

**IMPROVING HEALTHCARE
ACROSS THE WORLD**

Annual report and accounts 2010



Avia, via its trading subsidiary Plain Healthcare Limited, develops and delivers Clinical Decision Support systems for primary healthcare markets in the UK and internationally.

Odyssey Clinical Decision Support software delivers critical benefits to the funders, providers and patients of healthcare services. Whatever the system structure and source of funding, the value delivered by Odyssey is relevant across the world.

Odyssey is used throughout primary and urgent care services to offer Clinical Decision Support:

- ➔ GP out of hours services
- ➔ Nurse-led clinics
- ➔ Ambulance services
- ➔ General practice
- ➔ Prisons and detention centres



 To read more on our software, turn to page 4

We aim to appoint international partners and resellers in most countries of the world to market and/or sell Odyssey web deployed and cloud-enabled clinical software to:

- ➔ Clinicians - doctors, nurses, paramedics
- ➔ Health establishments - hospitals, clinics, prisons, care homes, emergency services
- ➔ Companies - shipping, exploration, mining, insurance, absence management
- ➔ Funders - governments, non-government organisations ("NGOs"), health insurers, charities
- ➔ Individuals - people using self-assessment or carers providing lay assessment to others

 To read more on our partners, turn to page 5



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Highlights

- ⊕ **Acquisition of The Plain Software Company Ltd.** The Company completed its first acquisition on the 16 November 2009, acquiring The Plain Software Company Ltd for £1.6 million satisfied as to 94% in Avia shares and the remainder for cash.
- ⊕ **Successful fund raising.** Raised new capital, gross funds of £1.185 million followed by a further placing of shares raising gross funds of £200,000 on 29 June 2010.
- ⊕ **Successful AIM flotation.** The Company moved from the Plus Markets platform, listing on AIM on 16 November 2009.
- ⊕ **Investment of £400,000 into future new products.** With the funds raised the Company has invested in a range of new web deployed products allowing it to enter into a range of new market areas for the first time.
- ⊕ **Delivered web deployed products ahead of schedule and on budget.** Delivering these new products six months ahead of schedule allowing entry into new markets earlier than planned from 1 April 2010.

⊕ Read more on our services and software at www.ahi-plc.com or www.plain.co.uk





Barry Giddings

Chairman's statement

Summary of Chairman's statement

- **Acquisition of the Plain Software company** for £1.6 million settled as to 94% in Avia Shares, remainder in cash at £105,000.
- **Successful 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 further highly experienced Directors.
- **Trading outlook** will be difficult in historic markets but well placed with new products for both the UK and Internationally with growth prospects based on a global market.

I am pleased to present the first set of results for Avia Health Informatics plc ("Avia" or "the Company") 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 Ltd

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 60 pence 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 touchscreen 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 revenue 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: £0.23 million). The gross profit margin in the year increased slightly to 44% (2009: 42%) 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).

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; and
- 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 sees 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 but remains cautiously optimistic about the current financial year due to the financial pressures on its customer base in the UK market.



Barry Giddings
Chairman

MARKET LEADING TECHNOLOGY

The Odyssey product range is an advanced system of Clinical Decision Support ("CDS") that has been developed to assist healthcare professionals' care of patients in a broad range of primary and urgent care settings. Based upon a patient-centred consultation model, it is sophisticated, effective and proven to deliver rapid, safe assessments and advice.

Product range includes:

- Classic Odyssey Range
- Odyssey FirstAssess
- Odyssey TeleAssess 3
- Odyssey SelfAssess
- Odyssey MarineAssess
- Odyssey ParaMedic
- MobileAssess-Touchscreen





Nigel Leavy

Business review

UK

Whilst the market conditions remain difficult, initially from the effects of the global recession and latterly from the uncertainties of the government spending cuts, Odyssey's core strengths of rapid safe assessment and advice are even more important as we tackle the challenges of the global recession. Our focus of working in partnership with the providers of healthcare to deliver the clinical content and tools to cost effectively manage patients' access to healthcare combined with the consistency of our clinical outcomes, allows suppliers to increase cost effectiveness from limited resources. Suppliers of healthcare can trust that patients receive the best and most current care and unnecessary referrals can be reduced.

Technical and clinical innovation has delivered a range of products that has enabled the UK sales team to diversify from its traditional base in to GP practices, walk-in-centres, prisons and detention centres. By investing in the development of Odyssey self-assessment, new markets in the private sector are opening up in the UK in care homes, shipping and aviation.

Internationally

Despite global recession, we see positive signs that the payers of healthcare services continue to invest in new technologies that enable improved service delivery at lower costs. This, of course, is the efficiency that Odyssey delivers. Our strategy for global expansion is to identify and work with partners; distribution partners, inter-operability with other health IT systems and strategic partners that can provide access to global markets.

In the US, President Obama has placed healthcare reform and the wider adoption of Healthcare Information Technology as being central to his government's objectives. Improved access by minority communities and the "under-served" is gaining in profile, which will influence how we position Odyssey for this market. In March 2010, Obama finally won his Healthcare Reform Bill, the main objective of which was to exercise more control over insurers and extend health insurance to 32 million US citizens that currently have none. The American Recovery & Reinvestment Act ("ARRA") of November 2009 contains strong financial incentives for healthcare providers to adopt qualifying electronic health records ("EHR"). EHRs must be able to display 'meaningful use' to qualify, including 'rules based alerts', which are central to the Clinical Decision Support we offer. For these reasons, we're targeting the US market as our number one priority.

