



Advanced Computer Software Group plc

Interim Report for the six months ended 31 August 2010



Contents

Overview

1 Operational and financial highlights

2 Overview

3 Results

Business review

4 Business review

Financials

7 Consolidated income statement

8 Consolidated statement of comprehensive income

9 Consolidated balance sheet

10 Consolidated cash flow statement

11 Consolidated statement of changes in equity

12 Notes to the financial statements

15 Independent review report to Advanced Computer Software Group plc

16 Company information

Profile

Advanced Computer Software Group plc is a leading supplier of technology solutions to the health, care and commercial markets.

The Group comprises three main divisions: Business Solutions, Health & Care and Managed Services. Together, these divisions provide a range of software and IT services that enable public, private and third sector organisations to maintain control, improve visibility and gain efficiencies through streamlined processes.

Advanced has over 7,000 customers and prides itself on developing long-term relationships with them to meet their evolving needs.

The Group is well positioned to deliver further growth and value by continuing to expand rapidly through product innovation, selective acquisitions and technical collaboration.

These results clearly show that we are delivering on our promise to build a strong, growing business focussed on the health, care and business services sectors. We are confident that the Comprehensive Spending Review and the move away from PCTs to GP Consortia will provide us with opportunities for further growth as we continue to look for new markets, products and businesses.

Financial highlights

- Revenue up 330% at £47.3m (2009: £11.0m) including organic revenue* growth of 7%
- Adjusted EBITDA** up 307% at £12.2m (2009: £3.0m)
- Operating profit up 72% at £3.1m (2009: £1.8m)
- Cash generated from operations £11.1m (2009: £2.0m), operating cash conversion of 93% (2009: 71%)
- Strong divisional performance
 - Health & Care (patient care management) – 12% organic growth and operating margin up 5ppts to 32%
 - Health, Care & Public Sector – 6% organic growth and operating margin up 5ppts to 30%
 - Managed Services – 27% organic growth and operating margin up 13ppts to 18%
- Excellent visibility of future revenue
 - Repeating revenue† over 90% (2009: 95%)
 - Contracted recurring revenue 56% (2009: 65%)
- Adjusted earnings per share up 213% at 2.5 pence (2009: 0.8 pence)
- Earnings per share up 20% at 0.6 pence (2009: 0.5 pence)

Operational highlights

- New Health & Care products gain momentum
 - Mobile applications iNurse and iConnect up from 600 to 4,450 users with a further 4,250 users under negotiation
 - End-of-Life Register – now taken up by 25 NHS Trusts covering a population of 8m
 - Summary Care Record – more than 80% England covered by orders for deployment
 - Pharmacy health checks – revenues begin to flow
- Successful integration of COA acquisition, now Advanced Business Solutions (“ABS”), and realisation of more than £2m annualised cost savings
- ABS products and healthcare expertise create growth opportunities in
 - Shared Services
 - GP Consortia
- Cross-selling begins with contracts worth £6m for software and managed services

* Organic growth is calculated by comparing the results for the current period with the pro-forma results of the comparative period.

** Adjusted EBITDA is defined as profit before interest, taxation, depreciation, amortisation, reorganisation costs and share based payments.

† Repeating revenue is the value of revenue generated from the existing customer base.

^ Pro forma numbers account for all acquisitions as if acquired on 1 March 2009.

Overview

Financial year 2010 was a year of transformation for Advanced with the Group's buy and build strategy resulting in an increase in pro-forma revenue from £13.3m to more than £90m and adjusted EBITDA from £3.3m to more than £20.0m. The focus for financial year 2011 is to consolidate and build upon this strong foundation and the Group's excellent half year results demonstrate these goals are being achieved despite the challenging economic climate and concerns about public sector spending.

Revenue for the six months to 31 August 2010 increased from £11.0m to £47.3m with adjusted EBITDA increasing from £3.0m to £12.2m. The Group achieved overall organic revenue growth of 7%, attributable mainly to improved performance from the healthcare and managed services businesses.

COA Solutions, acquired in February 2010, has been re-branded Advanced Business Solutions. The business has been successfully integrated, achieving expected annualised cost savings of more than £2.0m and the Group is in a good position to sell its suite of business management products to public sector organisations including the new GP Consortia. Cross-selling of the managed service offering to the healthcare and business services sectors has begun.

