



**Craneware plc**  
**Annual Report**  
for the year ended  
30 June 2008

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## Financial Performance Solutions for Hospitals and Healthcare Organisations

**Craneware plc (AIM: CRW)** is recognised as the leading provider of solutions that improve financial performance in the US hospital and healthcare provider market.

Craneware's strategic pricing, revenue cycle and supply management solutions are designed to increase productivity, manage risk and improve returns using market-driven revenue management software. By enhancing revenue capture processes, Craneware's solutions allow organisations to optimise reimbursement, improve operational efficiency and support compliance. The bottom line? **Improved financial performance.**

A distinctly customer-driven business with active user groups and a client advisory council, Craneware's mix of employees hail from the healthcare, software engineering, business consulting and customer support industries providing a perfect blend to ensure that customers have the information they require to succeed.

Based in Livingston, Scotland, with offices across the US, Craneware delivers unparalleled solutions to a client market facing incessant pressure from demographic shifts, regulatory change and extreme competition.

### History of Craneware

Craneware, founded in May 1999, launched its first product in October 1999 after signing its first customer contract that September with Bayshore Community Hospital in New Jersey, which remains a Craneware customer today.

The Group's head office has been based in Livingston, Scotland, since November 2000 where R&D and customer support functions are also located. The Group opened its first US sales office in Orlando, Florida, in January 2001 followed by Scottsdale, Arizona and Kansas City. In September 2007 Craneware listed on the AIM market of the London Stock Exchange, raising \$20.5m.

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## Financial Highlights

- Revenues increased by 24% to \$18.7m (2007: \$15.1m)
- Profit before share-based payments, depreciation and amortisation increased 18% to \$4.5m (2007: \$3.8m)
- Profit before tax increased 133% to \$4.2m (2007:\$1.8m)
- Basic and diluted EPS increased to \$0.14 (2007: \$0.06) and \$0.13 (2007:\$0.05) respectively

## Operational Highlights

- Number of US hospitals employing Craneware's software increased by 19% to 950 (2007: 801)
- Successful launch of the first products in two new product families — Patient Charge Estimator™ and Pharmacy ChargeLink™
- Increasing fiscal and legislative pressures continuing to drive market growth
- Successful IPO in September 2007

## Quick Facts — Financial

**24%**

increase in revenues to \$18.7m

**18%**

increase in operating profit (before share-based payments, depreciation and amortisation) to \$4.5m

**133%**

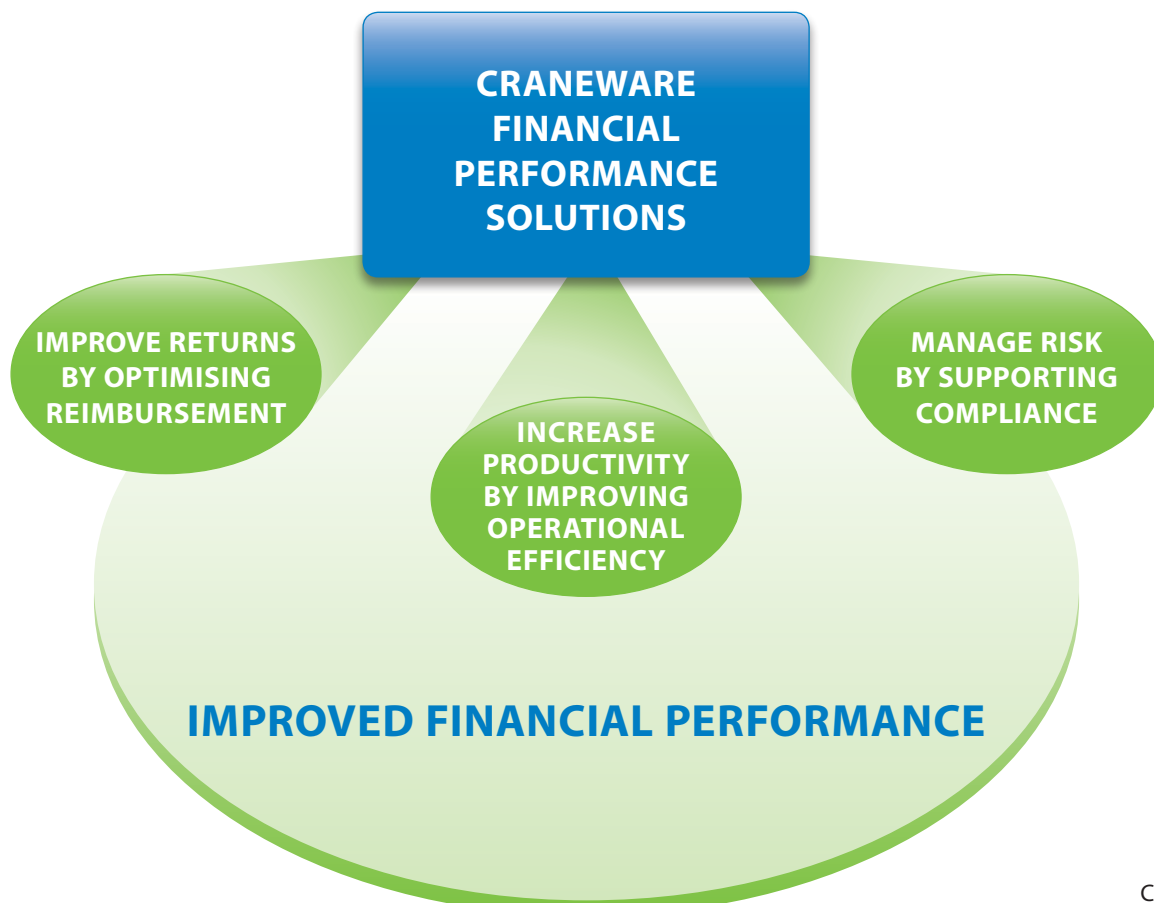
increase in profit before tax to \$4.2m

**160%**

increase in diluted E.P.S.

**\$21.1m**

cash resources (including \$7.9m net proceeds of placing at IPO)



## About Craneware

### Background

Craneware provides proprietary financial performance software solutions for the US hospital and healthcare provider market. The Group's flagship product, Chargemaster Toolkit®, assists healthcare providers in reducing billing errors, managing compliance risk and ensuring the timely and accurate submission of claims. After launching Chargemaster Toolkit®, Craneware developed a number of revenue cycle management applications to accompany it, including comparable tools for physician practices.

In financial year 2008, Craneware extended its focus into the strategic pricing and supplies management fields when it launched Patient Charge Estimator™ and Pharmacy ChargeLink™.

The Group's financial performance solutions serve more than 950 hospitals in 48 states in the US. Of the more than 5,750 hospitals in the US, it is approximated that less than half have purchased a technology-based charge description master solution, representing a substantial market opportunity. Additionally, as more pricing transparency regulations are passed in the US and margins continue to decrease, hospitals are looking to technology to address these changes. Patient Charge Estimator™ and Pharmacy ChargeLink™ are designed to meet these challenges.

### What is driving the growth?

#### Tightening margins, government regulations

Approximately 40 percent of what hospitals bill is collected<sup>1</sup>. And the uninsured population in the US continues to grow, leading to more uncompensated care costs. Even those with insurance often have trouble covering medical expenses<sup>2</sup>. For example, a non-profit Ohio-based hospital system experienced 17 percent growth in uncompensated care while reimbursement remained the same over the past two years<sup>3</sup>.

In addition to tightening margins, US hospitals face constantly changing rules and regulations related to the revenue cycle. Keeping up with these changes presents a significant problem for many hospitals that have yet to implement technology to automate these processes and strategically apply updates to all affected areas. Not being in compliance can result in significant fines, or even jail time in some cases. The Department of Health and Human Services Office of Inspector General announced \$2.2 billion in expected recoveries from fraud investigations and audits in the first-half of financial year 2008<sup>4</sup>.

By implementing automated software applications, hospitals are able to address tightening margins and compliance issues. Use of the Craneware financial performance solutions presents three key benefits for the customers:

- » **improved returns by optimising reimbursement**
- » **increased productivity by improving operational efficiency**
- » **managed risk by supporting compliance**

### Quick Facts - Operational

**5,756** hospitals in the USA of which the Directors believe less than half have purchased a technology-based CDM solution.

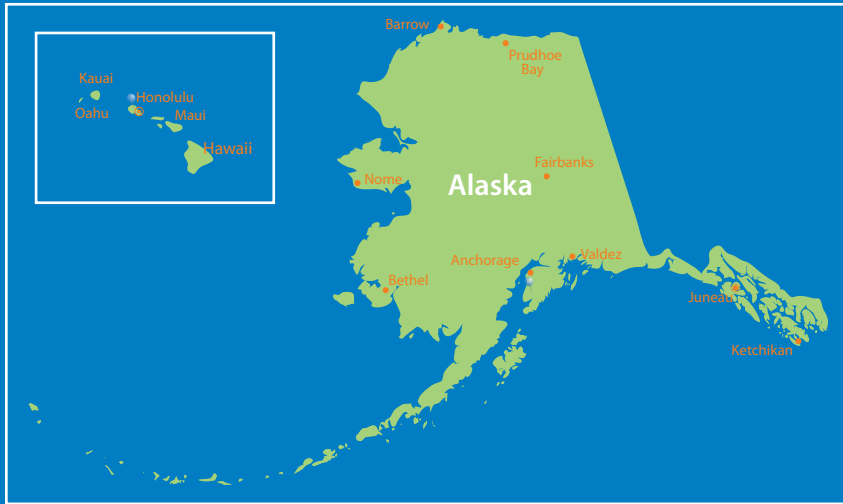
1 Healthcare Financial Management: Trends in Hospital Uncollectible Revenues (February 2008)

2 USA TODAY: Report: Even the Insured Have Trouble Paying Bills (October 25, 2007)

3 Healthcare Finance News: Ohio Hospital System Addresses Bad Debt by Identifying Patients, Resources (January 30, 2008)

4 Office of Inspector General: OIG Reports More Than \$2 Billion in Recoveries From Fighting Fraud, Waste, and Abuse for First-Half FY 2008 (June 12, 2008)

NB: Some pins represent multiple facilities in clustered areas of map.



## Chargemaster Toolkit® Facts

**950** hospitals

using our software in the USA

**48** states

using our software in the USA


**194** client wins

 **Advocate Health Care**

 **Beth Israel Deaconess Medical Center**

 **CATHOLIC HEALTH EAST**

 **Catholic Healthcare West**

 **Cleveland Clinic**

 **Community Hospital Anderson**

**DUNCAN**  
REGIONAL HOSPITAL  
*Caring for Community*

 **EMH Regional Healthcare System**

  
**JOHNS HOPKINS**  
MEDICINE  
THE JOHNS HOPKINS HOSPITAL

 **The KING'S DAUGHTERS' Hospital & Health Services**

 **MCGHealth**

**MGH**  
MARION GENERAL HOSPITAL

 **SSM HEALTH CARE**

 **Sutter Health**  
*With You. For Life.*

**TRINITY HEALTH**





## Craneware's Financial Performance Solutions

### Quick Facts — The Technology

Craneware products employ a mix of traditional client/server windows applications and hosted ASP technologies to provide a comprehensive enterprise solution for healthcare financial performance management. Customer data is always kept secure within healthcare facilities own networks, compliant with US, Health Insurance Portability and Accountability Act (HIPAA) regulations related to sensitive patient information. Only registered users can access Craneware's extensive knowledge base and regulatory products through available hospital-based browsers with Internet access. This allows Craneware's software to be rolled out to a number of staff within a facility requiring different levels of interaction with minimal impact to resource strained IS teams and busy users.