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. This provides immense potential for Odyssey.

Further afield we are seeing less developed economies now focusing on improving access to healthcare. In practical terms they need a combination of telehealth and decision support to empower less qualified staff such as nurses to take on more responsibilities. 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 they're based in a clinic, a call centre or are in remote locations.

With the right partners on board, we see vast potential for our products to be sold in diverse markets around the world.

The Company is already in negotiations with potential added value partners and resellers in the USA, Far East, China and the Asia Pacific basin. In support of this initiative the Company has recently upgraded its website to emphasise its international credentials (www.plainhealthcare.com).

Management restructuring

To achieve Avia's objective of global penetration of the Health Informatics market through a strategy of added value partnerships within the UK and internationally, its operating subsidiary, Plain Healthcare has restructured its senior management team and formed two profit centres covering the UK and the rest of the world.

Tim Morris, previously Product Development Director, has been appointed UK Operations Director with responsibility for sales, marketing and product development in the UK and Chris Coyne, previously Sales and Marketing Director, is appointed International Business Director with responsibility for the generation of sales in certain international markets, and to identify products from international third party suppliers to be sold in the UK market.

In creating the UK Profit Centre, a new position of UK Sales Manager has been created together with Regional and Account Managers being joined by a Consultancy Manager. With the new team in place, we have restructured the focus to maximise new business sales utilising the Regional Managers.

In addition to this, the Account Managers will now be able to maintain the existing clients and increase additional revenue from them. Our Consultancy Manager will work in supporting and servicing our growing customer base aimed at maximising contract renewals.

In addition, the Company is pleased to announce that Robert Crouch, Director of Practice Innovation, has been made a Visiting Professor at Surrey University, reflecting his international standing as a leader, teacher and researcher in emergency nursing. The Company now has a second Professor among its Directors and senior management team which further emphasises the Company's focus on developing products which are at the cutting edge of clinical practice.

Product range

The Group's product range continues to expand as new applications emerge developed on the Odyssey Clinical Decision Support service orientated architect ("SOA"). The current range encompasses the following:

Classic Odyssey Range

(TeleAssess, FaceToFace, Reception, and Gold)

Selling into UK walk-in-centres, PCTs, minor injury units, GP surgeries. Definitive clinical assessment for telephone assessment and face to face consultation's, embedded 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 3

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.

BUILDING STRONG AND STABLE RELATIONSHIPS

We recognise that to grow and be successful in world markets, it's desirable to build strong and stable partnerships; sales channel partners, inter-operability (or host system) partners and strategic partners that can introduce us to the right people in key places.

Recent partnerships:

We have appointed LifeBot®, L.L.C. to resell Odyssey Clinical Decision Support software into the emergency and disaster preparedness sectors (composed of emergency facilities or departments, helicopter and ambulance transport companies) within four US states. This is part of our strategy for entry into the US market.



Odyssey MarineAssess designed to enable the Captain or the Master of a ship to assess the needs of a crew member quickly and safely. In addition to providing the ship's crew with access to appropriate care advice, Odyssey MarineAssess provides actionable clinical summaries for health professionals, so shortening consultation times while ensuring that all pertinent data is available for safe diagnosis. Certification trials are on-going.

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.

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.

MobileAssess-Touchscreen

The Odyssey Clinical Decision Support MobileAssess-Touchscreen product range is an advanced system of Clinical Decision Support ("CDS") that has been developed to assist healthcare professionals' care of patients in a broad range of healthcare and urgent care settings. Based upon a patient-centred consultation model, it is sophisticated, effective and proven to deliver rapid, safe assessments and advice.

Clinical excellence

The Company continues to make a substantial investment in the development of new clinical content for Odyssey products. In the last year, this has mainly focused on clinical content to meet the needs of the prison/detention centre sector, and on developing lay content for use in the new self-assessment products. 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 quality of this process was confirmed in July 2009 when the Company's ISO 9001:2008 accreditation was extended to cover the clinical development process.

In January 2010 Plain Healthcare introduced a new strategy for the delivery of its learning and development support. 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.

Risk management

As stated in the Chairman's statement there are risks attached to the business in a number of areas which the Board has attempted to mitigate.

The impact on the Company of the government planned cut backs remain uncertain. However as already stated above the Company 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

company's traditional markets. The management restructuring and recruitment undertaken within the UK sales force is aimed at addressing these new market opportunities.

Increased resources are being focused on new International Market sectors in the new emerging markets, much less affected by the global recession, so reducing the Company's dependence on the traditional home market. The Mobile assess-Touchscreen range has recently been launched to address the global market opportunities. Due to these initiatives we see the Company being much less dependent in the future on the UK market.

Retention and recruitment of top quality key staff in a competitive environment is also seen as a risk in the timely delivery of these new products and to their rapid deployment on a global basis. The board has already agreed to increase the employee benefits aimed at long term retention including, Share Warrants, EMI Option schemes and other related benefits.

Nigel Leavy
Finance Director

Board of Directors



Barry Giddings

Chairman

Over 25 years' experience at director level, including chairman and CEO in public and private companies in different market sectors, including Highcare Group plc and Antares/Harrison Industries plc. Significant skills in company turnarounds, acquisitions, change management and restructuring to maximise shareholder value. Hands-on experience in all disciplines and team development. Rapid contribution to new and complex situations, plus the ability to deliver successful projects. Experience in structured funding.



