

27 November 2008

ADVANCED COMPUTER SOFTWARE PLC

Interim Results

Advanced Computer Software Plc (AIM: ASW, "Advanced", or "the Company"), a leading provider of software and IT services to the primary care sector, has published its interim results for the eight month period to 31 August 2008.

Highlights

- Placing of £14.6m to fund expansion within the primary care sector (August 2008)
- Acquisition of Aداstra Software Ltd ("Aداstra") positions Advanced at the heart of primary and unscheduled healthcare in the NHS, with circa 65% of annual revenues underpinned by recurring maintenance and subscription contracts
- Cash and cash equivalents of £14.9m at 31 August 2008

Aداstra

- Provides mission-critical applications serving 95% of Out-of-Hours ("OoH") operational hubs and 50% of NHS walk-in clinics in England
- Automates the flow of information between the national nurse helpline services (NHS Direct, NHS24 and NHS Wales) and the operational hubs of the Primary Care Trusts ("PCT"s)
- Licenses more than 5,000 seats and transacts 14 million patient episodes every year
- Interoperates with more than 100 other IT systems serving both the primary care and the acute parts of the NHS
- Generates cash and is profitable

Vin Murria, Chief Executive Officer, commented:

"We are delighted with the progress Aداstra has made since acquisition. The announcement of these results marks the beginning of our plan to create a substantial and successful business in an attractive sector. Aداstra's leadership in primary care has given us solid foundations upon which to grow the business both organically, through product innovation and strategic collaborations, and by selective acquisitions in the fragmented primary health care sector."

Enquiries:

Advanced Computer Software Plc
Vin Murria, Chief Executive Officer
Karen Bach, Chief Financial Officer

+44 (0) 20 7831 5088

College Hill
Adrian Duffield/Carl Franklin

+44 (0) 20 7457 2815

Note to Editors

Advanced Computer Software Plc (AIM: ASW, "Advanced", or "the Company") is a leading provider of software and IT services to the primary care sector. Through its subsidiary Adastra, Advanced services more than 95% of Out-of-Hours ("OoH") operational hubs and 50% of NHS walk-in clinics in England. Adastra's software interoperates with more than 100 other IT systems serving both the primary care and the acute parts of the NHS. A secondary product automates the flow of information between the National Nurse Helpline Services (NHS Direct, NHS24 and NHS Wales) and the operational hubs of the Primary Care Trusts ("PCTs"). Adastra's software is licensed to more than 5,000 seats and transacts 14 million patient episodes every year.

Advanced occupies a strategically important niche in the IT framework of the NHS, from which it intends to expand through a strategy of product innovation, selective acquisitions and/or technical collaborations, thus consolidating a fragmented market. By broadening its products and services, the Advanced Group aims to improve the flow of patient information throughout primary care using, where possible, a single view of the patient record. At the same time, the Advanced Group's strategy is designed to maximise opportunities for cost savings, shared R&D and cross-selling, whilst aligning with recent changes in NHS IT procurement that increase the purchasing power of the primary care segment.

INTERIM STATEMENT

Background

Advanced, formerly Drury Lane Capital Plc, was admitted to AIM in October 2006 to acquire and manage companies with opportunities for consolidation. In August 2008, the Board identified the opportunity to become a leading provider of software and services to the primary care and unscheduled sectors of the NHS through the acquisition of Adastra. At the same time, Drury Lane Capital Plc changed its name to Advanced Computer Software Plc and raised £14.6m to fund future expansion.

The market for software and related services in primary care has the following characteristics:

- A high level of fragmentation
- Small-to-medium size suppliers
- A loyal customer and user base (for example, General Practitioners and PCTs)
- Significant levels of recurring revenues
- Relatively stable government funding
- Strong political support for the adoption of IT.

Adastra

Through its acquisition of Adastra, Advanced has become the market leader in the provision of software and services for the management of OoH and unscheduled healthcare, both of which are funded by PCTs.

Adastra's software provides specialist medical event management, data distribution and clinical support to OoH and unscheduled healthcare. Adastra also supplies infrastructure, networking and 24-hour support services, together with a secondary software product that automates the flow of information between the national nurse helpline services (NHS Direct, NHS24 and NHS Wales) and the operational hubs contracted by PCTs to manage OoH healthcare.