Craneware's products are divided into three product families with the Business Solutions Group and Decision Dashboard® spanning across all three families.

#### Business Solutions Group

Services for assisting organisations to enhance processes and implement best practices, resulting in improved financial performance.

#### Decision Dashboard®

Software for providing decision makers with actionable financial information by monitoring key performance indicators.

### Strategic Pricing Solutions

#### Patient Charge Estimator™

Software that supports defensible and transparent pricing, and simplifies the process of providing estimates for inpatient and outpatient services.

#### Comparative Pricing Modules

Comparison module for benchmarking a facility's current prices against those of similar organisations based on information derived from Medicare.

#### Fee Schedule Modules

Fee schedule application for viewing and comparing a facility's current pricing against published state and national rates.

### Supply Management Solutions

#### Pharmacy ChargeLink™

Pharmacy supply application for improving cost management and pricing strategies by establishing and maintaining a connection between a hospital's pharmaceutical purchase history and chargemaster

#### Supplies ChargeLink™

Supplies software solution for optimising reimbursement by establishing and maintaining a connection between a hospital's supply purchase history and chargemaster, ensuring accurate pricing, coding and billing of chargeable supplies

### Revenue Cycle Solutions

#### Chargemaster Toolkit® Suite

Toolset for capturing legitimate reimbursement by automating chargemaster management processes, customisable for organisations from small community hospitals to large healthcare networks.

#### Online Reference Toolkit®

Web-based tool for reducing risk by providing access to reference and regulatory resources.

#### Interface Scripting Module

Software for ensuring items are billed accurately by automatically uploading chargemaster changes to the patient billing system.

#### Physician Revenue Toolkit®

Software for managing a physician group's charges, codes, RVUs, fee schedules and related information.

#### Physician Management Toolkit

Tracks key financial and operational drivers through data trending with Decision Dashboard®.

#### Bill Analyzer

Software for improving charge capture processes by identifying lost revenue and categorising areas of risk, resulting in cleaner, more compliant claims.



#### ◀ No.1 in KLAS

Chargemaster Toolkit® is ranked No. 1 in the Revenue Cycle-Chargemaster Management market category in the "Top 20 Best in KLAS Awards" report, published December 2007.



#### Peer Reviewed

Healthcare Financial Management Association (HFMA) staff and volunteers determined that Craneware's Chargemaster Toolkit®, Chargemaster Corporate Toolkit®, Bill Analyzer, Online Reference Toolkit® and Interface Scripting Module have met specific criteria developed under the Healthcare Financial Management Peer Review Process.

## Chairman's Statement



“secured revenue growth in the year of 23.6% and increased operating profits from \$1.4m to \$3.6m. The number of US hospitals utilising our software has increased from 801 at the start of the year to 950 at the end, squarely positioning Craneware as a leading provider of financial performance improvement solutions for US healthcare organisations.”

**George Elliott, Chairman**

I am delighted to report to shareholders on an outstanding first year for Craneware as a public company. We continued the growth begun as a privately owned company, delivering on all targets set by management at the time of the IPO.

The management team have secured revenue growth in the year of 23.6% and increased operating profits from \$1.4m to \$3.6m. The number of US hospitals utilising our software has increased from 801 at the start of the year to 950 at the end, squarely positioning Craneware as a leading provider of financial performance improvement solutions for US healthcare organisations.

The quality of our products and commitment to customer service continue to be the foundations of our success. During the year, our flagship product, Chargemaster Toolkit®, was once again ranked number 1 by the prestigious industry research house KLAS, and we launched two new products ahead of schedule at the end of the first half of the year, augmenting our product portfolio and introducing two new product areas: Supply Management and Strategic Pricing. Customer feedback on these has been extremely encouraging, with 30% of new sales in the year including either one or both products. This forms an excellent platform for our growth in 2009.

The year was successfully concluded with two large system sales to Catholic Health East and Catholic Healthcare West that will see the planned roll out of our software across their 58 hospitals in the year to June 2009. This combined with the increasing fiscal pressures on hospitals driven by legislative changes gives us confidence in another successful year ahead.

The Board is very pleased to welcome Craig Preston into the role of Chief Financial Officer from the 15th of September 2008. Craig comes with experience in senior financial roles within publicly quoted technology companies with exposure to UK, US and global markets. His most recent appointments being Group Director of Finance and Company Secretary at Intec Telecom Systems from 2004-2007 and Corporate Development Manager at London Bridge Software plc from 2000-2004 including the role of Chief Financial Officer with the acquisition target Phoenix International Inc the NASDAQ quoted Software Company 2001-2002.

The Board would like to convey its thanks to Sandy McDougall, who will step down from the Board and resign from the Company on the same date, after three years of service. Sandy is to be particularly thanked for his dedication and hard work in the service of the Company in the build up to the IPO and through this successful first year as a public company. We wish Sandy the best of luck in his future endeavours.

I would like to take this opportunity to thank our teams in Scotland and the US for their commitment and drive during what has been one of the most significant years in Craneware's history. We look forward to maintaining momentum into 2009 and beyond.

**George Elliott, Chairman**  
9th September 2008



## CEO's Statement



**“As planned we have expanded our customer base, grown our market share and recently launched new products to support future growth.”**

**Keith Neilson, Chief Executive**

### **Introduction**

We are delighted with the strong operating and financial performance achieved by Craneware during our first year as a public company. We have delivered on all targets set at the time of the IPO in September 2007, including increasing the scale of our sales operation, growing our product set and increasing our customer base.

Alongside our internal successes, we have also seen positive developments in our market and beneficial competitive developments which combined with our excellent reputation have resulted in Craneware maintaining its market leading position.

### **The Market**

The market for financial management solutions for US healthcare providers continues to grow at pace, driven by increasing fiscal and legislative pressures. Hospitals' billing systems are coming under increasing scrutiny, with the Healthcare Financial Management Association in the US reporting that currently only 40% of the amounts billed by hospitals are being collected, leading to \$31.2 billion nationwide in uncompensated care. At the same time both the amount of compliance being imposed by the Office of the Inspector General is increasing as is the rigour with which it is being implemented. Medicare and Medicaid, the two US healthcare programmes for individuals and families with low incomes and resources have been given increased auditing powers, revealing a high level of inaccuracies in hospital claims leaving hospitals exposed to potential fines and backdated payments.

In tandem with these pressures, pharmacy and supply costs are increasing with the American Journal of Health System Pharmacists recently projecting that in 2008 hospital expenditure on drugs would increase by between 4 and 8 per cent.

Hospital management teams are therefore now actively seeking ways in which not only to increase the efficiency and accuracy of their billing and reimbursement systems, but also to optimise pricing, improve staff productivity and retention, and therefore improve overall financial performance.

### **Sales and Marketing**

Craneware has been developing its marketing and product positioning strategy over the year to address several key areas of this evolving market. Our focus is on offering products which enable senior level executives within US healthcare organisations to improve returns, increase productivity and manage risks. We are building on a strong pedigree in this area, with a track record of continual yearly growth, best of breed products and excellent customer endorsements.

Key to the development of our marketing strategy has been the appointment in May of Ann Marie Brown, as our first Vice President of Marketing. With over 20 years experience in marketing both to and for US healthcare organisations, Ann Marie is responsible for Craneware's strategic marketing and sales planning; product management; and marketing communications, including brand management, corporate communications, and customer marketing. This appointment is in addition to the strengthening of the US management team with the previously announced promotion of James Wilson to President of Craneware Inc.

We continue to attend several of the key industry trade shows, where we are seeing evidence of our growing reputation through increased levels of interest at our booths. Our attendance at HFMA in particular in June 2008 culminated in the closing of our two most significant deals to date.

## CEO's Statement

We were especially pleased by the level of sales of our newly launched products during the year, with 30% of new sales including either one or both of these products. The pricing environment continues to be supportive and given our success in sales and marketing we believe we are continuing to outsell our competition and increase our market share.

### Product Development

As mentioned above, US healthcare organisations are seeking to enhance their financial performance across all areas of hospital operations. The launch in November of Patient Charge Estimator™, and in January of Pharmacy ChargeLink™ moved the Company into two new product areas addressing Supply Management and Strategic Pricing. These, combined with Craneware's core area of Revenue Cycle Management form three fundamental levers by which healthcare organisations can improve their financial performance.

We are now in the final stages of development of a second product within our Supply Management product set, Supplies ChargeLink™, which we intend to launch during 2009. Supplies ChargeLink™ is a software solution that establishes and maintains a connection between a hospital's supply purchase history and its charge description master (CDM), enabling the hospital to optimise reimbursement by ensuring accurate pricing, coding, and billing of chargeable supplies.

As mentioned earlier, our product sets continue to win the endorsement of major industry research houses and review boards. In December our flagship product, Chargemaster Toolkit®, was also once again ranked number 1 in the Revenue Cycle – Chargemaster Management market category by the prestigious industry research house KLAS in the US. Our Chargemaster Toolkit® also successfully

passed one of the industry's most rigorous reviews, an HFMA Peer review, which screens for the highest standards of effectiveness, quality and usability, price, value and customer and technical support.

### Customers

Our customers range from small community hospitals, to teaching hospitals and large healthcare networks. Our software is now in use at 950 of these organisations, increasing from 801 at the start of the year. Our customers, such as Poudre Valley Hospital, MCG Health, Cleveland Clinic, the University of California, San Francisco Medical Center, the University of Washington Medical Center and Cedars-Sinai Medical Center regularly feature in lists of the US highest ranked healthcare providers.

### Channel Partners

We continue to develop our third party channels to market, with sales in the year coming through Amerinet, Premier and Cerner Corporation. We will continue to explore opportunities with regards to additional partnerships, particularly to support the growth of our Physician family of products.

### Financial Review

On 13th September 2007, the Group raised £5.4 million (prior to expenses of £1.6m) through a Placing by KBC Peel Hunt of 4,247,830 new Ordinary Shares at the Placing Price of 128p per share. The funds raised have been utilised to strengthen the balance sheet in order to facilitate continued product development and future strategic acquisitions.

As reported in our Trading Update on 10th July 2008, the Group signed 194 new hospitals during the year exceeding targets set at the time of the IPO in September 2007. We continue to be satisfied that the level of renewals continue to exceed 90% for hospitals with multi-year contracts expiring during the year.

No revenue has been recognised from the major agreements with Catholic Healthcare West and Catholic Health East in the last month of the year. However with the Group's annuity revenue recognition model, the level of new business wins, set against a background of continuing high renewal levels, have allowed revenues to grow from \$15.1m to \$18.7m during the year.

Operating costs have risen from \$12.9m to \$14.1m following the decision to accelerate ongoing development of our customer support and sales infrastructure for the new product pipeline. As a result, profit before share-based payments, depreciation, and amortisation has increased from \$3.8m to \$4.5m.

R&D expenditure on Patient Charge Estimator™ and Pharmacy ChargeLink™ continued to be capitalised during H1 until amortisation commenced in H2 following initial sales of these new products. In accordance with IFRS we continued to capitalise R&D expense on the Supplies ChargeLink™ product during H2.

