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27 April 2009

Advanced Computer Software PLC

Preliminary Results for the 14 months ended 28 February 2009

Advanced Computer Software Plc (AIM: ASW, "ACS", or "the Group"), a leading provider of software and IT services to the primary care sector, today issues its unaudited preliminary financial results for the 14 months to 28 February 2009, which include six months contribution from Adastra, the Group's first acquired business.

Financial Highlights

- Cash and cash equivalents of £14.7m at 28 February 2009 (31 December 2007: £4.2m)

- Group results for the 14 months to 28 February 2009:
    - Revenue of £7.3m (2007: nil)
    - Adjusted EBITDA* of £2.1m (2007: loss £0.1m)
    - Profit before tax of £1.1m (2007: loss £0.9m)
    - Basic earnings/(loss) per share of 0.8p (2007: (1.9p))

- Adastra results for the six months to 28 February 2009:
    - Revenue of £7.3m (six months to 29 February 2008: £5.7m) a 29% year on year increase
    - Adjusted EBITDA* of £2.6m (six months to 29 February 2008: £1.1m) a 142% year on year increase
    - Adjusted EBITDA* margin increased to 36% (six months to 29 February 2008: 19%)

Operational Highlights

- Successful acquisition, restructuring and growth of first acquisition, Adastra

- Operational improvements executed at Adastra since acquisition:
    - Focused sales and marketing plans
    - Significantly increased efficiencies within service teams

- Developed and piloted new products including iNurse, End-of-Life and Summary Care Record

- Continuing to pursue strategic acquisition opportunities

**Adjusted - EBITDA is defined as profit before tax less interest earned, depreciation, amortisation, one-off restructuring and transaction costs and share-based charges*

These preliminary results are for ACS as a non-trading entity for eight months and ACS and Adastra, the Group, for six months.

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Vin Murria, CEO commented:

"In the six months since acquiring Adastra, we have built a strong and solid foundation for both organic and acquisitive growth.

"We are delighted with the progress that Adastra has made since acquisition and in the first six months we have more than doubled its monthly EBITDA run rate compared to the previous financial year. Adastra's leadership in primary care will be enhanced by organic growth, supported by the launch of new products into the primary care market.

"Adastra's market-leading position and our £14.7m cash in hand places us well to acquire complementary businesses with strong products and services that meet the widening IT needs of the primary care sector."

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Note to Editors

Advanced Computer Software Plc (AIM: ASW, "ACS", or "the Company") is a leading provider of software and IT services to the primary care sector. Through its subsidiary Adastra, ACS services circa 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.

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 acquisitions and/or technical collaborations, thus consolidating a fragmented market. By broadening its range of products and services, the ACS Group aims to improve the flow of patient information throughout primary care using, where possible, a single view of the patient record. The ACS 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.

ACS 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.

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Overview

This 14 month financial period saw the first ACS acquisition and the creation of a strong foundation for organic and acquisitive growth. The progress of Adastra since its acquisition in August 2008 has exceeded the Board's expectations and the Board is delighted with the results.

Adastra's market-leading position in primary care and the £14.7m cash in hand sees ACS start the new financial year in a strong position for both organic and acquisitive growth.

Through its acquisition of Adastra in August 2008, ACS has become the market leader in the provision of software and services for the management of Out-of-Hours (OoH) and unscheduled healthcare in the NHS. In addition to 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, with opportunities for cross selling
- Strong profitability and cash conversion with potential for further improvements in 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

Adastra - financial and operational performance

On acquisition of Adastra in August 2008, management's priorities were to implement proven sales methodologies, focus the marketing strategy, prioritise product development to where demand is highest, and implement efficient processes, particularly across product training and service utilisation.

In the six months since its acquisition, Adastra generated £7.3m in revenue and £2.6m in Adjusted EBITDA (36% of revenue). Compared to the same period last year, Adastra has delivered a 29% increase in revenues and a 142% increase in Adjusted EBITDA.

This significant growth in Adastra revenues includes higher revenues related to non-recurring hardware and services in the six months to 28 February 2009. Recurring revenues made up 65% of Adastra's revenue for 12 months to 28 February 2009 compared to 55% for the second six months of the year.

Adastra is building on its core OoH business (which includes NHS Direct and NHS 24) and has developed organic solutions for other new primary care markets, including walk-in-centres, polyclinics, and community nurses.

As part of this product diversification, Adastra has run a successful pilot of its community nurse product (iNurse) since October 2008 with the Derby Primary Care Trust. The iNurse product is a SaaS (managed service) based mobile offering that will be marketed during 2009 to Primary Care Trusts, community services and charitable organisations such as those involved in palliative care. The iNurse product delivers significant return on investment and efficiency savings to the healthcare sector.

