has included specific content for Australian and tropical environments, together with content for the shipping and care home industries. The clinical department continues to rigorously test and maintain all current clinical content, to ensure that it remains current, reflecting the very best clinical evidence and practice. The unit has increased its clinical team resource during the year.

The programmes and processes have been further developed to undertake localisation and translation along with a major clinical database management tool, to allow efficient management of multiple versions of the clinical content. This will be more cost effective and above all better protects the Company's Intellectual Property Rights.

This year has also seen the launch of the Company's eLearning programme which allows remote learning to international markets thus expanding our reach and reducing implementation time and cost for the Company, its partners and customers alike. This makes Odyssey products much more attractive and accessible internationally. Learning and professional development of healthcare professionals is essential to the effective use of Odyssey. The company's emphasis is now on creating high quality e-learning, accessed from the internet, enabling users to gain knowledge and skills without having to leave their workplace. This will support the worldwide use of Odyssey products.

Principal risks and risk management

There are risks attached to the business in a number of areas which the board has attempted to mitigate.

The Board continues to seek the best possible professional advice and believes that by so doing mitigates some aspects of commercial risk. The appointment of new professional advisors to the Group reflects the Board's commitment to this strategy.

As already stated above the Group has focused on the development of new products that can be deployed cost effectively into a number of new market sectors within the UK outside of the Group's traditional markets. The management restructuring and recruitment undertaken within the UK sales force is aimed at addressing these new market opportunities. The Group now feels it has a stable and effective structure in place to meet its future growth objectives.

Increased resources continue to be focused on new international market sectors in the new emerging markets, much less affected by the global recession, so reducing the Group's dependence on the traditional home market. The establishment of our American operation has spearheaded this move internationally whilst the **Odyssey Mobile** product range is being developed so as to meet the varied global market opportunities. As a result, we see the Group being much less dependent in the future on the UK market.

Retention and recruitment of top quality key staff in a competitive environment continues to be a challenge and is seen as a risk to the successful development of new products and to their rapid deployment on a global basis. The Board believes that the setting up of the new Head Office facility together with its strengthened professional management team can be more responsive to the needs of its employees and to its customers worldwide. The Board continually reviews its employee terms and conditions including the phasing in of incentive schemes including on target cash bonus schemes, EMI Option schemes and other related benefits.

Details of the financial risks and uncertainties that affect the Group are detailed in note 14 to the financial statements.

Financial and non-financial key performance indicators ("KPIs")

Given the current straightforward nature of the business, the Group's directors are of the opinion that analysis of key performance indicators ("KPIs") is not necessary for an understanding of the development, performance and position of the group. However, the directors believe that relevant KPIs for internal measurement are size and quality of development pipeline, levels of income and cash burn rate. The directors monitor closely income levels of the company. Revenue has increased in the year from £1.8m in 2010 to £2.1m in 2011.

DIVIDENDS

No dividends will be distributed for the year ended 31 March 2011.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2010 to the date of this report.

B S Giddings
J Dale
N Leavy
R Lane-Smith

GROUP'S POLICY ON PAYMENT OF CREDITORS

Neither the Group nor the Company have significant trade creditors and so they have not adopted an established code or standard for the payment of trade creditors. In the normal course of business the Group and Company settles payment in agreement with suppliers' terms and conditions. As at 31 March 2011 the number of creditor days in respect of trade creditors of the Group was 42 (2010: 44).

POLITICAL AND CHARITABLE CONTRIBUTIONS

No charitable or political donations were made during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing the group and company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRSs adopted by the EU;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006

They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Avia Health Informatics plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

DIRECTORS' INDEMNITY INSURANCE

During the year, the Group paid for third party indemnity insurance on behalf of the directors.

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ON BEHALF OF THE BOARD:

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B S Giddings - Director
27th January 2012

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AVIA HEALTH INFORMATICS PLC

We have audited the financial statements on pages 18 to 46. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on pages 14 and 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the provisions of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £647,600 during the year ended 31 March 2011. The group's forecasts indicate that it needs to achieve increased sales, particularly over the next three months, and it is anticipated that these will come from its new sales line, PathFinder RF. However, as this is a new product there can be no certainty over the level of future sales. These conditions, along with the other matters explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Emphasis of matter – Company Investment in subsidiary

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the carrying value of the investment in Plain Healthcare Limited totalling £1,536,373. This is dependent on the ability of the subsidiary to meet its forecasts and to continue as a going concern as set out in Note 1 to the Financial Statements. There can be no certainty over the ability of Plain Healthcare Limited to meet its forecasts and therefore continue as a going concern. This condition, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to recover its investment in the subsidiary undertaking. The financial statements do not include the adjustments that would result if the subsidiary was unable to continue as a going concern and the Company was unable to recover its investment in its subsidiary Plain Healthcare Limited.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Euan Banks (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London EC4A 4AB

