

28 July 2010

**Avia Health Informatics plc  
("Avia" or the "Company")**

**Final Results for the year ended 31 March 2010**

**HIGHLIGHTS**

- **Acquisition of The Plain Software Company Limited**  
The Company completed the acquisition of The Plain Software Company Limited on 16 November 2009 for a consideration of £1.6 million.
- **AIM flotation**  
The Company moved from the Plus Markets platform, listing on AIM on 16 November 2009 and raised £1.19 million.
- **Investment of £400,000 into future new products**  
In a range of new web-deployed and cloud enabled products allowing the Company to enter into a range of new market areas for the first time. Part of the proceeds were used to develop these new products which were delivered six months ahead of schedule allowing entry into new markets earlier than planned.

**Barry Giddings, Chairman, commented:**

*"The results for the year under review reflect a period of transition for the Company as it sought to diversify its dependence on its core UK market. The development and launch of the web-deployed and cloud enabled products and following the year end the MobileAssess touchscreen tablet products have been completed ahead of our internal plan which will allow the sales efforts in our international markets to commence earlier than scheduled. The market conditions in the core UK market remain challenging but we are encouraged by the progress made in the international markets with the web-deployed products. The longer term future of the Company lies in these international markets and the Company is now well placed in terms of its sales platform and product range to take advantage of these opportunities as they present themselves"*

**Enquiries:**

**Avia Health Informatics Plc**

Barry Giddings, Chairman

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**CHAIRMAN'S STATEMENT**

**Summary**

- **Acquisition of the Plain Software Company Limited** for £1.6 million.
- **Fund raising and listing on AIM.** Raised £1.2 million on listing and subsequently a further £200,000 in July 2010.
- **Growth strategy** is based on a combination of organic growth working with UK and International strategic partners, sale of third party vendor products and by acquisition of related businesses/companies.

- **Board appointments.** The Board has been significantly strengthened by the appointment of two highly experienced Directors.
- **Trading outlook** will continue to be difficult in the Company's core UK markets but the Company is well placed with its improved product range for the UK and international markets.

I am pleased to present the first set of results for Avia Health Informatics plc since its Admission to trading on AIM on 16 November 2009 for the year ended 31 March 2010.

## **Introduction**

At the start of the period under review, the principal activity of Avia was the acquisition and operation of businesses in the healthcare technology sector. On 16 November 2009, it completed the acquisition of The Plain Software Company Limited (now Plain Healthcare Limited ("Plain")). The Company's principal activity since that date has been to act as a holding company for its principal trading subsidiary, Plain.

## **Corporate activity**

### **Acquisition of The Plain Software Company Limited**

Plain was acquired for a total consideration of £1.6 million satisfied by the issue of 2,501,662 new ordinary shares and the payment of £105,000 in cash. Simultaneously with the acquisition, the Company completed a Placing to raise £1.2 million before expenses and moved from Plus Markets onto AIM. Part of the proceeds from the placing were applied to further Plain's development and marketing plans. This investment has already had a considerable impact on Plain's growth with the first phase of the development programme being completed six months ahead of schedule.

In July 2010, the Company announced it had raised a further £200,000 by way of a subscription of 333,334 new ordinary shares at a price of 60p per share. The net proceeds of this subscription, amounting to approximately £190,000, will be applied primarily to accelerate development work on the Company's roll out of its mobile clinical decision support software products and to complete the development of specific touch-screen applications.

The Company now has a total of 5,283,583 ordinary shares in issue.

## **Financial Performance**

The consolidated results for the year ended 31 March 2010 show turnover for the year of £1.75 million (13 month period ended 31 March 2009: £1.88 million) which resulted in an operating loss of £0.32 million (2009: operating loss £0.23 million). The gross profit margin in the year increased slightly to 44 per cent (2009: 42 per cent) and we were able to maintain control over our cost base with administrative costs of £1.08 million for the year (2009: £1.02 million). Product development costs of £0.37 million have been capitalised in the year. The loss per share for the year was 6.11 pence (2009: loss of 7.89 pence per year).

The consolidated results have been prepared on the basis of merger accounting rules and therefore include the trading results for Plain for the full year and the parent company results from the date of the transaction.