Roger Lane-Smith

Non-executive Director

Roger was senior partner and chairman of global law firm DLA Piper from 1998 to 2005 and was appointed senior consultant to the practice in May 2005. He is a non-executive director of WH Ireland Group Plc. He is also a non-executive director of MS International, Dolphin Capital Investors, Timpsons and a number of other non-quoted companies.



Nigel Leavy
Finance Director

Over 25 years of expertise in guiding private companies through corporate recovery, M&A and post-acquisition strategy implementation. He has served as non-executive director at Safe Consulting Group, Lancashire Enterprise Investment, SCC Limited and the FTSE listed Torex Healthcare Plc eight years before it merged with iSoft. He currently serves as chairman of Advanced Fibreoptic Engineering and AFE Technology Coatings Ltd.



Professor Jeremy Dale PhD, MA, MB, BS.FRCGP
Director

Following undergraduate studies at Cambridge and London universities, Jeremy undertook vocational training in Oxford before being appointed as a GP clinical lecturer, and later a senior clinical lecturer, at King's College London. While at King's, he led a landmark research study describing the clinical and cost effectiveness of GPs working in emergency departments which had a major influence on health policy. He also led research projects investigating out of hours care and telephone advice, one of which led to the design and initial evaluation of TAS (the forerunner of Odyssey TeleAssess).

Report of the Directors

for the year ended 31 March 2010

Risk and uncertainties

Details of the financial risks and uncertainties that affect the Company are detailed in note 17 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 decreased in the year from £1,878,008 in 2009 (a 13 month period) to £1,750,572 in 2010 (a 12 month period).

Dividends

No dividends will be distributed for the year ended 31 March 2010.

Directors

The Directors shown below have held office during the whole of the period from 1 April 2009 to the date of this report.

B S Giddings

N Leavy

J Dale (appointed 16 November 2009)

R Lane-Smith (appointed 10 February 2010)

Group's policy on payment of creditors

The Group does not have significant trade creditors and so has not adopted an established code or standard for the payment of trade creditors. The Group, in the normal course settles payment in agreement with suppliers' terms and conditions. As at 31 March 2010 the number of creditor days in respect of trade creditors of the Group was 44 (2009: 7).

Political and charitable contributions

No charitable or political donations were made during the period.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. 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 Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- ⊕ select suitable accounting policies and then apply them consistently;
- ⊕ make judgements and accounting estimates that are reasonable and prudent;
- ⊕ state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union;
- ⊕ state, with regard to the parent company financial statements, whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ⊕ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

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.

Auditors

The auditors, Hazlewoods LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the Board:



N Leavy
Director
27 July 2010

Report of the independent auditors

to the members of Avia Health Informatics Plc formerly known as Avia Investments plc

We have audited the financial statements of Avia Health Informatics plc for the year ended 31 March 2010 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes In Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 a Report of the Auditors 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, 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 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- ⊕ the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2010 and of the Group's loss for the year then ended;
- ⊕ the Group financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union;
- ⊕ the parent company financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- ⊕ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- ⊕ the parent company 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.

David Main (Senior Statutory Auditor)

for and on behalf of Hazlewoods LLP

Windsor House

Barnett Way

Barnwood

Gloucester

Gloucestershire GL4 3RT

27 July 2010

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		(983,934)	(1,088,209)
Gross profit		766,638	789,799
Administrative expenses		(1,084,328)	(1,017,239)
Operating loss		(317,690)	(227,440)
Finance income	5	1,156	10,084
Loss before income tax	6	(316,534)	(217,356)
Income tax	7	107,622	19,907
Loss for the year and total comprehensive income		(208,912)	(197,449)
Loss per share expressed in pence per share			
Basic and diluted	9	(6.11)	(7.89)

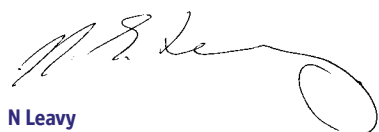
All results arise from continuing operations.

Consolidated statement of financial position

at 31 March 2010

	Notes	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
Assets			
Non-current assets			
Intangible assets	10	402,942	31,141
Property, plant and equipment	11	38,100	35,079
Deferred tax	18	107,622	—
		548,664	66,220
Current assets			
Trade and other receivables	13	573,730	423,413
Tax receivables		—	22,358
Cash and cash equivalents	14	475,163	198,585
		1,048,893	644,356
Liabilities			
Current liabilities			
Trade and other payables	15	399,592	279,460
Deferred income		472,209	363,824
Borrowings	16	—	100,000
		871,801	743,284
Net current assets/(liabilities)		177,092	(98,928)
Net assets/(liabilities)		725,756	(32,708)
Shareholders' equity			
Called up share capital	19	116,941	1,641
Share premium	20	1,378,595	219,731
Reverse acquisition reserve	20	(1,795,277)	—
Merger reserve	20	1,488,489	—
Retained earnings	20	(462,992)	(254,080)
Total equity		725,756	(32,708)

The financial statements were approved by the Board of Directors on 27 July 2010 and were signed on its behalf by:



N Leavy
Director

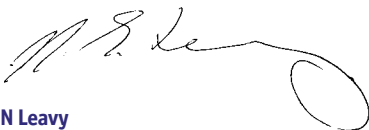
The notes on pages 19 to 36 form part of the financial statements.

