

9th November 2009

Advanced Computer Software Plc

Interim Results

Advanced Computer Software Plc (AIM: "ASW", "ACS", or "the Group"), a leading provider of software and IT services to the UK primary care sector, today announces its unaudited interim results for the six months ended 31 August 2009.

Financial highlights

- Revenue of £11.0m (2008: nil)
- Adjusted* EBITDA £3.0m (2008: loss £0.2m)
- Profit from operations EBIT £1.8m (2008: loss £0.3m)
- Profit before tax £1.9m (2008: loss £0.2m)
- Basic earnings per share of 0.5 pence (2008: loss 0.5 pence)
- Adjusted earnings per share of 0.8 pence (2008: loss 0.2 pence)
- Strong cash generation with cash of £56.3m as at 31 August 2009 (2008: £14.9m)

**Adjusted EBITDA is defined as profit before interest, taxation, depreciation, amortisation, one-off restructuring costs and share based payments*

Operational highlights

- Strong performance at Adastral – 21% revenue growth, 126% EBITDA growth*
- Early success with iNurse, End-of-Life Register and Summary Care Record products
- Acquisition of Business Systems Group ("BSG") in June 2009 and outsourcing of its low margin infrastructure sales to BT Engage
- Acquisition of StaffPlan Limited ("StaffPlan") in July 2009 and successful integration into Adastral
- Acquisition of Oak Labs India Private Limited ("Oak Labs") in September 2009 adds further software development skills

**Compared to the same six month period prior to acquisition*

Vin Murria, Chief Executive Officer, commented:

"We have made strong progress - expanding Adastral's market and product lines and integrating two very complementary businesses BSG and StaffPlan. We continue to look for new markets, products and businesses that will enhance the Group and increase shareholder value."

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Note to Editors

Advanced Computer Software Plc is a leading provider of software and IT services to the primary care sector.

ACS 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 acquisition and/or technical collaboration - thus consolidating a fragmented market. By broadening its product range and services, ACS 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 ACS 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.

Since its creation in August 2008, ACS has integrated four subsidiaries: Adastra, BSG, StaffPlan and Oak Labs India.

Through Adastra, ACS 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 16 million patient episodes every year.

StaffPlan provides advanced rostering and administration solutions for community care providers. Its Connect solution provides secure point of care systems, delivering live rosters and electronic monitoring to care workers through PDAs. StaffPlan customers include 30 local authorities, Primary Care Trusts and major independent providers of nursing and homecare services.

Through its subsidiary BSG, ACS provides innovative outsourced services and solutions. With its skilled application development team and suite of hosting infrastructure and services, BSG adds expertise and services that can be utilized and cross-sold by other ACS subsidiaries.

Oak Labs India, acquired in September 2009, enhances ACS' product development strategy with the addition of an experienced and proven team of 22 developers based in Bangalore.

Overview

ACS was created to become the supplier of choice in its chosen market sectors. Its strategy is to grow organically by adding new products, seeking new markets for its existing products and by the acquisition of businesses with products and strong market positions that will accelerate growth and provide opportunities for cross-selling.

Despite the challenging economic environment, ACS has strengthened its position in the primary care market with new product launches and complementary acquisitions that add new capabilities and enhance the Group's potential for cross-selling products and services.

BSG, acquired in June 2009, adds managed services, hosting and application development expertise, whilst StaffPlan, acquired in July 2009, adds market-leading scheduling and patient monitoring solutions in addition to a client base of 400 organisations in primary and community care.

In September 2009, ACS further enhanced its product development capability with the acquisition of Oak Labs India, a Bangalore based software developer specializing in the design and delivery of cost effective IT solutions to Local Government, Charities and Healthcare sectors.

The successful launch and operational trials of three new products during the period – iNurse, End-of-Life Register and the Summary Care Record, demonstrates the Group's commitment to organic growth through product innovation and development.

Interim results

ACS made its first trading acquisition, Adastra, on 29 August 2008 and therefore the comparatives relate to the non-trading period of 6 months ending 31 August 2008, when its predecessor, Drury Lane Capital, was an investment shell.

In order to provide a meaningful guide to the growth and performance of Adastra, comparison has also been made to certain results generated by the acquired business for the comparative period prior to acquisition, as shown by the management accounts for that business.

Results for the six months to 31 August 2009 include a full six months' trading from Adastra, eleven weeks' trading from BSG and seven weeks' trading from StaffPlan.

Total revenue for the Group was £11.0m (2008: £nil), of which approximately 65% was contracted recurring revenue. Revenue at Adastra was £7.2m, up 21% compared to the same period prior to acquisition and due to expansion of its Out of Hours (OoH) offering into Urgent Care and Equitable Access Centres. StaffPlan contributed £0.2m of revenue in the seven weeks from acquisition to 31 August 2009.