27th January 2012

AVIA HEALTH INFORMATICS PLC**(REGISTERED NUMBER: 6470277)****CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011 £	2010 £
Revenue		2,097,504	1,750,572
Cost of sales		<u>(1,230,315)</u>	<u>(983,934)</u>
GROSS PROFIT		867,189	766,638
Administrative expenses		<u>(1,407,408)</u>	<u>(1,084,328)</u>
OPERATING LOSS		(540,219)	(317,690)
Finance income	4	<u>241</u>	<u>1,156</u>
LOSS BEFORE INCOME TAX	5	(539,978)	(316,534)
Income tax	6	(107,622)	107,622
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		<u><u>(647,600)</u></u>	<u><u>(208,912)</u></u>
Loss per share expressed in pence per share:			
Basic and diluted	7	<u>(12.25)</u>	<u>(6.11)</u>

The notes on pages 25 to 46 form part of these financial statements

AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MARCH 2011

	Notes	2011 £	2010 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	539,124	402,942
Property, plant and equipment	9	43,787	38,100
Deferred tax	15	<u>-</u>	<u>107,622</u>
		<u>582,911</u>	<u>548,664</u>
CURRENT ASSETS			
Trade and other receivables	11	642,532	573,730
Cash and cash equivalents	12	<u>366,423</u>	<u>475,163</u>
		<u>1,008,955</u>	<u>1,048,893</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	348,378	399,592
Deferred income		<u>466,846</u>	<u>472,209</u>
		<u>815,224</u>	<u>871,801</u>
NET CURRENT ASSETS		<u>193,731</u>	<u>177,092</u>
NET ASSETS		<u><u>776,642</u></u>	<u><u>725,756</u></u>
SHAREHOLDERS' EQUITY			
Called up share capital	16	124,185	116,941
Share premium	17	2,069,837	1,378,595
Reverse acquisition reserve	17	(1,795,277)	(1,795,277)
Merger reserve	17	1,488,489	1,488,489
Retained earnings	17	<u>(1,110,592)</u>	<u>(462,992)</u>
TOTAL EQUITY		<u><u>776,642</u></u>	<u><u>725,756</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 27th January 2012 and were signed on its behalf by:

.....
Barry Giddings - Director

The notes on pages 25 to 46 form part of these financial statements

AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)

COMPANY STATEMENT OF FINANCIAL POSITION
31 MARCH 2011

	Notes	2011 £	2010 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,291	1,773
Investments	10	1,536,373	1,536,373
		<u>1,538,664</u>	<u>1,538,146</u>
CURRENT ASSETS			
Trade and other receivables	11	155,591	665,503
Cash and cash equivalents	12	340,007	376,222
		<u>495,598</u>	<u>1,041,725</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	28,205	125,972
Deferred income		31,500	-
		<u>59,705</u>	<u>125,972</u>
NET CURRENT ASSETS		<u>435,893</u>	<u>915,753</u>
NET ASSETS		<u>1,974,557</u>	<u>2,453,899</u>
SHAREHOLDERS' EQUITY			
Called up share capital	16	124,185	116,941
Share premium	17	2,069,837	1,378,595
Merger reserve	17	1,488,489	1,488,489
Retained earnings	17	<u>(1,707,954)</u>	<u>(530,126)</u>
TOTAL EQUITY		<u>1,974,557</u>	<u>2,453,899</u>

The financial statements were approved and authorised for issue by the Board of Directors on 27th January 2012 and were signed on its behalf by:

.....
Barry Giddings - Director

The notes on pages 25 to 46 form part of these financial statements

AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	Called up share capital £	Profit and loss account £	Share premium £	Other reserves £	Total equity £
Balance at 31 March 2009	<u>1,641</u>	<u>(254,080)</u>	<u>219,731</u>	<u>-</u>	<u>(32,708)</u>
Loss and total comprehensive income for the year	-	(208,912)	-	-	(208,912)
Transactions with owners:					
Issue of share capital	115,300	-	1,158,864	-	1,274,164
Reverse acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>(306,788)</u>	<u>(306,788)</u>
Balance at 31 March 2010	<u>116,941</u>	<u>(462,992)</u>	<u>1,378,595</u>	<u>(306,788)</u>	<u>725,756</u>
Loss and total comprehensive income for the year	-	(647,600)	-	-	(647,600)
Transactions with owners:					
Issue of share capital	7,244	-	750,476	-	757,720
Share issue expenses	<u>-</u>	<u>-</u>	<u>(59,234)</u>	<u>-</u>	<u>(59,234)</u>
Balance at 31 March 2011	<u>124,185</u>	<u>(1,110,592)</u>	<u>2,069,837</u>	<u>(306,788)</u>	<u>776,642</u>

