Craneware plc Annual Report

for the year ended 30 June 2013

About Craneware

Craneware is the leader in automated revenue integrity solutions that improve financial performance and mitigate risk for US healthcare organisations. Founded in 1999, Craneware has headquarters in Edinburgh, Scotland with offices in Atlanta, Boston, Nashville and Phoenix employing more than 200 staff. Craneware's market-driven, SaaS solutions help hospitals and other healthcare providers more effectively price, charge, code and retain earned revenue for patient care services and supplies. This optimises reimbursement, increases operational efficiency and minimises compliance risk. By partnering with Craneware, clients achieve the visibility required to identify, address and prevent revenue leakage. To learn more, visit craneware.com and stoptheleakage.com.

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Financial and Operational Highlights

Financial

- Continued revenue and profit growth:
  - Revenue increased 1% to $41.5m (2012: $41.1m)
  - Adjusted EBITDA[1] increased 4% to $12.4m (2012: $11.9m)
  - Adjusted profit before taxation increased 4% to $11.2m (2012: $10.8m)
  - Profit before tax decreased 5% to $10.6m (2012: $11.2m)
  - Basic adjusted EPS increased 4% to 32.9 cents (2012: 31.6 cents)
  - Basic EPS decreased 7% to 30.7 cents (2012: 33.0 cents)
- Cash at year end $30.3m (2012: $28.8m) after returning $4.7m to shareholders by way of dividends
- Proposed final dividend of 6.3p (9.6 cents) per share giving total dividend for the year of 11.5p (17.4 cents) per share (2012: 10.5p (16.4 cents) per share)

[1] Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation, share based payments, released deferred consideration and transaction related costs.

Operational

- Underlying growth in sales to individual hospitals and small hospital groups
- Exited the year with significantly higher sales run rate than at the start
- Renewal rates over 100% of dollar value
- Products achieved top rankings within their divisions of the KLAS industry awards
- Hospitals continue to face growing financial and administrative pressure including increased audit activity and significant backlogs in the appeal process
- Key appointments increase bandwidth of senior management team

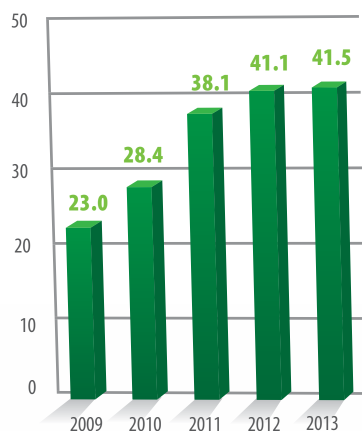
Quick Facts — Financial

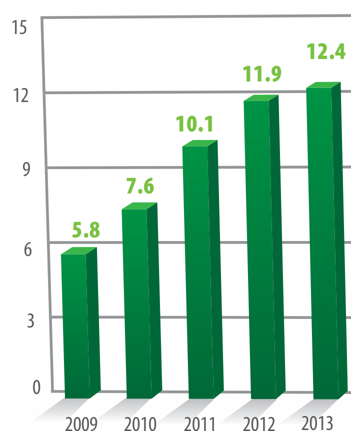
$41.5m
in revenue

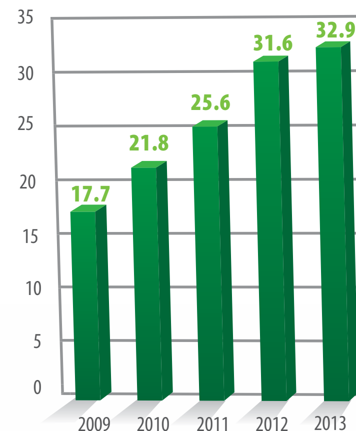
$12.4m
in adjusted EBITDA[1]

$30.3m
cash at year end

11.5p
total dividend for year







Quick Facts — The Technology

Craneware solutions are based on an annuity subscription model. 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. Client data is always kept secure within healthcare facilities' own networks or Craneware's high-security data centre, compliant with US Health Insurance Portability and Accountability Act (HIPAA) regulations related to sensitive patient information.

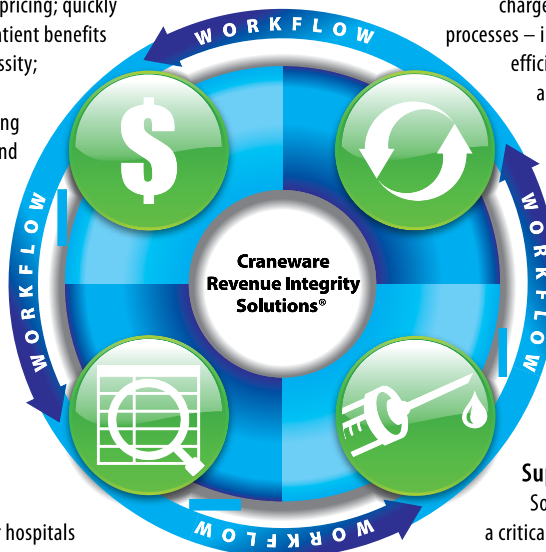
Only registered users can access Craneware's extensive knowledge base and regulatory products through available hospital-based browsers with Internet access. This allows Craneware's software to be rolled out to a number of staff in a facility, permitting different prescribed levels of interaction with minimal impact to resource-strained IS teams and busy users.

Craneware Revenue Integrity Solutions encompass four product families – Access Management & Strategic Pricing, Revenue Cycle, Supply Management, and Audit & Revenue Recovery – with corresponding modules and services.

Craneware Products and Services

Access Management & Strategic Pricing
Solutions that enable organisations to establish transparent, defensible pricing; quickly and accurately assess patient benefits and check medical necessity; and manage payment responsibility – improving cash flow, compliance and patient satisfaction

Revenue Cycle
Solutions that automate chargemaster management processes – increasing operational efficiency, minimising risk and helping to prevent revenue leakage



Audit & Revenue Recovery
Solutions that empower hospitals to manage payor denials and retain more cash in the face of retrospective claims audits – helping them to collect and retain all the revenue to which they are entitled

Supply Management
Solutions that establish a critical connection between pharmaceutical and supply purchases and billing – improving charge capture, coding and financial performance

Craneware's Chargemaster Toolkit® is ranked No. 1 in the Revenue Cycle – Chargemaster Management market category and Bill Analyzer is ranked No. 1 in the Revenue Cycle – Other market category in the "2012 Best in KLAS Awards: Software & Services" report, published December 2012. www.KLASresearch.com. Data © 2012 KLAS Enterprises, LLC. All rights reserved.

Healthcare Financial Management Association 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 HFMA Peer Review Process. HFMA does not endorse or guarantee the use of these products.

Craneware is a Microsoft Silver Independent Software Vendor.

Access Management & Strategic Pricing

Pricing Analyzer™

software simplifies the price modeling process, creating a repeatable, well-documented method to establish transparent, defensible and competitive pricing.

Patient Charge Estimator®

software simplifies the process of providing patient bill estimates for inpatient and outpatient services to improve upfront collections and reduce bad debt.

InSight Medical Necessity®

provides all-payor medical necessity validation and Advance Beneficiary Notice (ABN) creation, which reduces accounts-receivable days by preventing medical necessity denials, and facilitates payment communication with patients.

Supply Management

Pharmacy ChargeLink®

improves charge capture, pricing and cost management, while simplifying the process for ensuring drug coding and billing units are complete and compliant, and establishing and maintaining a connection between a hospital's pharmaceutical purchases and billing.

Supplies ChargeLink®

helps optimise reimbursement for codable supplies by identifying missing or invalid charges, and establishing and maintaining a connection between a hospital's supply purchase history and its chargemaster, which helps ensure accurate pricing, coding and billing of these supplies.

Revenue Cycle

Chargemaster Toolkit®, Chargemaster Corporate Toolkit® and Chargemaster Toolkit® - CAH

automate chargemaster management processes for capturing optimal legitimate reimbursement for hospitals and mitigating compliance risk. The Toolkit is customisable for any organisation, from small community hospitals to large healthcare networks.

Bill Analyzer

software automates claim and coding reviews to identify missed charges, billing errors, and categorise areas of risk to help ensure that all legitimate revenue is captured. Bill Analyzer ranks #1 in its KLAS Revenue Cycle category for the second consecutive year.

Physician Revenue Toolkit®, Physician Management Toolkit and Physician Revenue Toolkit® – Corporate

are for managing physician group charges, codes, RVUs, fee schedules, and related information – includes Online Reference Toolkit® for physician billing. The corporate version manages charges to a corporate standard. The management version includes Decision Dashboard® that tracks Key Performance Indicators (KPIs) for strategic physician group charge management.

Supporting Modules

Online Reference Toolkit®

is an HFMA Peer-Reviewed web-based tool for reducing risk by providing access to reference and regulatory resources.

Interface Scripting Module

is HFMA Peer-Reviewed software that automatically uploads chargemaster changes to the patient billing system for accurate billing.

Audit & Revenue Recovery

InSight Audit®

software is a comprehensive, web-based audit management tool that empowers healthcare organisations to manage claim audits and workflow from one central location, leveraging an extensive proprietary knowledgebase that includes current payment rules, best practices, templates, checklists, forms, and references for winning appeals.

InSight Payment Variance Analyzer®

identifies, tracks and helps eliminate revenue lost in the form of underpaid claims.

InSight Denials®

analyses, tracks, trends and reports on denial data, providing workflow tools to distribute denied claims to the right departments and staff for resubmission.

Professional Services

Craneware Professional Services provide companion implementation and consulting services that help clients apply best practices and achieve a fast, sustainable return-on-investment. Craneware augments initial product training with live or self-led web-based training through the Craneware Performance Center and optional fee-based training.

"We are confident that our market leading products and proven customer successes mean we are well positioned."

George Elliott, Chairman

This has been a year of consolidation for Craneware, in which we have taken advantage of changes within the industry to recruit high calibre individuals into the business, improve our sales process and further develop our products to help ensure the revenue integrity of our customers.

Overall Group revenue reported in the year was marginally ahead of that of last year, masking the steady growth through the year in sales to individual hospitals, which was very encouraging and a reflection of the more stable trading environment. The Group remained very profitable, with adjusted EBITDA increasing by 4% to $12.4m and adjusted EPS increasing 4% to 32.9 cents. Craneware continues to benefit from strong operational cash flow, closing the year with a cash balance of $30.3m (30 June 2012: $28.8m). The confidence the Board has in the business means we are pleased to recommend an increased final dividend of 6.3p (9.6 cents) per share giving a total dividend for the year of 11.5p (17.4 cents) (2012: 10.5p (15.9 cents) per share).

Despite strong growth in the small and medium tier of the market, Craneware did not achieve a significant sale to the larger end of the healthcare market in the year under review via either large hospital groups or other routes to market, such as contracts with IT businesses or consultancies. Although these opportunities remain significant prospects for the Group, they are, because of their nature, inherently difficult to forecast. We believe that in the current market environment of consolidation in the healthcare industry, a modified approach is required to secure these types of deals and we have just completed the first stage of the restructuring of our organisation to work with these prospects more effectively. We are confident that our market leading products and proven customer successes mean we are well positioned to secure this business once revenue integrity moves up their corporate agenda.

I am pleased to report that trading in the current year has begun well, in line with management's forecasts. With an underlying base of annuity revenue, renewal rates of over 100% by dollar value and a quarter of all US healthcare providers as customers, Craneware has a strong foundation for success. Our products consistently outperform our competitors' solutions, delivering transparent and highly measurable cost savings and efficiencies to our customers. With a high proportion of the market still relying on manual processes and an ever increasing level of auditing pressure on hospitals, the Board is confident of Craneware's ability to grow its revenues and profits.

I would like to take this opportunity to thank our staff for their commitment and enthusiasm and our shareholders for the support they have demonstrated this year.

George Elliott, Chairman
9 September 2013

"Craneware has the right people, products and strategy to succeed in this developing market."

Keith Neilson, CEO and co-founder

"We have built on the investments made in prior years…[with] initial indications of success…and… continued to increase the bandwidth of our senior management team."

Craig Preston, CFO

Introduction

As predicted, during the year under review we have seen the US healthcare market continue to evolve. Our focus over the year has been to ensure Craneware has the right people, products and strategy to succeed in this developing market. With the leading products in the market, $12.4m of EBITDA profit secured in the year and $30.3m of cash at the year end, the Company is in a very strong position.

We are pleased to report that we saw a general strengthening of trading conditions through the year, as the disruption caused by the introduction of Electronic Healthcare Incentive payments in 2011/12 continued to dissipate. This resulted in a steady increase in sales through the year to individual hospitals and smaller groups, and we exited the year with a significantly higher sales run rate than at the start.

What also became apparent through the course of the year was the decreasing predictability around sales to larger hospital groups and other significant routes to market. The consolidation taking place at the larger end of the market both disrupted our discussions in this area and made them more complex. For the first time since our IPO in 2007, we did not achieve our historical run rate of one or two larger deals, which has impacted our reported results.

It is encouraging to note that whilst renewal rates may fluctuate between periods, renewal rates for the whole year ending the 30 June 2013 were above our benchmark of 100% of dollar value. It is evident that, once in place, Craneware's revenue integrity solutions are considered vital for ensuring the financial strength of a hospital.

We continued to invest in the development and enhancement of our product suite in the year, and our products continue to lead the revenue integrity industry, once again holding their top rankings within their divisions in the KLAS industry awards.

US Healthcare Market

As the shape of healthcare reform in the US starts to solidify, following the Supreme Court's ruling on 6 December 2012 which upheld the Affordable Healthcare Act as constitutional, there was an increase in the year in consolidation among the hospital groups. Integrated Delivery Networks grew in market share to 45%, up from 41% in the prior year. These hospital groups have been formed to achieve efficiencies through scale and we believe will seek corporate-wide software solutions to improve the efficiencies and financial strength of their group hospitals, an area in which Craneware is particularly competitive.

This consolidation has continued against a background of increasing scrutiny of the smallest rural hospitals in the Critical Access Hospital (CAH) Market as the federal government continues to look at budget deficit reduction plans. Since 1997 these hospitals have had a protected status receiving 101% of cost from the state and federal government to ensure financial viability and provide healthcare in remote rural communities. Management believe that the proposed stricter enforcement of the current qualifying criteria for these hospitals has refocused their need for revenue integrity solutions. With their higher level of financial constraints and lower staff levels, Craneware will address their unique needs with our new hybrid technology and services solutions.

Medicare's Recovery Auditors continue to step up the volume of activity that identifies and recovers overpayments made to US hospitals by the Medicare program. The American Hospital Association (AHA) reported a dramatic increase in Recovery Audit activity in the 2nd quarter of 2013, up 47% compared to the 4th quarter of 2012. Recover Auditors denied 40% of claims reviewed and total overpayments identified now exceed $2.2 billion. To make matters worse for hospitals, the Center for Medicare and Medicaid (CMS) recently initiated a pilot in 11 states that allow Recovery Auditors to perform prepayment audits in addition to the program's traditional three year retrospective audit. Prepayment audits deny payment before the claim is adjudicated and force hospitals to enter Medicare's five level appeal process if they want to be paid for services already provided.

