Craneware plc Annual Report

for the year ended 30 June 2014

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 approximately 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 revenueintegrityjourney.com.

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Financial and Operational Highlights

Financial

- Record total contract value signed in the year of $71.0m (FY13: $38.5m)
- Revenue increased to $42.6m (2013: $41.5m)
- Adjusted EBITDA[1] increased to $13.1m (2013: $12.4m)
- Adjusted profit before taxation increased to $11.9m (2013: $11.2m)
- Profit before tax increased to $11.3m (2013: $10.6m)
- Basic adjusted EPS increased to 34.0 cents (2013: 32.9 cents), basic EPS increased to 31.9 cents (2013: 30.7 cents)
- Positive operational cash flow of $10.2m (2013: $9.9m)
- Cash at year end $32.6m (2013: $30.3m) after payment of $5.4m dividends to shareholders
- Proposed final dividend of 6.8p (11.63 cents) per share giving total dividend for the year of 12.5p (21.37 cents) (2013: 11.5p / 17.4 cents per share)

[1] Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation and share based payments.

Quick Facts — Financial

$42.6m
in revenue

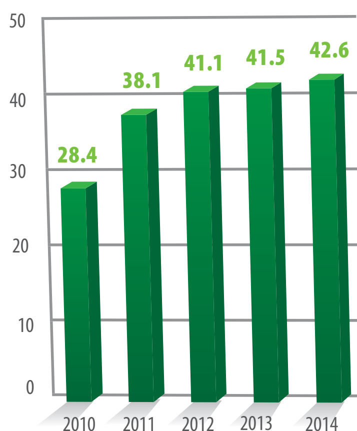
$13.1m
in adjusted EBITDA[1]

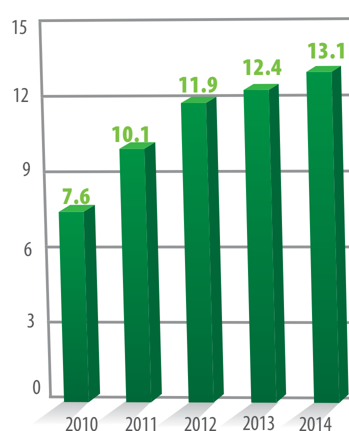
$32.6m
cash at year end

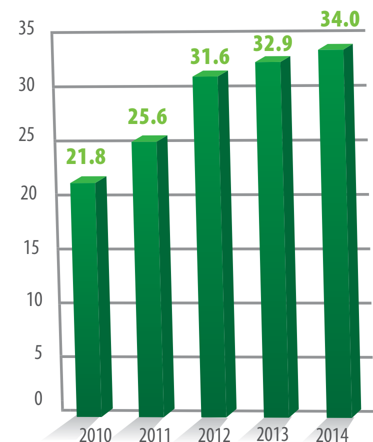
12.5p
total dividend for year

Operational

- Leading indicators of customer confidence in the US healthcare market:
  - Sales to all strata of hospitals
  - Return of 7 and 9 year contracts
  - Dollar renewal rates continue to be strong, within historic range
  - Longer average renewal contract lengths
  - Strong sales momentum and pipeline continue into FY15
- Supportive market environment for Craneware products due to continued regulatory and fiscal pressures on US healthcare providers
- Continued investment in product suite:
  - Major enhancement releases to gateway products
  - Furthering enterprise capabilities across product families
  - Post year end launch of Reference Plus; and
  - Acquisition of Kestros Limited