The notes on pages 25 to 46 form part of these financial statements

AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	Called up share capital £	Profit and loss account £	Share premium £	Other reserves £	Total equity £
Balance at 31 March 2009	<u>93,752</u>	<u>(400,392)</u>	<u>396,748</u>	<u>-</u>	<u>90,108</u>
Loss and total comprehensive income for the year	-	(129,734)	-	-	(129,734)
Transactions with owners:					
Cash shares issue	9,876	-	1,175,185	-	1,185,061
Transactions costs	-	-	(289,121)	-	(289,121)
Shares issued other than for cash	805	-	95,783	-	96,588
Share issued on the acquisition Plain Healthcare Limited	<u>12,508</u>	<u>-</u>	<u>-</u>	<u>1,488,489</u>	<u>1,500,997</u>
Balance at 31 March 2010	<u>116,941</u>	<u>(530,126)</u>	<u>1,378,595</u>	<u>1,488,489</u>	<u>2,453,899</u>
Loss and total comprehensive income for the year	-	(1,177,828)	-	-	(1,177,828)
Transactions with owners:					
Issue of share capital	7,244	-	750,476	-	757,720
Share issue expenses	<u>-</u>	<u>-</u>	<u>(59,234)</u>	<u>-</u>	<u>(59,234)</u>
Balance at 31 March 2011	<u>124,185</u>	<u>(1,707,954)</u>	<u>2,069,837</u>	<u>1,488,489</u>	<u>1,974,557</u>

The notes on pages 25 to 46 form part of these financial statements

AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £	2010 £
Cash flows from operating activities			
Cash absorbed by operations	1	(599,819)	(446,294)
Corporation tax received		<u>-</u>	<u>22,358</u>
Net cash absorbed by operating activities		<u>(599,819)</u>	<u>(423,936)</u>
Cash flows from investing activities			
Purchase of intangible assets		(184,664)	(371,801)
Purchase of property, plant and equipment		(22,984)	(15,984)
Purchase of non-controlling interest in subsidiary		-	(105,000)
Cash acquired on reverse acquisition		-	199,615
Interest received		<u>241</u>	<u>1,156</u>
Net cash absorbed by investing activities		<u>(207,407)</u>	<u>(292,014)</u>
Cash flows from financing activities			
Proceeds from issue of share capital		698,486	992,528
Net cash generated from financing activities		<u>698,486</u>	<u>992,528</u>
(Decrease)/Increase in cash and cash equivalents		(108,740)	276,578
Cash and cash equivalents at beginning of year	2	<u>475,163</u>	<u>198,585</u>
Cash and cash equivalents at end of year	2	366,423	475,163

The notes on pages 25 to 46 form part of these financial statements

AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £	2010 £
Cash flows from operating activities			
Cash absorbed by operations	1	<u>(733,042)</u>	<u>(540,030)</u>
Net cash absorbed by operating activities		<u>(733,042)</u>	<u>(540,030)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,659)	-
Acquisition of subsidiary		<u>-</u>	<u>(105,000)</u>
Net cash outflow from investing activities		<u>(1,659)</u>	<u>(105,000)</u>
Cash flows from financing activities			
Proceeds from issue of share capital		<u>698,486</u>	<u>992,528</u>
Net cash inflow from financing activities		<u>698,486</u>	<u>992,528</u>
(Decrease)/increase in cash and cash equivalents		(36,215)	347,498
Cash and cash equivalents at beginning of year	2	<u>376,222</u>	<u>28,724</u>
Cash and cash equivalents at end of year	2	<u>340,007</u>	<u>376,222</u>

The notes on pages 25 to 46 form part of these financial statements

AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)

NOTES TO THE GROUP AND COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Loss before income tax	(539,978)	(316,534)	(1,177,828)	(137,478)
Depreciation	65,779	14,736	1,517	600
Finance income	(241)	(1,156)	-	-
Impairment of Inter-company receivable	-	-	800,000	-
	<u>(474,440)</u>	<u>(302,954)</u>	<u>(376,311)</u>	<u>(136,878)</u>
(Increase)/Decrease in trade and other receivables	(68,802)	47,153	(290,464)	(482,021)
(Decrease)/Increase in trade, other payables and deferred income	<u>(56,577)</u>	<u>(190,493)</u>	<u>(66,267)</u>	<u>78,869</u>
Cash absorbed by operations	<u>(599,819)</u>	<u>(446,294)</u>	<u>(733,042)</u>	<u>(540,030)</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

Year ended 31 March 2011

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Cash and cash equivalents	<u>366,423</u>	<u>475,163</u>	<u>340,007</u>	<u>376,222</u>

Year ended 31 March 2010

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Cash and cash equivalents	<u>475,163</u>	<u>198,585</u>	<u>376,222</u>	<u>28,724</u>

The notes on pages 25 to 46 form part of these financial statements

AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

1. **GENERAL INFORMATION**

Avia Health Informatics plc ("the Company") and its subsidiaries (together "the Group") sells computer software based support, maintenance, training and consultancy services to the healthcare sector. The Company is domiciled in England and Wales and its registered office address is Thorney Leys Business Park, Witney, Oxon, OX28 4GE. Its head office is St Mary's Court, Broadway, Old Amersham, Buckinghamshire, HP7 0UT.

These financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company and Group operates.

Current background

The financial and trading condition of the company rapidly deteriorated in the first quarter of the year April/June 2011. In early August 2011 based on the latest market intelligence a short term cash flow forecast was produced reflecting an immediate shortfall in cash through August and September 2011. In early August the directors, based on this forecast, requested a suspension in trading the company's shares on AIM.

Since 4 August 2011 the directors have been meeting on a weekly basis for a trading update and the cash position has been reported and monitored closely. On 24 August the directors announced short term bridging funding from its staff.

The directors have also reviewed the cost base assumptions and have made significant savings in expenditure planned for the future.

The company has undertaken a root and branch review starting with a full revised sales forecast by product. This forecast includes a substantive amount from a new product called Pathfinder RF, to which the Group has acquired rights.

Together with the December 2011 management accounts, a reforecast based on median assumptions has been produced through to January 2013. This now forms the main platform for the directors to make their decision on the going concern basis of preparation.

To fully secure the development of the business, the directors do believe that at least £0.5m net cash will be required in 2012. This investment can of course come by way of a number of financial instruments or third party partnerships. The directors are actively pursuing all possible routes that may be available to them.

Going concern and carrying value of the parent company's investment in its subsidiary, Plain Healthcare Limited.

The financial statements are prepared on the going concern basis which assumes the Group will have sufficient resources to enable it to continue trading for the foreseeable future.

The directors have prepared forecast information for the period to January 2013. The forecasts indicate that the Group's revenues are expected to exceed costs due to 1) a reduction in development and salary costs, and 2) the introduction of new products and cloud services into existing and new markets, particularly in relation to Pathfinder.

The achievement of forecasts is largely dependent upon 1) development costs not exceeding budget, and particularly 2) the successful launch of new products and cloud services, as detailed on pages 10 to 13.

The Group's ability to continue as a going concern depends on its ability to increase sales over the next three months. The main sales increase is projected to come from the PathFinderRF product, which is a new product acquired in June 2011. The first order for PathFinderRF was received in December 2011 and the second order was received in January 2012, but because this is new product there can be no certainty over the level of future sales. Therefore, significant uncertainty exists over the group's ability to meet its forecast. This situation indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors have considered the carrying value of the parent company's investment in its subsidiary, Plain Healthcare Limited on the basis they expect forecasts to be met and the business have a long term future no provision for impairment has been made, However as set out above there can be no certainty about these matters and therefore the recoverability of the cost of investment.

The financial statements do not include any adjustments that would result from the Group being unable to continue as a going concern.

AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2011

2. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Basis of consolidation and Reverse Acquisition

On 16 November 2009 following the admission of its shares to trading on AIM, a market operated by the London Stock Exchange, the Company became the legal parent of Plain Healthcare Limited.

The combination has been accounted for as a reverse acquisition as if Plain Healthcare Limited acquired Avia Health Informatics plc. Although these Group financial statements have been issued in the name of the legal parent, the Group's activity is in substance a continuation of that of the legal subsidiary, Plain Healthcare Limited, because after the transaction the former owners of Plain Healthcare Limited gained control of the Group and of the legal parent.

The Company's financial statements and related notes are for the period from 1 April 2010 to 31 March 2011 and present comparative information for the period from 1 April 2009 to 31 March 2010. No profit and loss account is presented by the Company as permitted by section 408 of the Companies Act.

The Group's consolidated financial statements and related notes are for the period 1 April 2010 to 31 March 2011 and the comparatives are for the period from 1 April 2009 to 31 March 2010.

Investments in subsidiaries

In the parent company's Statement of Financial Position investments in subsidiaries are recorded at cost less any provision for impairment. Investments are recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Revenue recognition

The Group sells rights to use its software products under an inclusive licence and maintenance agreement. The fee received from the customer entitles the user to use the software for a limited period of time (typically one year) together with office hours software support and maintenance and on-going updates to the technical content of the software and any upgrades made to the software functionality. An additional fee is rendered to those customers requiring out of office hours support services. Revenue from new licence software installations is recognised only once the software has been delivered and installed to the satisfaction of the customer.

The Group estimates the value of revenue attributable to on-going support and upgrades by calculating the direct costs of providing these services and adding a reasonable profit margin of 25%. This proportion of the fee received from the customer is recognised on a straight line basis over the period covered by the invoice to the customer with appropriate amounts being recognised as deferred income. The balance of the fee received is recognised immediately in income.