## CEO's Statement

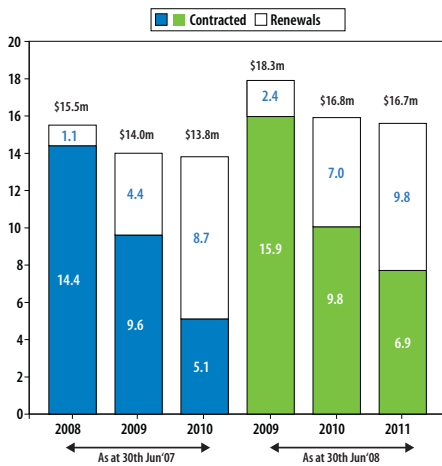


Figure 1.

"New business and renewal activity added \$25.7m, whilst \$18.7m revenue was recognised through the Income Statement"

"the Group had \$39.9m of future revenue under contract at 30th June 2008"

Under IFRS 2 "Share-Based Payments" the Group's earnings have now reflected most of the charge relating to share options which existed at IPO. The lower tax charge and related reduction in tax payable reflects the tax deductions originating from the exercise of such options during the year. In light of the share-based payment charge of \$0.6m during the year and \$2.2m last year, profit before tax increased from \$1.8m to \$4.2m, whilst profit after tax increased from \$1.2m to \$3.3m.

Given our advance annual billing model ahead of revenue recognition, and by paying particular attention to receivables collection in light of global credit conditions, it is pleasing to report a net working capital inflow during the year. This has allowed cash generated from operations to increase from \$2.6m to \$5.0m during the year.

As regards revenue visibility, the Group had \$39.9m of future revenue under contract at 30th June 2008 (2007 : \$32.9m), \$10.3m of which is shown as deferred revenue (2007 : \$9.5m) with the balance of \$29.6m (2007 : \$23.4m) to be invoiced in future periods. New business and renewal activity added \$25.7m, whilst \$18.7m revenue was recognised through the Income Statement during the period.

Of the future revenue under contract (Figure 1.) the Directors consider that \$15.9m will be recognised during FY09 with a further \$9.8m and \$6.9m respectively to be recognised in FY10 and FY11. In addition, assuming all contracts renew with no cancellations, \$2.4m revenues will be recognised from renewal activity during FY09, with a further \$7.0m and \$9.8m respectively in FY10 and FY11 relating to contracts due for renewal from 1 July 2008 through these years.

### Dividend

Basic and diluted earnings per share were \$0.14 and \$0.13 respectively and the Board recommends a dividend of 3.1p (6.17 cents) per share. Subject to confirmation at the Annual General Meeting, the final dividend will be paid on 5th December 2008 to shareholders on the register as at 7th November 2008.

### Outlook

Our first year as a public company has seen Craneware increase its customer base, broaden its product set and maintain its market leading position in the US healthcare financial performance improvement market. With legislation and fiscal pressures continuing to be key drivers of growth in our market, exerting pressure on US hospitals to improve their financial management, we expect demand for our suite of products to grow for the foreseeable future.

Trading in the current year has started well. Our high level of visibility, over \$18.3m of revenue, at the beginning of the year has been augmented by a strong pipeline of new sales opportunities as a result of which we expect to exceed our expectations for the full year.

I would like to thank our staff, customers and investors for their continued support and look forward to another successful year of growth.

**Keith Neilson, Chief Executive Officer**

9th September 2008

## Directors' Report

The directors present herewith their report and the audited financial statements for the year ended 30th June 2008.

### Principal Activities

The Group's principal activity continues to be the development, licensing and post contract support of computer software for the healthcare industry.

### Business Review

#### » Admission to AIM

Craneware Ltd was admitted to trading on the Alternative Investment Market (AIM) and became a plc on 13th September 2007. Net proceeds of £3.8m (\$7.9m) after expenses were raised by the Company from a total placing of £20.5m (\$41.6m), providing a full exit for the Company's venture capital investors.

#### » Market Position and Products

The Group has continued to enhance its product range and functionality, whilst increasing the number of hospitals using its software products within its market in the US. The directors are satisfied with the performance of the Company and Group for the year and expect this growth, as set out below, to continue in future years.

#### » Financial Highlights

The Group has increased revenues by 23.6% to \$18.7m and operating profits from \$1.4m to \$3.6m, with cash reserves of \$21.1m and future revenue under contract of \$39.9m as at 30th June 2008.

#### » Operational Highlights

The number of hospitals using the Group's software has now increased from 801 to 950, with two new product launches during the first half of the year.

#### » Future Developments

The Company continues to grow strongly with a positive outlook going forward as outlined in the Chairman's and Chief Executive's Statements.

#### » Corporate Social Responsibility

The Company is committed to maintaining a high level of social responsibility. Aspects of the environment are considered during board meetings and attempts made to ensure that the Group undertakes a 'green' policy wherever practicably possible. This includes the careful planning of travel requirements and the recent investment in video conferencing technology.

### Principal Risks and Uncertainties and Key Performance Indicators (KPIs)

The directors consider that the US healthcare software market is likely to continue to provide growth opportunities for the Company's existing products and development pipeline. In addition, and with a high contract renewal rate, the Company's predominantly annuity-based pricing models and revenue recognition approach gives a high degree of revenue visibility and earnings growth predictability.

Nevertheless the market continues to be very competitive following a period of M&A activity and new product offerings. The Company therefore requires to remain at the forefront of product innovation and delivery, through a combination of in-house development whilst assessing specific acquisition opportunities. This requires the recruitment, retention, and reward of skilled staff, alongside a responsiveness to opportunities as they arise.

With approximately one third of its cost denominated in Sterling, the Company requires to continually assess the most appropriate approach to managing its currency exposure in line with an overall goal of achieving predictable earnings growth.

The principal financial risks are detailed in **Note 3** to the financial statements.

## Directors' Report

The directors consider that the following operating and financial KPIs remain critical to an understanding of the development, performance, and position of the business:

	2003	2004	2005	2006	2007	2008
Hospital sites (cum)	197	376	455	631	801	<b>950</b>
Contract renewal rate (cum)	-	92%	84%	84%	88%	<b>91%</b>
	\$m's	\$m's	\$m's	\$m's	\$m's	\$m's
Value of contracts written (cum)	12.5	33.2	46.0	61.1	81.8	<b>107.5</b>
Revenue	2.8	6.7	10.5	13.2	15.1	<b>18.7</b>
Profit/(loss) before share-based payments and taxation	(0.6)	1.5	2.7	3.6	4.0	<b>4.8</b>
Cash and receivables less payables	4.6	8.2	8.9	10.5	11.4	<b>24.0</b>
Deferred income	4.9	9.6	10.7	9.5	9.5	<b>10.3</b>
Further contractual entitlements	4.2	13.4	14.7	17.8	23.4	<b>29.6</b>
Future revenue under contract	9.1	23.1	25.4	27.3	32.9	<b>39.9</b>

### Dividends

No interim dividend was paid in the year (2007: \$1,000,000/£498,430) the directors are (subject to confirmation at the Annual General Meeting) recommending the payment of a final dividend of 3.1p (6.17 cents) per share based on the results for 2008 (2007: \$nil). Subject to confirmation at the Annual General Meeting, the final dividend will be paid on 5th December 2008 to shareholders on the register as at 7th November 2008. The directors intend to adopt a progressive dividend policy based on the Group's retained annual earnings. The level of distribution will be subject to the Group's working capital requirements and the ongoing needs of the business.

### Going Concern

The directors have reviewed the financial forecast for the Group and consider that it is appropriate to prepare the financial statements on the going concern basis.

### Research and Development activities

The Group continues its development programme of software products for the US healthcare industry which includes research and development of new complimentary products and the enhancements to the existing portfolio of market leading products. The directors regard investment in development activities as a prerequisite for success in the medium and long term future.

### Directors and their interests

The directors of the Company are listed on page 45.

K J Lyon, who had served as chairman in the year, resigned on 11th July 2007, and G R Elliot was appointed as chairman on 10th August 2007. W G Craig, D W Paterson and J R Wilson resigned on 6th September 2007 prior to admission to AIM.

After adjusting for the 299 for 1 share split pursuant to admission to AIM the interests of the directors who held office at 30th June 2008 were as follows:-

	2008	2007
<b>G R Elliot</b>	<b>15,625</b>	-
<b>N P Heywood</b>	<b>150,000</b>	-
<b>K Neilson</b>	<b>3,887,790</b>	3,833,100
<b>A M McDougall</b>	<b>207,000</b>	-
	<b>4,260,415</b>	<b>3,833,100</b>



## Directors' Report

Director's interests in share options are detailed in the Remuneration Committee Report on page 18.

Note 21 details the changes in equity over the course of the year.

### Substantial shareholders

As at the 30th June 2008, the Company had been notified of the following beneficial interests in 3% or more of the issued share capital pursuant to Part VI of the Companies Act 1985:

	No. of Ordinary £0.01 Shares	% of issued share capital
K Neilson	3,887,790	15.48
W G Craig	3,833,100	15.27
Artemis Investment Management	2,977,500	11.86
Blackrock Investment Management	2,505,544	9.98
Fidelity Investments	2,098,100	8.36
Standard Life Investments	1,676,600	6.68
Axa Framlington Investment Management	1,312,750	5.23
Aegon	867,916	3.46
D W Paterson	835,900	3.33
ISIS EP LLP	796,950	3.17

*The total number of shares as at 30th June 2008 was 25,109,950.*

### Indemnity of Directors and Officers

Under the Company's Articles of Association and subject to the provisions of the Companies Acts, the Company may indemnify any director or other officer against liability incurred by him in the execution or discharge of his duties or exercise of his powers. Including but not limited to any liability for the costs of legal proceedings where judgement is given in their favour. In addition, the Company may purchase and maintain for any director or other officer, insurance against any liability, and the Company does maintain appropriate insurance cover against legal action brought against directors and officers.

### Employee Involvement

The general policy of the Company is to welcome employee involvement as far as it is reasonably practicable. Employees are kept informed by meeting, regular updates and web page postings. In addition the Group's UK and US senior management teams, referred to as the Leadership Group, meet regularly to continually review and update the Group's strategic aims and department roadmaps.

### Employment of Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

### Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and Group for that period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and for ensuring that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors and Disclosure of Information to Auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board by:

**K Neilson**  
Director

9th September 2008





## Corporate Governance Report

The Board of Directors ("the Board") acknowledge the importance of the Principles set out in The Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006. Although the Combined Code is not compulsory for AIM listed companies, the Board has applied the principles in this statement, together with the Remuneration Committee Report set out on page 17 as far as practicable for a public Company of its size, as follows:

### The Board of Directors

The Board consists of two executive Directors and currently two non-executive Directors. The role of Chairman and Chief Executive Officer are distinct. The Chairman is responsible for the effectiveness of the Board and ensuring communication with shareholders and the Chief Executive Officer is accountable for the management of the Group. The Company is actively in the process of seeking to appoint a third independent non-executive Director to compliment the existing Board. The Chairman will be responsible for providing a tailored formal induction to any new Board member and major shareholders will be given the opportunity to meet them.

At the first Annual General Meeting (AGM) all the Directors shall retire from office, and at every subsequent AGM one third of the Directors who are subject to retirement by rotation, or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office.