Company statement of financial position

at 31 March 2010

	Notes	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
Assets			
Non-current assets			
Property, plant and equipment	11	1,773	2,373
Investments	12	1,536,373	—
		1,538,146	2,373
Current assets			
Trade and other receivables	13	665,503	106,114
Cash and cash equivalents	14	376,222	28,724
		1,041,725	134,838
Liabilities			
Current liabilities			
Trade and other payables	15	125,972	47,103
		915,753	87,735
Net current assets		2,453,899	90,108
Net assets		2,453,899	90,108
Shareholders' equity			
Called up share capital	19	116,941	93,752
Share premium	20	1,378,595	396,748
Merger reserve	20	1,488,489	—
Retained earnings	20	(530,126)	(400,392)
Total equity		2,453,899	90,108

The financial statements were approved by the Board of Directors on 27 July 2010 and were signed on its behalf by:



N Leavy
Director

The notes on pages 19 to 36 form part of the financial statements.

Consolidated statement of changes in equity

for the year ended 31 March 2010

	Called up share capital £	Retained earnings £	Share premium £	Merger reserves £	Reverse acquisition reserve £	Total equity £
Balance at 1 April 2008	1,641	(56,631)	219,731	—	—	164,741
Changes in equity						
Total comprehensive loss	—	(197,449)	—	—	—	(197,449)
Balance at 31 March 2009	1,641	(254,080)	219,731	—	—	(32,708)
Changes in equity						
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 loss	—	(208,912)	—	—	—	(208,912)
Balance at 31 March 2010	116,941	(462,992)	1,378,595	1,488,489	(1,795,277)	725,756

Company statement of changes in equity

for the year ended 31 March 2010

	Called up share capital £	Retained earnings £	Share premium £	Merger reserves £	Total equity £
Balance at 11 January 2008	—	—	—	—	—
Changes in equity					
Shares issued for cash	93,752	—	451,248	—	545,000
Share issue expenses	—	—	(54,500)	—	(54,500)
Total comprehensive loss	—	(400,392)	—	—	(400,392)
Balance at 31 March 2009	93,752	(400,392)	396,748	—	90,108
Changes in equity					
Shares issued for cash	9,876	—	1,175,185	—	1,185,061
Share issue expenses	—	—	(289,121)	—	(289,121)
Shares issued settlement of liabilities	805	—	95,783	—	96,588
Share issued on acquisition of Plain Healthcare Limited	12,508	—	—	1,488,489	1,500,997
Total comprehensive loss	—	(129,734)	—	—	(129,734)
Balance at 31 March 2010	116,941	(530,126)	1,378,595	1,488,489	2,453,899

Consolidated statement of cash flows

for the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
Cash flows from operating activities			
Cash absorbed by operations	1	(446,294)	(234,723)
Corporation tax received/(paid)		22,358	(7,455)
Net cash used in operating activities		(423,936)	(242,178)
Cash flows from investing activities			
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)
Cash flows from financing activities			
Proceeds from issue of share capital		992,528	—
New loans in year		—	100,000
Net cash generated from financing activities		992,528	100,000
Increase/(decrease) in cash and cash equivalents		276,578	(196,430)
Cash and cash equivalents at beginning of year	2	198,585	395,015
Cash and cash equivalents at end of year	2	475,163	198,585

Company statement of cash flows

for the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
Cash flows from operating activities			
Cash absorbed by operations	1	(540,030)	(466,581)
Net cash from operating activities		(540,030)	(466,581)
Cash flows from investing activities			
Purchase of tangible fixed assets		—	(3,598)
Purchase of Plain Healthcare Limited		(105,000)	—
Interest received		—	8,403
Net cash from investing activities		(105,000)	4,805
Cash flows from financing activities			
Proceeds from issue of share capital		992,528	490,500
Net cash from financing activities		992,528	490,500
Increase in cash and cash equivalents		347,498	28,724
Cash and cash equivalents at beginning of year	2	28,724	—
Cash and cash equivalents at end of year	2	376,222	28,724

Notes to the Group and Company statement of cash flows

for the year ended 31 March 2010

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

	Group		Company	
	Year ended 31 March 2010 £	13 months ended 31 March 2009 £	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
Loss before income tax	(316,534)	(217,356)	(137,478)	(400,392)
Depreciation charges	14,736	14,268	600	1,225
Finance income	(1,156)	(10,084)	—	(8,403)
	(302,954)	(213,172)	(136,878)	(407,570)
Decrease/(increase) in trade and other receivables	47,153	(250,688)	(482,021)	(106,114)
(Decrease)/increase in trade, other payables and deferred income	(190,493)	229,137	78,869	47,103
Cash absorbed by operations	(446,294)	(234,723)	(540,030)	(466,581)

2. Cash and cash equivalents

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of the following amounts:

	Group		Company	
	Year ended 31 March 2010 £	13 months ended 1 April 2009 £	Year ended 31 March 2010 £	13 months ended 1 April 2009 £
Year ended 31 March 2010				
Cash and cash equivalents	475,163	198,585	376,222	28,724

	Group		Company	
	Year ended 31 March 2010 £	Year ended 31 March 2009 £	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Year ended 31 March 2009				
Cash and cash equivalents	198,585	395,015	28,724	—

Notes to the financial statements

for the year ended 31 March 2010

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 primary health sector. The Company is domiciled in England and Wales registered office address is Thorney Leys Business Park, Witney, Oxon OX28 4GE.