BSG contributed £3.6m of revenue to the Group results in the eleven weeks from acquisition to 31 August 2009.

ACS has focussed on operational improvements and efficiencies across the Group including increasing service resource utilisation, consolidating back office functions and eliminating surplus property and infrastructure costs.

EBITDA was £2.6m (2008: loss £0.3m), at a margin of 24%. Excluding share based payments and restructuring costs, adjusted EBITDA was £3.0m (2008: loss £0.2m), of which Adastra contributed £2.7m, up 126% on the period before its acquisition, BSG contributed £0.33m and StaffPlan £0.06m.

Profit before tax was £1.9m (2008: loss of £0.2m).

Earnings per share was 0.5 pence against a loss of 0.5 pence for the same period last year, and adjusted earnings per share was 0.8 pence (2008: loss 0.2p).

Healthcare

Adastra performed strongly during the period, increasing revenues by 21% as a result of its expansion into Urgent Care and Equitable Access Centres and tight cost control. Due to its strong domain expertise and the mission-critical nature of its products, Adastra enjoys long term relationships with customers that underpin its high renewal rate of 95% and around 65% of its revenues come from recurring maintenance contracts.

As part of the restructuring that followed its acquisition, Adastra increased its direct sales capability to the extent that it is now generating 90% of new business wins, at the same time as improving its scope for cross-selling of Group products and services.

New wins were recorded across Urgent Care, Darzi Polyclinics and Equitable Access Centres, and Adastra now services more than 16 million interactions per year, demonstrating its interoperability between the primary care sector and the acute parts of the NHS.

Ongoing product innovation, including a move toward subscription pricing and new products for nursing and community care, continue to be a focus for Adastra, which has enjoyed early success with its new iNurse, End-of-Life Register and Summary Care Record product launches.

The success of the Group's acquisition and cross-selling policy is underlined by the fact that the iNurse and End-of-Life Register products are now offered on a software-as-a-service (SaaS) basis with BSG providing the hosting infrastructure and technical know-how to achieve a faster route to market.

In July 2009 ACS acquired and successfully integrated StaffPlan, a provider of automated hosted workforce scheduling and patient monitoring software to more than 400 customers in the domiciliary and homecare sector. As an example of the cross-selling potential afforded by this acquisition, StaffPlan's Roster product can be integrated with or sit alongside Adastra's iNurse and End-of-Life offerings, thus extending their market potential into monitoring and domiciliary care.

Managed Services

Acquired in June 2009, BSG provides design, development and deployment of managed services, hosting and 24/7 support to the public sector (hospitals, charities and local authorities) and companies that need to cut costs by outsourcing some or all of their IT functions.

BSG is capable of taking over a customer's entire IT infrastructure and application environment in an outsourcing contract. Its services include application support and consultancy, development of SharePoint capabilities across SaaS and Business Intelligence models in both the public and private sectors both on-shore and off-shore; and managing single utility functions such as email, monitoring and backup.

In July 2009, following a strategic review, ACS outsourced the infrastructure resale business of BSG to BT Engage, thus enabling BSG to concentrate on growing the higher value managed services and applications support side of its business.

As announced on 1 October 2009, after the period end, BSG won a multi-million pound, five-year technology outsourcing contract with Cazanove Capital Management Limited ("CCM") in which BSG will deploy a new centralised, fully scalable, 24/7, fully managed, enterprise IT platform to host CCM's core IT infrastructure and business applications.

Details of acquisitions

BSG was acquired on 12 June 2009 for a total consideration of £15.5m (excluding fees) settled by the issue of 14,000,000 ordinary shares in ACS valued at £3.5m and cash of £12m. Cash of £10.2m was acquired with the business.

Under current accounting standards, the ACS shares issued as consideration for the acquisition of BSG are adjusted in the Group accounts to market value as at the date of issue and accordingly the BSG related shares are valued at £5.2m (37 pence versus 25 pence per share) in the Group accounts.

StaffPlan was acquired on 13 July 2009, for a total consideration of £1.4m (excluding fees) settled by the issue of 2,332,356 ordinary shares in ACS valued at £0.8m and cash of £0.6m. Cash of £0.1m was acquired with the business.

In September 2009, Oak Labs was acquired for a total consideration of £0.2m (excluding fees) settled by the issue of 761,095 ordinary shares in ACS valued at £0.02m and cash of £0.1m. Cash of £0.1m was acquired with the business.