Results

Group results

Revenue was £47.3m (2009: £11.0m) including overall organic growth of 7%.

Repeating revenue, being the value of revenue arising from sales to the existing customer base during the period, was over 90%, underpinned by contracted recurring revenue of 56% comprising support, maintenance, hosting and contracts for managed services. This high visibility of future revenue, with a customer retention rate of 95% and broad spread of revenue across the customer base, demonstrates the Group's resilience in the face of economic downturn.

Gross margin improved to 82% (2009: 74%), due to the change in product mix resulting from acquisitions and increased focus on driving down third party costs.

Adjusted EBITDA, which excludes reorganisation costs of £0.3m and share based payments of £0.5m, increased 307% to £12.2m (2009: £3.0).

Amortisation of intangible assets increased to £7.7m (2009: £0.6m) and relates to the acquisitions made in the current and prior period and capitalised development costs.

On a pro-forma basis, adjusted EBITDA margin improved 6ppts to 26% mainly from cost synergies following the acquisitions of Business Systems Group in June 2009 and COA Solutions in February 2010.

Central costs for the period were £0.9m (2009: £0.4m).

Pre-tax profit was £1.9m and pre-tax profit adjusted for amortisation of intangible assets was £9.6m (2009: £2.5m).

The Group had trading tax losses of £2.4m to carry forward at 31 August 2010.

Adjusted earnings per share was 2.5 pence (2009: 0.8 pence). Earnings per share was 0.6 pence (2009: 0.5 pence).

Cash flow was strong with cash generated from operating activities £11.1m, 93% of EBITDA (2009: £2.0m, 71% of EBITDA).

Finance costs were £1.2m (2009: £nil) arising from the £55m bank facility negotiated in February 2010 in connection with the acquisition of COA Solutions and provision of working capital for the Group. The facility is repayable in 2013 and comprises a term loan of £25m and a revolving credit facility of £30m. At the period end £21.2m of the term loan was outstanding and £26.3m of the revolving credit facility had been utilised offset by cash and cash equivalents of £13.6m.

Net debt at the end of the period was £33.9m (2009: £nil).

The Board does not recommend the payment of an interim dividend.

Business review

Advanced Health, Care and Public Sector

Revenue for the six months was £26.6m (pro-forma 2009: £25.2m) and adjusted EBITDA was £8.0m (pro-forma 2009: £6.3m).

Good results from the Health, Care and Public Sector division were due mainly to excellent performance from the core patient management software businesses and its new product extensions.

Advanced provides integrated solutions to the NHS, local government and private sectors. The Group continues to be the market leader in patient management software for unscheduled "call centre" and "walk-in" care settings and is being expanded into new settings such as lifestyle clinics and single-point-of-access, referral management and minor injuries units.

New products developed from the core patient management workflow solution and launched earlier this year have been well received including:

- **Mobile solutions** – iNurse and iConnect directed at bringing cost and resource efficiencies to the district nurse and care-in-the-community markets now has 4,450 licensed users and a further 4,250 currently under negotiation. Advanced has also partnered with Motorola to create Motorola's Community Task Worker product, announced at the eHealth Insider Live 2010 conference earlier this month;
- **End-of-Life Care Register** – giving patients control over their medical future, is steadily gaining momentum across the country and by the end of the year around 8 million people will be covered by the register confirming Advanced's position as the leading provider of End-of-Life and palliative care solutions;
- **Summary Care Record** – a summary of the GP patient record, has now been taken up by 80% of service providers;
- **Crosscard Medical Record** – allowing patients to carry their own medical records with them on a credit card sized USB device which can be plugged into any computer in the world is receiving interest from insurance companies. This is ideal for frequent travellers as data is encrypted to NHS and USA government standards and facilities to update the records and disable the card if lost or stolen via the internet are included in the service; and
- **Advanced Health Checks** – a standalone, fully configured and hosted cardiovascular testing product supporting the NHS Health Checks programme.