The Company's cash balance as at 31 March 2010 was £0.5 million (2009: £0.2 million). The current cash held by the Company is £0.5 million.

## **Group Strategy**

Avia is seeking to grow its business through a combination of different strategies as follows:

- Organic growth in the sale of Plain's Clinical Decision Support software product 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 businesses and/or companies.

The Company's primary focus is on 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 and enabled technologies through direct sales or through the use of resellers. and added value partners. .

The Company continues to sell the core Odyssey product range to established markets whilst developing the Web-deployed Odyssey product range for use in new markets. It was originally planned to launch the Web-deployed range by the third quarter of the current financial year, but by adopting a rapid and agile approach to product development we have been able to deliver the first product from this range six months ahead of schedule. This has allowed the Company to commence the sales and marketing phase for these products much sooner than planned and the Board is hopeful that early traction in these markets can be achieved. The fast tracking of the development programme will mean the related costs, certain of which will be capitalised, will now fall in the first half of the current financial year rather than the second half.

### **Board appointments**

Professor Jeremy Dale PhD, MA, MB, BS, FRCGP was a director of Plain and was appointed as a Non-executive Director on 16 November 2010. Roger Lane-Smith was appointed a Non-Executive Director on 10 February 2010.

I would like to formally welcome both Jeremy and Roger to the Board. Nigel Leavy and I look forward to enjoying the benefit of Jeremy's extensive clinical experience and Roger's career long experience of worldwide business operations, corporate strategy and commercial management disciplines.

### **Trading Outlook**

The challenging market conditions experienced in our core UK markets during 2009/10 remain and latterly additional pressure has been placed on these markets with the well publicised planned cut backs in Government expenditure and the inevitable uncertainty that these bring. Whilst these uncertainties remain we expect, in the short term, to continue to see a slowdown in our core UK markets.

Once these uncertainties are removed and the drive for efficiencies starts we believe the Company is well placed to take advantage of the opportunities that will present themselves specifically those relating to achieving cost efficiencies in the delivery of patient care.

The major investment that the Company has made, and continues to make, both in clinical and software development over the last year to enable it to deliver cost effective product solutions means that we can now capitalise on these opportunities as they present themselves

The Board is encouraged by the level of initial interest from international markets in our core technology software which can now be deployed on keyboard and touchscreen 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.

The Board see a move away in the current financial year from the Company's dependence on the UK market to major international growth markets, specifically emerging markets in the Far East, the Americas and elsewhere. Our product development resource is focused on meeting the customers' needs in these markets. We also expect to expand our cost effective "route to market" strategy of working with value added partners, resellers and distributors into these new developing market areas.

The Board is excited by the potential for the Company in overseas markets and remain cautiously optimistic about the current financial year due to the financial pressures on its customer base in the UK market.

**Barry Giddings**  
Chairman

**CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR  
ENDED 31 MARCH 2010**

	Notes	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
Revenue		1,750,572	1,878,008
Cost of sales		<u>(983,934)</u>	<u>(1,088,209)</u>
<b>GROSS PROFIT</b>		<b>766,638</b>	<b>789,799</b>
Administrative expenses		<u>(1,084,328)</u>	<u>(1,017,239)</u>
<b>OPERATING LOSS</b>		<b>(317,690)</b>	<b>(227,440)</b>
Finance income	2	<u>1,156</u>	10,084
<b>LOSS BEFORE INCOME TAX</b>	<b>3</b>	<b>(316,534)</b>	<b>(217,356)</b>
Income tax	4	<b>107,622</b>	19,907
<b>LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME</b>		<u><b>(208,912)</b></u>	<u><b>(197,449)</b></u>
Loss per share expressed in pence per share: Basic and diluted	5	<u><b>(6.11)</b></u>	<u><b>(7.89)</b></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010**