The AHA report indicates an increasing number of denied claims are now appealed (40%, although the Craneware average is higher still at 51%) compared to prior years (29%) resulting in significant backlogs in the appeal process. For example, the Administrative Law Judge level (3rd level of appeal) states a hearing must be held within 90 days of a request for hearing, however the average time is now reported as 321 days. The AHA reports that three-quarters of all appeals are delayed in the appeal process which at the present can take up to two years to close. On a national level, 70% of all cases appealed are overturned in favour of the hospital. Craneware average is 88%, which results in a 63% improvement for customers using Craneware solutions in successfully appealed denials against the national average.

A recent report from the Office of the Inspector General recommended further steps be implemented by CMS to increase the level of evaluation of hospitals in the area of fraud.

The current trends therefore reveal increased audit activity, increased appeal activity, significant backlogs in the appeal process but the findings clearly show a preponderance of rulings in favour of hospitals. The administrative and financial burdens for hospitals are great but CMS is not showing any signs of reducing its audit practices.

Strategy

Our vision is to be the partner healthcare providers rely on to improve and sustain strong financial performance through revenue integrity.

Our strategy is to provide software solutions that help customers at the points in their system where clinical and operational data transform into financial transactions. Our solutions automate data normalization, combining disparate data sets while maintaining the localised context. This produces valuable, actionable information and creates organisation-wide visibility and accountability.

Our solutions enable our customers to optimise reimbursement; increase operational efficiency; minimise compliance risk; and manage audits.

Craneware's software is predominantly sold directly by the Company to hospitals. Its customer base comprises 12% critical access hospitals, 36% independent community hospitals and 52% IDN hospitals (hospitals which form part of a larger "integrated delivery network" of healthcare providers), demonstrating the Company's historical success at selling into all parts of the market.

Over the past year, it has become apparent that there is an increased opportunity for sales of Craneware's solutions to organisations at the larger end of the scale, whether they are large hospital groups, formed through market consolidation, or large IT businesses or consultancies. However, sales to these larger organisations are naturally more complex and therefore harder to forecast.

The Board has taken the decision to implement changes across the business; augmenting domain knowledge at the PLC Board level with at least one new non-executive director sourced directly from the hospital market, also creating two senior management positions, and aligning operations to the expanded opportunities at the larger end of our stated six other routes to market: IDN's & Large Hospital Systems, Business Process Outsourcers/Consultants (BPO), Hardware Vendors, Software Vendors, Group Purchasing Organisations (GPO's) and Content Acquirers. This enables Craneware to more effectively deal with the challenges and opportunities facing the organisation today and those that management believe the Group will face in the future.

The first new senior management position is that of Chief Marketing Officer (CMO), which brings together Marketing, Product Management and Corporate Development. This will enhance the capabilities of the Group, as we seek to increase the awareness of Craneware and its solutions with all the levels of senior management within the teams of these larger organisations and identify further corporate development opportunities for Craneware.

As our business increases in size, revenue related to services is also expected to grow, in proportion with the whole. We have created the new position of Executive Vice President Revenue Integrity Operations, (EVP RIO) to concentrate efforts in this area. This role has been created to combine our strengths in Customer Support, Professional Services and Healthcare Consulting in a new department that will be responsible for meeting all our customers' Revenue Integrity needs. Healthcare consulting will join the award-winning Customer Support team and our Professional Services team. These teams will provide consulting services that use our products on behalf of customers in addition to the work done by Professional Services that enables our customers to get the most out of using our software themselves.

M&A

The sales challenges that have been seen by Craneware and others throughout the last few years within the healthcare market due to the previous uncertainty of the political and legislative landscape have weakened many healthcare IT companies to the point that strong and financially stable companies like Craneware can take advantage of depressed valuations to complete M&A activity. This combined with the settling of health reforms makes M&A activity an attractive means for Craneware to expand either market reach or the product portfolio. The Board is therefore alert to M&A opportunities.

Sales and Marketing

The levels of corporate activity in our market enabled us to increase our recruitment activity in the year, securing many high calibre people at various positions throughout the Company, particularly within the sales team including a new Executive Vice President of Sales.

We have been pleased with the initial indications of success for the sales team in the year, with a steady increase throughout the year of activity and contracts signed at each point in the sales pipeline and across all three sales regions. Sales momentum as we exited the year is significantly up on where we started the year with the sales team focused on delivery and having the right tools to do so.

The average length of new customer contracts continues to be in-line with our historical norms of five years. Where Craneware enters into new product contracts with its existing customers, contracts are typically made co-terminus with the customer's existing contracts, and as such the average length of these contracts is greater than three years, in-line with our expectations.

The sales mix remained fairly constant through the period, resulting in no change to the overall product attachment rate, which remained steady at approximately 1.6 products per customer. For FY14 the sales teams have been specifically incentivised to complete cross product sales.

As the RAC programme continues to expand we have seen a particularly strong period for our InSight Audit solution for the management of the audit process and the associated appeals processing service. The strength of InSight Audit's performance in the year reinforces management's view that it is a "Gateway Product" and is reflective of hospitals positively responding to defending themselves against RAC denials and Craneware's ability to support them in this effort.

Product Development

Product development continues to be focused on enhancements to functionality of current products and the integration of those products in new innovative combinations. The direction of the product set moves consistently with the long-term strategic positioning of Craneware as the revenue integrity partner of choice. Integration, both within the solution set itself, and externally with the Healthcare Information Systems, has also been a focus, particularly with the EPIC patient accounting system to ensure that all Craneware customers currently in the midst of the replacement of their system are fully supported and provided with the monetary protections and safe guards that only Craneware can provide.

Focus on Gateway Products

Within three of our four product families, we have identified "Gateway" solutions, being a product or service that can form a bridgehead into a customer, allowing further products to be sold at a later date. These three products are Pharmacy ChargeLink (Supplies Management family), Chargemaster Toolkit (Revenue Cycle family) and Insight Audit (Audit and Revenue Recovery family). A fourth Gateway Product is being developed from innovative new product combinations in our Access Management and Strategic Pricing family.

During the year we have begun the development of a set of hybrid solutions, which combine services with some of our core products to enable them to be implemented at smaller hospitals that do not have their own internal revenue integrity teams. We expect these solutions to be released during the course of the year. These solutions are particularly suited to the 1,329 Critical Access Hospitals as their status continues to be reviewed and complement the appeals services work that sits alongside our Insight Audit product in our Revenue Integrity Operations team.

Financial Review

The results we are reporting are in line with the guidance given in our trading statement of 26 June 2013. The backdrop to these results has been a year of consolidation, both within Craneware and within the larger US Healthcare market.

We have built on the investments made in prior years, the initial indications of success of which have been our sales to individual hospitals and small hospital groups. In addition we have continued to increase the bandwidth of our senior management team, at the Operations Board and at the PLC Board where we are close to announcing at least one non-executive director who will add significant market experience.

As expected, the US healthcare market continues to evolve. The ever-increasing financial pressures on US hospitals have led to a number of hospitals consolidating to achieve efficiencies, through both scale and sharing best practice. Reducing reimbursement rates, increasing self pay reliance and the year on year growth of RAC denials all combine to continually add pressure to the financial margins of US hospitals.

However, despite the many successes we have seen in the current year, the financial results reported have been significantly impacted by this consolidation in the US healthcare market. This consolidation has resulted in delays to our sales negotiations with these larger hospital groups and other routes to market. As a result of these delays, for the first time since coming to the public market in 2007, this year's financial results did not benefit from any revenue contribution from new sales to this segment of our market.

Through the combination of these various factors, we are reporting revenue of $41.5m (FY12: $41.1m) and adjusted EBITDA of $12.4m (FY12: $11.9m).

Business Model

The Group's business model and its underlying revenue recognition policies remain consistent with prior years. The Group continues to recognise revenue primarily under its annuity Software-as-a-Service (SaaS) revenue recognition policies with these revenues accounting for between 75% to 80% of all revenue recognised in any one year. Under this model we recognise software licence revenue and any minimum payments due from our 'other route to market' contracts evenly over the life of the underlying signed contracts.

As we sign new customers, we normally expect to deliver a professional services engagement. This relates to implementation of the software as well as training the hospital staff in its use. As part of this process we provide further assistance to the hospital to develop its processes, assisting in the delivery of best practice, whilst ensuring the software is utilised to its maximum potential. Within any individual contract we would expect these services to account for 12% to 20% of the total contract value (dependent on the product and needs of the individual hospital). However of total Group revenue in any one year we would expect services revenues to account for between 10% to 20% of revenue. This revenue is typically recognised as the service is delivered, usually on a percentage of completion basis.

Our third revenue model is a result of the ClaimTrust, Inc. acquisition in 2011. For revenue recognition purposes it is effectively the same recognition as the normal annuity SaaS model described above. It is recurring in its nature, however, it is not signed under long term non-breakable contracts and is invoiced monthly in arrears rather than annual in advance, therefore we believe it does not include the inherent advantages of the Craneware annuity SaaS revenue model. This revenue currently accounts for less than 10% of total revenues in any one year and as contracts for both new and existing customers of the InSight product range are being signed under the annuity SaaS model, we would expect the proportion of revenue derived from this model to reduce over time.

As a result of these revenue recognition models, based on our historical average contract life for new hospitals of 5 years, the maximum value of an average contract that can be recognised as revenue in any one year is 20% plus the value of associated services that have been delivered. In all cases, if the contract contains any material contingencies or any increased risk of collection is identified, revenue is deferred until the contingency or the increased risk of collection is satisfied, at which point the revenue that has been deferred is released and the revenue recognition is 'caught up' to the level that would have been recognised had there been no deferral.

Revenue

We are reporting revenue for the year of $41.5m (2012: $41.1m). Underlying this marginal growth in revenue we have seen an increase in our direct sales to individual and smaller groups of hospitals, and the sales momentum as we exited the year continues to build. However these successes are masked by the Group being unable to conclude any large sales in the year to either large hospital groups or our other routes to market. As described earlier in this report, due to the ongoing consolidation in our marketplace these deals, whilst increasing in size, have also increased in complexity and as a result determining when these deals will close and therefore contribute to revenue is difficult to forecast.

In the prior year, two such deals did sign and contribute to new revenue for that year. One included a 'white-labelling fee' of $3.5m which, as all associated professional services were completed in the year, was fully recognised as revenue in the Financial Year 2012. This revenue was not repeated in the current year, and as a result our Professional Services (including white-labelling) recognised in the year has fallen from $7.1m (or 17% of Group revenue) in FY12 to $5.3m (or 13% of Group Revenue) in FY13 despite underlying professional services growing by 47%. As this white labelling revenue was not repeated, it has effectively been replaced with new software and services revenue in reporting total Group Revenue of $41.5m.

Whilst professional services revenue at 13% of Group revenue is still within our expected range of 10% to 20% of our revenue in any one year, we retain the capacity within our existing business model to expand this revenue stream contributing to future years' revenue growth.

Earnings

As a result of our 2011 acquisition of ClaimTrust, Inc., the Group introduced an 'Adjusted' earnings metrics to adjust for one-off acquisition costs. In the prior year this resulted in the one-off benefit of $0.95m relating to the release of the provision for contingent consideration being removed. In the current year, there have been no further benefits or charges of this nature; however this prior year adjustment still impacts the comparatives reported. We continue to believe the disclosure of these adjusted earnings metrics is consistent with other acquisitive companies and that it allows for a more accurate understanding of the underlying profit generated from operations and for a direct comparison year on year.

Adjusted earnings before interest, taxation, share based payments, depreciation and amortisation ("EBITDA") has grown marginally in the year to $12.4m (FY12: $11.9m) an increase of 4%. This reflects a stable Adjusted EBITDA margin of c29%. This is consistent with the Group's measured approach to the release of additional investment, continuing to make investments in line with the revenue growth occurring, whilst continually looking to ensure the efficiency of the investments we make.

Revenue Visibility and other KPIs

Through the business model we utilise, the additional new sales we make in any given year build on our annuity base of revenues. This annuity base of revenue allows us to better plan our investment strategy in advance, and whilst in any one year we will always rely on additional sales in the year to generate growth, we enter our next financial year with a significant percentage of that year's revenue targets already under contract. The Group illustrates this annuity base through its "Three Year Visible Revenue" metric. This metric includes:

- Future revenue under contract;
- Revenue generated from renewals (calculated at 100% dollar value renewal).
- InSight revenue identified as recurring in nature (subject to an estimated churn rate of 8% per year);

The different categories of revenue reflect any inherent future risk in recognising these revenues. Future revenue under contract, is, as the title suggests, subject to an underlying contract and therefore only has to be invoiced to be recognised in the respective years (subject to future collection risk that exists with all revenue). Renewal revenues are contracts coming to the end of their original contract term (e.g., 5 years) and will require their contracts to be renewed for the revenue to be recognised, however as we track our renewal metric, and consistently report over 100% renewals by dollar value, it is reasonable to conclude minimal additional risk is associated to this revenue. The final category "InSight revenue identified as recurring in nature" is revenue that we would expect to recur in the future but as the underlying contracts are not long term in their nature or contain break clauses there is potential for this revenue not to be recognised in future years, however we apply an estimated 8% churn rate to make allowance for this risk.

To better aid understanding, the three year visible revenue as at 30 June 2013 (i.e., visible revenue for FY2014, FY2015 and FY2016) is presented against the visible revenue for the same three year period as at 30 June 2012. This therefore demonstrates the growth in our annuity base of revenues, which translates to visible revenue for the next three years to 30 June 2016 of $109.5m from $105.5m at 30 June 2012. This breaks down as follows:

- InSight revenue identified as recurring in nature of $8.1m.
- Revenue generated from renewal activities contributing $40.8m; being $5.4m in FY14, $15.0m in FY15 and $20.4m in FY16.
- Future revenue under contract contributing $60.6m of which $30.4m is expected to be recognised in FY14, $17.7m in FY15 and $12.5m in FY16. (Figure 1.)

Average length of contracts signed with new customers in the period is in line with our historical normal average contract length of 5 years, this is following a dip in the prior year to 4 years. The product attachment rate, being the average number of our nine products that are in place across our entire customer base, has remained steady at 1.6 products. The remaining 7.4 reflects the significant cross sell opportunity that still exists for the Group.

Operating Expenses

With our measured investment strategy, our net operating expenses (before acquisition benefits/costs, share based payments, depreciation and amortisation) have remained stable at $27.0m (FY12: $27.6m). We continue to look to leverage the investments we have made in prior years, as well as make further targeted investment going forward, as we continue to increase sales levels and hospital customer numbers.

As innovation will continue to be core to the Group's future we continue to invest in Product Development spend which has remained at c$7m. We continue to capitalise very low levels of Development spend with $0.1m capitalised in the year (FY12: $0.3m).