Adastra's well-established client base includes 95% of the operational hubs that provide OoH visits and other medical services, on scales that range from city-wide to county-wide. Adastra also serves 50% of the walk-in clinics in England (established by the NHS to provide unscheduled treatment of minor problems), and has significant opportunities to expand into the emerging polyclinic market and the community care sector. Adastra was formed in 1994 and has 140 staff.

Apart from its strong market position, Adastra benefits from the following:

- Revenues with circa 65% underpinned by recurring maintenance contracts and a renewal rate exceeding 95%
- Higher-margin direct sales model generating more than 90% of sales and enhanced opportunities for cross selling
- Strong profitability and cash conversion with potential for increasing EBITDA margins
- Strong domain expertise in delivering mission-critical and "sticky" applications to key users in primary care
- Ongoing product innovation including a move towards subscription pricing and new products for nursing and community care
- Interoperability with more than 100 other IT systems serving both the primary care and the acute parts of the NHS.

In line with government policy, which is increasingly championing integrated healthcare in an out-of-hospital setting, the province of the operational hubs is growing to encompass other aspects of primary care, including social care and home nursing.

Adastra is therefore positioned at the heart of an increasingly influential segment of the healthcare IT market, giving Advanced a solid foundation from which to expand through selective acquisitions or technical collaborations, such as those Adastra recently announced with Emis and InPS, the leading suppliers of software to family health centres.

Since its acquisition, Adastra's trading has continued in line with the Board's expectations and a rationalisation project has been implemented. The Board remains confident of the profitability in the current financial year to 28 February 2009. The Board also believes Advanced is well placed to provide cost savings to NHS projects and will look to add to its recurring revenue base.

Financial

Total losses in the eight month period to 31 August 2008 were £0.4m, reflecting that the Company (as Drury Lane Capital Plc) did not have any trading activities in this period. These losses include the costs of investigating investment opportunities and running a publicly quoted company, offset by an interest income of £0.1m. The interim financial results include the income statement and cash flow for the eight month period to 31 August 2008 together with the balance sheet as at 31 August 2008 which includes Adastra and the associated fund raising.

Acquisition

Advanced acquired Adastra on 29 August 2008 for a total consideration of £12.9m (excluding fees) in shares and cash. The total cash consideration paid to the Adastra vendors was £5.9m and cash acquired was £2.7m. Therefore, the net cash outflow from the Advanced Group was £3.3m (£3.7m including fees).

Adastra

In the eight months to 31 August 2008, Adastra generated £7.7m revenues and £0.8m profit before tax. Adastra costs included £0.5m for rationalisation and fees relating to the sale of the business. Adjusting for these one-off costs, the underlying profit before tax was £1.3m for the eight month period.

As a private company, Adastra reported revenues of £10.6m and profit before tax of £1.7m in the year ended 29 February 2008.

Assuming Adastra had been part of the Advanced Group from 1 January 2008, Advanced Group revenues would have been £7.7m with a profit before tax of £1.0m on an underlying basis (or £0.5m after one-off costs).

The pro-forma results for Adastra are based on the Advanced Group's management accounts. As such, certain items are not reflected, for example, the amortisation on the intangible assets recognised on acquisition under IFRS 3.

Cash

As at 31 August 2008, Advanced held £14.9m in cash and cash equivalents and had no borrowings.

Fund raising - equity

In August 2008, Advanced raised £14.6m (gross) in cash as part of the Adastra acquisition and to provide resources for further potential investment opportunities.

ENDS

INTERIM FINANCIAL STATEMENTS

Income statement for the eight months to 31 August 2008

		Eight months ended 31 August 2008 Unaudited £000	Eight months ended 31 August 2007 Unaudited £000	Fourteen months ended 31 December 2007 Audited £000
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Other administrative expenses	<i>Note 4</i>	(234)	(80)	(149)
Exceptional Items	<i>Note 4</i>	(219)	(128)	(942)
Total Administrative Costs		(453)	(208)	(1,091)
Loss from operations		(453)	(208)	(1,091)
Finance income		87	77	225
Loss before income tax		(366)	(131)	(866)
Income tax		-	-	-
Loss for the year attributed to equity holders of the parent		(366)	(131)	(866)
Loss per share				
<i>Basic and diluted loss per share (pence)</i>		<i>0.8</i>	<i>0.3</i>	<i>1.9</i>