In addition, in January 2009, Adastra successfully completed live pilots of the Summary Care Record (SCR) in Bolton and Bury. This is a strategic initiative for Connecting for Health (CfH), the organisation that oversees IT for the NHS, and provides a significant opportunity for ACS, given the central role the SCR will play in the NHS over the coming years.

Group - current trading and outlook

Adastra's software is core to its customers' IT requirements. The historically high level of recurring revenues it generates from existing products is expected to be enhanced by recurring revenues from new opportunities generated by the iNurse and SCR products and services.

The Board recognises that, whilst the general economic downturn may impact the discretionary IT spend of PCTs, there is strong political support for the adoption of IT within healthcare and government funding has so far proven relatively stable. The Chancellor's budget in April 2009 confirmed the 5.5% expenditure increases of the PCTs for the next two years However, in 2011-12, the NHS needs to find £2.6bn savings against its original allocation for that year. ACS is in a strong position to support those initiatives with its new products such as iNurse and the SCR, which enable the NHS to achieve additional operational efficiencies.

In addition to organic growth, the Board is looking to strengthen the business with selective acquisitions and is actively identifying businesses that fit the Board's criteria. These criteria include: strong products and services that can further meet the needs of primary care customers or provide new channels to market for existing products; high levels of recurring revenues; and the opportunity to enhance shareholder value by improving efficiencies - in a similar way to the strategy that has already proven to be effective at Adastra.

The first six months of ACS as a Group has been very successful and the Board looks forward to building upon this foundation.

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Preliminary Financial Results

Consolidated income statement
for the 14 months ended 28 February 2009

	Eight months ended 31 August 2008	Six months ended 28 February 2009	Fourteen months ended 28 February 2009	Fourteen months ended 31 December 2007
	Unaudited	Unaudited	Unaudited	Restated
	£000	£000	£000	£000
Revenue	-	7,327	7,327	-
Cost of sales	-	(1,244)	(1,244)	-
Gross profit	**-**	**6,083**	**6,083**	**-**
Adastra reorganisation / transaction costs post acquisition	-	(321)	(321)	-
Share based payments	-	(244)	(244)	-
Depreciation	-	(107)	(107)	-
Amortisation of Intangible Assets	-	(436)	(436)	-
Aborted transaction costs	(234)	-	(234)	(942)
Other administrative expenses	(219)	(3,788)	(4,007)	(149)
Total Administrative Costs	**(453)**	**(4,896)**	**(5,349)**	**(1,091)**
Profit / (Loss) from operations	**(453)**	**1,187**	**734**	**(1,091)**
Finance income	87	272	359	225
Profit / (Loss) before income tax	**(366)**	**1,459**	**1,093**	**(866)**
Corporation tax	-	(302)	(302)	-
Profit / (Loss) for the period attributed to equity holders of the parent	(366)	1,157	791	(866)
Earnings / (Loss) per share	(0.8)	0.7	0.8	(1.9)

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Consolidated statement of recognised income and expense
for the 14 months ended 28 February 2009

	Eight months ended 31 August 2008 Unaudited £000	Six months ended 28 February 2009 Unaudited £000	Fourteen months ended 28 February 2009 Unaudited £000	Fourteen months ended 31 December 2007 Restated £000
Loss prior period as reported	-	-	-	(714)
Prior period restatement	-	-	-	(152)
				(866)
Profit/(Loss) for the period	(366)	1,157	791	(866)
Total recognised income and expenses for the period	(366)	1,157	791	(866)
Effect of prior period restatements:				
Reclassification of share issue costs to equity				112
Recognition of trade creditors				(264)
				(152)

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Consolidated balance sheet
at 28 February 2009

	28 February 2009 Unaudited £000	31 December 2007 Restated £000
Non-current assets		
Property, Plant and Equipment	432	-
Intangible assets	12,433	-
Total non-current assets	12,865	-
Current assets		
Stock	239	-
Trade and other receivables	1,867	16
Cash and cash equivalents	14,656	4,249
Total current assets	16,762	4,265
Total assets	29,627	4,265
Current liabilities		
Trade and other payables	(2,974)	(743)
Total current liabilities	(2,974)	(743)
Non-current liabilities		
Deferred tax	(1,093)	-
Provisions	(118)	-
Total non-current liabilities	(1,211)	-
Total liabilities	(4,185)	(743)
Net assets	25,442	3,522
Equity		
Share capital	19,092	4,500
Share premium	5,426	-
Merger Reserve	2,821	-
Share Trust Reserve	(1,954)	-
Retained earnings	57	(978)
Total equity attributable to equity holders of the Company	25,442	3,522