Cash

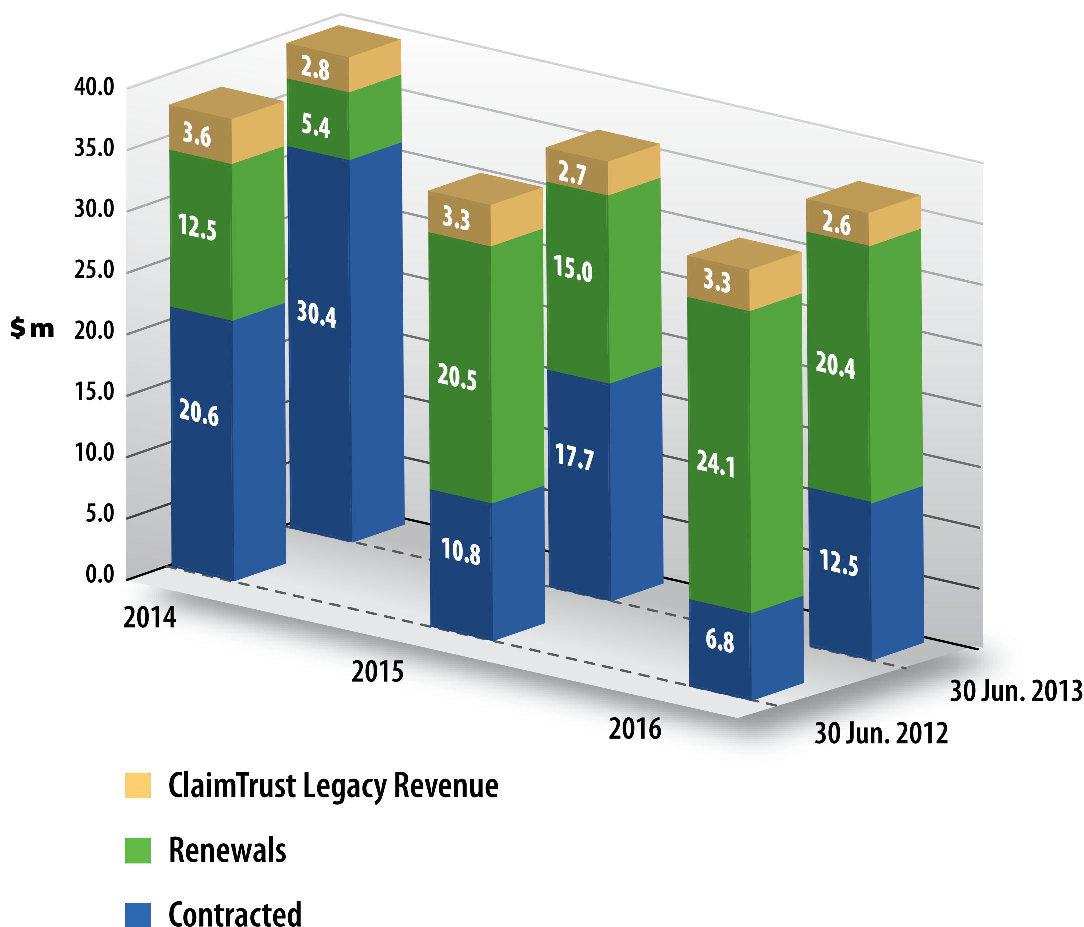
We measure the quality of our earnings through our ability to convert them into operating cash. As in prior years, we have very high levels of cash conversion which has enabled us to grow our cash reserves to $30.3m (FY12: $28.8m). These cash levels are after paying $3.4m in taxation (FY12: $1.3m) and a further $4.7m (FY12: $4.1m) to our shareholders by way of dividends.

We retain a significant level of cash reserves to fund 'bolt-on' acquisitions if suitable opportunities arise.

Balance Sheet

The Group maintains a strong balance sheet position, not only through our significant cash balance but with rigorous controls over working capital and no debt.

Figure 1.



Currency

The reporting currency for the Group (and cash reserves) is US Dollars. Whilst the majority of our cost base is US located and therefore US Dollar denominated, we do have approximately one quarter of the cost base based in the UK relating primarily to our UK employees (and therefore denominated in Sterling). As a result, we continue to closely monitor the Sterling to US Dollar exchange rate, and where appropriate consider hedging strategies. During the year, we have not seen a significant impact through exchange rate movements, with the average exchange rate throughout the year being $1.5685 as compared to $1.5840 in the prior year.

Taxation

The Group's effective tax rate remains dependent on the proportion of profits generated in the UK and the US and the applicable tax rates in the respective jurisdictions. As detailed above, the current year has seen levels of professional services revenues generated at the lower end of the 10% to 20% of revenue range we would normally anticipate in our business model. As all professional services are delivered in the US, the resulting lower levels of this revenue has reduced the levels of income subject to taxation in the US against our historical norms. This combined with the reducing tax rate in the UK and our continued ability to agree enhanced Research and Development tax relief has resulted in an effective tax rate of 21.8% (FY12: 20.6%). Effective tax rates will increase in future years if the ratio of underlying professional services to software license revenues increases.

EPS

As with EBITDA, the Group is reporting an Adjusted EPS figure, with the prior year's EPS figure having been adjusting for the $0.95m of contingent consideration provision released.

In the year adjusted EPS has increased to $0.329 (FY12: $0.316) and adjusted diluted EPS has increased to $0.328 (FY12: $0.315). The increase in EPS is driven by the levels of EBITDA and the continued lower than historically expected effective tax.

Dividend

The Board recommends a final dividend of 6.3p (9.6 cents) per share giving a total dividend for the year of 11.5p (17.4 cents) per share (2012: 10.5p (15.9 cents) per share). Subject to confirmation at the Annual General Meeting, the final dividend will be paid on 13th December 2013 to shareholders on the register as at 15th November 2013, with a corresponding ex-Dividend date of 13th November 2013.

The final dividend of 6.3p per share is capable of being paid in US dollars subject to a shareholder having registered to receive their dividend in US dollars under the Company's Dividend Currency Election, or who register to do so by the close of business on 15th November 2013. The exact amount to be paid will be calculated by reference to the exchange rate to be announced on 15th November 2013. The final dividend referred to above in US dollars of 9.6 cents is given as an example only using the Balance Sheet date exchange rate of $1.5167/£1 and may differ from that finally announced.

Outlook

The strengthening of sales activity has continued and trading in the first few months of the new financial year has been healthy. With a product suite that addresses many of the fundamental financial issues besetting healthcare providers in the US, an invigorated sales team and a more stable trading environment, we are confident Craneware has the platform to deliver increased shareholder value in the years ahead.

Keith Neilson, Chief Executive Officer
Craig Preston, Chief Financial Officer
9 September 2013

Directors, Secretary, and Advisors

Directors

G R Elliott (Chairman, non-executive)
K Neilson
N P Heywood (non-executive)
C T Preston
R F Verni (non-executive)

Company Secretary & Registered Office

C T Preston
1 Tanfield
Edinburgh
EH3 5DA

Stockbrokers and Nominated Advisors

Peel Hunt LLP
120 London Wall
London
EC2Y 5ET

Registrars

Capita Registrars Ltd
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Bankers

The Royal Bank of Scotland plc
36 St. Andrew Square
Edinburgh
EH2 2YB

Clydesdale Bank
20 Waterloo Street
Glasgow
G2 6DB

Barclays Commercial Bank
Aurora House
120 Bothwell Street
Glasgow
G2 7JT

HSBC Bank plc
7 West Nile Street
Glasgow
G1 2RG

Lloyds TSB
Henry Duncan House
120 George Street
Edinburgh
EH2 4LH

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Solicitors

Pinsent Masons LLP
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ

Board of Directors

George R Elliott, 60 — Non-Executive Chairman :: Appointed 10 August 2007

George is currently non-executive Chairman of Cupid plc (CUP) an online dating company. Since 2007 he has been non-executive chairman/ director of a number of technology companies, including non-executive chairman of MicroEmissive Displays Group plc, Corsair Components Inc, Kewill plc and Simple Audio Limited and non-executive director of Summit Corporation plc, Oxonica plc and ClearSpeed plc. From 2000-2007 George was Chief Financial Officer of Wolfson Microelectronics plc (WLF), a leading global provider of high performance mixed-signal semiconductors to the consumer electronics market. Previously, he was Business Development Director at McQueen International Ltd (now Sykes), a manufacturing and support services provider, where he was responsible for strategic sales and marketing. George, formerly a partner of Grant Thornton, is a member of the Institute of Chartered Accountants of Scotland and has a degree in Accountancy and Finance from Heriot-Watt University.

Keith Neilson, 44 — Chief Executive Officer :: Co-founder

Keith co-founded Craneware in 1999 and has served as its CEO ever since. Under Keith's guidance, Craneware became recognised as the pioneer in revenue integrity management and a leading provider of superior products and professional services. Keith's direction has helped Craneware to win multiple prestigious awards in such areas as international achievement, business growth strategy and innovation. Keith was named The Entrepreneurial Exchange's "Emerging Entrepreneur of the Year 2003" and was a finalist in the 2004 World Young Business Achiever Award, winning the Award of Excellence in the Business Strategy category. He received the UK Software & Technology Entrepreneur of the Year Award from Ernst & Young in 2008 and was the Insider Elite Young Business Leader of the Year in 2009. Prior to launching Craneware, Keith worked primarily in international management, where he handled sales, marketing and technical consulting for companies with operations around the world. He studied Physics at Heriot-Watt University, Edinburgh, receiving a bachelor's degree in 1991.

Craig T Preston, 42 — Chief Financial Officer :: Appointed 15 September 2008

Craig was appointed to the Board on 15 September 2008, just as the company was entering its second year as a publicly traded corporation on the London Stock Exchange. As CFO, he directs Craneware's financial operations in both the United Kingdom and United States. Craig has significant experience in senior financial roles with other private and public technology companies, including those with a multi-national presence. Prior to Craneware, he was group director of finance and company secretary at Intec Telecom Systems plc. Earlier, he served as corporate development manager at London Bridge Software plc. During his time there, he also held the role of CFO for Phoenix International, a previously NASDAQ-traded software company, following its acquisition by London Bridge. Earlier in his career, Craig worked for Deloitte in both the United Kingdom and United States. Craig has a degree in Accounting and Financial Management from the University of Sheffield. He is also a member of the Institute of Chartered Accountants in England and Wales.

Neil P Heywood, 51 — Non-Executive Director :: Appointed 31 January 2002

Neil is a director of Matrix Alpha Analytics, a company providing services to the hedge fund and non-executive Chairman of Codeplay Software Limited and a non-executive Director of Games Analytics Limited. Neil was co-founder and CEO of Quadstone, a marketing analytics software company, from 1995 to 2001. Previously Neil was head of the Edinburgh Parallel Computing Centre, a department at the University of Edinburgh, and co-founder and Director of 3L Limited, a company specialising in software for parallel computers. 3L was bought by Spectrum Signal Processing, Inc. Neil received his B.Sc. (Hons) in Computer Science from the University of Edinburgh in 1984.

Ron F Verni, 65 — Non-Executive Director :: Appointed 1 May 2009

Ron is currently a director of On Deck Capital, and on the Board of Advisors of Company.com, CEO Ventures, and the Robinson College of Business. Before that he was President & CEO of Sage Software, Inc, and a member of the Board of Directors of the Sage Group plc. Under his leadership, the company grew from less than $160 million in revenue to over $1 billion, from under 1,000 employees to over 5,000, and from 1 million business customers to over 2.5 million. Ron also engineered over 20 acquisitions and oversaw their successful integration into the company. Prior to Sage Software, Ron was President and CEO of Peachtree Software, Inc., a leading pioneer in business management solutions for small to medium size businesses. Ron also was a Vice President of Marketing with Automatic Data Processing, President and CEO of NEBS Software, Inc., and the founder and CEO of ASTEC Software.

The directors present herewith their report and the audited consolidated financial statements for the year ended 30 June 2013.

Principal Activities and Business Review

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

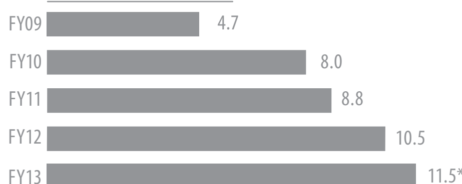
The Company is required by the Companies Act to include a business review in this report. This includes an analysis of the development and performance of the Group during the financial year and its position at the end of the financial year, including relevant key performance indicators (principally revenue, adjusted operating profit before acquisition costs, share based payments, depreciation and amortisation, visibility of revenue over the next three years and the product attachment rate). Detailed information on all matters required is presented in the Operational Review contained in pages 5 to 10 and is incorporated into this report by reference. A description of the principal risks and uncertainties facing the Group is set out below.

Where the Directors' Report, Chairman's Statement and Operational Review contain forward looking statements, these are made by the directors in good faith based on the information available to them at the time of their approval of this report. Consequently, such statements should be treated with caution due to their inherent uncertainties, including both economic and business risk factors, underlying such forward looking statements or information.

Financial Results and Dividends

The Group's revenue for the year was $41.5m (2012: $41.1m) which has generated an adjusted operating profit (before acquisition related matters) of $11.1m (2012: $10.8m). The full results for the year, which were approved by the Board of Directors on 9 September 2013, are set out in the accompanying financial statements and the notes thereto.

Dividends/Share (pence)



*Subject to approval at AGM

During the year the Company paid an interim dividend of 5.2p (7.8 cents). The Directors are recommending the payment of a final dividend of 6.3p (9.6 cents) per share giving a total dividend of 11.5p (17.4 cents) per share based on the results for 2013 (2012: 10.5p (15.9 cents)). Subject to approval at the Annual General Meeting, the final dividend will be paid on 13 December 2013 to shareholders on the register as at 15 November 2013.

The level of dividend proposed for the year continues (and the Directors intend to continue in future years) the Company's stated progressive dividend policy based on the Group's retained annual earnings. The level of distributions will be subject to the Group's working capital requirements and the ongoing needs of the business.

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, integration (where appropriate) of products acquired through the ClaimTrust acquisition and the enhancements to the Group's 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. During the year development expenditure amounted to $6.9m (2012: $6.8m) net of expenditure capitalised of $0.1m (2012: $0.3m).

Financial Instruments

The financial risk management strategy of the Group, its exposure to currency risk, interest rate risk, counterparty risk and liquidity is set out in Note 3 to the Financial Statements.

Principal Risks and Uncertainties

To deliver continued sustainable growth, the Group recognises the need to minimise the likelihood and impact of key risks. These risks are both general in nature i.e. business risks faced by all businesses, and more specific to the Group and the market in which it operates. The nature of the US healthcare industry and associated risks are detailed in the Operational Review on pages 5 to 10.

The risks outlined here are those principal risks and uncertainties that are material to the Group. They do not include all risks associated with the Group and are not set out in any order of priority.

US Healthcare Reform

Issue: The US healthcare industry continues to progress through a period of fundamental reform, the outcome of which has yet to be fully determined and as such could impact the Group's market opportunity.