Consolidated Advanced Group balance sheet as at 31 August 2008

	At 31 August 2008	At 31 August 2007	At 31 December 2007
	Unaudited £000	Unaudited £000	Audited £000
Non-current assets			
Property, Plant and Equipment	535	-	-
Intangible assets	13,648	-	-
Total non-current assets	<u>14,183</u>	<u>-</u>	<u>-</u>
Current assets			
Stock	642	-	-
Trade and other receivables	1,344	-	16
Cash and cash equivalents	14,898	4,340	4,249
Total current assets	<u>16,884</u>	<u>4,340</u>	<u>4,265</u>
Total assets	<u>31,067</u>	<u>4,340</u>	<u>4,265</u>
Current liabilities			
Trade and other payables	(4,867)	(68)	(743)
Total current liabilities	<u>(4,867)</u>	<u>(68)</u>	<u>(743)</u>
Non-current liabilities			
Deferred tax	(2,037)	-	-
Other long term liabilities	(130)	-	-
Total non-current liabilities	<u>(2,167)</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>(7,034)</u>	<u>(68)</u>	<u>(743)</u>
Net assets	<u>24,033</u>	<u>4,272</u>	<u>3,522</u>
Equity			
Share capital	19,092	4,500	4,500
Share premium	5,418	-	-
Merger Reserve	2,821	-	-
Share Trust Reserve	(1,954)	-	-
Retained earnings	(1,344)	(228)	(978)
Total equity attributable to equity holders of the Company	<u>24,033</u>	<u>4,272</u>	<u>3,522</u>

Cashflow for the eight months to 31 August 2008

	Eight months ended 31 August 2008 Unaudited £000	Eight months ended 31 August 2007 Unaudited £000	Fourteen months ended 31 December 2007 Audited £000
Cash flows from operating activities			
Loss for the period	(366)	(131)	(866)
<i>Adjustments for</i>			
Net finance income	(87)	(77)	(225)
Operating cash flows before movement in working capital	(453)	(208)	(1,091)
Change in trade and other payables	746	(29)	727
Net cash in/(out) flows from operating activities	293	(237)	(364)
Cash flows from investing activities			
Acquisition of subsidiary (net of cash acquired)	(3,758)	-	-
Net finance income	87	77	225
Cash (out)/in from investing activities	(3,671)	77	225
Cash flows from financing activities			
Proceeds from issue of new shares	14,635	-	4,500
Cost of issue of shares	(608)	-	(112)
Cash from financing activities	14,027	-	4,388
Net increase in cash and cash equivalents	10,649	(160)	4,249
Cash and cash equivalents at start of previous period	4,249	4,500	-
Cash and cash equivalents at end of period	14,898	4,340	4,249

Statement of changes in equity

For the eight months to 31 August 2008

	Ordinary share capital	Share premium	Merger reserve	Share trust reserve	Retained earnings	Total
	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000
Balance at 31 December 2007	4,500	0	0	0	(978)	3,522
<i>Issue of share capital</i>						
For cash	8,609	6,026	-	-	-	14,635
To Employee Benefit Trust	1,954	-	-	(1,954)	-	-
In respect of Acquisition of Subsidiary	4,029	-	2,821	-	-	6,850
Costs of issuing share capital	-	(608)	-	-	-	(608)
Loss for the eight months to 31 August 2008	-	-	-	-	(366)	(366)
Balance at 31 August 2008	19,092	5,418	2,821	(1,954)	(1,344)	24,033

For the eight months to 31 August 2007

	Ordinary share capital	Share premium	Merger reserve	Share trust reserve	Retained earnings	Total
	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000
Balance at 31 December 2006	4,500	-	-	-	(97)	4,403
Issue of share capital						
For cash	-	-	-	-	-	0
To Employee Benefit Trust	-	-	-	-	-	0
In respect of Acquisition of Subsidiary	-	-	-	-	-	0
Costs of issuing share capital	-	-	-	-	-	0
Loss for the eight months to 31 August 2007	-	-	-	-	(131)	(131)
Balance at 31 August 2007	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(228)</u>	<u>4,272</u>

For the fourteen months to 31 December 2007

	Ordinary share capital	Share premium	Merger reserve	Share trust reserve	Retained earnings	Total
	Audited £000	Audited £000	Audited £000	Audited £000	Audited £000	Audited £000
Balance at incorporation	-	-	-	-	-	-
Issue of share capital						
For cash	4,500	-	-	-	-	4,500
To Employee Benefit Trust In respect of Acquisition of Subsidiary	-	-	-	-	-	-
Costs of issuing share capital	-	-	-	-	(112)	(112)
Loss for the fourteen months to 31 December 2007	-	-	-	-	(866)	(866)
Balance at 31 December 2007	4,500	-	-	-	(978)	3,522

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Advanced Computer Software Plc (AIM: ASW, "Advanced", or "the Company"), a leading provider of software and IT services to the primary care sector, is a limited liability company and is listed on AIM (a market of the London Stock Exchange). The Company's registered address is Quadrant House, Floor 6, 17 Thomas More Street, Thomas More Square, London, E1W 1YW and the Company's registration number is 5965280.