The acquisition of COA Solutions, now Advanced Business Solutions, in February 2010 has provided a range of enterprise financial and business management products targeted at healthcare and public sector customers and designed to improve efficiency and reduce costs. These products, combined with Advanced's core patient management software, position the Group to take advantage of the opportunity presented by the NHS whitepaper. Advanced already provides software and services to several GP co-operatives and plans to provide a "one stop shop" integrated solution are well developed.

Two acquisitions have been made since February 2010, Cerrus in March 2010 and CareSys in October 2010. Both businesses offer products that address the growing care-in-the-community market and together service over 230 customers in the residential care, domiciliary care, respite, day care, assisted living and housing association markets.

Advanced Business Solutions

Revenue for the six months was £10.7m (pro-forma 2009: £11m) and adjusted EBITDA was £2.3m (pro-forma 2009: £2.4m).

Vendor management focus was lost prior to the Group's acquisition of COA in February 2010. New management has since been appointed but the changes have yet to impact the results.

The Group now delivers a comprehensive and well-established suite of financial, human capital and corporate performance management products to the health, care and public sectors and a wide variety of business services sector customers operating in banking, financial services, retail, charities, housing and business services.

Bolt-on applications such as electronic document management, business intelligence, e-procurement and corporate performance solutions that help customers to improve efficiency and control are key current and future revenue generators. Examples include:

- a new business intelligence module, Visualiser, launched in October 2010 providing organisations with an ongoing and real-time view of their finances together with key performance indicators to aid better business decisions; and
- Clearview for Human Capital Management, a budgeting and forecasting tool for the commercial HR market, launched in August 2010 and enabling the true cost of an organisations's workforce to be determined and analysed

New customers in the period include Crisis UK, Reader's Digest and Baker Tilly.

Version One, the Group's document management arm, has won several awards including two at the Software Satisfaction Awards 2010 as well as the Green Software Provider of the Year award. Version One also won a Green hero award in recognition of its positive environmental contribution and initiatives.

Advanced Business Solution's products, which offer greater efficiency, visibility and control, and the Group's core healthcare expertise together create an integrated proposition directed at opportunities in the new NHS structure such as shared services and solutions for the GP consortia assuming the role of the PCT. In the second half of the financial year 2011 the Group expects to further refine its offering for this new market for which it is very well placed.

Advanced 365 Managed Services

Revenue was £10.0m (2009: £7.9m) and adjusted EBITDA was £1.8m (2009: £0.4m).

These results reflect the successful restructuring following the acquisition and strategic review of Business Systems Group in June 2009 and the outsourcing of its low margin hardware business to BT Engage.

Highlights of the first half year include the successful completion of the transition phase of the contract with Cazanove signed in October 2009 and the negotiation of a £5.2m contract over five years with new customer National Midwifery Council to take over and operate their core IT infrastructure as a managed service.

Advanced 365 designs, deploys and operates IT services from desktop to datacentre to create a scaleable infrastructure that is closely aligned to customers' core business requirements. Customers can drive their IT spend down yet at the same time benefit from improved levels of service and reliability.

Service development is targeted at lowering customers' operating costs and increasing business efficiency and is centred around:

- **Software as a Service (SaaS)** – providing managed services to support software products from other Group companies;
- **Innovative managed services** – utilising cloud services, both public and private, to deliver the right solutions for our customers; and
- **Value-added solutions** – for example the Advanced 365 Reporting Services Consolidator application was developed using several different technologies from the Microsoft product stack and has already been deployed to several customers.

The outlook for the second half year is encouraging. The opportunity to build a SaaS platform for the Group's software products presents a significant target for cross-selling to the enlarged customer base generated by recent acquisitions. In the public sector in particular, analysts predict an increased take-up of SaaS, Shared Services and outsourcing as organisations respond to the Comprehensive Spending Review 2010.

Current trading and outlook

Trading has remained to remain strong across the Group. Advanced Health & Care expects further take-up of its new products including mobile solutions and the Summary Care Record, and is experiencing increased demand for its rostering and community care solutions. Advanced 365 Managed Services anticipates that the growth in managed services and outsourcing to reduce costs and improve efficiency will provide considerable opportunity and looks forward to cross-selling its services to the wider Group customer base. The NHS Reform offers the Group a promising opportunity to sell Advanced Business Solutions products backed up by its healthcare expertise to GP Consortia and other healthcare organisations.