Fees generated for separate out of hours support contracts are recognised on a straight line basis over the period covered by the amounts invoiced to the customer. Consultancy services and training are invoiced and recognised as and when performed. Amounts billed in excess of revenue recognised are recorded as deferred revenue and are included within current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2011

2. ACCOUNTING POLICIES - continued

Property, plant and equipment

Plant and equipment is held at cost less accumulated depreciation and any recognised impairment losses. Assets are depreciated to their residual value at a rate of 33.33% using the reducing balance method over their expected useful lives.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in the income statement.

Depreciation methods, useful lives and residual value are reviewed at each accounting date.

Intangible assets

Research and development

Development activities involve a plan or design for the production of new or substantially improved computer software. Development expenditure is capitalised only if development costs can be measured reliably, the software programme is technically and commercially feasible, future economic benefits are probable and the Group intends to have sufficient resources to complete the development and to use, lease or sell the asset. The expenditure capitalised includes only the cost of gross direct labour costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, or internally generated goodwill and brands, is recognised in profit or loss as incurred.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Capitalised development expenditure is amortised on a straight line basis over the period in which it is anticipated that revenues will be generated from the products produced. This is estimated to be 5 years from the date the product is complete and available for sale and is currently an industry sector norm.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2011

2. ACCOUNTING POLICIES - continued

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is recognised in equity.

Trade receivables

Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in profit or loss. Trade receivables are determined to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is not charged on past due accounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade payables

Trade payables are not interest bearing and are recognised initially at fair value and subsequently at amortised cost.

Equity instruments

Equity instruments issued by the Group are recorded as proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk-adjusted, future cash flows at a pre-tax risk-free rate.

AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2011

2. ACCOUNTING POLICIES - continued

Operating lease payments

Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term.

Net financing costs

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as expenses in the income statement as incurred.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity net of any tax effects.

Taxation

The tax expense as a charge or credit to profit or loss represents the sum of the tax currently payable and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the statement of comprehensive income.

Current tax is based on taxable profit for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it related to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged in providing services in a particular economic environment which have different potentials for future development. The Group currently operates in only one segment and though there is export revenue this is all within Europe (except for £43,500 to Australia which we believe is not material in terms of the Group accounts) and the Company therefore classifies its operations as a single segment.

AVIA HEALTH INFORMATICS PLC
(REGISTERED NUMBER: 6470277)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2011

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Use of estimates and judgements

The preparation of financial information in conformity with IFRS as adopted in the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed in the notes below.

Developments expenditure and impairment of intangible assets

Intangible fixed assets comprise capitalised development expenditure amounting to £539,124 (2010: £402,942). The directors consider the expenditure capitalised meets the recognition criteria since each project for which expenditure is capitalised is assessed by the board before expenditure is incurred.

Each year the Group assesses the recoverability of the amounts capitalised by reviewing forecast sales of each product line. Where this information is not available (for example where a product has not yet been released on the market) other market data is assessed.

The directors consider that for each product for which expenditure has been capitalised, there is a reasonable certainty that future profits will exceed the carrying value of the asset. The accounts include an amortisation charge of £48,482 (2010: nil), representing the planned 5 year write down of capitalised costs relating to a product that is now being sold.

Deferred tax asset

The group has in the past recognised a deferred tax asset in respect of trading losses carried forward by Plain Healthcare Limited. The directors now feel that given the delays experienced in the generation of taxable profits they would wish to take a conservative view and not reflect these assets within the balance sheet under review. The deferred tax asset not recognised is £210,836 which relates to prior and current year.

Carrying value of investments in subsidiary undertakings

The shares of Plain Healthcare Limited are recorded in the Parent Company's Statement of Financial Position at an amount of £1,536,373 (2010: £1,536,373). Based on profit and cash flow forecasts, the directors consider that the value of the shares exceeds the carrying value recorded in the financial statements.

The directors have considered discounted cash flow forecasts over a period of ten years applying growth rates and a cost of capital they consider to be appropriate.

AVIA HEALTH INFORMATICS PLC
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2011

3. EMPLOYEES AND DIRECTORS

	2011	2010
	£	£
Wages and salaries	1,656,289	1,199,115
Social security costs	<u>180,511</u>	<u>161,072</u>
	<u><u>1,836,800</u></u>	<u><u>1,360,187</u></u>

The average monthly number of employees during the year was as follows:

	2011	2010
	Number	Number
Development and sales	39	38
Administration	<u>6</u>	<u>6</u>
	<u><u>45</u></u>	<u><u>44</u></u>

The remuneration of the directors of the parent company is set out below;

	2011	2010
	£	£
Directors' emoluments		
B S Giddings	135,000	40,420
Nigel Leavy	39,750	8,611
Jeremy Dale	70,000	18,005
Roger Lane-Smith	<u>15,000</u>	<u>2,500</u>
At 31 March 2011	<u><u>259,750</u></u>	<u><u>69,536</u></u>

The remuneration of the directors of Avia Health Informatics plc and Plain Healthcare Limited, who are considered to be key management personnel is set out below;

	2011	2010
	£	£
Remuneration of key management personnel	<u><u>382,627</u></u>	<u><u>428,318</u></u>

There is no Group pension scheme in place for the benefit of the directors.