	2010 £	2009 £
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets	402,942	31,141
Property, plant and equipment	38,100	35,079
Deferred tax	107,622	-
	<u>548,664</u>	<u>66,220</u>
<b>CURRENT ASSETS</b>		
Trade and other receivables	573,730	423,413
Tax receivable	-	22,358
Cash and cash equivalents	475,163	198,585
	<u>1,048,893</u>	<u>644,356</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	399,592	279,460
Deferred income	472,209	363,824
Borrowings	-	100,000
	<u>871,801</u>	<u>743,284</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<u>177,092</u>	<u>(98,928)</u>
<b>NET ASSETS/(LIABILITIES)</b>	<u>725,756</u>	<u>(32,708)</u>
<b>SHAREHOLDERS' EQUITY</b>		
Called up share capital	116,941	1,641
Share premium	1,378,595	219,731
Reverse acquisition reserve	(1,795,277)	-
Merger reserve	1,488,489	-
Retained earnings	(462,992)	(254,080)
<b>TOTAL EQUITY</b>	<u>725,756</u>	<u>(32,708)</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010**

	Called up share capital	Retained earnings	Share premium	Merger reserve	Reverse acquisition reserve	Total equity
	£	£	£	£	£	£
<b>Balance at 1 April 2008</b>	1,641	(56,631)	219,731	-	-	164,741
<b>Changes in equity</b>						
Total comprehensive income	-	(197,449)	-	-	-	(197,449)
<b>Balance at 31 March 2009</b>	1,641	(254,080)	219,731	-	-	(32,708)
<b>Changes in equity</b>						
Pre combination reserves to reverse acquisition	(1,641)	-	(219,731)	-	221,372	-
Shares issued to shareholders of Plain Healthcare Limited	12,508	-	-	1,488,489	(1,500,997)	-
Purchase of non-controlling interest in Plain Healthcare Limited	-	-	-	-	(35,376)	(35,376)
Pre-combination reserves of parent company	93,752	-	396,748	-	(480,276)	10,224
Shares issued for cash	9,876	-	1,175,185	-	-	1,185,061
Share issue expenses	-	-	(289,121)	-	-	(289,121)
Shares issued in settlement of liabilities	805	-	95,783	-	-	96,588
Total comprehensive income	-	(208,912)	-	-	-	(208,912)
<b>Balance at 31 March 2010</b>	116,941	(462,992)	1,378,595	1,488,489	(1,795,277)	725,756

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2010**

	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
<b>Cash flows from operating activities</b>		
Cash absorbed by operations	(446,294)	(234,723)
Corporation tax received/(paid)	22,358	(7,455)
Net cash absorbed by operating activities	(423,936)	(242,178)
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	(371,801)	(31,141)
Purchase of property, plant and equipment	(15,984)	(33,195)
Purchase of non-controlling interest in subsidiary	(105,000)	-
Cash acquired on reverse acquisition	199,615	-
Interest received	1,156	10,084
Net cash absorbed by investing activities	(292,014)	(54,252)

<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	<b>992,528</b>	-
New loans in year	<b>992,528</b>	100,000
Net cash from financing activities	-	100,000
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>276,578</b>	(196,430)
<b>Cash and cash equivalents at beginning of year</b>	<b>198,585</b>	395,015
<b>Cash and cash equivalents at end of year</b>	<b>475,163</b>	198,585

#### Notes to the Statement of Cash Flows for the year ended 31 March 2010

##### 1. Reconciliation of loss before income tax to cash generated from operations

	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
Loss before income tax	(316,534)	(217,356)
Deprecation charges	14,736	14,268
Finance income	(1,156)	(10,084)
	<b>(302,954)</b>	(213,172)
Decrease/(Increase) in trade and other receivables	47,153	(250,688)
(Decrease)/Increase in trade, other payables and deferred income	(190,493)	229,137
Cash absorbed by operations	<b>(446,294)</b>	(234,723)

## NOTES

### 1. Accounting Policies

#### Basis of accounting

The financial information in this announcement has been extracted from the audited financial statements for the year ended 31 March 2010 which were 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.