The focus for the second half of the financial year 2011 is to grow further, organically by continuing to seek new markets for Advanced's products, and through selective acquisitions that strengthen the Group's position as a leading provider of software and IT services to the health, care and business sectors.

Consolidated income statement

for the six months to 31 August 2010

	Six months ended 31 August 2010 £000	Six months ended 31 August 2009 £000	12 months ended 28 February 2010 £000
Revenue	47,314	11,017	30,191
Cost of sales	(8,402)	(2,883)	(7,356)
Gross profit	38,912	8,134	22,835
Administrative costs	(35,852)	(6,336)	(18,966)
Adjusted EBITDA	12,192	2,953	7,200
Reorganisation costs	(299)	(65)	(65)
Share based payments (IFRS2)	(491)	(255)	(572)
Depreciation	(635)	(248)	(698)
Amortisation of acquired intangible assets (IFRS3)	(7,707)	(587)	(1,996)
Profit from operations	3,060	1,798	3,869
Finance income	24	149	410
Finance costs	(1,167)	(3)	(110)
Profit before taxation	1,917	1,944	4,169
Taxation	179	(589)	(1,000)
Profit for the period	2,096	1,355	3,169
Earnings per share			
Basic (pence)	0.6	0.5	1.1
Diluted (pence)	0.6	0.5	1.0

Consolidated statement of comprehensive income

for the six months to 31 August 2010

	Six months ended 31 August 2010 £000	Six months ended 31 August 2009 £000	12 months ended 28 February 2010 £000
Profit for the year	2,096	1,355	3,169
Foreign exchange translation difference	(23)	–	27
Total comprehensive income for the year	2,073	1,355	3,196

Consolidated balance sheet

as at 31 August 2010

	At 31 August 2010 £000	At 31 August 2009 £000	At 28 February 2010 £000
Non-current assets			
Intangible assets	153,471	22,163	158,862
Property, plant and equipment	3,827	1,431	3,781
Total non-current assets	157,298	23,594	162,643
Current assets			
Inventories	733	262	629
Trade and other receivables	17,965	9,639	22,208
Cash and cash equivalents	13,591	56,294	10,279
Total current assets	32,289	66,195	33,116
Total assets	189,587	89,789	195,759
Current liabilities			
Trade and other payables	(37,078)	(11,588)	(42,155)
Corporation tax	(3,055)	(1,075)	(879)
Loans and borrowings	(33,404)	–	(34,144)
Total current liabilities	(73,537)	(12,663)	(77,178)
Non-current liabilities			
Deferred tax	(20,684)	(1,001)	(23,032)
Provisions	(1,212)	(640)	(1,130)
Loans and borrowings	(13,044)	–	(15,873)
Total non-current liabilities	(34,940)	(1,641)	(40,035)
Total liabilities	(108,477)	(14,304)	(117,213)
Net assets	81,110	75,485	78,546
Equity			
Share capital	35,488	35,250	35,488
Share premium	33,361	33,361	33,361
Merger reserve	7,826	7,161	7,826
Foreign exchange reserve	4	–	27
Share trust reserve	(1,954)	(1,954)	(1,954)
Retained earnings	6,385	1,667	3,798
Total equity attributable to equity holders of the Company	81,110	75,485	78,546