The Board meets regularly and is responsible for strategy, performance, approval of major capital investments, treasury and financing matters and the framework of internal controls.

To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. The Company Secretary maintains the minutes together with a register of individual's attendance at Directors' meetings and the record of attendance between IPO and the year ended 30th June 2008 was as follows:

	Board	Remuneration Committee	Audit Committee	Total
G R Elliot	7	5	2	14
N P Heywood	7	5	2	14
K Neilson	7	5	2	14
A M McDougall	7	5	2	14

### Nominations Committee

The Nominations Committee during the year consisted of the two non-executive directors. It was not deemed necessary for the Nominations Committee to meet during the year although there have already been two meetings after the balance sheet date. The Committee is responsible for succession planning and for ensuring the right mix of skills and experience are represented on the Board together with considering any senior company appointments or potential appointments.

### Audit Committee

The Audit Committee during the year consisted of the two non-executive directors (Chaired by N P Heywood). The executive directors and PricewaterhouseCoopers LLP (external auditors) are invited to attend meetings and sub-meetings. The Board is satisfied that at least one member of the Audit Committee has recent and relevant financial experience. The Audit Committee meets at least twice a year and considers the appointment, reappointment and removal of the external auditors and approves their remuneration and terms of engagement, including developing and implementing a policy on the provision of non-audit services by the external audit firm. It also reviews and monitors the independence and objectivity of the external auditor. The Committee is also responsible for monitoring



## Corporate Governance Report

compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board. The Audit Committee has assessed the need for an internal audit function and has concluded that the present size and complexity of the group does not merit such a function at this time.

### Remuneration Committee

The Remuneration Committee during the year consisted of the two non-executive directors (Chaired by N P Heywood) with an invitation extended to the executive directors. The Committee's role is to consider and approve the remuneration and benefits of the executive directors. In the current financial year, the salaries of the directors were determined following benchmarking against market rates for such positions. Details of the highest paid director are noted on page 17 in the Remuneration Committee Report.

In framing the Company's remuneration policy, the Remuneration Committee has given full consideration, as far as practically possible, to Section B of The Combined Code. The Report on Directors' Remuneration is set out on page 17. The Remuneration Committee met on five occasions during the year and it was attended by both members of the Remuneration Committee.

### Internal Financial Control

The Board is responsible for establishing and maintaining the Company's system of internal financial control and places importance on maintaining a strong control environment and continually reviewing its effectiveness. The key risk management procedures, which the Board has established with a view to providing effective internal financial control are as follows:

- The Company's organisational structure has clear lines of responsibility, with professionally qualified staff in positions of responsibility.
- The Company prepares a comprehensive annual budget that is approved by the Board. Monthly results are reported against the budget and variances are closely monitored by the Board.
- The Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate courses of action to manage those risks.

### Relations with Shareholders

Communications with shareholders are given high priority. The Board use the Annual General Meeting to communicate with investors and welcomes their participation. Continuous updates are made on the Group's website for shareholders to review and the "Investor relations" section is under continued development.

### Statement by Directors on Compliance with the Provisions of the Combined Code

The Board considers that they have complied with the provisions of The Combined Code, as far as practicable and appropriate for a public Company of this size, in accordance with the recommendations on corporate governance of the Quoted Companies Alliance. The specific provisions of The Combined

Code not yet adopted are A1.3, A3.1, A3.3, A6.1, A7.2, C2.1, C3.1 and D1.1. It is the intention of the Group to develop its procedures in certain areas where it would be valuable to do so.

### AIM Rule Compliance Report

Craneware plc is quoted on AIM and, as such under AIM Rule 31 the Company is required to:

- Have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- Seek advice from its Nominated Advisor ("Nomad") regarding its compliance with the AIM Rules whenever appropriate and take that advice into account;
- Provide the Company's Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nominated Advisors, including any proposed changes to the Board and provision of draft notifications in advance.
- Ensure that each of the Company's Directors accepts full responsibility, collectively and individually, for compliance with the AIM Rules; and
- Ensure that each Director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the director.

Approved by the Board of Directors and signed on behalf of the Board by:

**N P Heywood**

Director

9th September 2008



## Remuneration Committee Report

The Remuneration Committee consisted of the two non-executive directors (Chaired by N P Heywood) during the year under review. It is anticipated that the new Non-Executive appointment will also join the Remuneration Committee.

The Remuneration Committee is responsible for determining and reviewing the terms of appointment and the remuneration of executive Directors. The Committee takes external advice, as appropriate, on remuneration issues and takes cognisance of major surveys covering all aspects of the pay and benefits of directors and senior executives in many companies.

### Policy

The Committee aims to provide base salaries and benefits which are competitive in the relevant external market and which take account of the Company and individual performance thus enhancing the Company's ability to recruit and retain the calibre of individuals required for its continuing business success. It is the policy of the Committee to provide financial incentives and to reward superior performance over the medium and long term by creating opportunities to enable cash bonuses, benefits packages and share incentives at all levels throughout the organisation. A large proportion of bonuses are dependent upon the achievement of targets and objectives.

### Service Contracts

The executive Directors and the non-executive directors are employed under individual employment arrangements or letters of appointment where appropriate, which provide for three and one months notice respectively by either party.

G R Elliott was appointed Chairman for an initial term of three years commencing 10th August 2007.

### Directors' Interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Report on page 12.

### Directors' Emoluments

For Directors who held office at the balance sheet date, emoluments for the year ending 30th June 2008 were as follows (this information is not subjected to audit):

	Salary/Fees (\$)	Benefits (\$)	Bonus (\$)	Pension (\$)	2008 Total (\$)	2007 Total (\$)
<b>Executives</b>						
K Neilson	240,494	718	32,066	10,020	<b>283,298</b>	235,036
A M McDougall	200,413	914	32,066	-	<b>233,393</b>	192,223
<b>Non-Executives</b>						
G R Elliott	89,313	-	-	-	<b>89,313</b>	-
N P Heywood	432,888	-	-	-	<b>432,888</b>	43,919
<b>Total</b>	<b>963,108</b>	<b>1,632</b>	<b>64,132</b>	<b>10,020</b>	<b>1,038,892</b>	471,178

1. Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company held by the Directors.
2. Benefits represent payments for health insurance.
3. Accrued bonuses are included in the above and were approved by the Remuneration Committee.
4. A supplemental charge by Matrix Trading Systems Ltd in respect of services rendered by N P Heywood is included in the above, details of which are disclosed within the Related Party Transactions note to the financial statements on page 44.

All options which were granted or exercised during the year, or are outstanding at 30th June 2008 are over ordinary shares. Options over ordinary shares described as "initial options" were granted on the day following IPO and are subject to performance criteria. Options over Incentive Shares lapsed at IPO without any such options having been exercised.

## Remuneration Committee Report

### Directors' interests in share options

Directors' share options as at 30th June 2008 were:

	Exercise Price (cents)	Exercise Price (pence)	Issue Date	Held At 30/06/07	Granted During Year	Exercised During Year	Lapsed During Year	Held At 30/06/08
<b>K Neilson</b>								
Ordinary shares ("initial options")	1.991	1.0	Sep-07	-	20,000	-	-	20,000
<b>A M McDougall</b>								
Ordinary shares	0.007	0.0033	May-06	207,000	-	(207,000)	-	-
Incentive shares	0.001	0.0003	May-06	78,000	-	-	(78,000)	-
Ordinary shares ("initial options")	1.991	1.0	Sep-07	-	98,000	-	-	98,000

Employee share options as at 30th June 2008 were:

	Exercise Price (cents)	Exercise Price (pence)	Issue Date	Held At 30/06/07	Granted During Year	Exercised During Year	Lapsed During Year	Held At 30/06/08
Ordinary shares	0.007	0.0033	May-06	1,273,800	-	(876,420)	(191,580)	205,800
Incentive shares	0.001	0.0003	May-06	1,188,900	-	-	(1,188,900)	-
Ordinary shares ("initial options")	1.991	1.0	Sep-07	-	1,282,000	-	(241,200)	1,040,800
Ordinary shares	0.007	0.0033	Sep-07	-	50,100	-	-	50,100
Ordinary shares	3.690	187.0	May-08	-	40,600	-	-	40,600

On behalf of the Remuneration Committee:

**N P Heywood**

Chairman of the Remuneration Committee

9th September 2008

## Independent Auditors' Report to the members of Craneware plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Craneware plc for the year ended 30th June 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive Officer's Statement, the Corporate Governance Report and the Remuneration Committee Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or

error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30th June 2008 and of its profit and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30th June 2008 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

### PricewaterhouseCoopers LLP

Chartered Accountants  
and Registered Auditors  
Edinburgh  
9th September 2008

## Consolidated Income Statement for the year ended 30th June 2008

	Notes	2008 \$'000	2007 \$'000
<b>Revenue</b>	4	<b>18,676</b>	15,111
Cost of sales		<b>(954)</b>	(808)
<b>Gross profit</b>		<b>17,722</b>	14,303
Net operating expenses	5	<b>(14,141)</b>	(12,906)
<b>Operating profit</b>	6	<b>3,581</b>	1,397
<b>Analysed as:</b>			
Profit before share-based payments, depreciation and amortisation		<b>4,516</b>	3,796
Share-based payments	9	<b>(634)</b>	(2,191)
Depreciation of plant and equipment		<b>(183)</b>	(152)
Amortisation of intangible assets		<b>(118)</b>	(56)
Finance income	10	<b>607</b>	446
<b>Profit before taxation</b>		<b>4,188</b>	1,843
Tax charge	11	<b>(899)</b>	(627)
<b>Profit for the year</b>	21	<b>3,289</b>	1,216

The results relate to continuing operations.

### Earnings per share for the period attributable to equity holders

	Notes	2008	2007
- Basic (\$ per share)	13a	<b>0.14</b>	0.06
- Diluted (\$ per share)	13b	<b>0.13</b>	0.05

## Consolidated Balance Sheet for the year ended 30th June 2008

	Notes	2008 \$'000	2007 \$'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Plant and equipment	14	415	487
Intangible assets	15	794	434
Deferred tax	19	1,075	810
Trade and other receivables	18	75	75
		<b>2,359</b>	<b>1,806</b>
<b>Current Assets</b>			
Inventory	17	-	8
Trade and other receivables	18	4,685	4,016
Cash and cash equivalents	23	21,112	9,664
		<b>25,797</b>	<b>13,688</b>
<b>Total Assets</b>		<b>28,156</b>	<b>15,494</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Deferred income		444	903
		<b>444</b>	<b>903</b>
<b>Current Liabilities</b>			
Deferred income		9,853	8,579
Trade and other payables	24	1,760	2,261
		<b>11,613</b>	<b>10,840</b>
<b>Total Liabilities</b>		<b>12,057</b>	<b>11,743</b>
<b>Equity</b>			
Called up share capital	20	509	1
Share premium account	21	9,253	1,823
Other reserves	21	3,041	2,477
Retained earnings	21	3,296	(550)
<b>Total Equity</b>	21	<b>16,099</b>	<b>3,751</b>
<b>Total Equity and Liabilities</b>		<b>28,156</b>	<b>15,494</b>

The financial statements on pages 20 to 44 were approved and authorised for issue by the board of directors on 9th September 2008 and were signed on its behalf by:

**K Neilson**  
Director

**A M McDougall**  
Director and Company Secretary



## Company Balance Sheet for the year ended 30th June 2008

	Notes	2008 \$'000	2007 \$'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Investment in subsidiary undertakings	16	0	0
Plant and equipment	14	315	388
Intangible assets	15	785	418
Deferred Tax	19	281	460
Trade and other receivables	18	75	75
		<b>1,456</b>	<b>1,341</b>
<b>Current Assets</b>			
Trade and other receivables	18	4,437	3,857
Cash and cash equivalents	23	20,336	9,116
		<b>24,773</b>	<b>12,973</b>
<b>Total Assets</b>		<b>26,229</b>	<b>14,314</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Deferred income		444	903
		<b>444</b>	<b>903</b>
<b>Current Liabilities</b>			
Deferred income		9,853	8,579
Trade and other payables	24	1,784	1,645
		<b>11,637</b>	<b>10,224</b>
<b>Total Liabilities</b>		<b>12,081</b>	<b>11,127</b>
<b>Equity</b>			
Called up share capital	20	509	1
Share premium account	21	9,253	1,823
Other reserves	21	2,195	1,793
Retained earnings	21	2,191	(430)
<b>Total Equity</b>	21	<b>14,148</b>	<b>3,187</b>
<b>Total Equity and Liabilities</b>		<b>26,229</b>	<b>14,314</b>

The financial statements on pages 20 to 44 were approved and authorised for issue by the board of directors on 9th September 2008 and signed on its behalf by:

**K Neilson**  
Director

**A M McDougall**  
Director and Company Secretary

## Cashflow Statement for the year ended 30th June 2008

	Notes	Group		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	22	<b>4,987</b>	2,626	<b>4,376</b>	2,641
Interest received		<b>607</b>	446	<b>607</b>	446
Tax (paid)		<b>(1,495)</b>	(1,638)	<b>(1,168)</b>	(1,604)
<b>Net cash from operating activities</b>		<b>4,099</b>	1,434	<b>3,815</b>	1,483
<b>Cash flows from investing activities</b>					
Purchase of plant and equipment		<b>(111)</b>	(504)	<b>(59)</b>	(418)
Capitalised intangible assets		<b>(478)</b>	(433)	<b>(474)</b>	(423)
<b>Net cash used in investing activities</b>		<b>(589)</b>	(937)	<b>(533)</b>	(841)
<b>Cash flows from financing activities</b>					
Dividends paid to company shareholders		-	(1,000)	-	(1,000)
Net IPO proceeds	20	<b>7,938</b>	-	<b>7,938</b>	-
<b>Net cash from/(used) in financing activities</b>		<b>7,938</b>	(1,000)	<b>7,938</b>	(1,000)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>11,448</b>	(503)	<b>11,220</b>	(358)
Cash and cash equivalents at the start of the year		<b>9,664</b>	10,167	<b>9,116</b>	9,474
<b>Cash and cash equivalents at the end of the year</b>		<b>21,112</b>	9,664	<b>20,336</b>	9,116

## Notes to the Financial Statements

### General Information

Craneware plc (the Company) is a public limited company incorporated in Scotland. The Company has a primary listing on the AIM stock exchange. The address of its registered office and principal place of business is disclosed on page 45 of the financial statements. The principal activity of the company is described in the directors' report.

### Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historic cost convention. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year, if applicable.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Company and its subsidiary undertaking are referred to in this report as the Group.

### 1 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below. These policies have been consistently applied, unless otherwise stated.

#### Reporting Currency

The Directors consider that as the Group's revenues are primarily denominated in US dollars the principal functional currency is the US dollar. The Group's financial statements are therefore prepared in US dollars.

#### Currency Translation

Transactions denominated in foreign currencies are translated into US dollars at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated into US dollars at rates of exchange ruling at the balance sheet date (\$1.9906/£1). Exchange gains or losses arising upon subsequent settlement of the transactions and from translation at the balance sheet date are included within the related category of expense where separately identifiable, or in general and administrative expenses.

#### New Standards, amendments and interpretations effective in the year

IFRS 7, 'Financial Instruments: Disclosures', and complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosure relating to financial instruments that replace the disclosure requirements of IAS 32. This standard has been applied to both the current and comparative years' information within these financial statements and does not materially change the financial results.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the insurance of equity instruments, where the identifiable consideration received is less than the fair value of the equity

instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This interpretation does not have any impact on the Group financial statements.

IFRIC 9, 'Re-assessment of embedded derivatives', clarifies certain aspects of the treatment of embedded derivatives under IAS 39, 'Financial Instruments: Recognition and Measurement'. This interpretation does not have any impact on the Group financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill, investment in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on the Group financial statements.

IFRIC 11, 'IFRS – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving Group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand alone accounts of the parent and the Group companies. This interpretation does not have any impact on the Group financial statements.

#### New Standards, amendments and interpretations not yet effective

IFRS 2, 'Share-based payments' (effective 1st January 2009\*), amendment relating to vesting conditions and cancellations. There is no anticipated impact on the Group financial statements of this amendment.

IFRS 3, 'Business combinations', A comprehensive revision on applying the acquisition method and the consequential amendments to IAS 27, 'Consolidated and separate financial statements' (both effective 1st July 2009\*). The revision and amendment of the standards will affect the accounting treatment of any future business acquisitions.

## Notes to the Financial Statements

IFRS 8, 'Operating segments' (effective 1st January 2009\*), replaces IAS 14, 'Segment reporting'. The new standard requires a 'managed approach', under which segment information is presented on the same basis as that used for internal reporting purposes. There is no anticipated impact on the Group financial statements although this will be continually assessed by management as reportable operating segments will be subject to change based on amendments to internal reporting.

IAS 1, 'Presentation of financial statements' (effective 1st January 2009\*). A comprehensive revision of the standard that will affect the way financial statements are presented. Management is assessing the affects of the revised disclosure requirements of this standard; although no material impact on the Group financial statements is anticipated.

IAS 23, 'Borrowing costs' (effective 1st January 2009\*), is amended to remove the option to immediately expense borrowing costs that are directly attributable to a qualifying asset. This amendment will not have any impact on the Group financial statements.

IFRIC 12, 'Service concession arrangements' (effective 1st January 2008\*), applies to contractual arrangements whereby a private sector operator participates in the development, financing, operations and maintenance of infrastructure for public sector services. This amendment will not have any impact on the Group financial statements.

IFRIC 13, 'Customer loyalty programmes' (effective 1st July 2008\*), clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multi-element arrangement and the consideration receivable from the customer is allocated between components of the arrangement

using fair values. It is not anticipated that this clarification will have any impact on the Group financial statements.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective 1st January 2008\*), provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. It is not anticipated that this interpretation will have any impact on the Group financial statements.

The directors anticipate that the future adoption of these standards, amendments and interpretations (where relevant to the Group) will have no material financial impact on the financial statements of the Group. None of the above standards, amendments or interpretations have been adopted early.

*\* Effective for accounting periods starting on or after this date.*

### Basis of consolidation

The consolidated income statement and balance sheet include the accounts of the Parent Company and its subsidiary. Intra Group revenue and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only. As permitted by Section 230 of the Companies Act 1985, the income statement of the Parent Company is not presented.

### Revenue Recognition

The Group follows the principles of IAS 18, "Revenue Recognition", in determining appropriate revenue recognition policies. In principle revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group.

Revenue comprises the value of software license sales, installation, training, maintenance and support services, and consulting engagements. Revenue is recognised when (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the sales price has been fixed and determinable; and (iv) collectability is reasonably assured.

For software arrangements with multiple elements, revenue is recognised dependent on whether vendor-specific objective evidence ("VSOE") of fair value exists for each of the elements. VSOE is determined by reference to sales to external customers made on a stand-alone basis. Where there is no VSOE revenue is recognised rateably over the full term of each contract.

Revenue from standard license products which are not modified to meet the specific requirements of each customer is recognised when the risks and rewards of ownership of the product are transferred to the customer.

Revenue from installation and training is recognised as services are provided, from consulting engagements when all obligations under the consulting agreement have been fulfilled.

Software sub-licensed to third parties is recognised in accordance with the underlying contractual agreements. Where separate services are delivered, revenue is recognised on delivery of the service. All other revenue is recognised rateably over the term of the sub licence agreement.

The excess of amounts invoiced and future invoicing over revenue recognised, is included in deferred revenue. If the amount of revenue recognised exceeds the amounts invoiced the excess amount is included within accounts receivable.

## Notes to the Financial Statements

### **Tangible assets – Plant and Equipment**

All equipment and fixtures are stated at historical cost less depreciation. Depreciation is provided to write off the cost less estimated residual values of tangible fixed assets over their expected useful lives. It is calculated at the following rates:

Computer equipment — 33% straight line  
Tenants improvements — 20% straight line  
Office furniture — 25% straight line

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of assets are included in operating profit.

Repairs and maintenance are charged to the income statement during the financial year in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

### **Acquired Intangible Assets**

Computer software and licensed to-use technology are capitalised at cost and amortised on a straight-line basis over a prudent estimate of the time that the Group is expected to benefit from them, which is typically three to five years.

### **Intangible Assets – Research and Development Expenditure**

Expenditure associated with developing and maintaining the Group's software products are recognised as incurred. Where, however, new product development projects are technically feasible, production and sale is intended, a market exists, expenditure can be measured reliably, and sufficient resources are available to complete such

projects, development expenditure is capitalised until initial commercialisation of the product, and thereafter amortised on a straight-line basis over its estimated useful life. Staff costs and specific third party costs involved with the development of the software are included within amounts capitalised.

### **Impairment Tests**

The Group considers whether there is any indication that non-current assets are impaired on an annual basis. If there is such an indication, the Group carries out an impairment test by measuring the assets' recoverable amount, which is the higher of the assets' fair value less costs to sell and their value in use. If the recoverable amount is less than the carrying amount an impairment loss is recognised.

### **Taxation**

The charge for taxation is based on the profit for the period and takes into account deferred taxation. Taxation is computed using the liability method. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted rates and laws that will be in effect when the differences are expected to reverse. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will arise against which the temporary differences will be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not

reverse in the foreseeable future. Deferred tax assets and liabilities arising in the same tax jurisdiction are offset.

In the UK and the US, the Group is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options under each jurisdiction's tax rules. As explained under "Share-based payments" below, a compensation expense is recorded in the Group's income statement over the period from the grant date to the vesting date of the relevant options. As there is a temporary difference between the accounting and tax bases a deferred tax asset is recorded. The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of the compensation expense recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory rate, the excess is recorded directly in equity against retained earnings.

### **Investments in subsidiary**

The investment in subsidiary is stated at cost.

### **Operating leases**

The costs of operating leases are charged on a straight line basis over the duration of the leases in arriving at operating profit.

### **Grants**

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all conditions pertaining to the grant. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

## Notes to the Financial Statements

### Financial assets

The Group classifies its financial assets in the following categories: (i) at fair value through profit and loss, (ii) loans and receivables and (iii) available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At each balance sheet date included in the financial information, the Group held only items classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairments. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'net operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade

receivables. Subsequent recoveries of amounts previously written off are credited against net operating expenses in the income statement.

### Financial liabilities

The only financial liability held by the Group at each balance sheet date included in the financial information is trade payables. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### Inventories

Inventories consist of consumables and are valued at the lower of costs and net realisable value.

### Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and short term highly liquid investments. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash on hand, deposits held with banks and short term high liquid investments.

### Employee Benefits

The Group operates a defined contribution Stakeholder Pension Scheme as described in Section 3 of Welfare Reform and Pensions Act 1999. Private medical insurance is also provided to every employee. Amounts payable in respect to these benefits are charged to the income statement as they fall due.

### Share-Based Payments

The Group grants share options to certain employees. In accordance with IFRS 2, "Share-Based Payments" equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes pricing model as appropriately amended. The fair value determined at the date of grant of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the

Group's estimate of the number of shares that will eventually vest.

The share-based payments charge is included in net operating expenses and also included in 'Other reserves'.

### Dividends

Dividends are recorded in the accounts in the year in which they are approved by the shareholders. Interim dividends are recognised as a distribution when paid.

## 2 Critical accounting estimates and judgements

The preparation of financial statements in accordance with generally accepted accounting principles requires the directors to make critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below:-

- **Provision for impairment of trade receivables:-** the Group assesses trade receivables for impairment which requires the directors to estimate the likelihood of payment forfeiture by customers.
- **Revenue recognition:-** the Group assesses the economic benefit that will flow from future milestone payments in relation to sub-licensing partnership arrangements. This requires the directors to estimate the likelihood of the Group, its partners, and sub-licensees meeting their respective commercial milestones and commitments.



## Notes to the Financial Statements

- **Capitalisation of development expenditure:-**  
the Group capitalises development costs provided the conditions laid out below have been met. Consequently the directors require to continually assess the commercial potential of each product in development and its useful life following launch.
- **Provisions for income taxes:-**  
the Group is subject to tax in the UK and US and this requires the directors to regularly assess the applicability of its transfer pricing policy.
- **Share-based payments:-**  
the Group requires to make a charge to reflect the value of share-based equity-settled payments in the period. At each grant of options and balance sheet date, the directors are required to consider whether there has been a change in the fair value of share options due to factors including number of expected participants.

### 3 Financial risk management

#### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (primarily currency risk and cash flow interest rate), credit risk and liquidity risk. Risk management is carried out under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

#### (a) Market risk

##### (i) Foreign exchange risk

Foreign exchange risk arises when commercial transactions or recognised

assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group operates primarily in the US however a significant proportion of costs are incurred in Sterling.

Management are therefore required to continually assess the Group's foreign exchange risk against the Group's functional currency, and whether any form of hedge should be entered into. The Group's policy has not been to enter into hedging arrangements, although the Board continues to assess the appropriateness of this approach.

The directors believe that a 10% change in the value of Sterling relative to the Dollar would impact post-tax profits by approximately \$250,000 as a result of foreign exchange gains/losses on Sterling denominated transactions and the translation of Sterling denominated current liabilities.

##### (ii) Cash flow and interest rate risk

The Group has no significant interest-bearing assets or liabilities, other than cash held on deposit at variable rates. The directors believe that a 25 basis point move in interest rates would, with all variables held constant, alter post-tax profit for the year in the region of \$50,000 higher/lower respectively.

#### (b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and trade receivables. In order to minimise the Group's exposure to risk, all cash deposits are placed with reputable

banks and financial institutions. The Group's exposure to trade receivables is reduced due to contractual terms which require installation, training, annual licensing and support fees, to be invoiced annually in advance.

#### (c) Liquidity risk

Management review the liquidity position of the Group to ensure that sufficient cash is available to meet the underlying needs of the Group as they fall due for payment.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. There is no difference between the undiscounted liabilities and the amounts shown in **Note 24** as the Group's financial liabilities are all short term in nature.

#### Capital risk management

The Group is cash generative and trading is funded internally. As a result, management do not consider capital risk to be significant for the Group. Contracts are normally billed annually in advance. Assuming timely receivables collection, the Group will have favourable movements from working capital by generating cash ahead of revenue recognition. Consequently funds are retained in the business to finance future growth, either organically or by acquisition.

	Less than 1 year \$'000	Between 1 & 2 years \$'000	Between 2 & 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>At 30 June 2007</b>					
Trade Payables	421	-	-	-	421
<b>At 30 June 2008</b>					
Trade Payables	257	-	-	-	257

## Notes to the Financial Statements

### 4 Revenue

The Group revenue is derived entirely from the sale, supply, installation and ongoing support of software products to hospitals within the United States of America and is deemed to have no other segments.

### 5 Net operating expenses

Net operating expenses are made up as follows:-

	2008 \$'000	2007 \$'000
Sales and marketing expenses	4,857	4,500
Client Servicing	3,359	2,498
Research and development	2,623	2,173
Administrative expenses	2,319	1,398
Share-based payments	634	2,191
Depreciation of plant and equipment	183	152
Amortisation of intangible assets	118	56
Exchange loss/(gain)	48	(62)
<b>Net operating expenses</b>	<b>14,141</b>	<b>12,906</b>

### 6 Operating profit

The following items have been included in arriving at operating profit:-

	2008 \$'000	2007 \$'000
Staff costs (Note 8)	9,217	9,720
Depreciation of plant and equipment	183	152
Amortisation of intangible assets	118	56
Impairment of trade receivables	110	109
Purchased licences expensed	73	111
Operating lease rents for premises	256	174

### Services provided by the Group's auditor

During the year the Group obtained the following services from the Group's auditors as detailed below:-

	2008 \$'000	2007 \$'000
Statutory audit - Group	96	74
Tax compliance and other tax services	64	43
Employee incentive advice	90	13
Other assurance services	116	30
Reporting accountants at IPO	356	-
	<b>722</b>	<b>160</b>

### 7 Grant

	2008 \$'000	2007 \$'000
<b>Grants received / receivable in the year</b>	<b>399</b>	<b>200</b>

The grant receivable in the year related to an application made by the Group for a RSA grant. The criteria to qualify for this consisted of adding to existing development and support staff. This grant is not shown separately on the income statement but reduces net operating expenses.

## Notes to the Financial Statements

### 8 Staff costs

The average number of persons employed by the Group during the year, excluding executive directors, is analysed below:

	2008 Number	2007 Number
Sales and distribution	21	21
Client Servicing	31	26
Research and development	31	26
Administration	17	17
	<b>100</b>	<b>90</b>

Employment costs of all employees excluding executive directors:-

	2008 \$'000	2007 \$'000
Wages and salaries	7,760	6,890
Social security costs	803	620
Post employment benefits	20	19
Share-based payments	634	2,191
<b>Total direct costs of employment</b>	<b>9,217</b>	<b>9,720</b>

#### Highest paid director:-

Salary and short-term employee benefits	233	305
Share-based payments	53	-
	<b>286</b>	<b>305</b>

Director's emoluments are detailed in the Remuneration Committee Report on page 17 and key management compensation is given in the Related party transaction note on page 43. Retirement benefits are accruing to one of the executive directors under a defined contribution scheme (2007: 2).

### 9 Share-based payments

The Group has an equity-settled share-based payment scheme, whereby options over shares in Craneware plc can be granted to employees and directors. A charge is shown in the income statement of \$633,554 (2007: \$2,190,911) as detailed in **Note 8** above.

Options issued under the 2006 Share Options Plan over Ordinary shares and Incentive shares were granted at par and have been adjusted to reflect the 299 for 1 share split. Options over Ordinary shares vested on admission to AIM on 13th September 2007 and became fully exercisable on that date, whilst options over Incentive shares lapsed at this event. Outstanding options lapse upon leaving employment or if not exercised within 10 years from the date of grant. Directors and employees interests in share options are set out in the Remuneration Committee Report on page 18.

The market value of share options exercised during the year ranged from \$2.60 (£1.28) at IPO to \$4.13 (£2.075). The market value at 30th June 2008 was \$4.13 (£2.075).

## Notes to the Financial Statements

Under the 2007 Share Options Plan, options over a maximum of 1,400,000 ordinary shares ("initial options") were granted on 14th September 2007 shortly after admission to AIM with an exercise price of \$0.02 (£0.01) per share. These options are subject to performance targets, will not normally vest until 1st October 2010, and will lapse upon leaving employment or 30th April 2011.

Other options over ordinary shares under the 2007 Share Options Plan may be granted with an exercise price no less than the market value of the Ordinary shares on the date of grant, and in the case of the directors of the Company will be granted subject to sufficiently stretching performance targets. These options will be subject to time based vesting and will not normally be exercisable before the third anniversary of grant. Such options will lapse on the tenth anniversary of grant.

The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model as appropriately adjusted. The Company estimates the number of options likely to vest by reference to the Group's staff retention rate, and expenses the fair value over the relevant vesting period. Volatility has been estimated by reference to similar companies whose shares are traded on a recognised stock exchange.

The assumptions for each option grant were as follows:

Date of Grant	2-May-08	14-Sep-07	13-Sep-07	16-Mar-07	26-Oct-06	11-May-06
Share price at date of grant	\$3.69	\$2.60	\$2.60	\$2.06*	\$1.97*	\$1.87*
Share price at date of grant	£1.87	£1.28	£1.28	£1.06*	£1.04*	£0.99*
Vesting period (years)	3.00	3.04	0.00	0.45	0.84	1.30
Expected volatility	40%	40%	40%	40%	40%	40%
Risk free rate	5.00%	5.75%	5.75%	5.25%	4.75%	4.50%
Dividend yield	1%	1%	1%	2%	2%	2%

### Options over Ordinary shares

Exercise price	\$3.69	\$0.02	0.007¢	0.007¢	0.007¢	0.007¢
Exercise price	£1.87	£0.01	0.0033p	0.0033p	0.0033p	0.0033p
Number of employees	1	84	1	19	5	48
Shares under option	40,600	1,400,000	50,100	56,700	16,200	1,412,700
Fair value per option	\$1.11	\$0.95	\$2.60	\$2.04	\$1.93	\$1.82

### Options over Incentive shares

Exercise price				0.001¢	0.001¢	0.001¢
Exercise price				0.0003p	0.0003p	0.0003p
Number of employees				18	5	42
Shares under option				147,900	15,000	1,104,000
Weighted average fair value per option				\$0.004	\$0.037	\$0.131

\* At directors' valuation prior to IPO.