This preliminary announcement of results is not the Company's statutory accounts. Statutory accounts for the year ended 31 March 2010 have not been delivered to the Registrar of Companies. The auditors have reported on the statutory accounts for the year ended 31 March 2010 on 27 July 2010 and their report was unqualified and did not include a reference to any

matters to which the auditor drew attention by way of emphasis without qualifying the report; neither did it contain a statement under section 498 (2) of the Companies Act 2006 (accounting records or returns inadequate or accounts or directors' remuneration report not agreeing with records and returns), or Section 498 (3) (failure to obtain necessary information and explanations)

### **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 following accounting treatment has been applied in respect of the reverse acquisition.

a) The assets and liabilities of the legal subsidiary are recognised and measured in the Group financial statements at the pre-combination carrying amounts.

b) The retained losses and other equity balances recognised in the Group financial statements to the date of the reverse acquisition reflect the retained loss and other equity balances of Plain Healthcare Limited immediately before the reverse acquisition, and its results for the period from 1 April 2009 to the date of the reverse acquisition. However, the equity structure appearing in the Group financial statements reflects the equity structure of the legal parent, including the equity instruments issued under the share for share exchange to effect the business combination on 16 November 2009. The effect of using the equity structure of the legal parent gives rise to the reverse acquisition reserve.

c) Comparative amounts presented in the Group financial statements are those reported in the financial statements of the legal subsidiary, Plain Healthcare Limited, for the period ended 31 March 2009.

d) No goodwill or fair value adjustments are reflected in the consolidated financial statements because the parent company had not traded prior to the acquisition and did not meet the definition of a business in accordance with IFRS3. A business combination as defined by this standard was not therefore considered to have taken place. All differences arising on consolidation are hence taken to the reverse acquisition reserve.

The Company's financial statements and related notes are for the period from 1 April 2009 to 31 March 2010 and present comparative information for the period from 11 January 2008 to 31 March 2009.

The Group's consolidated financial statements and related notes are for the period 1 April 2009 to 31 March 2010 and the comparatives are for the period from 1 April 2008 to 31 March 2009, representing the continuation of the financial information of the legal subsidiary, Plain Healthcare Limited.

## **2. Net Finance Income**

<b>Year ended 31 March 2010 £</b>	<b>13 months ended 31 March 2009 £</b>
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Finance income:		
Deposit account interest	<b>1,156</b>	10,084

### 3. Loss before income tax

	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
The loss before income tax is stated after charging		
Property rentals	12,630	11,893
Hire of plant and machinery	386	790
Depreciation – owned assets	14,736	14,268
Research and development expenditure	-	136,469
Auditors remuneration for audit services	11,650	6,500
Auditors remuneration for consultancy services	<b>4,000</b>	-

### 4. Income tax

	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
Analysis of the tax credit		
Current tax:	-	(22,435)
UK Corporation tax		
Deferred tax	<b>(107,622)</b>	2,528
Total tax credit in income statement	<b>(107,622)</b>	(19,907)

#### Factors affecting the tax change

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

	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
Loss on ordinary activities before tax	<b>(316,534)</b>	(217,356)
Loss on ordinary activities		
Multiplied by the standard rate of corporation tax for small companies in the UK of 21% (2009 – 21%)	<b>(66,472)</b>	(45,645)

Effects of:

Non deductible expenses	7,282	74
Depreciation timing differences not recognised as a deferred tax asset	-	(2,480)
Losses relieved at a lower rate of tax	-	2,236
Reversal of deferred tax asset previously recognised	-	2,528
Losses carried forward, not recognised as a deferred tax asset	10,469	23,380
Deferred tax asset in respect of unutilised losses at beginning of year not previously recognised	<b>(58,901)</b>	-
Total income tax credit	<b>(107,622)</b>	<b>(19,907)</b>

## 5. 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 period.

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

The weighted average number of shares for the period ended 31 March 2009 is based on the number of shares of Plain Healthcare Limited outstanding during the period multiplied by the exchange ratio used in the business combination.

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

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

	Earnings	2009 Weighted average number of shares	Loss per- share pence
Basic EPS			
Earnings attributable to ordinary shares	<b>(197,449)</b>	<b>2,501,662</b>	(7.89)
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	<b>(197,449)</b>	<b>2,501,662</b>	(7.89)

**6. Dividend**

The Directors do not propose the payment of a dividend.

**7. Availability of Report and Accounts**

Hard copies of the accounts will be posted to shareholders shortly and will be available from the Company's registered office, 16 Thorney Leys Business Park, Witney, Oxon OX28 4GE and will be available to download from the Company's website [www.ahi-plc.com](http://www.ahi-plc.com).