Consolidated cash flow statement

for the six months to 31 August 2010

	Six months ended 31 August 2010 £000	Six months ended 31 August 2009 £000	12 months ended 28 February 2010 £000
Cash flows from operating activities			
Profit for the period	2,096	1,355	3,169
Adjustments for			
Depreciation	635	248	698
Amortisation of intangible assets	7,707	587	1,996
Share based payment – IFRS 2	491	255	572
Net finance costs	1,144	(146)	(300)
Income tax expenses	(179)	589	1,000
Exchange revaluation reserve	(22)	–	–
	11,872	2,888	7,135
(Decrease) / Increase in trade and other payables	(4,947)	(663)	996
Decrease / (Increase) in trade and other receivables	4,274	(249)	(3,120)
Decrease / (Increase) in inventories	(104)	69	200
Cash generated in the operations	11,095	2,045	5,211
Corporation tax paid	(125)	(133)	(359)
Net cash inflow from operating activities	10,970	1,912	4,852
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	(1,347)	(2,746)	(101,287)
Net finance income / (costs)	(955)	146	300
Development expenditure capitalised	(935)	(148)	(340)
Acquisition of property, plant and equipment	(671)	98	(277)
Cash outflow from investing activities	(3,908)	(2,650)	(101,604)
Cash flows from financing activities			
Proceeds from issue of new shares	–	43,575	43,575
Cost of issue of shares	–	(1,199)	(1,199)
Proceed from new loan	–	–	25,000
Borrowing fees	–	–	(1,265)
Repayment of borrowings	(3,750)	–	–
Cash from financing activities	(3,750)	42,376	66,111
Change in cash and cash equivalents	3,312	41,638	(30,641)
Cash and cash equivalents at start of previous period	(15,985)	14,656	14,656
Cash and cash equivalents at the end of the period	(12,673)	56,294	(15,985)

Consolidated statement of changes in equity

for the six months to 31 August 2010

	Ordinary share capital £000	Share premium £000	Merger reserve £000	Share trust reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total £000
Balance at 28 February 2010	35,488	33,361	7,826	(1,954)	27	3,798	78,546
Issue of share capital							
Share based payments	-	-	-	-	-	491	491
Foreign Exchange Reserve	-	-	-	-	(23)	-	(23)
Total comprehensive income for the period	-	-	-	-	-	2,096	2,096
Balance at 31 August 2010	35,488	33,361	7,826	(1,954)	4	6,385	81,110

	Ordinary share capital £000	Share premium £000	Merger reserve £000	Share trust reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total £000
Balance at 28 February 2009	19,092	5,426	2,821	(1,954)	-	57	25,442
Issue of share capital							
For cash	14,525	29,050	-	-	-	-	43,575
In respect of acquisition of subsidiary	1,871	-	5,005	-	-	-	6,876
Costs of issuing share capital	-	(1,115)	-	-	-	-	(1,115)
Share based payment	-	-	-	-	-	572	572
Total comprehensive income for the period	-	-	-	-	27	3,169	3,196
Balance at 28 February 2010	35,488	33,361	7,826	(1,954)	27	3,798	78,546

Notes to the financial statements

1 General information

Advanced Computer Software Group plc (AIM: "ASW", "Advanced", or "the Company"), a leading provider of software and IT services to the health, care business services markets, is a limited liability company and is listed on AIM (a market of the London Stock Exchange). The company's registered address is Munro House, Portsmouth Road, Cobham, KT11 1TF and the Company's registration number is 5965280.

The Group interim results consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The financial information for the six months ended 31 August 2010 and the six months ended 31 August 2009 is unaudited and does not constitute the Advanced Group's statutory financial statements for those periods. The comparative figures for the financial year ended 28 February 2010 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The principal trading subsidiaries of Advanced are COA Solutions Limited; Business Systems Holdings Group Limited; and Adastra Software Limited.

The Board of Directors approved this interim report on the 15th of November 2010.

2 Basis of preparation

The financial information presented is for the Advanced Group for the six months to 31 August 2010.

This financial information has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively, Adopted IFRSs). The principal accounting policies used in preparing the interim results are detailed in note 3.

Going concern

The Group agreed a facility of £55m with HSBC and Royal Bank of Scotland in February 2010 in connection with the acquisition of COA and the provision of working capital for the Group. The facility is structured as £25m of term debt and £30m of revolving loan facility both falling due for repayment in August 2013. The nature of the £30m revolving facility means that the drawdown at 31 August 2010 of £26.3m and the term loan repayable within one year of £7.5m are included in current liabilities and, together with deferred income of £21.3m, contribute to the net current liabilities at the end of the period.

3 Significant accounting policies

The accounting policies used in preparing the interim results are those the Group expects to apply in its financial statement for the year ended 28 February 2011 and are unchanged from those disclosed in the Group's annual report and financial statements for the year ended 28 February 2010 save that the Group's policy in respect of the capitalisation of acquisition costs has been amended in accordance with IFRS 3 (Revised).