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. The financial information for the eight months ended 31 August 2008 and the eight months ended 31 August 2007 is unaudited and does not constitute the Advanced Group's statutory financial statements for those periods. The comparative financial information for the fourteen months ended 31 December 2007 has, however, been derived from the audited statutory financial statement for that period together with the correction of two prior period errors (see note 2 below). A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2)-(3) of the Companies Act 1985.

Adastra Software Ltd ("Adastra") is a subsidiary of Advanced and together with other (non-trading) subsidiaries makes up the "Advanced Group".

The Board of Directors approved this interim report on 26 November 2008.

2. Basis of preparation

Following the acquisition of Adastra, Advanced changed its financial year end to February, aligning it with Adastra. Therefore, the financial information presented is for the Advanced Group for the eight months to 31 August 2008.

The financial results of Advanced for the fourteen month period to 31 December 2007 have been corrected for two prior period errors:

- Share issue costs of £0.1m have been removed from the income statement and included in the total equity attributable to equity holders of the Company. These costs related to the shares issued in 2006.
- An additional trade creditor has been recognised in the balance as at 31 December 2007 sheet for professional fees incurred in the fourteen month period but not recognised in the financial results when previously disclosed.

The financial information is presented in Sterling, which is the functional currency of the Advanced Group. All financial information presented in Sterling has been rounded to the nearest thousand.

3. Significant accounting policies

The significant accounting policies adopted by the Advanced Group are set out below.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The depreciation policies for each class of asset are as follows:

- Leasehold improvements – 10% straight-line
- T.S. loan equipment – 25% straight-line
- Office equipment and furniture – 20% straight-line
- Computers – 20% and 25% straight-line

T.S Loan equipment is equipment that Adastra loans to customers while their equipment is being repaired or replaced.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Intangibles

Goodwill

Goodwill is recognised on the acquisition of a subsidiary and is the difference between the cost of the acquisition (including fees) and the fair value of tangible and intangible assets acquired. The carrying value of goodwill is reviewed at each reporting date, with any impairment required charged to the income statement.

Research and development

Development activities involve a plan or design for the production of new or substantially improved computer software. Development expenditure is capitalised only if development costs can be measured reliably, the software program is technically and commercially feasible, future economic benefits are probable, and the Advanced Group intends to have sufficient resources to complete 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 or third party costs incurred directly on the development activities above.

Capitalised development expenditure is measured on the balance sheet at cost less accumulated amortisation and accumulated impairment losses.

Other development expenditure is recognised in the income statement as incurred. Expenditure on research is charged to the income statement in the period incurred.

Acquired intangibles

Following the acquisition of Adastra, the assets acquired were classified into tangible and intangible assets and fair values applied using the principles of IFRS 3. This led to the creation of intangible assets recognised on the consolidated balance sheet which will be amortised over their estimated useful lives. The assets recognised were:

- Brand name
- Customer relationships
- Technology assets
- In-process development.

Amortisation

Amortisation is recognised in the income statement on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use. The estimated useful lives for the current period are as follows:

- Capitalised development costs are amortised over the period to the release of the subsequent version. This period is estimated by management as eight years.
- The brand name recognised on the acquisition of Adastra is to be amortised over the three years from acquisition.
- The contractual relationships recognised on the acquisition of Adastra are to be amortised over ten years.
- Technology assets recognised on the acquisition of Adastra will be amortised over eight years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Financial instruments

The Advanced Group's financial instruments comprise cash and various items such as trade receivables and trade payables that arise directly from its operations. Finance payments associated with financial liabilities are dealt with as part of finance expenses.

a) Financial assets

The Advanced Group's financial assets fall into the category discussed below. Unless otherwise indicated, the carrying amounts of the Advanced Group's financial assets are a reasonable approximation of their fair values.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade receivables), but also incorporate other types of contractual monetary asset such as deposits on rental property and prepayments, which are contractually recoverable. They are initially recognised, at fair value and subsequently carried at amortised cost.

b) Financial liabilities

The Advanced Group's financial liabilities fall into the category discussed below. Unless otherwise indicated, the carrying amounts of the Advanced Group's financial liabilities are a reasonable approximation of their fair values.