4. NET FINANCE INCOME

	2011	2010
	£	£
Finance income:		
Deposit account interest	<u><u>241</u></u>	<u><u>1,156</u></u>

5. **LOSS BEFORE INCOME TAX**

The loss before income tax is stated after charging:

	2011	2010
	£	£
Property rentals	12,686	12,630
Hire of plant and machinery	662	386
Depreciation - owned assets	17,297	14,736
Amortisation – intangible assets	48,482	-
Auditors remuneration for audit service payable to Hazlewoods	-	11,650
Auditors remuneration for consultancy services payable to Hazlewoods	-	4,000
Auditors remuneration for audit service payable to Baker Tilly	37,500	-
Auditors remuneration for consultancy service payable to Baker Tilly	<u>25,000</u>	<u>-</u>

AVIA HEALTH INFORMATICS PLC
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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6. INCOME TAX

	2011	2010
	£	£
Current tax:		
UK corporation tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	<u>107,622</u>	<u>(107,622)</u>
Total tax charge / (credit) in income statement	<u>107,622</u>	<u>(107,622)</u>

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2011	2010
	£	£
Loss on ordinary activities before tax	<u>(539,978)</u>	<u>(316,534)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax for small companies in the UK of 21% (2010: 21%)	(113,395)	(66,472)
Effects of:		
Non deductible expenses	-	7,282
Losses carried forward, not recognised as a deferred tax asset	113,395	10,469
Arising from the reversal of a deferred tax asset	107,622	
Deferred tax asset in respect of unutilized losses not previously recognised	<u>-</u>	<u>(58,901)</u>
Total income tax charge / (credit)	<u>107,622</u>	<u>(107,622)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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7. LOSS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of shares for the year ended 31 March 2011 is based on the number of shares of Avia Health Informatics plc in issue during the year.

The weighted average number of shares for the year ended 31 March 2010 is based on the number of shares of Plain Healthcare Limited outstanding during the year multiplied by the exchange ratio used in the business combination and the weighted average number of shares in issue for the year since the acquisition.

As there are no dilutive factors, earnings per share is equivalent to the basic loss per share.

	Earnings £	2011 Weighted average number of shares	Loss per-share pence
Basic EPS			
Earnings attributable to ordinary shareholders	(647,600)	5,285,226	(12.25)
Effect of dilutive securities	<u>-</u>	<u>-</u>	<u>-</u>
Diluted EPS			
Adjusted earnings	<u>(647,600)</u>	<u>5,285,226</u>	<u>(12.25)</u>

	Earnings £	2010 Weighted average number of shares	Loss per-share pence
Basic EPS			
Earnings attributable to ordinary shareholders	(208,912)	3,420,422	(6.11)
Effect of dilutive securities	<u>-</u>	<u>-</u>	<u>-</u>
Diluted EPS			
Adjusted earnings	<u>(208,912)</u>	<u>3,420,422</u>	<u>(6.11)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2011

8. INTANGIBLE ASSETS

Group

**Development
expenditure
£**

COST

At 1 April 2009
Additions

31,141
371,801

At 31 March 2010
Additions

402,942
184,664

At 31 March 2011

587,606

AMORTISATION

At 1 April 2009 and 31 March 2010

-

Charge for 2011

48,482

At 31 March 2011

48,482

NET BOOK VALUE

At 31 March 2009

31,141

At 31 March 2010

402,942

At 31 March 2011

539,124

AVIA HEALTH INFORMATICS PLC
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2011

9. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery £
COST	
At 1 April 2009	85,945
Additions	<u>17,757</u>
At 31 March 2010	103,702
Additions	<u>22,984</u>
At 31 March 2011	<u>126,686</u>
DEPRECIATION	
At 1 April 2009	50,866
Charge for year	<u>14,736</u>
At 31 March 2010	65,602
Charge for the year	<u>17,297</u>
At 31 March 2011	<u>82,899</u>
NET BOOK VALUE	
At 31 March 2009	<u>35,079</u>
At 31 March 2010	<u>38,100</u>
At 31 March 2011	<u>43,787</u>

AVIA HEALTH INFORMATICS PLC
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2011