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.

Going concern

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 June 2011 which indicates that the Group will have sufficient working capital available to it to enable it to continue trading. The achievement of forecasts is however largely dependant upon the successful launch of new products, as detailed in the Chairman's Statement. If new products are not as successful as forecast, the Directors believe that they would be able to manage the Group's outgoings so as to enable the Group to continue trading within the facilities available to it.

On the assumption that the Group's forecasts are achievable, the Directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from insufficient funds being made available to the Group. If the forecast growth is not achieved, it might be necessary to write down development costs and other assets to their recoverable amounts, which could significantly impact the Group's net asset position.

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 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; and
- 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.

Investments in subsidiaries

In the parent company's balance sheet 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.

Notes to the financial statements continued

for the year ended 31 March 2010

2. Accounting policies continued

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 ongoing 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.

The Group estimates the value of software sales attributable to ongoing 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.

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

The Group has incurred substantial sums in developing and upgrading the Group's products in the period since incorporation and over the period covered by this financial information. One of the criteria for the recognition of development expenditure as an asset is that it must be possible to measure development costs reliably. In common with many companies of a similar size and which have previously applied UK Generally Accepted Accounting Practice, all development costs incurred up to 31 December 2008 were charged as an expense against profit because the Group had not maintained records which would enable it to retrospectively measure, on a reliable basis, those costs relating to development expenditure, which might otherwise have met the criteria for recognition as an intangible asset in accordance with International Accounting Standard 18.

Since 1 January 2009 the Group has maintained records which identify costs attributable to individual development projects. Costs are capitalised as intangible assets when they meet the criteria specified below.

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.

Expenditure is accounted for over the period it is anticipated that revenues will be generated from the products produced. This is estimated to be five years from the date the product is complete and available for sale.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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.

2. Accounting policies continued

Trade receivables

Trade receivables are carried at original invoice amount less an estimate for doubtful debts. The allowance for doubtful debts is based on a specific review of account balances and consideration of historical write-offs. Accounts are written off when determined to be uncollectable. 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Trade payables

Trade payables are not interest bearing and are stated at their fair value.

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.

Revenue and revenue recognition

The Group derives revenue from the sale of inclusive software licences, support, maintenance, and upgrade contracts. These are normally entered into as part of a single arrangement.

Revenue from new software installations is recognised only once the software has been delivered and installed to the satisfaction of the customer.

Revenue estimated as being attributable to ongoing support, maintenance and upgrade services is recognised over the period covered by the licence agreement on a straight line basis, with the balance being recognised immediately as revenue.

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.

Expenses

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.

Employee benefits

Defined contribution plans

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

Financial instruments

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 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 balance sheet 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 balance sheet 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 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.

Notes to the financial statements continued

for the year ended 31 March 2010

2. Accounting policies continued

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 operates in only one segment and though there is export revenue this is all within Europe and the Company classifies its operations as a single segment.

Changes in accounting policy and disclosure

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 April 2009:

- ④ IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010 (early adopted)
- ④ IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- ④ IFRS 8 Operating Segments effective 1 January 2009
- ④ IAS 1 Presentation of Financial Statements effective 1 January 2009
- ④ Improvements to IFRSs (May 2008)
- ④ Improvements to IFRSs (April 2009, early adopted).

The adoption of the above standards or interpretations had no impact on the financial statements or performance of the Group.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued a number of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- ④ IFRS 8 Operating Segment Information
- ④ IAS 1 Presentation of Financial Statements
- ④ IAS 36 Impairment of Assets.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- ④ IFRS 7 Financial Instruments: Disclosures
- ④ IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- ④ IAS 10 Events after the Reporting Period
- ④ IAS 19 Employee Benefits
- ④ IAS 23 Borrowing Costs (Revised)
- ④ IAS 27 Consolidated and Separate Financial Statements
- ④ IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation
- ④ IAS 34 Interim Financial Reporting
- ④ IAS 38 Intangible Assets
- ④ IAS 39 Financial Instruments: Recognition and Measurement
- ④ IFRIC 9 Re-assessment of Embedded Derivatives
- ④ IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- ④ IFRIC 18 Transfers of Assets from Customers.

2. Accounting policies continued

Standards, and amendments and interpretations to published standards not yet effective

At the date of the authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not been adopted by the EU);

	Application date (periods commencing on or after)
④ IAS 24 Related parties: Revision to definitions	1 January 2011
④ IAS 28 Revised: Investments in associates	1 July 2009
④ IAS 31 Revised: Interests in joint ventures	1 July 2009
④ IFRIC 17 Distributions of Non-cash Assets to Owners	1 July 2009
④ IFRIC 19 Extinguishing financial liabilities with equity instruments	1 July 2009
④ IFRS 9 Financial instruments	1 January 2013

3. 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. Accounting estimates will, by definition, seldom equal the related 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 financial year are explained in the notes below.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effects on the amounts recognised in the financial information is included in the note critical accounting estimates and judgements.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom 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 below.

Developments expenditure and impairment of intangible assets

Intangible fixed assets comprise capitalised development expenditure amounting to £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

Deferred tax asset

The Group has recognised a deferred tax asset in respect of unutilised trading losses carried forward by Plain Healthcare Limited. The Directors consider the recognition criteria have been met as they are forecasting trading profits for the Company as noted above. The deferred tax asset recognised is £107,622.