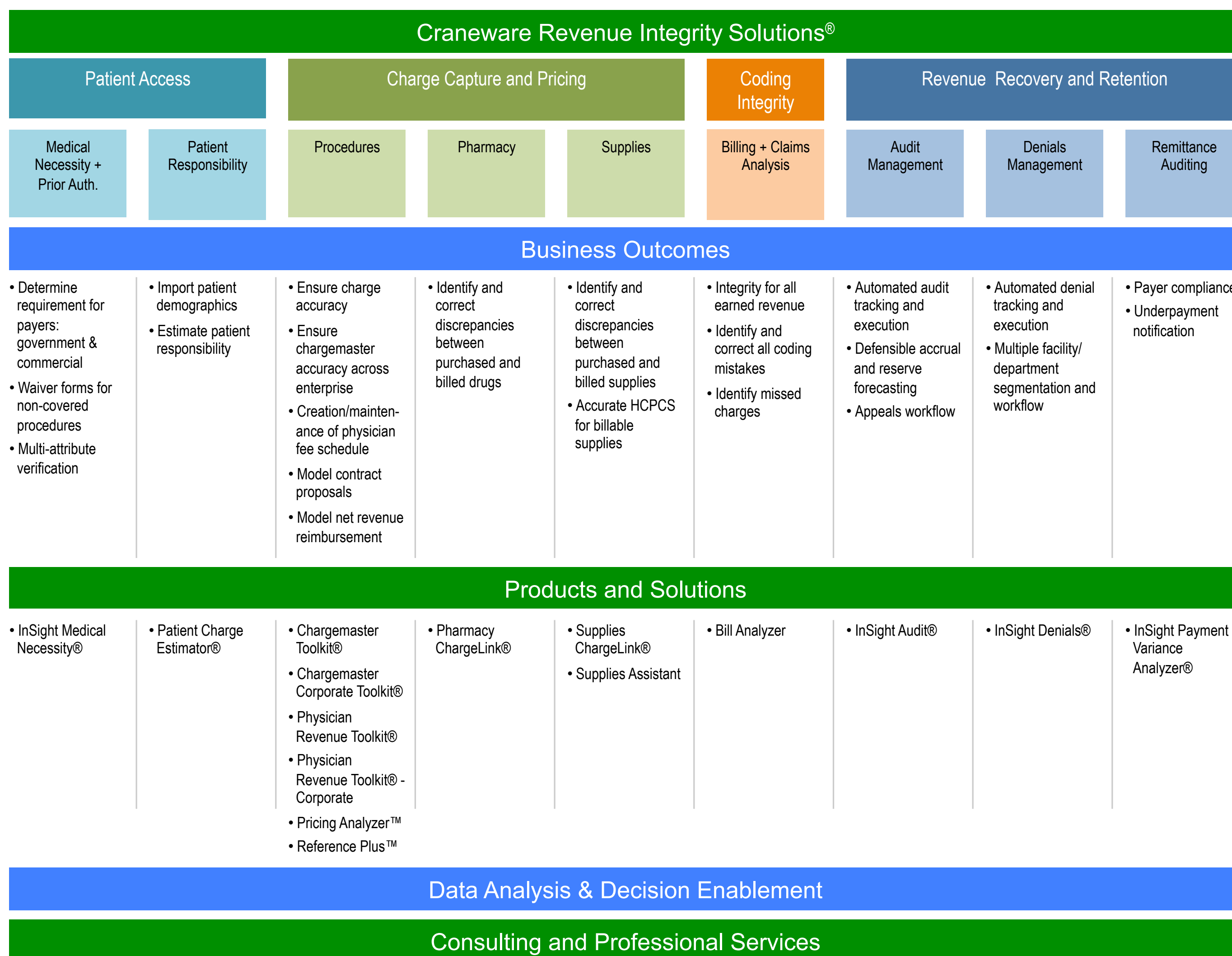
Quick Facts — The Technology

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 five product families – Patient Access, Charge Capture & Pricing, Coding Integrity, Revenue Collection & Retention, Data & Decision Enablement.

Craneware Products and Services



Patient Access

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 medical necessity validation for all major US payors and Advance Beneficiary Notice (ABN) creation. The software helps reduce accounts-receivable days by preventing medical necessity denials, and facilitates payment communication with patients.

Charge Capture & Pricing

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.

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

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

Pricing Analyzer™

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

Reference Plus™

provides a platform for hospitals with less than $44 million in operating expenses to perform chargemaster analysis and efficiently achieve appropriate revenue optimisation and compliant charging whilst accessing reference and regulatory resources for coding integrity.

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.

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.

Coding Integrity

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 third consecutive year.

Revenue Recovery & Retention

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.

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 – Charge Capture market category in the "2013 Best in KLAS Awards: Software & Services" report, published January 2014. www.KLASresearch.com Data © 2014 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.

"Increased sales activity… has resulted in a record sales performance for the Group."

George Elliott, Chairman

I am pleased to report that following a promising first half, the increased sales activity which had been building over prior years has resulted in a record sales performance for the Group during the year. The marketplace for our products is developing as we had anticipated, with sales now coming from both individual hospitals and larger hospital groups. This trend has continued in the first months of the new fiscal year and we expect this to continue in a positive manner in the year ahead. The strength of our business model, which spreads the value of each contract over its lifetime, is such that these sales successes are building a solid platform of future revenue on which the business will grow.