9. PROPERTY, PLANT AND EQUIPMENT - Continued

Company

	Plant and machinery £
COST	
At 1 April 2009 and 31 March 2010	3,598
Additions	<u>2,034</u>
At 31 March 2011	<u>5,632</u>
 DEPRECIATION	
At 1 April 2009	1,225
Charge for the year	<u>600</u>
At 31 March 2010	1,825
Charge for the year	<u>1,516</u>
At 31 March 2011	<u>3,341</u>
 NET BOOK VALUE	
At 31 March 2009	<u>2,373</u>
At 31 March 2010	<u>1,773</u>
At 31 March 2011	<u>2,291</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2011

10. INVESTMENTS

Company

	Shares in group undertakings £
COST AND NET BOOK VALUE	
At 31 March 2009	-
Acquisition	1,536,373
At 31 March 2010 and 31 March 2011	<u>1,536,373</u>

On 16 November 2009 the Company acquired 100 per cent of the ordinary issued share capital of Plain Healthcare Limited for a net cash consideration of £35,000 and the issue of 2,501,662 ordinary shares of 0.5 pence each issued at a premium of 59.5 pence each. The total consideration amounted to £1,536,373.

Plain Healthcare Limited is a company incorporated in England and Wales. The nature of the business is that of the sale of services in the primary health sector.

On 1 November 2010 the Company incorporated a new 100 per cent owned subsidiary called Avia Health Informatics Inc.

Avia Health Informatics Inc is a company incorporated in Delaware, USA. The nature of the business will that of the sale of services in the primary health sector. The company did not trade in the year.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Trade receivables	549,983	452,002	83,575	-
Amounts owed by group undertakings	-	-	47,558	588,419
Other receivables	210	69,624	210	69,624
Prepayments and accrued income	92,339	52,104	24,248	7,460
	<u>642,532</u>	<u>573,730</u>	<u>1,55,591</u>	<u>665,503</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Bank deposit account	<u>366,423</u>	<u>475,163</u>	<u>340,007</u>	<u>376,222</u>

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade payables	87,971	119,890	12,557	26,600
Social security and other taxes	249,266	237,251	15,648	95,389
Other payables	1,921	-	-	-
Accrued expenses	<u>9,220</u>	<u>42,451</u>	<u>-</u>	<u>3,983</u>
	<u>348,378</u>	<u>399,592</u>	<u>28,205</u>	<u>125,972</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2011

14. FINANCIAL INSTRUMENTS

The directors' objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and to maintain a strong capital base to sustain future development of the business. The Group's strategy remained unchanged during the year. Capital resources have however been depleted significantly by losses incurred during the year as a consequence of the recruitment of additional staff to expand and develop the business.

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, trade payables.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and bank balances.

Exposure to credit risk

The carrying of financial assets set out below represents the maximum credit exposure. There are no commitments that could increase this exposure to more than the carrying amounts. The Group does not require collateral in respect of trade and other receivables.

Given the nature of its customer base, being principally government funded healthcare services, together with historical experience, no provision for impairment has been made and no charge made to the income statement in respect of irrecoverable amounts. There is no significant concentration of credit risk.

The ageing of trade receivables, which are not impaired, at each balance sheet date was:

	2011	2010
	£	£
Not past due	344,337	446,757
Past due 0-30 days	3,037	2,688
Past due 31-90 days	191,251	-
Past due by more than 90 days	11,358	2,557
	<hr/>	<hr/>
	549,983	452,002
	<hr/> <hr/>	<hr/> <hr/>

The Group's expense for irrecoverable trade debtors is £nil (2010: £11,894). Trade receivables are stated net of a provision for irrecoverable amounts of £nil (2010: 11,894).

Bank balances are held with the HSBC Bank Plc, Royal Bank of Scotland Plc and Co-operative Bank Plc.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group's reputation by monitoring daily cash position. All of the Group's contractual maturities of financial liabilities are repayable within 30 days.

The Group has incurred trading losses as a result of the recruitment of new staff to expand and develop its operations and whilst seeing some revenue growth in the year under review has recently suffered a major reduction in Revenue due to adverse trading conditions. As a consequence, available cash resources have been depleted such that the Group now requires a further injection of

funds to enable it to achieve its expansion plans. As referred to in the chairman's statement above the group has secured short term bridging finance from its employees but requires a minimum of £0.5m net to secure its development programme.

Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments.

Foreign currency risk

The Group has no exposure to foreign currency risk.

Interest rate risk

At the reporting date the Group's interest rate profile of interest-bearing financial instruments was:

Variable rate instruments	2011 £	2010 £
Cash and cash equivalents	366,423	475,163

Categories of financial assets and financial liabilities

Financial assets as set out in the table below fall within the category defined by IAS39 as loans and receivables. Financial liabilities fall within the category of financial liabilities measured at amortised cost.

Fair values

The carrying value of trade and other payables and trade and other receivables are assumed to approximate to their fair values given their short-term nature.