Carrying value of investments in subsidiary undertakings

The shares of Plain Healthcare Limited are recorded in the Parent Company's balance sheet at an amount of £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.

Notes to the financial statements continued

for the year ended 31 March 2010

4. Employees and Directors

	Year ended 2010 £	13 months ended 2009 £
Wages and salaries	1,199,115	1,236,724
Social security costs	161,072	139,193
	1,360,187	1,375,917

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

	Year ended 2010	13 months ended 2009
Director operations	38	28
Administration	6	5
	44	33

Directors remuneration is set out in note 21 "Related Party Disclosures".

5. Net finance income

	Year ended 2010 £	13 months ended 2009 £
Finance income:		
Deposit account interest	1,156	10,084

6. Loss before income tax

The loss before income tax is stated after charging:

	Year ended 2010 £	13 months ended 2009 £
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	4,000	–

7. Income tax

Analysis of the tax credit

	Year ended 2010 £	13 months ended 2009 £
Current tax:		
UK corporation tax	–	(22,435)
Deferred tax	(107,622)	2,528
Total tax credit in income statement	(107,622)	(19,907)

7. Income tax continued

Factors affecting the tax charge

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 2010 £	13 months ended 2009 £
Loss on ordinary activities before tax	(316,534)	(217,356)
Loss on ordinary activities multiplied by the standard rate of corporation tax for small companies in the UK of 21% (2009: 21%)	(66,472)	(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	(58,901)	—
Total income tax credit	(107,622)	(19,907)

8. Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £129,734 (2009: £400,392).

9. 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 Avia Health Informatics PLC 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 Avia Health Informatics PLC 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 shareholders	(208,912)	3,420,422	(6.11)
Effect of dilutive securities	—	—	—
Diluted EPS			
Adjusted earnings	(208,912)	3,420,422	(6.11)

Notes to the financial statements continued

for the year ended 31 March 2010

9. Loss per share continued

	Earnings £	2009 Weighted average number of shares	Loss per share pence
Basic EPS			
Earnings attributable to ordinary shareholders	(197,449)	2,501,662	(7.89)
Effect of dilutive securities	—	—	—
Diluted EPS			
Adjusted earnings	(197,449)	2,501,662	(7.89)

10. Intangible assets

Group	Development expenditure £
Cost and net book value	
At 1 March 2008	—
Additions	31,141
At 1 April 2009	31,141
Additions	371,801
At 31 March 2010	402,942
Net book value	
At 29 February 2008	—
At 31 March 2009	31,141
At 31 March 2010	402,942

11. Property, plant and equipment

Group	Plant and machinery £
Cost	
At 1 March 2008	52,750
Additions	33,195
At 31 March 2009	85,945
Additions	15,984
On reverse acquisition	1,773
At 31 March 2010	103,702
Depreciation	
At 1 March 2008	36,598
Charge for year	14,268
At 31 March 2009	50,866
Charge for year	14,736
At 31 March 2010	65,602
Net book value	
At 29 February 2008	16,152
At 31 March 2009	35,079
At 31 March 2010	38,100

Notes to the financial statements continued

for the year ended 31 March 2010

11. Property, plant and equipment continued

Company	Plant and machinery £
Cost	
At 1 March 2008	—
Additions	3,598
At 31 March 2009	3,598
Additions	—
At 31 March 2010	3,598
Depreciation	
At 1 March 2008	—
Charge for year	1,225
At 31 March 2009	1,225
Charge for the year	600
At 31 March 2010	1,825
Net book value	
At 29 February 2008	—
At 31 March 2009	2,373
At 31 March 2010	1,773

12. Investments

Company	Shares in Group undertakings £
Cost and net book value	
At 31 March 2008 and 2009	—
Additions	1,536,373
At 31 March 2010	1,536,373

Subsidiary

On 16 November 2009 the Company acquired 100% of the ordinary issued share capital of Plain Healthcare Limited for cash consideration of £105,000 and the issue of 2,501,662 ordinary shares of 0.5 pence each issued at a premium of 59.5 pence each. The Company recovered £69,624 in respect of warranties given on the acquisition of Plain Healthcare Limited. 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.

13. Trade and other receivables

	Group		Company	
	Year ended 31 March 2010 £	13 months ended 31 March 2009 £	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
Trade receivables	452,002	415,184	—	—
Amounts owed by Group undertakings	—	—	588,419	—
Other debtors	69,624	—	69,624	—
Loans	—	—	—	101,864
Prepayments and accrued income	52,104	8,229	7,460	4,250
	573,730	423,413	665,503	106,114

14. Cash and cash equivalents

	Group		Company	
	Year ended 31 March 2010 £	13 months ended 31 March 2009 £	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
Bank deposit account	475,163	198,585	376,222	28,724

15. Trade and other payables

	Group		Company	
	Year ended 31 March 2010 £	13 months ended 31 March 2009 £	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
Trade payables	119,890	20,620	26,600	41,024
Social security and other taxes	237,251	200,215	95,389	—
Accrued expenses	42,451	58,625	3,983	6,079
	399,592	279,460	125,972	47,103

16. Borrowings

	Group	
	Year ended 31 March 2010 £	13 months ended 31 March 2009 £
Current:		
Other loans	—	100,000

Notes to the financial statements continued

for the year ended 31 March 2010

17. 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 and short-term loans.