Actions: The Group has taken steps to ensure it stays at the forefront of how the industry is interpreting current proposals and actions they are taking. It does this through, amongst other things, its:

- 'Strategic Advisory Council' which is formed from the industry experts from within the Group;
- Having independent industry experts attend and speak at internal Company events;
- Regular attendance by members of this Council and other senior management at healthcare forums and industry education events; and
- Client forums.

The Strategic Advisory Council, the Operations Board and the PLC Board come together at periodic intervals to review developments in the market and provide direct input to the Group's ongoing strategy appraisal and product development.

Competitive Landscape

Issue: New entrants to the market or increased competition from existing competitors could significantly impact the Group's market opportunity.

Actions: The Group continually monitors its competitive landscape, including both existing and potential new market entrants. Significant barriers to entry continue to exist, including but not limited to the significant data content built over the Group history which exists within the products. The Group continues to ensure its products are platform agnostic and actively seeks partnerships with other Healthcare IT vendors.

Management of Growth

Issue: The Group continues to to plan for significant growth both organically and through acquisition which could place strain on the current management and other resources of the Group.

Actions: The Group's annuity SaaS ("Software as a Service") business model combined with the detailed forecasting processes provide visibility to expected growth rates. This provides a foundation when planning in advance, including necessary resourcing levels that result from this growth. To ensure the correct infrastructure to support growth, assessments are performed and improvements are made within systems, policies and procedures and business controls are upgraded, as appropriate, across the Group.

Dependence on Key Executives and Personnel

Issue: Due to the size of the Group significant reliance is placed on a few members of the executive and senior management team, the retention of which cannot be guaranteed.

Actions: The Group continues to expand and strengthen its senior management team, with two new appointments to the Operations Board having been made in the year and a further appointment since the Balance Sheet date. In addition, the Group has utilised its 'leadership framework' to help develop its leaders of the future. In regards to retention the Remuneration Committee continues to monitor and develop the remuneration packages of key personnel to ensure they are both competitive and include appropriate long-term incentives.

Failure to develop or acquire appropriate software solutions

Issue: Reliance on a small number of products could significantly limit the Group's market opportunity and leave it unable to meet its customers' needs.

Actions: Whilst remaining focused on its core 'Revenue Integrity' market the Group has both internally developed and acquired a total product suite of nine core products (from the original one in 2007). The Group publishes its product attachment rate during every reporting period and has a medium term strategic goal of generating no more than 55% of its revenue in any year, from any one product.

Intellectual Property Risk

Issue: Failure to protect, register and enforce (if appropriate) the Group's Intellectual Property Rights could materially impact the Group's future performance.

Actions: The Group will continue to register its trademarks and protects access to its copyrights and confidential information, as appropriate. The Group would vigorously defend itself against a third-party claim should any arise. The Group also has in place strict physical and data security processes and encryption to protect its intellectual property.

Acquisition Risk

Issue: The Group has a stated acquisition strategy. Any acquisition carries with it an inherent risk, including failure to identify material matters that could adversely affect future Group performance.

Actions: Whilst the Group has limited experience of acquisitions, the Board members individually have significant experience in regards to completing acquisitions.

In addition, and where appropriate, the Board appoints independent professional advisors to assist in the consideration of the acquisition and to assist management in the due diligence process.

The principal *financial risks* are detailed in Note 3 to the financial statements. How the Board determines and manages risks is detailed in the Corporate Governance report on pages 17 to 20.

In summary, the US healthcare market is not immune to the macro-economic climate and, with the increasing focus and requirements of the proposed healthcare reform, the Group expects the market to continue to be competitive. The Group therefore aims to remain at the forefront of product innovation and delivery, through a combination of in-house development and specific acquisition opportunities. This requires the recruitment, retention, and reward of skilled staff, alongside responsiveness to changes, and the opportunities that result, as they arise.

Going Concern

The Directors, having made suitable enquiries and analysis of the accounts, including the consideration of:

- cash reserves;
- no debt or debt related covenants;
- continued cash generation; and
- Annuity SaaS business model;

have determined that the Group has adequate resources to continue in business for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing these financial statements.

Directors

The Directors of the Company are listed on page 12.

The Directors have the power to manage the business of the Company, subject to the provisions of the Companies Act, the Memorandum and Articles of Association of the Company, and to any directions given by special resolution, including the Company's power to purchase its own shares. The Company's Articles of Association may only be amended by a special resolution of the Company's shareholders.

Details of the Directors' service contracts and their respective notice terms are detailed in the Remuneration Committee Report on page 22.

Authorised and Issued Share Capital

The Company's authorised share capital at the Balance Sheet date was 50,000,000 ordinary shares of 1p each of which 27,008,763 were issued and fully paid up. During the year, options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 16,872 new ordinary shares. No further new ordinary shares have been allotted since the end of the financial year to the date of this report.

Directors and their interests

The interests of the Directors who held office at 30 June 2013 and up to the date of this report in the share capital of the company, were as follows:-

	2013	2012
G R Elliott	**15,650**	15,650
N P Heywood	**130,356**	130,356
K Neilson	**3,471,529**	3,453,459
	3,617,535	3,599,465

Directors' interests in share options are detailed in the Remuneration Committee Report on page 23.

Substantial shareholders

As at 1 September 2013, the Company had been notified of the following beneficial interests in 3% or more of the issued share capital pursuant to section 793 of the Companies Act 2006:

	No. of Ordinary £0.01 Shares	% of issued share capital
Liontrust Investment Partners	4,033,996	14.94
K Neilson	3,471,529	12.85
W G Craig	3,173,151	11.75
Artemis Investment Management	2,476,460	9.17
Fidelity Investments	2,065,874	7.65
Hargreave Hale	1,698,112	6.29
AXA Framlington	1,425,000	5.28
Baillie Gifford	1,019,699	3.78
D Paterson	873,800	3.24

The total number of shares as at 30 June 2013 and 1 September 2013 was 27,008,763.

Indemnity of Directors and Officers

Under the Company's Articles of Association and subject to the provisions of the Companies Act, the Company may and has indemnified all Directors or other officers against liability incurred by them in the execution or discharge of their duties or exercise of their 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 has purchased and maintains appropriate insurance cover against legal action brought against Directors and officers.

Corporate Social Responsibility & Environmental Policy

The Group is committed to maintaining a high level of social responsibility. It is the Group's policy to support and encourage environmentally sound business operations, with aspects and impact on the environment being considered at Board level. Recognising that the Group's operations have minimal direct environmental impact, the Group aims to ensure that:

- it meets all statutory obligations;
- where sensible and practical, it encourages working practices, such as teleconferencing, teleworking and electronic information exchange that reduce environmental impact; and
- re-cycles waste products wherever possible, encouraging use of environmentally friendly materials, and disposing safely of any non-recyclable materials.

Customers

The Group treats all its customers with the utmost respect and seeks to be honest and fair in all relationships with them. The Group provides its customers with products and levels of customer service of outstanding quality.

Community

The Group seeks to be a good corporate citizen respecting the laws of the countries in which it operates and adhering to best social practice where feasible. It aims to be sensitive to the local community's cultural social and economic needs.

Employees and Employee Involvement

The Group recognises the value of its employees and that the success of the Group is due to their efforts. The Group respects the dignity and rights of all its employees. The Group provides clean, healthy and safe working conditions. An inclusive working environment and a culture of openness are maintained by the regular dissemination of information. The Group endeavours to provide equal opportunities for all employees and facilitates the development of employees' skill sets. A fair remuneration policy is adopted throughout the Group.

The Group does not tolerate any sexual, physical or mental harassment of its employees. The Group operates an equal opportunities policy and specifically prohibits discrimination on grounds of colour, ethnic origin, gender, age, religion, political or other opinion, disability or sexual orientation. The Group does not employ underage staff.

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

The Group maintains core values of Honesty, Integrity, Hard Work, Service and Quality and actively promotes these values in all activities undertaken on behalf of the Group.

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 Group 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.

Policy on payment of Payables

Relationships with suppliers and subcontractors are based on mutual respect, and the Group seeks to be honest and fair in its relationships with suppliers and subcontractors, and to honour the terms and conditions of its agreements in place with such suppliers and subcontractors.

The Group does not believe that the giving or accepting of bribes is acceptable business conduct.

It is the Group's normal practice to make payments to suppliers in accordance with agreed terms and conditions, generally within 30 days, provided that the supplier has performed in accordance with the relevant terms and conditions. Trade payables at 30 June 2013 represented, on average 16 days purchases (2012: 20 days) for the Group and 22 days purchases (2012: 22 days) for the Company.

Charitable and Political Contributions

As part of the Group's commitment to Corporate Social Responsibility it has continued to develop the "Craneware Cares" program. The focus of Craneware Cares is to raise awareness and funds for charity. In 2013, Craneware Cares led initiatives specifically to raise awareness and funds for Alzheimer charities, which support caregivers, patients and those researching cures for people dealing with this devastating disease. In the US, the company's Arizona, Massachusetts, Tennessee and Georgia offices participated in charity walks, while staff at the Craneware headquarters in Edinburgh undertook Walk the West Highland Way in a challenging 3 day, 96-mile hike across many of Scotland's iconic mountains and glens. In total, Craneware Cares 2013 raised more than $37,000 donated directly to the selected US and UK Alzheimer charities.

Neither the Company nor its subsidiaries made any donation for political purposes in fiscal years 2013 or 2012.

Annual General Meeting

The resolutions to be proposed at the AGM, together with explanatory notes, appear in a separate Notice of Annual General Meeting which is sent to all shareholders. The proxy card for registered shareholders is distributed along with the notice.

Company Registration

The Company is registered in Scotland as a public limited company with number SC196331.

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. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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:

Craig Preston
Company Secretary
9 September 2013

The Board of Directors ("the Board") acknowledge the importance of the Principles set out in The UK Corporate Governance Code issued in September 2012 (the "Code"). Although the Code is not compulsory for AIM listed companies, the Board recognises the importance of good corporate governance practices and therefore has applied the principles as far as practicable for a Public Company of its size. This Report and the Remuneration Committee Report (on pages 21 to 23) identify how it has complied with both the individual principles and the 'spirit' of the Code as a whole.

The Code itself defines the purpose of corporate governance being "to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company;" it is this overarching objective that the Board has sought to achieve in applying the Code principles.

Leadership

The role of the Board

"Every Company should be headed by an effective Board which is collectively responsible for the long-term success of the company"

The Company's Board continues to be headed by its Chairman George Elliott and comprises two executive Directors, Keith Neilson, Chief Executive Officer and Craig Preston, Chief Financial Officer along with two further non-executive Directors, Ron Verni (Senior Independent Director) and Neil Heywood. Detailed biographies of all Directors are contained on page 12. The Board meets regularly, usually monthly, to discuss and agree on the various matters brought before it, including the Group trading results. The Board is well supported by the Group's Operations Board (details of which are provided below) and a broader senior management team, who collectively have the qualifications and experience necessary for the day to day running of the Group.

There is a formal schedule of matters reserved for the Board, which include approval of the Group's strategy, annual budgets and business plans, acquisitions, disposals, business development, annual reports and interim statements, plus any significant financing and capital expenditure plans. As part of this schedule, the Board has clearly laid out levels of devolved decision making authority to the Group's Operations Board.

The Board has further established an Audit Committee and a Remuneration Committee details of which are provided below. George Elliott is a member of both these committees, in addition to the two independent non-executives. In deciding this, the Company has taken advantage of the Codes 'relaxations' available to smaller companies. The Board has also established a Nominations Committee which is chaired by Neil Heywood and includes George Elliott and Ron Verni as its members. Part of the role of the Nominations Committee is to review and determine the composition and structure of the Board as well as, if appropriate, identify potential candidates to be appointed as Directors. In the prior year it was determined appropriate to add a further independent non-executive Director. The Board has identified the specific skill sets, including significant operation industry knowledge that it will look for in the new appointment. An independent recruitment agency has been engaged and the process is nearing completion.

Attendance of Directors at Board and Committee meetings convened in the year, along with the number of meetings that they were invited to attend, are set out below:

	Board	Nominations Committee	Remuneration Committee	Audit Committee
No. Meetings in year	11	-	2	3
Executive Directors				
K Neilson	11/11	-	-	-
C T Preston	10/11	-	-	-
Non Executive Directors				
G R Elliott	11/11	-	2/2	3/3
N P Heywood	11/11	-	2/2	3/3
R Verni	10/11	-	2/2	2/3

Where any Board member has been unable to attend Board or Committee meetings during the year, input has been provided to the Company Secretary ahead of the meeting. The relevant Chairman then provides a detailed briefing along with the minutes of the meeting following its conclusion.

As detailed in the Directors' Report on page 15, the Company maintains appropriate insurance cover against legal action brought against Directors and officers. The Company has further indemnified all Directors or other officers against liability incurred by them in the execution or discharge of their duties or exercise of their powers.

Division of Responsibilities

"There should be a clear division of responsibilities at the head of the company between the running of the Board and the executive responsible for the running of the company's business. No one individual should have unfettered powers of decision"

The Board has established clearly defined and well understood roles for George Elliott as Chairman of the Company, and Keith Neilson as Chief Executive Officer. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once strategic and financial objectives have been agreed by the Board, it is the Chief Executive Officer's responsibility to ensure they are delivered upon. To facilitate this, Keith Neilson as CEO chairs the Group's Operations Board which comprises the Chief Financial Officer and five further members of the Senior Management Team. The day-to-day operation of the Group's business is managed by this Board, subject to the clearly defined authority limits.

The Chairman

"The chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role"

George Elliott was appointed Chairman of the Board in August 2007, shortly before the Company listed on the AIM market. At that time the then Board satisfied themselves that he was independent, fulfilling the requirements of the Code.

In setting the Board agendas, the Chairman, in conjunction with the Company Secretary, ensures input is gathered from all Board Directors on matters that should be included. 'Board papers' are issued in advance of meetings to ensure Board members have appropriate detail in regards to matters that will be covered, thereby encouraging openness and healthy debate.

Non-Executive Directors

"As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy."

The Board has appointed Ron Verni as Senior Independent Director. In this role, Ron provides a sounding board for the Chairman as well as providing an additional channel of contact for shareholders, other Directors or employees, if the need arises.

In addition to matters outlined above, there is regular communication between executive and non-executive Directors, including where appropriate, updates on matters requiring attention prior to the next Board meeting. The non-executive Directors meet, as appropriate but no less than annually, without executive Directors being present and further meet annually without the Chairman present.

Effectiveness

The Composition of the Board

"The Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively"

The composition of the Board has been designed to give a good mix and balance of different skill sets, including significant experience in:

- High growth companies;
- Software and healthcare sectors;
- Entrepreneurial cultures;
- Both UK and US companies;
- Acquisitions; and
- Other listed plc companies.

Through this mix of experience the Board and the individual Directors are well positioned to set the strategic aims of the Company as well as drive the Group's values and standards throughout the organisation, whilst remaining focused on their obligations to shareholders and meeting their statutory obligations.

The Board reviews on an annual basis the independence of each non-executive Director. In making this consideration the Board determines whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. In regards to Neil Heywood, the Board considered his appointment to the original Craneware Limited Board being in January 2002. Whilst Neil's tenure is over 10 years, the Company and the Board have significantly changed since the Company's IPO in 2007, as a result of this and Neil's conduct, the Board has concluded this has not affected his independence.