Consolidated cash flow statement
for the 14 months ended 28 February 2009

	Eight months ended 31 August 2008	Six months ended 28 February 2009	Fourteen months ended 28 February 2009	Fourteen months ended 31 December 2007
	Unaudited	Unaudited	Unaudited	Restated
	£000	£000	£000	£000
Cash flows from operating activities				
(Loss)/profit for the period	(366)	1,157	791	(866)
Adjustments for				
Depreciation	-	107	107	-
Amortisation of intangible assets	-	436	436	-
Share based payment (IFRS2)	-	244	244	-
Finance income	(87)	(277)	(364)	(225)
Income Tax expenses	-	302	302	-
Operating cash flows before movement in working capital	**(453)**	**1,969**	**1,516**	**(1,091)**
(Decrease)/increase in trade and other payables	(695)	(198)	(893)	727
Decrease/(increase) in trade and other receivables	-	(521)	(521)	-
Decrease/(increase) in stock	-	408	408	-
Cash generated in the operations	**(1,148)**	**1,658**	**510**	**(364)**
Corporation tax paid	-	(879)	(879)	-
Net cash in/(out) flows from operating activities	**(1,148)**	**779**	**(369)**	**(364)**
Cash flows from investing activities				
Acquisition of subsidiary (net of cash acquired)	(2,714)	(880)	(3,594)	-
Finance income	87	277	364	225
Development expenditure	-	(135)	(135)	-
Acquisition of property, plant and equipment	-	(20)	(20)	-
Cash (out)/in from investing activities	**(2,627)**	**(758)**	**(3,385)**	**225**

Cash flows from financing activities				
Proceeds from issue of new shares	14,635	-	14,635	4,500
Cost of issue of shares	(212)	(262)	(474)	(112)
Cash from financing activities	**14,423**	**(262)**	**14,161**	**4,388**
Change in cash and cash equivalents	10,648	(241)	10,407	4,249
Cash and cash equivalents at start of previous period	4,249	14,897	4,249	-
Cash and cash equivalents at end of period	**14,897**	**14,656**	**14,656**	**4,249**

Notes to the preliminary results

1. Basis of preparation

Following the acquisition of Adastra, ACS changed its financial year end to February, aligning it with Adastra. Therefore, the financial information presented is for the ACS Group for the 14 months to 28 February 2009.

The financial results of ACS for the 14 month period to 31 December 2007 have been corrected for two prior period errors:

- Share issue costs of £0.11m 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 of £0.26m has been recognised in the balance as at 31 December 2007 sheet for professional fees incurred in the 14 month period to that date but not previously recognised in the financial statements.

The effect of the two prior year adjustments was to increase the reported loss by £0.15m. 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.

2. Publication of statutory accounts

The financial information set out in this preliminary announcement does not constitute the Group's statutory financial statements for the 14 months to 28 February 2009.

The financial information presented for the 14 months to 31 December 2007 is extracted from the statutory financial statements for the period then ended, as adjusted for the prior period errors referred to in note 1, and has been delivered to the Registrar of Companies. The auditors report on those statutory 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 any statements under section 237(2) or (3) of the Companies Act 1985.

The financial information presented for the 14 months ended 28 February 2009 is unaudited. The statutory account for the period then ended will be delivered to the Registrar of Companies following the Annual General Meeting.

The full audited financial statements of ACS for the 14 months to 28 February 2009 are expected to be posted to shareholders prior to the Annual General Meeting and will be available to the public at the Company's registered office and on the ACS website at: www.advcomputersoftware.com.

3. Acquisition

On 29 August 2008, the Group acquired 100% of Adastra Software Ltd (Adastra), a UK-focused business providing software and hardware to primary care providers. In the six months to 28 February 2009, Adastra generated an adjusted profit after tax of £2.0m, or £1.7m after restructuring and transaction costs. Had the acquisition taken place on 1 January 2008, Adastra would have contributed £15.0m in revenue and £2.2m in profit after tax. Excluding restructuring and transaction costs, Adastra would have contributed £3.0m for the 14 months to 28 February 2009.

	Adastra Book Value	**Fair Value Adjustment**	**ACS Group fair Value**
	Unaudited	**Unaudited**	**Unaudited**
	£000	**£000**	**£000**
Property, plant and equipment	1,097	3	1,100
Stock	674	(31)	643
Trade and other receivables	1,317	-	1,317
Cash and cash equivalents	2,697	-	2,697
Trade and other payables	(3,367)	-	(3,367)
Other creditors	(316)	17	(299)
Brand	-	375	375
Technology	-	375	375
Customer relationships	-	2,805	2,805
Deferred tax liability	-	(995)	(995)
Net identifiable assets and liabilities	**2,102**	**2,549**	**4,651**
Goodwill on acquisition			8,616
Consideration paid			**13,267**
Shares			(6,850)
Cash acquired			(2,697)
Amounts owing at 28 February 2009			(126)
Net cash outflow			**3,594**