In the current financial period, the Group has adopted IFRS 3 (Revised 2008) Business Combinations and IAS 27 (Revised 2008) Consolidated and Separate Financial Statements as required, and will apply these principles throughout the year. Adoption of these standards did not have any significant effect on the financial position or performance of the Group.

Notes to the financial statements

continued

4 Earnings per share

The basic earnings per share has been calculated by dividing the net profit/(loss) attributable to ordinary shareholders by the weighted average number of shares in issue during the period.

Diluted earnings per share is calculated by dividing the net profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares adjusted for potentially dilutive shares.

Adjusted earnings per share is calculated as for basic and diluted earnings per share but adjusted to exclude amortisation of intangibles, share based payments and non-recurring reorganisation costs.

	Earnings £000	Weighted average number of shares Shares	Per share amount Pence
Basic earnings per share	2,096	337,118,941	0.6
Dilution for employee share option		21,308,179	
Dilution for MPO/MPS		20,240,219	
Diluted earnings per share	2,096	378,667,339	0.6
Basic earnings per share	2,096	337,118,941	0.6
Amortisation of intangible fixed assets	7,707		
Share based payments	491		
Reorganisation costs	299		
Tax effect on adjusted earnings	(2,201)		
Adjusted earnings per share	8,392	337,118,941	2.5
Diluted earnings per share	2,096	378,667,339	0.6
Amortisation of intangible fixed assets	7,707		
Share based payments	491		
Reorganisation costs	299		
Tax effect on adjusted earnings	(2,201)		
Adjusted diluted earnings per share	8,392	378,667,339	2.2

Notes to the financial statements

continued

5 Acquisitions

Cerrus Limited was acquired on 1 March 2010 for consideration of £0.37m settled in cash. Cerrus' main product is Saturn, a community care and support management solution which manages the delivery of care for over 60 community health and social care providers in the UK and Ireland.

	Customer contracts and relationships £000	Brand £000	Technology £000	Goodwill £000	R&D £000	Total £000
Costs						
At beginning of year	67,533	3,965	21,673	66,998	1,337	161,506
Acquisitions through business combinations	373	–	245	763	–	1,381
Other acquisition – internally developed	–	–	–	–	1,021	1,021
At 31 August 2010	67,906	3,965	21,918	67,761	2,358	163,908
Amortisation						
At beginning of year	(1,557)	(183)	(476)	–	(428)	(2,644)
Charged in the period ended 31 Aug 2010	(4,431)	(496)	(2,694)	–	–	(7,621)
Other acquisition internally developed – charged in the period ended 31 Aug 2010	–	–	–	–	(86)	(86)
At 31 August 2010	(5,988)	(679)	(3,170)	–	(514)	(10,351)
Net book value						
At 31 August 2010	61,918	3,286	18,748	67,761	1,844	153,557
Net book value						
At 28 February 2010	65,976	3,782	21,197	66,998	909	158,862

6 Post balance sheet events

CareSys Software Ltd was acquired on 1 October 2010 for consideration of £2.6m settled in cash. Its main product, also called Caresys, is a community healthcare software solution used by more than 170 community and specialist care providers in the UK and covers bed management, roster scheduling, billing and other services. This addition to Advanced's Health & Care division strengthens the Group's position as the leading supplier of software to care homes, community care centres and hospices, with the Group now serving more than 1,000 care providers across the UK.

Independent review report to Advanced Computer Software Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 August 2010 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement and the consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 August 2010 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

P Gresham

for and on behalf of KPMG Audit Plc
Chartered Accountants
Arlington Business Park
Theale
Reading, RG7 4SD
United Kingdom

15 November 2010

Company information

Legal form

Public Limited Company

Country of incorporation

United Kingdom

Company number

5965280

Registered address

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Surrey
KT11 1TF

Nominated advisor and joint broker

Singer Capital Markets Limited
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London
W15 1YZ

Joint broker

Mirabaud Securities LLP
21, St James's Square
London
SW1Y 4JP

Bankers

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Auditors

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Solicitors

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