Trade payables and other short-term monetary liabilities are initially recognised at fair value. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

c) Share capital

Financial instruments issued by the group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Advanced Group's ordinary shares are classified as equity instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Advanced Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset, or its cash-generating unit, exceeds the asset's recoverable amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairments of goodwill are never reversed.

Leased assets

Leases in terms of which the Advanced Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognised on the Advanced Group's balance sheet.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Revenue

The Advanced Group derives revenue from the sale of software licences, infrastructure, support and maintenance and installation, project management and other services. These are often entered into as part of a single arrangement, however, each element of the contract is separable and the fair value associated with each can be reliably measured.

Revenue is recognised as follows:

- Licence revenue is recognised on invoicing which is when the software and licence key have been delivered;
- Infrastructure revenue is invoiced and recognised on delivery to the customer;
- Services and training are invoiced and recognised as and when performed; and
- Support and maintenance are recognised straight-line over the period of cover to which they relate.
- 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 recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Financing costs

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

Employee benefit trust

As the Company is deemed to have some control of the Employee Benefit Trust, it is treated as a subsidiary undertaking. The assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line by line basis in the consolidated financial statements. The investment in the Company's shares is shown in the share trust reserve and is treated as a deduction from equity in the consolidated balance sheet.

Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, 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 provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted, or substantively enacted, at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Employee benefits

Defined contribution plans

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

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Advanced Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

4. Expenses

The exceptional expense items relate to professional fees on potential acquisitions that were considered but did not take place. All other expenses in the period are classed as "Other Administrative Expenses".

5. Key pro-forma results including Adastra

Advanced acquired Adastra on 29 August 2008. If the acquisition had taken place on 1 January 2008, the key income statement and cashflow results would have been as below.

	Advanced Eight months ended 31 August 2008 Unaudited £000	Adastra Eight months ended 31 August 2008 Unaudited £000	Advanced Group Eight months ended 31 August 2008 Unaudited £000
Income Statement			
Revenue	-	7,684	7,684
Gross profit	-	6,486	6,486
(Loss)/Profit from operations	(453)	758	305
(Loss)/Profit before income tax	(366)	833	467
(Loss)/Profit for the year attributed to equity holders of the parent	(366)	523	157
Cashflow Statement			
Net cashflow from operating activities	293	1,253	1,546
Cashflows from investing activities	(3,671)	(270)	(3,941)
Cashflow from financing activities	14,027	69	14,096
Net increase in cash and cash equivalents	10,649	1,052	11,701

Note: expenses recognised in the eight months to 31 August 2008 in Adastra include costs relating to the sale to Advanced and the first phase of a rationalisation program. These one-off costs totalled £0.5m.

The pro-forma results above are derived from management accounts and are unaudited although they were prepared in line with the basis of preparation and accounting policies detailed in notes 2 and 3 as appropriate. A full group consolidation has not been prepared, therefore, the amortisation of the intangible assets acquired, and valued under IFRS 3, has not been reflected in the above pro-forma results.

The above pro-forma information has been provided as part of an agreement with AIM. As the use of reverse acquisition accounting is not appropriate to the circumstances of the acquisition, the pro-forma results do not reflect the Advanced Group's statutory results. Consequently, the pro-forma results in note 5 do not form part of the information that the auditors were engaged to review.

INDEPENDENT REVIEW REPORT TO ADVANCED COMPUTER SOFTWARE PLC

Introduction

We have been engaged by the Company to review the financial information in the Interim Results for the eight months ended 31 August 2008 which comprises the income statement, the consolidated balance sheet, the cash flow statement, the statement in changes in equity and the notes except for the pro-forma results included in note 5.

We have read the other information contained in the Interim Results, including the pro-forma results included in note 5 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Interim Results.

Directors' responsibilities

The Interim Results, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the eight month report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the Interim Results in the eight month financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of, and for the purpose of, our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

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 United Kingdom. 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 Interim Results for the eight months ended 31 August 2008 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

*BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Gatwick
26 November 2008*