As detailed earlier, the Board has previously determined it was appropriate to add a further independent non-executive Director, and is well progressed towards making an appointment.

Appointments to the Board

"There should be a formal, rigorous and transparent procedure for the appointment of new directors to the Board"

When a new appointment to the Board is to be made, consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition. A formal process is then undertaken, usually involving external recruitment agencies (as has been the case with the last two appointments to the Board), with appropriate consideration being given, in regards to executive appointments, to internal and external candidates. Before undertaking the appointment of a non-executive Director, the Chairman establishes that the prospective Director can give the time and commitment necessary to fulfil their duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times. This process is normally performed under the remit of the Nominations Committee.

Commitment

"All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively"

All Board Directors recognise the need to allocate sufficient time to the Company for them to be able to meet their responsibilities as Board members. All non-executive Directors' contracts include minimum time commitments; however these are recognised to be the minimums.

Details of the other directorships held by each Board member are provided in the Director Biographies on page 12. The Board has evaluated the time commitments required by these other roles and does not believe it affects their ability to perform their duties with the Company. No executive Director currently holds any other plc directorship. The non-executive Director contracts are available for inspection at the Company's registered office and are made available for inspection both before and during the Company's Annual General Meeting.

Development

"The Board should be supplied in a timely manner with the information in a form and a quality appropriate to enable it to discharge its duties"

The Chairman is responsible for ensuring that all the Directors continually update their skills, their knowledge and familiarity with the Group in order to fulfil their role on the Board and the Board's Committees. Updates dealing with changes in legislation and regulation relevant to the Group's business are provided to the Board by the Company Secretary/Chief Financial Officer and through the Board Committees.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are properly complied with and that discussions and decisions are appropriately minuted. Directors may seek independent professional advice at the Company's expense in furtherance of their duties as Directors.

Training in matters relevant to their role on the Board is available to all Board Directors. New Directors are provided with an induction in order to introduce them to the operations and management of the business.

In addition, the non-executive Directors meet with, at least once a quarter, the Groups's Operations Board on an informal basis. This provides all Directors with direct access to the senior management of the Company and allows for better understanding of how the strategy set by the Board is being implemented across the Group.

Evaluation

"The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors"

In the prior year, a formal evaluation was conducted by means of a detailed questionnaire which was completed by each Director. The results of this process were collated by the Chairman and were presented to the Board as a whole. This evaluation included a review of the performance of individual Directors including the Chairman and the Board Committees. Based on this evaluation, the Board has taken steps to implement certain agreed upon suggestions which has included the process to recruit a further independent non executive Director, but overall has concluded that its performance in the past year had been satisfactory. This review process will be repeated and updated in the upcoming year.

The Board has considered the Code's recommendation that the evaluation of the Board be carried out externally at least every three years. The Board recognises this recommendation is not applicable to AIM listed companies and has determined it was not necessary to carry out an external review in the current year.

Re-election

"All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance"

Under the Company's Articles of Association, at every Annual General Meeting, at least one-third of the Directors who are subject to retirement by rotation, are required to retire and may be proposed for re-election. In addition, any Director who was last appointed or re-appointed three years or more prior to the AGM is required to retire from office and may be proposed for

re-election. Such a retirement will count in obtaining the number required to retire at the AGM. New Directors, who were not appointed at the previous AGM, automatically retire at their first AGM and, if eligible, can seek re-appointment.

However, the Board recognises the Code's recommendation that all Directors should stand for re-election every year, and whilst not a requirement, the Board has decided to adopt this recommendation as best practice. As such, all Directors will retire from office at the Company's forthcoming AGM and stand for re-appointment.

Accountability

Financial and Business Reporting

"The Board should present a balanced and understandable assessment of the company's position and prospects"

The Board recognises its responsibilities, including those statutory responsibilities laid out on page 16. An assessment of the Group's market, business model and performance is presented in the Chairman's Statement and the Operational Review on pages 4 to 10.

As detailed on page 14 of the Directors' Report, the Board has confirmed that it is appropriate to adopt the going concern basis in preparing financial statements.

Risk Management and Internal Control

"The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems"

The Directors recognise their responsibility for the Group's system of internal control, and have established systems to ensure that an appropriate and reasonable level of oversight and control is provided. These systems are reviewed for effectiveness annually by the Audit Committee and the Board. The Group's systems of internal control are designed to help the Group meet its business objectives by appropriately managing, rather than eliminating, the risks to those objectives. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss.

Executive Directors and senior management meet to review both the risks facing the business and the controls established to minimise those risks and their effectiveness in operation on an ongoing basis. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified and appropriate action taken at an early stage. From this review the Company maintains its internal risk register which forms the foundation of the Board and the Audit Committee review process.

The annual financial plan is reviewed and approved by the Board. Financial results with comparisons to plan and forecast results are reported on at least a quarterly basis to the Board together with a report on operational achievements, objectives and issues encountered. The quarterly reports are supplemented by interim monthly financial information. Forecasts are updated no less than, quarterly in the light of market developments and the underlying performance and expectations. Significant variances from plan are discussed at Board meetings and actions set in place to address them.

Approval levels for authorisation of expenditure are at set levels and cascaded through the management structure with any expenditure in excess of pre-defined levels requiring approval from the executive Directors and selected senior managers.

Measures continue to be taken to review and embed internal controls and risk management procedures into the business processes of the organisation and to deal with areas of improvement which come to the management's and the Board's attention. Metrics and quality objectives continue to be actively implemented and monitored as part of a continual improvement programme.

Details of the principal risks and uncertainties facing the Group are detailed in the Directors' Report on pages 13 to 14. The principal *financial risks* are detailed in Note 3 to the financial statements.

Audit Committee and Auditors

"The Board should establish formal and transparent arrangements for considering how they should apply the corporate reporting risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditor."

An Audit Committee has been established to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls. The Audit Committee will normally meet at least three times a year. The Audit Committee is chaired by Neil Heywood and its other members are George Elliott and Ron Verni. The Chief Financial Officer, Chief Executive Officer and other senior management attend meetings by invitation and the Committee also meets the external auditors without management present. George Elliott, as a member of the Audit Committee has recent and relevant financial experience.

Details of how the Audit Committee has discharged its responsibilities are provided below.

Remuneration

The Level and Components of Remuneration

"Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance"

The Company has established a Remuneration Committee to assist the Board in this area. This Committee is chaired by Ron Verni and its other members are George Elliott and Neil Heywood. When appropriate Keith Neilson, as Chief Executive Officer, is invited to attend meetings (except where matters under review by the Committee relate to him).

The Committee has responsibility for making recommendations to the Board on the remuneration packages of the executive Directors, and monitor the level and structure of remuneration for senior management, this includes:

- making recommendations to the Board on the Company's policy on Directors' and senior staff remuneration, and to oversee long term incentive plans (including share option schemes);
- ensuring remuneration is both appropriate to the level of responsibility and adequate to attract and/or retain Directors and staff of the calibre required by the Company; and
- ensuring that remuneration is in line with current industry practice.

The Committee has presented its Remuneration Report on pages 21 to 23, which details the work undertaken operating under its terms of reference (which are available at the Company's registered office), to discharge its responsibilities.

Procedure

"There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration"

Details of how the Committee and Board have discharged their responsibilities in this area are detailed in the Remuneration Report on pages 21 to 23.

Relations with Shareholders

Dialogue with Shareholders

"There should be a dialogue with shareholders based on mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place"

The Company engages in full and open communication with both institutional and private investors and responds promptly to all queries received. In conjunction with the Company's brokers and other financial advisors all relevant news is distributed in a timely fashion through appropriate channels to ensure shareholders are able to access material information on the Company's progress.

To facilitate this:

- all shareholders are invited to attend the AGM and are encouraged to take the opportunity to ask questions;
- the primary point of contact for shareholders on operational matters is Keith Neilson as CEO and Craig Preston as CFO;
- the primary point of contact for shareholders on corporate governance and other related matters is George Elliott as Chairman. Ron Verni as Senior Independent Director is available as a point of contact should a shareholder not wish to contact the Chairman for any reason.

Keith Neilson and Craig Preston meet regularly with shareholders, normally immediately following the Company's half year and full year financial results announcements, to discuss the Group's performance and answer any questions. The Board monitors the success of these meetings through anonymous evaluations from both shareholders and analysts performed by the Company's Broker and Financial PR advisor.

The Company's website has a section for investors which contains all publicly available financial information and news on the Company.

Constructive Use of the AGM

"The Board should use the AGM to communicate with investors and to encourage their participation"

The Board encourages attendance at its AGM from all shareholders. The Notice of AGM together with all resolutions and explanations of these resolutions are sent at least 20 working days before the meeting. All Directors, where possible, make themselves available to answer any questions shareholders may have. Results of all votes on resolutions are published as soon as practicable on the Company's website.

The Audit Committee

During the year the Audit Committee, operating under its terms of reference (which are available at the Company's registered office), discharged its responsibilities, including reviewing and monitoring:

- interim and annual reports information including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- developments in accounting and reporting requirements;
- external auditors' plan for the year-end audit of the Company and its subsidiaries;
- the Committee's effectiveness;
- the Internal Risk Register covering the systems of internal control and their effectiveness, reporting and making new recommendations to the Board on the results of the review and receiving regular updates on key risk areas of financial control;
- the requirements or otherwise for an internal audit function;
- the performance and independence of the external auditors concluding in a recommendation to the Board on the reappointment of the auditors by shareholders at the Annual General Meeting. The auditors provide annually a letter to the Committee confirming their independence and stating the methods they employ to safeguard their independence;
- the audit and non-audit fees charged by the external auditors; and
- the formal engagement terms entered into with the external auditors.

The Committee has also reviewed the arrangements in place for internal audit and concluded, due to the current size and complexity of the Company, that a formal internal audit function was not required.

Under its terms of reference the Audit Committee is responsible for monitoring the independence, objectivity and performance of the external auditors, and for making a recommendation to the Board regarding the appointment of external auditors on an annual basis. The Group's external auditors, PricewaterhouseCoopers LLP, were first appointed as external auditors of the Company for the year ended 30 June 2003.

The Audit Committee has also implemented procedures relating to the provision of non-audit services by the Company auditors, which include non-audit work and any related fees over and above a de-minimis level to be approved in advance by the Chairman of the Audit Committee. Details of the fees paid to the auditors for audit and non-audit services are shown in Note 6 to the financial statements.

The Audit Committee has considered the level of non-audit services and the related fees paid and have concluded they do not compromise auditor independence.

AIM Rule Compliance Report

Craneware plc is quoted on AIM and as a result the Company has complied with AIM Rule 31 which requires the following:

- 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:

Craig Preston
Company Secretary
9 September 2013

This report sets out Craneware plc's remuneration and benefits for the financial year under review. A resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be presented for approval.

Remuneration Committee

The Company has a Remuneration Committee ("the Committee") in accordance with the recommendations of the UK Corporate Governance Code. The members of the Committee are Ron Verni (Chairman), Neil Heywood and George Elliott. None of the Committee has any personal financial interests, other than as shareholders, in matters directly decided by this Committee, nor are there any conflicts of interests arising from cross directorships or day to day involvement in the running of the business.

The Company's Chief Executive Officer on occasion will attend meetings, at the invitation of the Committee, to advise on operational aspects of implementing existing and proposed policies. The Company Secretary acts as secretary to the Committee. Under the Committee Chairman's direction, the Chief Executive Officer and the Company Secretary have responsibility for ensuring the Committee has the information relevant to its deliberations. In formulating its policies, the Committee has access, as required, to professional advice from outside the Company and to publicly available reports and statistics.

The remuneration of the non-executive Directors is determined by the Board as a whole within limits set out in the Articles of Association.

Policy

Executive remuneration packages are designed to attract, motivate and retain Directors of the calibre necessary to achieve the Group's growth objectives and to reward them for enhancing shareholder value. The main elements of the remuneration package for executive Directors are:

- basic annual salary and benefits in kind;
- annual performance related bonus;
- pension entitlement; and,
- share option awards.

The Company's policy is that a substantial proportion of the remuneration of executive Directors should be performance related.

None of the executive Directors hold any outside appointments.

Directors' remuneration

In the prior year, the Remuneration Committee engaged Hewitt New Bridge Street Consultants to perform a review of director and senior management remuneration. The conclusions and recommendations of this report continue to be incorporated as part of the longer term strategy for director remuneration.

As a result, the Committee continues to develop overall directors' remuneration packages to ensure both the short and long term objectives of the Company are met and potentially exceeded, thereby ensuring that the Directors are incentivised to maximise return to the Company's shareholders. However, in the year under review there were no changes made to the directors' remuneration packages.

The remuneration package comprises:

(i) Basic Salary and pension entitlement

This is normally reviewed annually, usually in September, or when an individual's position or responsibilities change and is normally paid as a fixed cash sum monthly.

In regards to pension entitlement, the Company pays a fixed sum to a personal pension plan on behalf of the Chief Executive Officer.

(ii) Annual Performance Related Bonus

Under the annual performance related bonus plan executive Directors are eligible to earn a cash bonus payment based on targets that are set by the Committee. In determining these targets, the Committee's objective is to set targets that reflect challenging financial performance in the current year, but also provide for the future growth of the Company. Maximum bonus entitlements were set at a level that allowed additional growth of overall remuneration for out-performance of targets but still remains below the appropriate levels of the benchmarking exercise referred to above.

As these financial targets were not met in the current year, no bonus has been paid.

(iii) Share options

The Company operates the Craneware Employees' Share Option Plan 2007 ("Share Option Plan") from which, and at the discretion of the Committee, executive Directors and other employees (including senior management) may be awarded share options under this scheme.

During the year, the executive Directors were awarded share options under this scheme, details of which are shown in the table on page 23.

These options are normally exercisable three years after the date the options were granted, provided the Executive is still employed at the date of exercise. These options are subject to stringent performance criteria based on the share price performance in the preceding three year period as compared to a comparator base of companies that make up the Techmark 100. The performance criteria is assessed annually (against the preceding three year period) with no more than 1/3 of the total options vesting (but not becoming exercisable until three years from the original grant date). If performance is below the median of the comparator group over the relevant three year period then no shares vest that year. The amount of shares that vest increases as performance reaches top quartile when a third of the total grant of options vest. As this performance criteria was not met in the current year, all options that were subject to testing in the current year lapsed.

Share Option grants in the year remain at a level consistent with prior year but still remain below the levels recommended by the benchmarking exercise referred to above.

Service Contracts

The executive Directors and the non-executive Directors are employed under individual employment arrangements or letters of appointment where appropriate. Details of these service contracts are set out below.

	Contract Date	Unexpired Term	Normal Notice Period
K Neilson	Founder	Rolling	*3 months
C T Preston	15 September 2008	Rolling	*3 months
G R Elliott	10 August 2007	2 Years 11 months	1 month
N P Heywood	11 January 2002	Rolling	1 month
R Verni	1 May 2009	Rolling	1 month

** The notice terms for Keith Neilson and Craig Preston are normally three months, however in the event of a change of control, these notice periods are automatically extended to twelve months.*

Directors' Interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Report on page 15.