Outlook

ACS is strongly positioned for growth and believes that new opportunities will open up as the influence of primary care increases within the healthcare system. The Group's innovative and expanding product suite offers visible operational benefits backed by rapid return on investment to a sector that is under pressure to deliver more efficient care at lower cost.

The Group continues to explore strategic acquisition targets in healthcare and related markets that fit within its rigorous valuation criteria.

**Consolidated Statement of Comprehensive Income
For the six months to 31 August 2009**

	Six months ended 31 August 2009	Six months ended 31 August 2008	Fourteen months ended 28 February 2009
	Unaudited £'000	Unaudited £'000	Audited £'000
Revenue	11,017	-	7,327
Cost of sales	(2,883)	-	(1,244)
Gross profit	8,134	-	6,083
Reorganisation/transaction costs post acquisitions	(65)	-	(321)
Share based payments	(255)	-	(244)
Depreciation	(248)	-	(107)
Amortisation of intangible assets	(587)	-	(436)
Aborted transaction costs	-	(158)	(219)
Other administrative expenses	(5,181)	(184)	(4,022)
Total administrative Costs	(6,336)	(342)	(5,349)
Profit/(loss) from operations	1,798	(342)	734
Finance income	146	102	359
Profit/(loss) before taxation	1,944	(240)	1,093
Taxation	(589)	-	(302)
Profit /(loss) for the period and total comprehensive income	1,355	(240)	791
Earnings per share			
<i>Basic (pence)</i>	<i>0.5</i>	<i>(0.5)</i>	<i>0.8</i>
<i>Diluted (pence)</i>	<i>0.5</i>	<i>(0.5)</i>	<i>0.8</i>

**Consolidated Balance Sheet
As at 31 August 2009**

	At 31 August 2009 Unaudited £'000	At 31 August 2008 Unaudited £'000	At 28 February 2009 Audited £'000
Non-current assets			
Intangible assets	22,163	13,648	12,433
Property, Plant and Equipment	1,431	535	432
Total non-current assets	<u>23,594</u>	<u>14,183</u>	<u>12,865</u>
Current assets			
Stock	262	642	239
Trade and other receivables	9,639	1,344	1,867
Cash and cash equivalents	56,294	14,898	14,656
Total current assets	<u>66,195</u>	<u>16,884</u>	<u>16,762</u>
Total assets	<u>89,789</u>	<u>31,067</u>	<u>29,627</u>
Current liabilities			
Trade and other payables	(12,663)	(4,867)	(2,974)
Total current liabilities	<u>(12,663)</u>	<u>(4,867)</u>	<u>(2,974)</u>
Non-current liabilities			
Deferred tax	(1,001)	(2,037)	(1,093)
Other long term liabilities	(640)	(130)	(118)
Total non-current liabilities	<u>(1,641)</u>	<u>(2,167)</u>	<u>(1,211)</u>
Total liabilities	<u>(14,304)</u>	<u>(7,034)</u>	<u>(4,185)</u>
Net assets	<u>75,485</u>	<u>24,033</u>	<u>25,442</u>
Equity			
Share capital	35,250	19,092	19,092
Share premium	33,361	5,418	5,426
Merger Reserve	7,161	2,821	2,821
Share Trust Reserve	(1,954)	(1,954)	(1,954)
Retained earnings	1,667	(1,344)	57
Total equity attributable to equity holders of the Company	<u>75,485</u>	<u>24,033</u>	<u>25,442</u>

**Consolidated Cash Flow statement
For the six months to 31 August 2009**

	Six months ended 31 August 2009	Six months ended 31 August 2008	Fourteen months ended 28 February 2009
	Unaudited £'000	Unaudited £'000	Audited £'000
Cash flows from operating activities			
Profit/(loss) for the period	1,355	(240)	791
<i>Adjustments for</i>			
Depreciation	248	-	107
Amortisation of intangible assets	587	-	436
Share based payment (IFRS2)	255	-	244
Finance income	(146)	(102)	(364)
Income tax expenses	589	-	302
Operating cash flows before movement in working capital	2,888	(342)	1,516
(Decrease)/increase in trade and other payables	(663)	(820)	(893)
Increase/(decrease) in trade and other receivables	(249)	-	(521)
Increase/(decrease) in inventories	69	-	408
Cash generated in the operations	2,045	(1,162)	510
Corporation tax paid	(133)	-	(879)
Net cash in/(out) flows from operating activities	1,912	(1,162)	(369)
Cash flows from investing activities			
Acquisition of subsidiary (net of cash acquired)	(2,746)	(2,714)	(3,594)
Net finance income	146	102	364
Development expenditure	(148)	-	(135)
Acquisition of property, plant and equipment	98	-	(20)
Cash outflow from investing activities	(2,650)	(2,612)	(3,385)
Cash flows from financing activities			
Proceeds from issue of new shares	43,575	14,635	14,635
Cost of issue of shares	(1,199)	(212)	(474)
Cash from financing activities	42,376	14,423	14,161
Net increase in cash and cash equivalents	41,638	10,649	10,407
Cash and cash equivalents at start of previous period	14,656	4,249	4,249
Cash and cash equivalents at end of period	56,294	14,898	14,656