## Notes to the Financial Statements

The following options have been granted over Ordinary shares and Incentive shares:

	2008 Options Number	2007 Options Number
<b>2006 Share Option Plan:-</b>		
<b>Ordinary share options (0.0033p exercise price)</b>		
Outstanding at 1 July	1,480,800	1,412,700
Granted	50,100	81,900
Forfeited	(191,580)	(13,800)
Exercised	(1,083,420)	-
<b>Outstanding at 30 June</b>	<b>255,900</b>	<b>1,480,800</b>
<b>Incentive share options (0.0003p exercise price)</b>		
Outstanding at 1 July	1,266,900	1,104,000
Granted	-	177,300
Forfeited	(1,266,900)	(14,400)
<b>Outstanding at 30 June</b>	<b>-</b>	<b>1,266,900</b>
<b>2007 Share Option Plan:-</b>		
<b>Initial options of ordinary shares (£0.01 exercise price)</b>		
Outstanding at 1 July	-	-
Granted	1,400,000	-
Forfeited	(241,200)	-
Exercised	-	-
<b>Outstanding at 30 June</b>	<b>1,158,800</b>	<b>-</b>
<b>Ordinary share options (£0.01 exercise price)</b>		
Outstanding at 1 July	-	-
Granted	40,600	-
Forfeited	-	-
<b>Outstanding at 30 June</b>	<b>40,600</b>	<b>-</b>

### 10 Finance Income

	2008 \$'000	2007 \$'000
<b>Deposit interest receivable</b>	<b>607</b>	<b>446</b>

## Notes to the Financial Statements

### 11 Tax on profit on ordinary activities

	2008 \$'000	2007 \$'000
Profit on ordinary activities before tax	4,188	1,843
<b>Current tax</b>		
Corporation tax on profits of the period	701	1,242
Adjustments for prior periods	(8)	60
Total current tax charge	693	1,302
<b>Deferred tax</b>		
Origination & reversal of timing differences	206	(678)
Adjustments for prior periods	-	3
Total deferred tax charge / (credit)	206	(675)
<b>Tax on profit on ordinary activities</b>	<b>899</b>	<b>627</b>

The difference between the current tax charge on ordinary activities for the period, reported in the income statement, and the current tax charge that would result from applying a relevant standard rate of tax to the profit on ordinary activities before tax, is explained as follows:

Profit on ordinary activities at the UK tax rate 29.5% (2007: 30%)	1,235	553
Effects of		
Adjustment in respect of prior periods		
Current tax	(8)	61
Deferred tax	31	3
State tax	49	20
Additional US tax on losses at 34% (2007: 34%)	(40)	(40)
Expenses not deductible for tax purposes	79	82
Non-taxable income	(61)	(60)
Tax deduction on share plan charges	(375)	-
Adjustment to rate at which deferred tax will unwind	(11)	8
<b>Total tax charge</b>	<b>899</b>	<b>627</b>

### 12 Dividends

After adjusting for the 299 for 1 share split pursuant to admission to AIM the dividend information was as follows:-

	2008 \$'000	2007 \$'000
<b>Interim dividend - \$nil (2007: 5.24 cents (2.62 pence) / share)</b>	<b>-</b>	<b>1,000</b>

The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these accounts.



## Notes to the Financial Statements

### 13 Earnings per share

#### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

	2008	2007
Profit attributable to equity holders of the Company (\$'000)	3,289	1,216
Weighted average number of ordinary shares in issue (thousands)	23,964	19,799
<b>Basic earnings per share (\$ per share)</b>	<b>0.14</b>	<b>0.06</b>

#### (b) Diluted

For diluted earnings per share, the weighted average number of ordinary shares calculated above is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares, being those share options granted to directors and employees under the share option scheme (Note 9).

	2008	2007
Profit attributable to equity holders of the Company (\$'000)	3,289	1,216
Weighted average number of ordinary shares in issue (thousands)	23,964	19,799
Adjustment for:		
Share options (thousands)	1,408	2,719
Weighted average number of ordinary shares for diluted earnings per share (thousands)	25,372	22,518
<b>Basic earnings per share (\$ per share)</b>	<b>0.13</b>	<b>0.05</b>

## Notes to the Financial Statements

### 14 Plant and equipment

Group	Computer Equipment \$'000	Office Furniture \$'000	Tenants Improvements \$'000	Total \$'000
<b>Cost</b>				
At 1 July 2007	528	213	321	<b>1,062</b>
Additions	83	26	2	<b>111</b>
At 30 June 2008	611	239	323	<b>1,173</b>
<b>Depreciation</b>				
At 1 July 2007	370	98	107	<b>575</b>
Charge for the year	94	40	49	<b>183</b>
At 30 June 2008	464	138	156	<b>758</b>
<b>Net book value at 30 June 2008</b>	<b>147</b>	<b>101</b>	<b>167</b>	<b>415</b>
<b>Cost</b>				
At 1 July 2006	390	84	84	558
Additions	138	129	237	504
At 30 June 2007	528	213	321	1,062
<b>Depreciation</b>				
At 1 July 2006	274	68	81	423
Charge for the year	96	30	26	152
At 30 June 2007	370	98	107	575
<b>Net book value at 30 June 2007</b>	<b>158</b>	<b>115</b>	<b>214</b>	<b>487</b>
<b>Company</b>				
<b>Cost</b>				
At 1 July 2007	328	158	321	<b>807</b>
Additions	42	15	2	<b>59</b>
At 30 June 2008	370	173	323	<b>866</b>
<b>Depreciation</b>				
At 1 July 2007	237	75	107	<b>419</b>
Charge for the year	55	28	49	<b>132</b>
At 30 June 2008	292	103	156	<b>551</b>
<b>Net book value at 30 June 2008</b>	<b>78</b>	<b>70</b>	<b>167</b>	<b>315</b>
<b>Cost</b>				
At 1 July 2006	241	64	84	389
Additions	87	94	237	418
At 30 June 2007	328	158	321	807
<b>Depreciation</b>				
At 1 July 2006	182	54	81	317
Charge for the year	55	21	26	102
At 30 June 2007	237	75	107	419
<b>Net book value at 30 June 2007</b>	<b>91</b>	<b>83</b>	<b>214</b>	<b>388</b>

## Notes to the Financial Statements

### 15 Intangible assets

Research & Development, plus computer software

	Group			Company		
	In Process R & D \$'000	Computer Software \$'000	Total \$'000	In Process R & D \$'000	Computer Software \$'000	Total \$'000
<b>Cost</b>						
At 1 July 2007	867	224	<b>1,091</b>	867	170	<b>1,037</b>
Additions	450	28	<b>478</b>	450	24	<b>474</b>
At 30 June 2008	1,317	252	<b>1,569</b>	1,317	194	<b>1,511</b>
<b>Amortisation</b>						
At 1 July 2007	536	121	<b>657</b>	536	83	<b>619</b>
Charge for the year	63	55	<b>118</b>	63	44	<b>107</b>
At 30 June 2008	599	176	<b>775</b>	599	127	<b>726</b>
<b>NBV at 30 June 2008</b>	<b>718</b>	<b>76</b>	<b>794</b>	<b>718</b>	<b>67</b>	<b>785</b>
<b>Cost</b>						
At 1 July 2006	536	122	658	536	78	614
Additions	331	102	433	331	92	423
At 30 June 2007	867	224	1,091	867	170	1,037
<b>Amortisation</b>						
At 1 July 2006	522	79	601	522	55	577
Charge for the year	14	42	56	14	28	42
At 30 June 2007	536	121	657	536	83	619
<b>NBV at 30 June 2007</b>	<b>331</b>	<b>103</b>	<b>434</b>	<b>331</b>	<b>87</b>	<b>418</b>

### 16 Investment in subsidiary

The following information relates to the subsidiary which, in the opinion of the directors, principally affected the profits or assets of the Group:-

Name of Company	Class of Shares held	Proportion of Nominal Value of Issued Shares held by Craneware plc	Nature of Business
Craneware Inc.	Ordinary	100%	Sales & Marketing

The above Company is incorporated in the United States of America and Craneware plc hold 10,000 (2007: 10,000) common shares with a nominal value of \$0.01 each. The results of the Subsidiary Company have been included in the consolidated financial statements.

## Notes to the Financial Statements

### 17 Inventory

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Licence inventory</b>	-	8	-	-

There are no provisions made against inventory.

### 18 Trade and other receivables

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	<b>3,808</b>	3,728	<b>3,808</b>	3,728
<b>less: provision for impairment</b> of trade receivables	<b>(196)</b>	(271)	<b>(196)</b>	(271)
Net trade receivables	<b>3,612</b>	3,457	<b>3,612</b>	3,457
<b>Other receivables</b>	<b>68</b>	131	<b>63</b>	131
Prepayments and accrued income	<b>1,080</b>	503	<b>837</b>	344
	<b>4,760</b>	4,091	<b>4,512</b>	3,932
Less non-current trade receivables	<b>(75)</b>	(75)	<b>(75)</b>	(75)
<b>Current portion</b>	<b>4,685</b>	4,016	<b>4,437</b>	3,857

There is no material difference between the fair value of trade and other receivables and the book value stated above.

As at 30th June 2008, trade receivables of \$256,842 (2007: \$317,478) were past due and, therefore, deemed to be impaired. The amount of the provision against these receivables was \$196,296 as of 30th June 2008 (2007: \$270,840). The individually impaired receivables mainly relate to clients' financial difficulties and unresolved disputes. It was assessed a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

	2008 \$'000	2007 \$'000
Less than 30 days past due	<b>23</b>	-
30 – 60 days past due	-	-
61 – 90 days past due	<b>23</b>	23
91 – 120 days past due	-	-
121+ days past due	<b>211</b>	294
	<b>257</b>	317

## Notes to the Financial Statements

As at 30th June 2008, trade receivables of \$1,218,915 (2007: \$1,815,917) were past due but not impaired. These relate to a number of clients for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	2008 \$'000	2007 \$'000
Less than 30 days past due	489	634
31 – 60 days past due	176	453
61 – 90 days past due	148	186
91 – 120 days past due	55	341
121+ days past due	351	202
	<b>1,219</b>	<b>1,816</b>

As at 30th June 2008, trade receivables of \$2,331,946 (2007: \$1,594,872) were not past due or impaired, and the Group does not anticipate collection issues.

Movement on the provision for impairment of trade receivables is as follows:

	2008 \$'000	2007 \$'000
At 1 July 2007	271	278
Provision for receivables impairment on revenue recognised	189	105
Provision for receivables impairment on deferred revenue	-	89
Receivables written off during year as uncollectable	(155)	(201)
Unused amounts reversed	(109)	-
<b>At 30 June 2008</b>	<b>196</b>	<b>271</b>

The creation and release of provision for impaired receivables has been included in net operating expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

## Notes to the Financial Statements

### 19 Deferred taxation

Deferred tax is calculated in full on the temporary differences under the liability method using a rate of tax of 28% (2007: 29.5%).

The movement on the deferred tax account is shown below:-

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At 1 July 2007	(810)	(135)	(460)	(66)
Income statement charge / (credit)	206	(675)	240	(394)
Transfer direct to equity	(471)	-	(61)	-
<b>At 30 June 2008</b>	<b>(1,075)</b>	<b>(810)</b>	<b>(281)</b>	<b>(460)</b>

A deferred tax asset of \$479,408 (2007: \$349,846) has arisen in respect of net operating losses and other temporary differences in Craneware Inc. This asset is recognised in the Group balance sheet as the Directors are of the view that Craneware Inc will establish a sufficient pattern of profitability.

The movements in deferred tax assets and liabilities during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. The net deferred tax asset to be recovered from 30th June 2008 was \$1,075,367 (2007: \$810,272).