Directors' Emoluments

For Directors who held office during the course of the year, emoluments for the year ending 30 June 2012 were as follows (note: With the exception of R Verni, all Directors are paid in UK Sterling; the amounts below are translated at the relevant average exchange rate for period being reported) :

	Salary/Fees ($)	Benefits ($)	Bonus ($)	Pension ($)	**2013 Total ($)**	2012 Total ($)
Executives						
K Neilson	320,366	511	-	7,843	**328,720**	320,668
C T Preston	301,660	621	-	-	**302,281**	291,944
Non-Executives						
G R Elliott	96,071	-	-	-	**96,071**	95,126
N P Heywood	51,607	-	-	-	**51,607**	50,990
R Verni	52,400	-	-	-	**52,400**	51,357
Total	822,104	1,132	-	7,843	**831,079**	810,085

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, death in service and disability insurance.

Directors' interests in share options

Directors' share options as at 30 June 2013 were in respect of Directors who held office during the course of the year:

	Exercise Price (cents)	Exercise Price (pence)	Issue Date	Held At 30/06/12	Granted During Year	Exercised During Year	Lapsed During Year	**Held At 30/06/13**
K Neilson								
Ordinary shares	534.0	335.0	Dec-09	28,580	-	-	-	**28,580**
Ordinary shares	618.0	401.0	Sept-10	26,767	-	-	(13,384)	**13,383**
Ordinary shares	866.0	561.0	Sept-11	47,246	-	-	(23,623)	**23,623**
Ordinary shares	650.0	400.0	Sept-12		52,313	-	(17,438)	**34,875**
C T Preston								
Ordinary shares	365.0	208.0	Sep-08	72,115	-	-	-	**72,115**
Ordinary shares	534.0	335.0	Dec-09	25,099	-	-	-	**25,099**
Ordinary shares	618.0	401.0	Sept-10	23,441	-	-	(11,720)	**11,721**
Ordinary shares	866.0	561.0	Sept-11	28,569	-	-	(14,285)	**14,284**
Ordinary shares	650.0	400.0	Sept-12		48,081	-	(16,027)	**32,054**

Employee share options as at 30th June 2013 were:

	Exercise Price (cents)	Exercise Price (pence)	Issue Date	Held At 30/06/12	Granted During Year	Exercised During Year	Lapsed During Year	**Held At 30/06/13**
Ordinary shares	534.0	335.0	Dec-09	59,856	-	(16,872)	(10,629)	**32,355**
Ordinary shares	618.0	401.0	Sept-10	71,598	-	-	(44,111)	**27,487**
Ordinary shares	866.0	561.0	Sept-11	79,296	-	-	(45,361)	**33,935**
Ordinary shares	572.0	360.0	Sept-12	-	230,034	-	(85,880)	**144,154**
Ordinary shares	520.0	343.0	June-13	-	48,076	-	-	**48,076**

On behalf of the Remuneration Committee:

Ron Verni
Chairman of the Remuneration Committee
9 September 2013

We have audited the Group and Parent Company financial statements (the "financial statements") of Craneware plc for the year ended 30 June 2013 which comprise Consolidated Statement of Comprehensive Income, the Group and Parent Company Statement of Changes in Equity, the Consolidated and Parent Company Balance Sheets, the Group and Parent Company Statement of Cash Flow, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2013 and of the Group's profit and Group and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mark Hoskyns-Abrahall
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

9 September 2013

Notes:

(a) The maintenance and integrity of the Craneware plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income for the year ended 30 June 2013

	Notes	**Total 2013 $'000**	Total 2012 $'000
Continuing operations:			
Revenue	4	**41,452**	41,067
Cost of sales		**(2,071)**	(1,556)
Gross profit		**39,381**	39,511
Net operating expenses	5	**(28,881)**	(28,416)
Operating profit	6	**10,500**	11,095
Analysed as:			
Adjusted EBITDA[1]		**12,357**	11,932
Released deferred consideration on business combination		**-**	954
Share-based payments	8	**(181)**	(152)
Depreciation of plant and equipment		**(621)**	(579)
Amortisation of intangible assets		**(1,055)**	(1,060)
Finance income	9	**103**	107
Profit before taxation		**10,603**	11,202
Tax charge on profit on ordinary activities	10	**(2,307)**	(2,309)
Profit for the year attributable to owners of the parent		**8,296**	8,893
Total comprehensive income attributable to owners of the parent		**8,296**	8,893

Earnings per share for the year attributable to equity holders			
- Basic ($ per share)	12a	**0.307**	0.330
- Adjusted Basic ($ per share)[2]	12a	**0.329**	0.316
- Diluted ($ per share)	12b	**0.306**	0.329
- Adjusted Diluted ($ per share)[2]	12b	**0.328**	0.315

[1]Adjusted EBITDA is defined as operating profit before, released deferred consideration, share based payments, depreciation and amortisation.
[2]Adjusted Earnings per share calculations allow for the release of deferred consideration on the business combination (in the prior year) together with amortisation on acquired intangible assets to form a better comparison with previous years.

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Equity for the year ended 30 June 2013

Group	Share Capital $'000	Share Premium $'000	Other Reserves[1] $'000	Retained Earnings $'000	Total Equity $'000
At 1 July 2011	536	15,239	302	16,328	32,405
Total comprehensive income - profit for the year	-	-	-	8,893	8,893
Transactions with owners:					
Share-based payments	-	-	152	(538)	(386)
Impact of share options exercised/lapsed	2	169	(245)	692	618
Dividends (Note 11)	-	-	-	(4,093)	(4,093)
At 30 June 2012	538	15,408	209	21,282	37,437
Total comprehensive income - profit for the year				8,296	8,296
Transactions with owners:					
Share-based payments	-	-	181	15	196
Impact of share options exercised/lapsed	1	88	(178)	174	85
Dividends (Note 11)	-	-	-	(4,693)	(4,693)
At 30 June 2013	**539**	**15,496**	**212**	**25,074**	**41,321**

Company	Share Capital $'000	Share Premium $'000	Other Reserves[1] $'000	Retained Earnings $'000	Total Equity $'000
At 1 July 2011	536	15,239	137	11,531	27,443
Total comprehensive income - profit for the year	-	-	-	9,631	9,631
Transactions with owners:					
Share-based payments	-	-	100	(76)	24
Impact of share options exercised/lapsed	2	169	(65)	85	191
Dividends (Note 11)	-	-	-	(4,093)	(4,093)
At 30 June 2012	538	15,408	172	17,078	33,196
Total comprehensive income - profit for the year	-	-	-	8,058	8,058
Transactions with owners:					
Share-based payments	-	-	116	15	131
Impact of share options exercised/lapsed	1	88	(101)	101	89
Dividends (Note 11)	-	-	-	(4,693)	(4,693)
At 30 June 2013	**539**	**15,496**	**187**	**20,559**	**36,781**

Other reserves relate to share-based payments and are detailed in Note 1 and these reserves are not available for distribution.

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheet as at 30 June 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Non-Current Assets			
Plant and equipment	13	**1,596**	2,027
Intangible assets	14	**15,291**	16,010
Deferred tax	17	**1,615**	1,470
		18,502	19,507
Current Assets			
Trade and other receivables	16	**15,128**	12,560
Current tax assets		**468**	428
Cash and cash equivalents	20	**30,277**	28,790
		45,873	41,778
Total Assets		**64,375**	61,285
EQUITY & LIABILITIES			
Non-Current Liabilities			
Deferred income		**30**	183
		30	183
Current Liabilities			
Deferred income		**16,419**	15,766
Current tax liabilities		**1,055**	1,955
Trade and other payables	21	**5,550**	5,944
		23,024	23,665
Total Liabilities		**23,054**	23,848
Equity			
Called up share capital	18	**539**	538
Share premium account		**15,496**	15,408
Other reserves		**212**	209
Retained earnings		**25,074**	21,282
Total Equity		**41,321**	37,437
Total Equity and Liabilities		**64,375**	61,285

Registered Number SC196331

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 25 to 52 were approved and authorised for issue by the Board of Directors on 9 September 2013 and signed on its behalf by:

Keith Neilson
Director

Craig Preston
Director

Company Balance Sheet as at 30 June 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Non-Current Assets			
Investment in subsidiary undertakings	15	**9,000**	9,000
Plant and equipment	13	**1,163**	1,413
Intangible assets	14	**1,131**	1,243
Amounts due from subsidiary undertaking		**6,000**	6,000
		17,294	17,656
Current Assets			
Trade and other receivables	17	**11,920**	11,028
Cash and cash equivalents	20	**27,452**	26,151
		39,372	37,179
Total Assets		**56,666**	54,835
EQUITY & LIABILITIES			
Non-Current Liabilities			
Deferred tax	17	**31**	14
Deferred income		**30**	183
		61	197
Current Liabilities			
Deferred income		**15,576**	15,334
Current tax liabilities		**1,055**	1,955
Trade and other payables	21	**3,193**	4,153
		19,824	21,442
Total Liabilities		**19,885**	21,639
Equity			
Called up share capital	18	**539**	538
Share premium account		**15,496**	15,408
Other reserves		**187**	172
Retained earnings		**20,559**	17,078
Total Equity		**36,781**	33,196
Total Equity and Liabilities		**56,666**	54,835

Registered Number SC196331

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 25 to 52 were approved and authorised for issue by the Board of Directors on 9 September 2013 and signed on its behalf by:

Keith Neilson
Director

Craig Preston
Director

Statements of Cash Flows for the year ended 30 June 2013

	Notes	Group		Company	
		2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Cash flows from operating activities					
Cash generated/(used) from operations	19	**9,891**	10,602	**9,420**	11,919
Interest received		**103**	107	**208**	270
Tax paid		**(3,377)**	(1,316)	**(3,330)**	(1,930)
Net cash from operating activities		**6,617**	9,393	**6,298**	10,259
Cash flows from investing activities					
Purchase of plant and equipment	13	**(190)**	(439)	**(77)**	(95)
Capitalised intangible assets	14	**(336)**	(418)	**(316)**	(363)
Net cash used in investing activities		**(526)**	(857)	**(393)**	(458)
Cash flows from financing activities					
Dividends paid to company shareholders	11	**(4,693)**	(4,093)	**(4,693)**	(4,093)
Proceeds from issuance of shares		**89**	171	**89**	171
Net cash used in financing activities		**(4,604)**	(3,922)	**(4,604)**	(3,922)
Net increase in cash and cash equivalents		**1,487**	4,614	**1,301**	5,879
Cash and cash equivalents at the start of the year		**28,790**	24,176	**26,151**	20,272
Cash and cash equivalents at the end of the year		**30,277**	28,790	**27,452**	26,151

The accompanying notes are an integral part of these financial statements.

General Information

Craneware plc (the Company) is a public limited company incorporated and domiciled 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 "Directors, Secretary, and Advisors" on page 11 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), as adopted by the European Union, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historic cost convention and prepared on a going concern basis. The applicable accounting policies are 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 relevant.

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 undertakings 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 Company's 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. The average exchange rate during the course of the year was $1.5685/£1 (2012 : $1.5840/£1). Monetary assets and liabilities expressed in foreign currencies are translated into US dollars at rates of exchange ruling at the Balance Sheet date $1.5167/£1 (2012 : $1.5685/£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

The Directors have adopted the following Standards, amendments and interpretations (where relevant to the Group and subject to their endorsement by the EU) and they have concluded that they have no material financial impact on the financial statements of the Group or Company.

- IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective 1 July 2012*), the main change from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

- IAS 12, 'Income taxes' on deferred tax (effective 1 January 2012*), the amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment properties are measured using the fair value model in accordance with IAS 40, 'Investment property'.

1 Principal accounting policies (cont'd.)

New Standards, amendments and interpretations not yet effective

The Directors anticipate that the future adoption of the following Standards, amendments and interpretations (where relevant to the Group and subject to their endorsement by the EU) will have no material financial impact on the financial statements of the Group and Company. None of the below Standards, amendments or interpretations has been adopted early.

Annual improvements 2011 (effective 1 January 2013*), this set of annual improvements addresses issues in the 2009-2011 reporting cycle which includes changes to five standards, none of which are expected to have a material impact on the Group.

- IFRS 1, 'First time adoption' on fixed dates, hyperinflation and government loans (effective 1 January 2013*),
- IFRS 7, 'Financial instruments: disclosures' (effective 1 January 2013*),
- IFRS 9, 'Financial instruments: classification and measurement' (effective 1 January 2014*),
- IFRS 10, 'Consolidated financial statements' (effective 1 January 2013*),
- IFRS 11, 'Joint arrangements' (effective 1 January 2013*),
- IFRS 12, 'Disclosures of interests in other entities' (effective 1 January 2013*),
- IFRS 13, 'Fair value measurement' (effective 1 January 2013*),
- IAS 19, 'Employee benefits' (effective 1 January 2013*),
- IAS 27, 'Separate financial statements' (effective 1 January 2013*),
- IAS 28 (revised 2011), 'Associates and joint ventures' (effective 1 January 2013*),
- IAS 32, 'Financial instruments presentation' (effective 1 January 2014*).

*effective for accounting periods starting on or after this date.

Basis of consolidation

The consolidated Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Statement of Cashflows include the accounts of the Parent Company and its subsidiaries. Subsidiaries are all entities over which the Group has power to govern the financial and operational policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control transferred to the Group and are deconsolidated from the time control ceases. Intra Group revenue and profits/(losses) are eliminated on consolidation and all sales and profit figures relate to external transactions only. As permitted by Section 408(4) of the Companies Act 2006, the Statement of Comprehensive Income of the Parent Company is not presented although the Company performance can been seen in isolation in the Statements of Changes in Equity. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and the equity issued by the Group. The consideration transferred includes the fair value of any assets or liability resulting from a contingent consideration and acquisition costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in the Statement of Comprehensive Income. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

Goodwill arising on the acquisition is recognised as an asset and initially measured at cost, being the excess of fair value of the consideration over the Group's assessment of the net fair value of the identifiable assets and liabilities recognised.

If the Group's assessment of the net fair value of a subsidiary's assets and liabilities had exceeded the fair value of the consideration of the business combination then the excess ('negative goodwill') would be recognised in the Statement of Comprehensive Income immediately. The fair value of the identifiable assets and liabilities assumed on acquisition are brought onto the Balance Sheet at their fair value at the date of acquisition.

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 is derived from sales of, and distribution agreements relating to, software licenses and professional services (including installation). Revenue is recognised when (i) persuasive evidence of an arrangement exists; (ii) the customer has access and right to use our software; (iii) the sales price can be reasonably measured; and (iv) collectability is reasonably assured.

Revenue from standard licensed products which are not modified to meet the specific requirements of each customer is recognised from the point at which the customer has access and right to use our software. This right to use software will be for the period covered under contract and, as a result, our annuity based revenue model recognises the licensed software revenue over the life of this contract. This policy is consistent with the Company's products providing customers with a service through the delivery of, and access to, software solutions (Software-as-a-Service ("SaaS")), and results in revenue being recognised over the period that these services are delivered to customers.