Consolidated Statement of Changes in Equity

	Ordinary Share Capital Unaudited £'000	Share Premium Unaudited £'000	Merger Reserve Unaudited £'000	Share Trust Reserve Unaudited £'000	Retained Earnings Unaudited £'000	Total Unaudited £'000
Balance at 1 March 2009	19,092	5,426	2,821	(1,954)	57	25,442
<i>Issue of share capital</i>						
For cash	14,525	29,050	-	-	-	43,575
In respect of Acquisition of Subsidiary	1,633	-	4,340	-	-	5,973
Costs of issuing share capital	-	(1,115)	-	-	-	(1,115)
Share based payment	-	-	-	-	255	255
Total comprehensive income for the period	-	-	-	-	1,355	1,355
Balance at 31 August 2009	35,250	33,361	7,161	(1,954)	1,667	75,485
	Ordinary Share Capital Unaudited £000	Share Premium Unaudited £000	Merger Reserve Unaudited £000	Share Trust Reserve Unaudited £000	Retained Earnings Unaudited £000	Total Unaudited £000
Balance at 1 January 2008	4,500	-	-	-	(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	-	(600)	-	-	-	(600)
Share based payment	-	-	-	-	244	244
Total comprehensive income for the period	-	-	-	-	791	791
Balance at 28 February 2009	19,092	5,426	2,821	(1,954)	57	25,442

Notes to the Financial Statements

1. General information

Advanced Computer Software Plc (AIM: "ASW", "ACS", 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 six months ended 31 August 2009 and the six months ended 31 August 2008 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 28 February 2009 has, however, been derived from the audited statutory financial statement for that period. 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.

The principal trading subsidiaries of ACS are, Adastra Software Ltd ("Adastra"), Business Systems Holdings Group Plc ("BSG"), StaffPlan Ltd ("StaffPlan") and Oak Labs India Private Limited ("Oak labs").

The Board of Directors approved this interim report on the 6th of November 2009.

2. Basis of preparation

The financial information presented is for the ACS Group for the six months to 31 August 2009.

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

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 2010 and are unchanged from those disclosed in the Group's Annual Report and Financial Statements for the year ended 28 February 2009, except for the adoption of IAS 1 "Presentation of Financial Statements" (Revised).

IAS 1 Presentation of Financial Statements (Revised) includes the requirement to present a Statement of Changes in Equity as a primary statement and introduces the possibility of either a single Statement of Comprehensive (combining the Income Statement and a Statement of Comprehensive Income) or to retain the Income Statement with a supplementary Statement of Comprehensive Income. The first option has been adopted by the Group in the preparation of the interim financial statements. As this standard is concerned with presentation only it does not have any impact on the results or net assets of the Group.

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 restructuring costs.

	Earnings £'000	Weighted average number of shares '000	Per share amount Pence
Basic earnings per share	1,281	259,487,614	0.5
Dilution for employee share option		1,069,484	
Dilution for MPO / MPS		21,819,033	
Diluted earnings per share	1,281	282,376,131	0.5
Basic earnings per share	1,281	259,487,614	0.5
Amortisation of intangible fixed assets	587		
Share based payments	255		
Restructuring costs	65		
Adjusted earnings per share	2,188	259,487,614	0.8
Diluted earnings per share	1,355	282,376,131	0.5
Amortisation of intangible fixed assets	587		
Share based payments	255		
Restructuring costs	65		
Adjusted diluted earnings per share	2,262	282,376,131	0.8

5. Post balance sheet events

The Company acquired 100% of the issued ordinary share capital of Oak Labs India Private Limited ("Oak Labs") in September 2009 for a consideration comprising £141,228 in cash (excluding fees) and the issue of 761,095 ordinary shares of 10 pence in the share capital of ACS.

Independent review report to Advanced Computer Software Plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2009 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of changes in Equity, the Consolidated Cash Flow Statement and related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, 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 half-yearly 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 condensed set of financial statements in the half-yearly 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 condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2009 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 LLP
Chartered Accountants and Registered Auditors
Location
United Kingdom*

6th November 2009

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).