The fair value of cash and cash equivalents is equivalent to its carrying amount. The cash is repayable on demand.

The fair and carrying values for each class of financial assets and financial liabilities is shown in the relevant notes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2011

14. FINANCIAL INSTRUMENTS - continued

GROUP

Financial assets	2011 £	2010 £
Trade receivables	549,983	452,002
Other receivables	42,490	69,624
Cash and cash equivalents	<u>366,423</u>	<u>475,163</u>
	<u>958,896</u>	<u>996,789</u>

Financial assets exclude prepayments.

Financial liabilities	2011 £	2010 £
Trade payables	87,971	119,890
Accrued expenses	9,220	42,451
Other payables	<u>1,921</u>	<u>-</u>
	<u>99,112</u>	<u>162,341</u>

Financial liabilities exclude social security and other taxes.

COMPANY

Financial assets	2011 £	2010 £
Amounts owed by group undertakings	47,934	588,419
Other receivables	42,490	69,624
Cash and cash equivalents	<u>340,007</u>	<u>376,222</u>
	<u>430,431</u>	<u>1,034,265</u>

Financial assets exclude prepayments.

Financial liabilities	2011 £	2010 £
Trade payables	12,557	26,600
Other payables	<u>-</u>	<u>3,983</u>
	<u>12,557</u>	<u>30,583</u>

Financial liabilities exclude social security and other taxes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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15. DEFERRED TAX

Group

Movements in the provision comprise:

	2011	2010
	£	£
Brought forward	107,622	-
Credited / (charged) to profit or loss	(107,622)	107,622
	<hr/>	<hr/>
Balance at 31 March	<u>-</u>	<u>107,622</u>
	<hr/>	<hr/>
	2011	2010
	£	£
Acceleration tax depreciation	-	(3,104)
Temporary timing differences	-	16,275
Unutilised tax losses	-	94,451
	<hr/>	<hr/>
Balance at 31 March	<u>-</u>	<u>107,622</u>
	<hr/>	<hr/>

The group has in the past recognised a deferred tax asset in respect of trading losses carried forward by Plain Healthcare Limited. The directors now feel that given the delays experienced in the generation of taxable profits they would wish to take a conservative view and not reflect these assets within the Statement of Financial Position under review. The deferred tax asset not recognised is £210,836 which relates to prior and current year.

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2011	2010
			£	£
6,399,023	Ordinary	0.5p	31,995	24,751
312,507	Deferred	29.5p	<u>92,190</u>	<u>92,190</u>
			<u>124,185</u>	<u>116,941</u>

The authorised share capital as at 31 March 2011 was 500,000,000 (2010: 500,000,000) ordinary shares of 0.5p each totalling £2,500,000.

On the 21 June 2010 the Company issued 333,334 ordinary shares at 60 pence per share for cash consideration.

On the 11 March 2011 the Company issued 1,115,440 ordinary shares at 50 pence per share for cash consideration.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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17. RESERVES

Other reserves

The merger reserve arises under section 612 of the Companies' Act 2006 on the shares issued by the Company to acquire Plain Healthcare Limited.

The reverse acquisition reserve relates to the reverse acquisition between Plain Healthcare Limited and Avia Health Informatics plc.

18. RELATED PARTY TRANSACTIONS

COMPANY

B S Giddings

No Fees and expenses were paid directly to Chart Investment Management Limited a company controlled by B S Giddings, for consultancy services provided by him during the year ended 31 March 2011.

N Leavy

No Fees and expenses were paid directly to Oxford Corporate Management Limited a company controlled by N Leavy, for consultancy services provided by him during the year ended 31 March 2011.

	2011	2010
	£	£
Chart Investment Management Limited	-	27,689
Oxford Corporate Management Limited	-	25,380
	<u> </u>	<u> </u>

Plain Healthcare Limited (formerly The Plain Software Company Ltd)

As at 31 March 2011 the Company is owed £ nil (2010: £593,189) from Plain Healthcare Limited. Interest was charged on the loan at 4% above the base lending rate of National Westminster Bank Plc totalling £12,007 (2010: £7,744). Avia Health Informatics plc became the legal parent of Plain Healthcare Limited on 16 November 2009 during the reverse acquisition.

As part of the March 2011 subscription Professor Jeremy Dale subscribed for 30,000 shares and Roger Lane –Smith subscribed to 25,000 shares both at a placing price of £0.50.

19. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2011	2010
	£	£
Within one year	12,686	12,686
Between one and five years	32,794	45,480
In more than five years	-	-
	<u>45,480</u>	<u>58,166</u>

Operating lease payments represent rentals payable by the Company in respect of office premises.

The operating lease does not have any restrictions imposed relating to dividends, debt or further leasing. The property lease includes a requirement to return the leased property to the state in which it was at the inception of the lease.