'White-labelling' or other 'Paid for development work' is generally provided on a fixed price basis and as such revenue is recognised based on the percentage completion or delivery of the relevant project. Where percentage completion is used it is estimated based on the total number of hours performed on the project compared to the total number of hours expected to complete the project. Where contracts underlying these projects contain material obligations, revenue is deferred and only recognised when all the obligations under the engagement have been fulfilled.

1 Principal accounting policies (cont'd.)

Revenue from all professional services is recognised as the applicable services are provided. Where professional services engagements contain material obligations, revenue is recognised when all the obligations under the engagement have been fulfilled. Where professional services engagements are provided on a fixed price basis, revenue is recognised based on the percentage completion of the relevant engagement. Percentage completion is estimated based on the total number of hours performed on the project compared to the total number of hours expected to complete the project.

Software and professional services sold via a distribution agreement will normally follow the above recognition policies.

Should any contracts contain non-standard clauses, revenue recognition will be in accordance with the underlying contractual terms which will normally result in recognition of revenue being deferred until all material obligations are satisfied.

The excess of amounts invoiced over revenue recognised are included in deferred income. If the amount of revenue recognised exceeds the amount invoiced the excess is included within accrued income.

Intangible Assets

(a) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is capitalised and recognised as a non-current asset in accordance with IFRS 3 and is tested for impairment annually, or on such occasions that events or changes in circumstances indicate that the value might be impaired.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Proprietary software

Proprietary software acquired in a business combination is recognised at fair value at the acquisition date. Proprietary software has a finite life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the associated costs over their estimated useful lives of 5 years.

(c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful economic life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship which has been assessed as 10 years.

(d) Research and Development expenditure

Expenditure associated with developing and maintaining the Group's software products is 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, which has been assessed as 5 years. Staff costs and specific third party costs involved with the development of the software are included within amounts capitalised.

(e) Computer software

Costs associated with acquiring computer software and licensed to-use technology are capitalised as incurred. They are amortised on a straight-line basis over their useful economic life which is typically 3 to 5 years.

Impairment of non-financial assets

At each reporting date the Group considers the carrying amount of its tangible and intangible assets including goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If there is such an indication, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) through determining the value in use of the cash generating unit that the asset relates to. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the impairment loss is recognised as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised as income immediately. Impairment losses relating to goodwill are not reversed.

Plant and Equipment

All plant and equipment are stated at historical cost less depreciation, costs include the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use. 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	- Between 20% - 33% straight line
Tenants improvements	- Between 10% - 20% straight line
Office furniture	- Between 14% - 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 Statement of Comprehensive Income 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.

Taxation

The charge for taxation is based on the profit for the period as adjusted for items which are non-assessable or disallowable. It is calculated using taxation rates that have been enacted or substantive enacted by the Balance Sheet date.

Deferred 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", a compensation expense is recorded in the Group's Statement of Comprehensive Income 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 Statement of Comprehensive Income. 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.

Investment in subsidiaries

Investment in Group undertakings is recorded at cost, which is the fair value of the consideration paid, less any provision for impairment.

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.

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' or 'cash and cash equivalents' 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

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.

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 Statements of Cash flows, cash and cash equivalents comprise cash on hand, deposits held with banks and short term highly 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 offered to every employee. Amounts payable in respect of these benefits are charged to the Statement of Comprehensive Income as they fall due. The Group has no further payment obligations once the payments have been made. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income, with a corresponding adjustment to equity. When the options are exercised the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

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

Share capital

Ordinary shares are classified as equity.

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 IFRS 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:-

- **Impairment assessment:-** the Group tests annually whether Goodwill has suffered any impairment and for other assets including acquired intangibles at any point where there are indications of impairment. This requires an estimation of the value in use of the applicable cash generating unit to which the Goodwill and other assets relate. Estimating the value in use requires the Group to make an estimate of the expected future cashflows from the specific cash generating unit using certain key assumptions including growth rates and a discount rate. Reasonable changes to these assumptions such as increasing the discount rate by 5% (20% to 25%) and decreasing the long term growth rate applied to revenues by 1% (2% to 1%) would still result in no impairment.

- **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.

- **Capitalisation of development expenditure:-** the Group capitalises development costs provided the conditions laid out previously within the accounting policies note 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.

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 risk), 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 and equity between approximately $802,000 and $883,000 (dependent on whether lower or higher) as a result of foreign exchange gains/losses on Sterling denominated transactions and the translation of Sterling denominated current liabilities. The Directors believe that 10% is appropriate for the sensitivity analysis based on recent movements in the exchange rates.

(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 and equity for the year in the region of $65,000 higher/lower respectively. The Directors believe that 25 basis points is appropriate for the sensitivity analysis based on recent market conditions.

(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.

3 Financial risk management (cont'd.)

(c) Counterparty risk

The Group has significant cash and cash equivalent balances and in order to mitigate the risk of failing institutions management have treasury deposits spread across a range of reputable banks, the details of which are disclosed on page"Directors, Secretary, and Advisors" on page 11.

(d) 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 a relevant maturity grouping based on the remaining period from the Balance Sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
At 30 June 2012					
Trade Payables	855	-	-	-	855
At 30 June 2013					
Trade Payables	**1,699**	**-**	**-**	**-**	**1,699**

There is no difference between the undiscounted liabilities and the amounts shown in Note 21 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.

4 Revenue

The chief operating decision maker has been identified as the Board of Directors. The Group revenue is derived entirely from the sale of software licences, white labelling and professional services (including installation) to hospitals within the United States of America. Consequently the Board has determined that Group supplies only one geographical market place and as such revenue is presented in line with management information without the need for additional segmental analysis. All of the Group assets are located in the United States of America with the exception of the Parent Company's, the net assets of which are disclosed separately on the Company Balance Sheet and are located in the UK.

Revenue is analysed as follows:

	2013 $'000	2012 $'000
Software licensing	**36,174**	34,002
White labelling	**-**	3,500
Professional services	**5,278**	3,565
Total revenue	**41,452**	41,067

5 Net operating expenses

Net operating expenses comprise the following:

	2013 $'000	2012 $'000
Sales and marketing expenses	**8,251**	8,804
Client servicing	**7,306**	7,189
Research and development	**6,932**	6,844
Administrative expenses	**4,433**	4,763
Release of contingent consideration on business combination	**-**	(954)
Share-based payments (Note 8)	**181**	152
Depreciation of plant and equipment	**621**	579
Amortisation of intangible assets	**1,055**	1,060
Exchange loss/(gain)	**102**	(21)
Net operating expenses	**28,881**	28,416

6 Operating profit

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

	2013 $'000	2012 $'000
Staff costs (Note 7)	**17,807**	17,847
Release of contingent consideration on business combination	**-**	(954)
Depreciation of plant and equipment	**621**	579
Amortisation of intangible assets	**1,055**	1,060
Impairment of trade receivables	**41**	417
Operating lease rents for premises	**828**	812

Services provided by the Group's auditor

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

	2013 $'000	2012 $'000
Statutory audit - Parent Company financial statements and consolidation	**85**	97
Tax compliance and other tax services	**111**	88
Other assurance services	**-**	5
	196	190

7 Staff costs

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

	2013 Number	2012 Number
Sales and distribution	**36**	37
Client servicing	**69**	72
Research and development	**66**	66
Administration	**27**	28
	198	203

Employment costs of all employees excluding non-executive Directors:

	2013 $'000	2012 $'000
Wages and salaries	**16,202**	16,222
Social security costs	**1,408**	1,457
Post employment benefits	**16**	16
Share-based payments	**181**	152
Total direct costs of employment	**17,807**	17,847
Highest paid director:-		
Salary and short-term employee benefits	**321**	313
Post employment benefits	**8**	8
Share-based payments	**38**	33
	367	354

Directors' emoluments are detailed in the Remuneration Committee Report on page 22 and key management compensation is given in the Related Party Transaction note on pages 51 and 52. Retirement benefits are accruing to 1 of the executive Directors under a defined contribution scheme (2012: 1).

8 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 Statement of Comprehensive Income of $180,623 (2012: $152,489) as detailed in Note 7 above.

Directors and employees interests in share options are set out in the Remuneration Committee Report on page 23.

The market value of share options exercised during the year ranged from $6.64 (£4.12) to $6.71 (£4.42). The market value at 30 June 2013 was $5.19 (£3.42).

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. A sufficiently long trading history of the Company's own share price, dating from IPO to date of grant, results in an actual volatility calculation for all grants from December 2010. Prior to this date volatility had to be 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	28-Jun-13	21-Sep-12	4-Sep-12	23-Sep-11	6-Sep-10	22-Dec-09	8-Sep-08
Options over Ordinary shares							
Share price at date of grant	$5.20	$6.50	$5.72	$8.66	$6.18	$5.34	$3.65
Share price at date of grant	£3.43	£4.00	£3.60	£5.61	£4.01	£3.35	£2.08
Vesting period (years)	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Expected volatility	36%	37%	37%	28%	24%	23%	40%
Risk free rate	0.73%	0.37%	0.16%	0.83%	1.18%	1.96%	4.41%
Dividend yield	2.7%	2.6%	2.5%	1.6%	2.2%	1.5%	1.5%
Exercise price	$5.20	$6.50	$5.72	$8.66	$6.18	$5.34	$3.65
Exercise price	£3.43	£4.00	£3.60	£5.61	£4.01	£3.35	£2.08
Number of employees	1	2	28	25	20	10	1
Shares under option	48,076	100,394	230,034	255,520	255,655	170,303	72,115
Fair value per option	$1.23	$0.94	$0.82	$1.42	$1.40	$1.34	$1.67

8 Share-based payments (cont'd.)

The following options have been granted over Ordinary shares:

2007 Share Option Plan:	2013 options number	2012 options number
Ordinary share options (£2.08 exercise price)		
Outstanding at 1 July	**72,115**	72,115
Forfeited	**-**	-
Exercised	**-**	-
Outstanding at 30 June	**72,115**	72,115
Ordinary share options (£3.35 exercise price)		
Outstanding at 1 July	**113,535**	170,303
Forfeited	**(10,629)**	(56,768)
Exercised	**(16,872)**	-
Outstanding at 30 June	**86,034**	113,535
Ordinary share options (£4.01 exercise price)		
Outstanding at 1 July	**121,806**	208,107
Forfeited	**(69,215)**	(86,301)
Outstanding at 30 June	**52,591**	121,806
Ordinary share options (£5.61 exercise price)		
Outstanding at 1 July	**155,111**	-
Granted		255,520
Forfeited	**(83,269)**	(100,409)
Outstanding at 30 June	**71,842**	155,111
Ordinary share options (£3.60 exercise price)		
Outstanding at 1 July	**-**	-
Granted	**230,034**	-
Forfeited	**(85,880)**	-
Outstanding at 30 June	**144,154**	-
Ordinary share options (£4.00 exercise price)		
Outstanding at 1 July	**-**	-
Granted	**100,394**	-
Forfeited	**(33,465)**	-
Outstanding at 30 June	**66,929**	-
Ordinary share options (£3.43 exercise price)		
Outstanding at 1 July	**-**	-
Granted	**48,076**	-
Forfeited	**-**	-
Outstanding at 30 June	**48,076**	-

9 Finance income

	2013 $'000	2012 $'000
Deposit interest receivable	**103**	107
Total interest receivable	**103**	107

10 Tax on profit on ordinary activities

	2013 $'000	2012 $'000
Profit on ordinary activities before tax	**10,603**	11,202
Current tax		
Corporation tax on profits of the year	**2,453**	3,790
Foreign exchange on taxation in the year	**152**	2
Adjustments for prior years	**(168)**	(762)
Total current tax charge	**2,437**	3,030
Deferred tax		
Origination & reversal of timing differences	**133**	(1,371)
Adjustments for prior years	**(264)**	645
Change in tax rate	**1**	5
Total deferred tax (credit)	**(130)**	**(721)**
Tax on profit on ordinary activities	**2,307**	2,309

The difference between the current tax charge on ordinary activities for the year, reported in the consolidated Statement of Comprehensive Income, 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:

	2013	2012
Profit on ordinary activities at the UK tax rate 23.75% (2012: 25.5%)	**2,518**	2,857
Effects of:		
Adjustment in respect of prior years	**(432)**	(117)
Change in tax rate	**1**	5
Additional US taxes on losses/profits 39% (2012: 39%)	**39**	(256)
Foreign Exchange	**152**	2
Non taxable income	**-**	(243)
Expenses not deductible for tax purposes	**(4)**	82
Tax deduction on share plan charges	**33**	(21)
Total tax charge	**2,307**	2,309

11 Dividends

The dividends paid during the year were as follows:-

	2013 $'000	2012 $'000
Final dividend, re 30 June 2012 - 8.9 cents (5.7 pence)/share	**2,481**	2,036
Interim dividend, re 30 June 2013 - 7.82 cents (5.2 pence)/share	**2,212**	2,057
Total dividends paid to Company shareholders in the year	**4,693**	4,093

The proposed final dividend for 30 June 2013 is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these accounts.

12 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.

	2013	2012
Profit attributable to equity holders of the Company ($'000)	**8,296**	8,893
Weighted average number of ordinary shares in issue (thousands)	**26,998**	26,946
Basic earnings per share ($ per share)	**0.307**	0.330
Profit attributable to equity holders of Company ($'000)	**8,296**	8,893
Release of deferred consideration on business combination	**-**	(954)
Amortisation of acquired intangibles ($'000)	**574**	574
Adjusted Profit attributable to equity holders ($'000)	**8,870**	8,513
Weighted average number of ordinary shares in issue (thousands)	**26,998**	26,946
Adjusted Basic earnings per share ($ per share)	**0.329**	0.316

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 granted to Directors and employees under the share option scheme.