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 value 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 the end of each financial period was:

	Year ended 2010 £	13 months ended 2009 £
Not past due	446,757	354,467
Past due 0–30 days	2,688	56,885
Past due 31–90 days	—	1,674
Past due by more than 90 days	2,557	2,158
	452,002	415,184

The Group's expense for irrecoverable trade debtors is £11,894 (2009: nil). Trade receivables are stated net of a provision for irrecoverable amounts of £11,894 (2009: £nil).

Bank balances are held with major UK clearing banks.

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. 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. Note 1 gives further information about the assumptions applied relating to the ability of the Group to continue trading as a going concern.

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. No significant market risk exists in respect of the Group's financial instruments.

Foreign currency risk

The Group has no exposure to foreign currency risk.

Interest rate risk

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

	Year ended 2010 £	13 months ended 2009 £
Variable rate instruments		
Cash and cash equivalents	475,163	198,585
Short-term loan	—	(100,000)

Sensitivity analysis

A change of 100 basic points in interest rates at the balance sheet date would have increased profit or loss by £4,762 (2009: £900). This calculation assumes that the change occurred at the balance sheet date and had been applied to balances existing at that date. This analysis assumes that all other variables remain constant.

17. Financial instruments continued**Categories of financial assets and financial liabilities**

Financial assets as set out in the table below fall within the category defined by IFRS 7 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 statement of financial position as follows:

Group

	Year ended 2010 £	13 months ended 2009 £
Financial assets		
Trade receivables	452,002	415,184
Other debtors	69,624	—
Cash and cash equivalents	475,163	198,585
	996,789	613,769

Financial assets exclude prepayments.

	Year ended 2010 £	13 months ended 2009 £
Financial liabilities		
Trade payables	119,890	20,620
Accrued expenses	42,451	58,625
Short-term loans	—	100,000
	162,341	179,245

Financial liabilities exclude social security and other taxes.

Company

	Year ended 2010 £	13 months ended 2009 £
Financial assets		
Amounts owed by Group undertakings	588,419	—
Other debtors	69,624	—
Loans	—	101,864
Cash and cash equivalents	376,222	28,724
	1,034,265	130,588

Financial assets exclude prepayments.

	Year ended 2010 £	13 months ended 2009 £
Financial liabilities		
Trade payables	26,600	41,024
Other payables	3,983	6,079
	30,583	47,103

Financial liabilities exclude social security and other taxes.

Notes to the financial statements continued

for the year ended 31 March 2010

18. Deferred tax Group

Movements in the deferred tax asset comprise:

	Year ended 2010 £	13 months ended 2009 £
Brought forward	—	2,528
Credited/(charged) to profit or loss	107,622	(2,528)
Balance at 31 March	107,622	—
	Year ended 2010 £	13 months ended 2009 £
Accelerated tax depreciation	(3,104)	—
Temporary timing differences	16,275	—
Unutilised tax losses	94,451	—
Balance at 31 March	107,622	—

19. Called up share capital

Allotted, issued and fully paid			Year ended 2010 £	13 months ended 2009 £
Number	Class	Nominal value		
4,950,249	Ordinary	0.5p	24,751	1,641
312,507	Deferred	29.5p	92,190	—
			116,941	1,641

The authorised share capital as at 31 March 2010 was 500,000,000 (2009: 100,000,000) ordinary shares of 0.5 pence each totalling £2,500,000 (2009: £500,000).

Under reverse acquisition accounting principles the share capital presented at 31 March 2010 is that of the legal parent Avia Investment plc and the comparative is that of the legal subsidiary Plain Healthcare Limited and relates to 1,641 ordinary shares of £1 each.

On the 16 November 2009 the Company issued 1,975,100 ordinary shares of 0.5 pence each at a premium of 59.5 pence per share for cash consideration. The Company also issued 160,980 ordinary share of 0.5 pence each at a premium of 59.5 pence per share in lieu of fees for services provided.

On the 16 November 2009 the Company issued 2,501,662 ordinary 0.5 pence shares in consideration for the acquisition of the entire issued share capital of Plain Healthcare Limited at a premium of 59.5 pence.

20. Reserves Group

	Retained earnings £	Share premium £	Merger reserve £	Reverse acquisition reserve £	Total equity £
Balance at 1 April 2008	(56,631)	219,731	—	—	163,100
Changes in equity					
Total comprehensive income	(197,449)	—	—	—	(197,449)
Balance at 31 March 2009	(254,080)	219,731	—	—	(34,349)
Changes in equity					
Pre-combination reserves to reverse acquisition	—	(219,731)	—	221,372	1,641
Shares issued to shareholders of Plain Healthcare Limited	—	—	1,488,489	(1,500,997)	(12,508)
Purchase of non-controlling interest in Plain Healthcare Limited	—	—	—	(35,376)	(35,376)
Pre-combination reserves of parent company	—	396,748	—	(480,276)	(83,528)
Shares issued for cash	—	1,175,185	—	—	1,175,185
Share issue expenses	—	(289,121)	—	—	(289,121)
Shares issued in settlement of liabilities	—	95,783	—	—	95,783
Total comprehensive income	(208,912)	—	—	—	(208,912)
Balance at 31 March 2010	(462,992)	1,378,595	1,488,489	(1,795,277)	608,815

Company

	Retained earnings £	Share premium £	Merger reserve £	Total equity £
Balance at 11 January 2008	—	—	—	—
Changes in equity				
Shares issued for cash	—	451,248	—	451,248
Shares issue expenses	—	(54,500)	—	(54,500)
Total comprehensive income	(400,392)	—	—	(400,392)
Balance at 31 March 2009	(400,392)	396,748	—	(3,644)
Changes in equity				
Shares issued for cash	—	1,175,185	—	1,175,185
Share issue expenses	—	(289,121)	—	(289,121)
Shares issued in settlement of liabilities	—	95,783	—	95,783
Share issued on acquisition of Plain Healthcare Limited	—	—	1,488,489	1,488,489
Total comprehensive income	(129,734)	—	—	(129,734)
Balance at 31 March 2010	(530,126)	1,378,595	1,488,489	2,336,958

Notes to the financial statements continued

for the year ended 31 March 2010

20. Reserves continued

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.