Deferred tax assets - recognised	Accelerated	Short term	Losses	Share	Total
	accounting	timing		Options	
Group	depreciation	differences	\$'000	\$'000	\$'000
At 1 July 2007	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2007	(4)	(79)	-	(758)	(841)
Charged to income statement	(3)	(10)	(232)	415	170
Charged to equity	-	-	(247)	-	(247)
Excess DT charged to equity	-	-	-	(224)	(224)
<b>Total provided at 30 June 2008</b>	<b>(7)</b>	<b>(89)</b>	<b>(479)</b>	<b>(567)</b>	<b>(1,142)</b>
At 1 July 2006	(8)	(40)	-	(88)	(136)
Charged to income statement	4	(39)	-	(670)	(705)
<b>Total provided at 30 June 2007</b>	<b>(4)</b>	<b>(79)</b>	<b>-</b>	<b>(758)</b>	<b>(841)</b>

Deferred tax liabilities - recognised	Accelerated	Total
	tax	
Group	depreciation	\$'000
At 1 July 2007	\$'000	\$'000
At 1 July 2007	31	31
Charged to income statement	36	36
<b>Total provided at 30 June 2008</b>	<b>67</b>	<b>67</b>
At 1 July 2006	1	1
Charged to income statement	30	30
<b>Total provided at 30 June 2007</b>	<b>31</b>	<b>31</b>



## Notes to the Financial Statements

<b>Deferred tax assets - recognised</b>	Accelerated accounting depreciation \$'000	Short term timing differences \$'000	Losses \$'000	Share Options \$'000	Total \$'000
<b>Company</b>					
At 1 July 2007	-	-	-	(492)	<b>(492)</b>
Charged to income statement	-	-	-	204	<b>204</b>
Excess DT charged to Equity	-	-	-	(60)	<b>(60)</b>
<b>Total provided at 30 June 2008</b>	-	-	-	<b>(348)</b>	<b>(348)</b>
At 1 July 2006	(8)	-	-	(59)	(67)
Charged to income statement	8	-	-	(433)	(425)
<b>Total provided at 30 June 2007</b>	-	-	-	<b>(492)</b>	<b>(492)</b>

## Deferred tax liabilities - recognised

<b>Company</b>	Accelerated tax depreciation \$'000	Total \$'000
At 1 July 2007	32	<b>32</b>
Charged to income statement	35	<b>35</b>
<b>Total provided at 30 June 2008</b>	<b>67</b>	<b>67</b>
At 1 July 2006	-	-
Charged to income statement	32	32
<b>Total provided at 30 June 2007</b>	<b>32</b>	<b>32</b>

## 20 Called up share capital

<b>Authorised</b>	<b>2008</b>		<b>2007</b>	
	<b>Number</b>	<b>\$'000</b>	<b>Number</b>	<b>\$'000</b>
<b>Equity share capital</b>				
Ordinary shares of 1p each	<b>50,000,000</b>	<b>1,014</b>	9,980,361	165
Ordinary A shares of 1p each	-	-	19,639	-
Incentive shares of 0.1p each	-	-	5,087	-
<b>Allotted called-up and fully paid</b>				
	<b>2008</b>		<b>2007</b>	
	<b>Number</b>	<b>\$'000</b>	<b>Number</b>	<b>\$'000</b>
<b>Equity share capital</b>				
Ordinary shares of 1p each	<b>25,109,950</b>	<b>509</b>	50,500	1
Ordinary A shares of 1p each	-	-	13,093	-

The movement in share capital during the year is represented as follows:-

### Prior to flotation on 6th September 2007:

- All existing classes of shares were converted into ordinary shares on a 1 for 1 basis.
- A 1 for 299 share split occurred for all ordinary shares.
- A bonus allotment of 700,800 ordinary shares were issued.

## Notes to the Financial Statements

### On Flotation on 13th September 2007:

- 4,247,830 new Ordinary Shares were issued. The nominal value of each share was £0.01 and the issue price was £1.28 (\$2.60). The proceeds of the issue generated additional share capital of \$86,137 and additional share premium of \$7,852,000 after deduction of issue and transaction costs of \$3,138,318.

### Post Flotation:

- 1,083,420 Ordinary Share options were exercised in the year, as detailed in the Remuneration Committee Report on page 18.

### 21 Statement of changes in equity

Group	Share Capital \$'000	Share Premium Account \$'000	Other Reserves \$'000	Retained Earnings \$'000	Total \$'000
At 1 July 2006	1	1,823	286	(766)	1,344
Share-based payments	-	-	2,191	-	2,191
Retained profit for the year	-	-	-	1,216	1,216
Dividends (Note 12)	-	-	-	(1,000)	(1,000)
At 30 June 2007	1	1,823	2,477	(550)	3,751
Share split	<b>386</b>	<b>(386)</b>	-	-	-
Allotment pursuant to IPO	<b>14</b>	<b>(14)</b>	-	-	-
Share-based payments	-	-	<b>564</b>	<b>557</b>	<b>1,121</b>
New shares issued in the year	<b>86</b>	<b>7,852</b>	-	-	<b>7,938</b>
Options exercised	<b>22</b>	<b>(22)</b>	-	-	-
Retained profit for the year	-	-	-	<b>3,289</b>	<b>3,289</b>
<b>At 30 June 2008</b>	<b>509</b>	<b>9,253</b>	<b>3,041</b>	<b>3,296</b>	<b>16,099</b>
<b>Company</b>					
At 30 June 2006	1	1,823	210	(786)	1,248
Share-based payments	-	-	1,583	-	1,583
Retained profit for the year	-	-	-	1,356	1,356
Dividends (Note 12)	-	-	-	(1,000)	(1,000)
At 30 June 2007	1	1,823	1,793	(430)	3,187
Share split	<b>386</b>	<b>(386)</b>	-	-	-
Allotment pursuant to IPO	<b>14</b>	<b>(14)</b>	-	-	-
Share-based payments	-	-	<b>402</b>	<b>61</b>	<b>463</b>
New shares issued in the year	<b>86</b>	<b>7,852</b>	-	-	<b>7,938</b>
Options exercised	<b>22</b>	<b>(22)</b>	-	-	-
Retained profit for the year	-	-	-	<b>2,560</b>	<b>2,560</b>
<b>At 30 June 2008</b>	<b>509</b>	<b>9,253</b>	<b>2,195</b>	<b>2,191</b>	<b>14,148</b>

Other reserves relate to share-based payments as detailed in Note 1, accounting policies, on page 27.

## Notes to the Financial Statements

### 22 Cash flow generated from operating activities

Reconciliation of profit before tax to net cash inflow from operating activities

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit before tax	4,188	1,843	3,557	2,081
Finance income	(607)	(446)	(607)	(446)
Depreciation on plant and equipment	183	152	132	102
Amortisation on intangible assets	118	56	107	42
Share-based payments	634	2,191	414	1,582
Less US employer tax on exercise of options	(58)	-	-	-
Less related professional fees	(12)	-	(12)	-
<b>Movements in working capital:</b>				
Decrease / (increase) in inventory	8	11	-	-
(Increase) / decrease in trade and other receivables	(669)	(1,056)	(580)	(964)
(Decrease) / increase in trade and other payables	1,202	(125)	1,365	244
<b>Cash generated from operations</b>	<b>4,987</b>	<b>2,626</b>	<b>4,376</b>	<b>2,641</b>

### 23 Cash and cash equivalents

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Cash at bank and in hand</b>	<b>21,112</b>	<b>9,664</b>	<b>20,336</b>	<b>9,116</b>

The effective rates on short term bank deposits were 3.55% (2007: 5.25%)

### 24 Trade and other payables - current

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade payables	257	421	169	195
Amounts owed to group companies	-	-	551	470
Social security and PAYE	125	262	125	117
Corporation tax	(124)	764	151	562
Accruals	1,354	754	640	241
Advance receipts	148	60	148	60
	<b>1,760</b>	<b>2,261</b>	<b>1,784</b>	<b>1,645</b>

Amounts owed to Group companies are non interest bearing and have no fixed repayment terms. Trade payables are settled in accordance with those terms and conditions agreed, generally within 30 days, provided that all trading terms and conditions on invoices have been met. The Company's average payment period at 30th June 2008 was 13 days (2007: 29 days).

## Notes to the Financial Statements

### 25 Contingent liabilities and financial commitments

#### (a) Capital commitments

The Group has no capital commitments at 30th June 2008 (2007: \$nil).

#### (b) Lease commitments

The Group leases certain land and buildings.

The commitments payable by the Group under these leases are as follows:-

	2008 \$'000	2007 \$'000
Within one year	240	172
Between 2 and 5 years	489	379
	<b>729</b>	<b>551</b>

The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties.

### 26 Related party transactions

During the period the Group has traded in its normal course of business with shareholders, consultancy businesses and its wholly owned subsidiary in which directors, former directors and the subsidiary have a material interest as follows:-

Group	2008		2007	
	Charged \$	Outstanding at year end \$	Charged \$	Outstanding at year end \$
<b>Investor monitoring fees</b>	<b>6,321</b>	-	21,344	848
<b>Fees for services provided as Non-Executive Directors</b>				
Fees	432,888	4,678	97,644	6,720
Salaries and short-term employee benefits	89,313	-	-	-
<b>Executive Directors</b>				
Salaries and short-term employee benefits	506,671	64,132	417,596	-
Post employment benefits	10,020	-	9,663	-
Share-based payments	55,213	-	299,236	-
<b>Other Key Management</b>				
Salaries and short-term employee benefits	825,347	96,198	700,270	-
Post employment benefits	10,020	-	9,663	-
Share-based payments	248,806	-	667,609	-

## Notes to the Financial Statements

Company	2008		2007	
	Charged \$	Outstanding at year end \$	Charged \$	Outstanding at year end \$
<b>Investor monitoring fees</b>	<b>6,321</b>	-	21,344	848
<b>Fees for services provided as Non-Executive Directors</b>				
Fees	<b>432,888</b>	<b>4,678</b>	97,644	6,720
Salaries and short-term employee benefits	<b>89,313</b>	-	-	-
<b>Executive Directors</b>				
Salaries and short-term employee benefits	<b>506,671</b>	<b>64,132</b>	417,596	-
Post employment benefits	<b>10,020</b>	-	9,663	-
Share-based payments	<b>55,213</b>	-	299,236	-
<b>Other Key Management</b>				
Salaries and short-term employee benefits	<b>486,434</b>	<b>64,132</b>	395,488	-
Post employment benefits	<b>10,020</b>	-	9,663	-
Share-based payments	<b>197,560</b>	-	373,634	-
<b>Amounts due to Craneware Inc. - subsidiary company</b>				
Sales commission	<b>8,005,396</b>	-	6,402,959	-
Net operating expenses	<b>1,778,079</b>	-	1,583,133	-
<b>Balance (Note 24)</b>	-	<b>551,046</b>	-	470,278

Investor monitoring fees were charged by the Group's institutional shareholders (3i plc and Lothian Investment Fund for Enterprise Limited) who held A Ordinary and Ordinary shares in Craneware Limited prior to IPO.

On 20th August 2007, conditional upon admission to AIM, the Company agreed to pay a supplemental fee to be satisfied by the issue 150,000 ordinary shares valued at £192,000 (\$389,338) to Matrix Trading Systems Limited, in consideration for having made N P Heywood available to supply significant additional advisory services during the period between the resignation of K J Lyon as chairman and Admission; this additional cost is included in the Non-Executive directors' fees above.

Key management are considered to be the directors together with the Chief Operating Officer, Chief Technology Officer and the President of Craneware Inc.

There were no other related party transactions in the period which require disclosure in accordance with IAS24.

### 27 Ultimate controlling party

The directors have deemed that there are no controlling parties of the Company.

## Contact Craneware

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## Directors, Secretary and Advisors

### Directors and Officials

**Directors**  
**G R Elliott (Chairman, non-executive)**  
Appointed 10/08/2007

**K Neilson**

**W G Craig**  
Resigned 06/09/2007

**N P Heywood (non-executive)**

**D W Paterson**  
Resigned 06/09/2007

**A M McDougall**

**J R Wilson**  
Resigned 06/09/2007

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