	2013	2012
Profit attributable to equity holders of the Company ($'000)	**8,296**	8,893
Weighted average number of ordinary shares in issue (thousands)	**26,998**	26,946
Adjustments for:- Share options (thousands)	**69**	84
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,067**	27,030
Diluted earnings per share ($ per share)	**0.306**	0.329
Profit attributable to equity holders of Company ($'000)	**8,296**	8,893
Release of deferred consideration on business combination	**-**	(954)
Amortisation of acquired intangibles ($'000)	**574**	574
Adjusted Profit attributable to equity holders ($'000)	**8,870**	8,513
Weighted average number of ordinary shares in issue (thousands)	**26,998**	26,946
Adjustments for:- Share options (thousands)	**69**	84
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,067**	27,030
Adjusted Diluted earnings per share ($ per share)	**0.328**	0.315

13 Plant and equipment

Group	Computer Equipment $'000	Office Furniture $'000	Tenants Improvements $'000	Total $'000
Cost				
At 1 July 2012	1,565	852	1,654	4,071
Additions	167	9	14	190
At 30 June 2013	1,732	861	1,668	4,261
Accumulated depreciation				
At 1 July 2012	1,069	451	524	2,044
Charge for year	289	143	189	621
At 30 June 2013	1,358	594	713	2,665
Net Book Value at 30 June 2013	**374**	**267**	**955**	**1,596**
Cost				
At 1 July 2011	1,293	758	1,581	3,632
Additions	272	94	73	439
At 30 June 2012	1,565	852	1,654	4,071
Accumulated depreciation				
At 1 July 2011	811	310	344	1,465
Charge for the year	258	141	180	579
At 30 June 2012	1,069	451	524	2,044
Net Book Value at 30 June 2012	496	401	1,130	2,027

Company	Computer Equipment $'000	Office Furniture $'000	Tenants Improvements $'000	Total $'000
Cost				
At 1 July 2012	643	618	1,494	2,755
Additions	60	3	14	77
At 30 June 2013	703	621	1,508	2,832
Accumulated depreciation				
At 1 July 2012	525	348	469	1,342
Charge for year	80	106	141	327
At 30 June 2013	605	454	610	1,669
Net Book Value at 30 June 2013	**98**	**167**	**898**	**1,163**
Cost				
At 1 July 2011	609	599	1,452	2,660
Additions	34	19	42	95
At 30 June 2012	643	618	1,494	2,755
Accumulated depreciation				
At 1 July 2011	450	234	329	1,013
Charge for year	75	114	140	329
At 30 June 2012	525	348	469	1,342
Net Book Value at 30 June 2012	118	270	1,025	1,413

14 Intangible assets

Goodwill and Other Intangible assets

Group	Goodwill $'000	Customer Relationships $'000	Proprietary Software $'000	Development Costs $'000	Computer Software $'000	Total $'000
Cost						
At 1 July 2012	11,188	2,964	1,222	2,912	543	18,829
Additions	-	-	-	92	244	336
At 30 June 2013	11,188	2,964	1,222	3,004	787	19,165
Accumulated amortisation						
At 1 July 2012	-	395	326	1,718	380	2,819
Charge for the year	-	329	244	383	99	1,055
At 30 June 2013	-	724	570	2,101	479	3,874
Net Book Value at 30 June 2013	**11,188**	**2,240**	**652**	**903**	**308**	**15,291**
Cost						
At 1 July 2011	11,188	2,964	1,222	2,584	453	18,411
Additions	-	-	-	328	90	418
At 30 June 2012	11,188	2,964	1,222	2,912	543	18,829
Accumulated amortisation						
At 1 July 2011	-	66	82	1,308	303	1,759
Charge for the year		329	244	410	77	1,060
At 30 June 2012	-	395	326	1,718	380	2,819
Net Book Value at 30 June 2012	11,188	2,569	896	1,194	163	16,010

In accordance with the Group's accounting policy, the carrying values of goodwill and other intangible assets are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill arose on the acquisition of Craneware InSight Inc.

The carrying values are assessed for impairment purposes by calculating the value in use (net present value (NPV) of future cashflows) of the Craneware InSight cash generating unit. The goodwill impairment review assesses whether the carrying value of goodwill is supported by the NPV of the future cashflows based on management forecasts for 5 years and then using an assumed sliding scale annual growth rate which is trending down to give a long-term growth rate of 2% in the residual years of the assessed period. Management have made the judgement that this long-term growth rate does not exceed the long-term average growth rate for the industry and also estimated a pre-tax discount rate of 20%.

Sensitivity analysis was performed using a combination of different annual growth rates and a range of different weighted average cost of capital rates. Management concluded that the tempered growth rates resulting in 2% during the residual period and the pre-tax discount rate of 20% were appropriate in view of all relevant factors and reasonable scenarios and that there is currently sufficient headroom over the carrying value of the assets in the acquired business that any reasonable change to key assumptions is not believed to result in impairment.

14 Intangible assets (cont'd.)

Goodwill and Other Intangible assets (Cont'd.)

Company	Development Costs $'000	Computer Software $'000	Total $'000
Cost			
At 1 July 2012	2,912	296	3,208
Additions	92	224	316
At 30 June 2013	3,004	520	3,524
Accumulated amortisation			
At 1 July 2012	1,718	247	1,965
Charge for the year	382	46	428
At 30 June 2013	2,100	293	2,393
Net Book Value at 30 June 2013	**904**	**227**	**1,131**
Cost			
At 1 July 2011	2,584	261	2,845
Additions	328	35	363
At 30 June 2012	2,912	296	3,208
Accumulated amortisation			
At 1 July 2011	1,308	224	1,532
Charge for the year	410	23	433
At 30 June 2012	1,718	247	1,965
Net Book Value at 30 June 2012	1,194	49	1,243

15 Investments in subsidiary undertakings

The following information relates to the subsidiaries 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
Craneware InSight Inc	Ordinary	100%	Product Development & Professional Services

Craneware Inc. and Craneware InSight Inc. are both incorporated in the United States of America and Craneware plc holds 10,000 (2012: 10,000) and 1,000 (2012: 1,000) common shares respectively with a nominal value of $0.01 each. In FY12 $9,000,000 of the outstanding debt due from Craneware InSight Inc. was converted to equity.

The results of the Subsidiary companies have been included in the consolidated financial statements.

16 Trade and other receivables

	Group		Company	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Trade receivables	**8,448**	7,779	**7,748**	7,344
less: provision for impairment of trade receivables	**(607)**	(750)	**(505)**	(745)
Net trade receivables	**7,841**	7,029	**7,243**	6,599
Other receivables	**203**	342	**103**	76
Amounts owed from group companies	**-**	-	**6,000**	6,000
Prepayments and accrued income	**7,084**	5,189	**4,574**	4,353
	15,128	12,560	**17,920**	17,028
Less non-current trade receivables	**-**	-	**(6,000)**	(6,000)
Current portion	**15,128**	12,560	**11,920**	11,028

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

The $6,000,000 loan due to the Company from Craneware InSight Inc. is five years in its duration from the date of issue (the acquisition date) and interest is charged quarterly in accordance with the agreement at LIBOR plus 1%.

As at 30 June 2013, trade receivables of $623,906 (2012: $1,328,237) were past due and therefore deemed to be impaired. The amount of the provision against these receivables was $607,032 as of 30 June 2013 (2012: $749,898). The individually impaired receivables mainly relate to customers' 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:

	2013 $'000	2012 $'000
Less than 30 days past due	**-**	417
30 – 60 days past due	**45**	6
61 – 90 days past due	**317**	2
91 + days past due	**262**	903
	624	1,328

16 Trade and other receivables (cont'd.)

As at 30 June 2013, trade receivables of $4,630,211 (2012: $1,515,257) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 $'000	2012 $'000
Less than 30 days past due	**2,752**	811
31 – 60 days past due	**1,265**	186
61 – 90 days past due	**359**	148
91 + days past due	**254**	370
	4,630	1,515

As at 30 June 2013, trade receivables of $3,192,432 (2012: $4,935,213) were not past due or impaired, and the Group does not anticipate collection issues. A further $1,750 was not past due but deemed to be impaired due to a client in financial difficulty (2012: None).

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

	2013 $'000	2012 $'000
At 1 July	**750**	876
Provision for receivables impairment on revenue recognised	**568**	561
Receivables written off during year as uncollectable	**(184)**	(399)
Unused amounts reversed	**(527)**	(288)
At 30 June	**607**	750

The creation and release of provision for impaired receivables has been included in net operating expenses in the Statement of Comprehensive Income. 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.

17 Deferred taxation

Deferred tax is calculated in full on the temporary differences under the liability method using a rate of tax of 23% (2012: 24%) in the UK and 39% (2012: 39%) in the US including a provision for state taxes.

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

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
At 1 July	**1,470**	1,287	**(14)**	67
Credit/(charge) to comprehensive income	**130**	721	**(32)**	(6)
Transfer direct to equity	**15**	(538)	**15**	(75)
At 30 June	**1,615**	1,470	**(31)**	(14)

17 Deferred taxation (cont'd.)

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 at 30 June 2013 was $1,615,387 (2012: $1,470,259).

Deferred tax assets - recognised Group	Accelerated accounting depreciation $'000	Short term timing differences $'000	Losses $'000	Share Options $'000	Total $'000
At 1 July 2012	-	125	2,746	19	2,890
Credited to comprehensive income		327	(396)	2	(67)
Credited to equity	-	-	-	15	15
Total provided at 30 June 2013	**-**	**452**	**2,350**	**36**	**2,838**
At 1 July 2011	38	89	2,237	645	3,009
(Charged)/Credited to comprehensive income	(38)	36	509	(88)	419
Debited to equity	-	-	-	(538)	(538)
Total provided at 30 June 2012	-	125	2,746	19	2,890

Deferred tax liabilities - recognised Group	Accelerated tax depreciation $'000	Total $'000
At 1 July 2012	(1,420)	(1,420)
Credited to comprehensive income	197	197
Total provided at 30 June 2013	**(1,223)**	**(1,223)**
At 1 July 2011	(1,722)	(1,722)
Credited to comprehensive income	302	302
Total provided at 30 June 2012	(1,420)	(1,420)

The analysis of the deferred tax assets and liabilities is as follows:

Group	**2013 $'000**	2012 $'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 1 year	**1,581**	1,572
Deferred tax assets to be recovered within 1 year	**1,257**	1,318
	2,838	2,890
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 1 year	**(927)**	(1,157)
Deferred tax liabilities to be recovered within 1 year	**(296)**	(263)
	(1,223)	(1,420)
Net deferred tax assets	**1,615**	1,470

The Company's Deferred tax assets and liabilities are all expected to be recovered in the future.

Deferred tax assets - recognised

Company	Accelerated accounting depreciation $'000	Share Options $'000	Total $'000
At 1 July 2012	-	19	19
Credited to comprehensive income	-	1	1
Credited to equity	-	15	15
Total provided at 30 June 2013	**-**	**35**	**35**
At 1 July 2011	-	115	115
Charged to comprehensive income	-	(75)	(75)
Debited to equity	-	(21)	(21)
Total provided at 30 June 2012	-	19	19

Deferred tax liabilities - recognised

Company	Accelerated tax depreciation $'000	Total $'000
At 1 July 2012	(33)	(33)
Charged to comprehensive income	(33)	(33)
Total provided at 30 June 2013	**(66)**	**(66)**
At 1 July 2011	(48)	(48)
Charged to comprehensive income	15	15
Total provided at 30 June 2012	(33)	(33)

18 Called up share capital

Authorised

	2013		2012	
	Number	**$'000**	Number	$'000
Equity share capital Ordinary shares of 1p each	**50,000,000**	**1,014**	50,000,000	1,014

Allotted called-up and fully paid

	2013		2012	
	Number	**$'000**	Number	$'000
Equity share capital Ordinary shares of 1p each	**27,008,763**	**539**	26,991,891	538

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

- 16,872 Ordinary Share options were exercised in the year, as detailed in the Remuneration Committee Report on page 23.

19 Cash flow generated from operating activities

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

	Group		Company	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Profit before tax	**10,603**	11,202	**10,520**	12,870
Finance income	**(103)**	(107)	**(208)**	(270)
Depreciation on plant and equipment	**621**	579	**327**	329
Amortisation on intangible assets	**1,055**	1,060	**428**	433
Share-based payments	**181**	152	**115**	100
Movements in working capital:				
(Increase)/decrease in trade and other receivables	**(2,721)**	611	**(1,971)**	1,598
Increase/(decrease) in trade and other payables	**255**	(2,895)	**209**	(3,141)
Cash generated from operations	**9,891**	10,602	**9,420**	11,919

20 Cash and cash equivalents

	Group		Company	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Cash at bank and in hand	**30,277**	28,790	**27,452**	26,151

The effective rates on short term bank deposits were 0.36% (2012: 0.43%).

21 Trade and other payables - current

	Group		Company	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Trade payables	**1,699**	855	**569**	477
Amounts owed to group companies	**-**	-	**1,355**	2,433
Social security and PAYE	**376**	387	**160**	158
Other creditors	**8**	92	**1**	-
Accruals	**3,467**	4,590	**1,108**	1,065
Advance receipts	**-**	20	**-**	20
	5,550	5,944	**3,193**	4,153

Amounts owed to Group companies on trading accounts 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 Group's average payment period at 30 June 2013 was 16 days (2012: 20 days).

22 Contingent liabilities and financial commitments

a) Capital commitments

The Group has no capital commitments at 30 June 2013 (2012: $nil).

b) Lease commitments

The Group leases certain land and buildings. The commitments payable by the Group under these operating leases are as follows:-

	2013	2012
	$'000	$'000
Within one year	**679**	592
Between 2 and 5 years	**2,876**	2,469
More than 5 years	**4,760**	3,944
	8,315	7,005

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. At the end of the financial year the Group signed a new lease expanding the Atlanta office which is due to start in FY14, all other leases are consistent with the end of the previous year.

23 Related party transactions

During the year 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:-

	2013		2012	
Group	**Charged**	**Outstanding at year end**	Charged	Outstanding at year end
	$	**$**	$	$
Fees for services provided as non-executive Directors				
Fees	**91,165**	**-**	102,347	4,323
Salaries and Short-term employee benefits	**108,913**	**-**	95,126	-
Executive Directors				
Salaries and Short-term employee benefits	**623,158**	**-**	604,692	-
Post employment benefits	**7,843**	**-**	7,920	-
Share-based payments	**66,775**	**-**	57,635	-
Other key management				
Salaries and Short-term employee benefits	**958,521**	**-**	834,355	-
Post employment benefits	**7,843**	**-**	7,920	-
Share-based payments	**40,734**	**-**	33,894	-

23 Related party transactions (cont'd.)

Company	2013 Charged $	2013 Outstanding at year end $	2012 Charged $	2012 Outstanding at year end $
Fees for services provided as non-executive Directors				
Fees	**91,165**	**-**	102,347	4,323
Salaries and Short-term employee benefits	**108,913**	**-**	95,126	-
Executive Directors				
Salaries and Short-term employee benefits	**623,158**	**-**	604,692	-
Post employment benefits	**7,843**	**-**	7,920	-
Share-based payments	**66,775**	**-**	57,635	-
Other key management				
Salaries and Short-term employee benefits	**454,665**	**-**	447,974	-
Post employment benefits	**7,843**	**-**	7,920	-
Share-based payments	**26,064**	**-**	22,985	-
Amounts due to Craneware Inc - Subsidiary company				
Sales commission	**13,282,825**	**-**	12,135,044	-
Net operating expenses	**2,249,402**	**-**	1,037,951	-
Balance		**2,011,375**	-	2,727,573
Amounts due from Craneware InSight Inc - Subsidiary company				
Balance		**6,656,168**	-	6,294,917

Key management are considered to be the Directors together with the Chief Operating Officer, Chief Technology Officer (President of US Operations), the EVP of Marketing, SVP of Product Management, SVP of Human Resources (appointed to the Operations Board in July 2012) and EVP of Sales (appointed to the board in May 2013).

There were no other related party transactions in the year which require disclosure in accordance with IAS 24.

24 Ultimate controlling party

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

Personal Notes

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