21. Related party disclosures

Group

The remuneration of the Directors of the parent company is set out below:

	Year ended 2010 £	13 months ended 2009 £
Directors' emoluments		
Barry Giddings	40,420	—
Nigel Leavy	8,611	—
Jeremy Dale	18,005	—
Roger Lane-Smith	2,500	—
	69,536	—

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:

	Year ended 2010 £	13 months ended 2009 £
Remuneration of key management personnel	428,318	411,666

There is no Group pension scheme in place for the benefit of the Directors. Payments were made to Directors or to companies for services provided by them as follows:

B S Giddings

No fees or 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 2010.

Total fees paid for the period ended 31 March 2009 are set out below.

M Bennett

M Bennett holds 9.73% of the voting shares in the Group (2009: 20.3% of the legal subsidiary).

No fees or expenses were paid to Reasonable Software Limited, a company owned and controlled by Michael Bennett, for consultancy services provided by M Bennett during the year ended 31 March 2010.

Total fees paid for the period ended 31 March 2009 are set out below.

Professor J Dale

No fees or expenses were paid directly to Cranbrook Health Limited, for consultancy services provided by Professor J Dale during the year ended 31 March 2010.

Total fees paid for the period ended 31 March 2009 are set out below.

Summary of fees paid

	Year ended 2010 £	13 months ended 2009 £
Chart Investment Management Limited	—	10,000
Cranbrook Health Limited	—	28,498
Reasonable Software Limited	—	9,275

21. Related party disclosures continued

Company

B S Giddings

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 2010.

Total fees paid are set out below.

N Leavy

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 2010.

Total fees paid are set out below.

	Year ended 2010 £	13 months ended 2009 £
Chart Investment Management Limited	27,689	73,575
Oxford Corporate Management Limited	25,380	56,250

Plain Healthcare Limited (formerly The Plain Software Company Ltd)

As at 31 March 2010 the Company was owed £593,189 (2009: £100,344) from Plain Healthcare Limited. Interest was charged on the loan at 4% above the base lending rate of National Westminster Bank Plc totalling £7,744 (2009: £344). Avia Health Informatics plc became the legal parent of Plain Healthcare Limited on 16 November 2009 during the reverse acquisition. Previous to this Plain Healthcare Limited was a related party due to B Giddings being a director for both companies.

22. Subsequent events

On 28 June 2010, the Company issued 333,334 ordinary shares of 0.5 pence each for a subscription price of 60 pence per share.

23. Leasing agreements

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

	Year ended 2010 £	13 months ended 2009 £
Within one year	12,686	12,630
Between one and five years	45,480	50,250
In more than five years	—	7,368
	58,166	70,248

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

Notes to the financial statements continued

for the year ended 31 March 2010

24. Acquisition of subsidiary undertakings

Company

On 16 November 2009 the Company acquired 100% of the issued share capital of Plain Healthcare Limited for cash consideration of £105,000 and 2,501,662 ordinary shares of 0.5 pence each issued at a premium of 59.5 pence each. The Company recovered £69,624 in respect of warranties given on the acquisition of Plain Healthcare Limited. The total consideration amounted to £1,536,373. Under IFRS 3, this transaction has been accounted for as a reverse acquisition.

The acquisition-date fair value of the legal subsidiary's equity instruments immediately before the acquisition was £1,500,997. Including the cash consideration and amounts recovered in respect of warranties the total amount deemed to have been paid for the Company was £1,536,373.

Avia Investment plc
2009
£

Net assets acquired:

Plant, property and equipment	1,773
Bank and cash	199,615
Trade and other receivables	127,846
Trade and other payables	(319,010)

Net assets acquired:

	10,224
Share-based payment	1,526,149
Total consideration	1,536,373

Satisfied by:

Cash	105,000
Warranties recovered	(69,624)
Shares issued	1,500,997
	1,536,373

The fair value of the assets acquired has been assessed as the book value on the date of acquisition.

As the financial statements have been prepared under reverse acquisition accounting rules the results of Avia Health Informatics plc have been included in the consolidated financial statements from 16 November 2009, Avia Health Informatics plc did not contribute any material revenues since the date of acquisition. If Avia Health Informatics plc had been a member of the Group from 1 April 2009 it would have contributed £nil revenue and £129,737 loss.

25. Major non-cash transactions

Group and Company

The Company issued 2,501,662 0.5 pence ordinary shares on 16 November 2009, which were valued at 60 pence per share, for the entire share capital of Plain Healthcare Limited.

The Company issued 160,980 0.5 pence ordinary shares on 16 November which were valued at 60 pence per share, in lieu of fees for services provided.

The logo for Avia Health Informatics Plc, featuring the word "Avia" in a stylized, handwritten-style font.

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