The total value of contracts signed in the year increased by 84% to $71.0m (FY13: $38.5m). In accordance with the Group's revenue recognition policy, the vast majority of the revenue from these sales will benefit future years. Revenues increased to $42.6m, adjusted EBITDA increased to $13.1m and adjusted EPS increased to 34.0 cents. The Group continued to benefit from strong operational cash flow, closing the period with a cash balance of $32.6m (30 June 2013: $30.3m).

We are now benefiting from the restructuring of the business in previous periods, achieving record sales and ensuring scalability and sustainability for the future. We continue to invest in our products and people to ensure that we remain at the forefront of this evolving sector of the US healthcare IT market, the world's largest IT industry. With the acquisition of Kestros Limited, an emerging technology player in the patient access market, after the year end, the Group is well positioned to develop solutions to address the ongoing consumerisation trend within healthcare on both sides of the Atlantic.

The market environment for the business remains positive. Craneware's growing product set addresses many of the problems facing US healthcare organisations and the Group is increasing in strategic importance to its customer base. I am pleased to report that we recruited Colleen Blye and Russ Rudish to the Board in November 2013 and August 2014 respectively. Colleen and Russ will be able to provide significant additional insight into the challenges facing US healthcare organisations.

With a quarter of US hospitals as customers, high levels of visibility over future revenue, a significantly strengthened operating structure and enhanced product set, we are confident in the ongoing success of the Group.

I would like to thank our staff for their enthusiasm and commitment. It is their passion that is the basis of our success.

Lastly, I would like to thank you, our shareholders, for your support.

George Elliott
Chairman
15 September 2014

"We have seen a significant increase in the total value of contracts signed across both new hospitals and existing customers."

Keith Neilson, CEO and co-founder

"We have made significant investments in prior years, which have strengthened the Group."

Craig Preston, CFO

Introduction

We are pleased to have delivered a strong year, showing progress in each of our five key strategic focus areas. These have resulted in increased relevance to our customers when considering their strategy for funding the effective delivery of healthcare in an evolving market.

These areas are, in the short to medium term:

- to strengthen and leverage our dominant position in the automated Chargemaster market to facilitate a greater understanding of the true value of this strategic asset to hospitals;
- to continue to invest and grow our Gateway solutions; and
- to establish revenue and market penetration for a Gateway product in the Patient Access and hospital consumerisation arena.

The two other areas of focus are more medium to long-term, being:

- to invest and grow our data analytics platform; and
- to continue to seek alternative channels to market.

We have made good progress in each of these five areas over the course of the year.

As a result we have seen a significant increase in the total value of contacts signed across both new hospitals and existing customers taking new product in the year, a positive leading indicator of future growth. While revenue and EBITDA growth in the year has been modest, the high levels of sales during the year have resulted in an increase in revenue which will be recognised in future years, providing us with a growing platform on which to build.

The majority of the larger contract wins in the year were secured in the second half of the year and are seen as the beginning of the return of sales to large hospital groups from our pipeline. These large deals, which contributed approximately a quarter of the total contract value in the period, had been missing from results in the previous two years. The sales pipeline continues to be at a record high across all strata of hospital, providing us with strong prospects for sales in the current year and beyond.

Craneware has progressed considerably since its IPO in 2007. We have a broader product set. We address many more of the key issues experienced by healthcare providers as they strive for revenue integrity. We have considerably increased scalability and management bandwidth. Additionally, we have a greater level of industry expertise within the business, providing us with better insight into the problems our customers face. We are effectively maturing from being a single product company, known primarily for its automated Chargemaster Toolkit, to a leader in the evolving revenue integrity marketplace. With a quarter of US hospitals already using at least one of our products, our vision is to be the partner healthcare providers rely on to improve and sustain strong financial performance with revenue integrity through the management of their cost base whilst ensuring receipt of all legitimate reimbursement . We believe that this will provide the financial foundations for sustainable improvements to patient care for the future.

As we look to this year, our long-term strategy and focus remain consistent and build upon last year's successes by concentrating efforts on four key areas: increase the awareness of Craneware's strategic relevance in the evolution of the financing and effectiveness of healthcare; continue the sales momentum gained last year across all strata of hospitals; ensure the success of our customers, confident in the knowledge that their success will lead to our success; and finally to continue to be innovative in the combinations of Revenue Integrity solutions that we bring to market and as we develop our future product sets to include data analytics and robust consumerisation solutions.

We are confident that with this strategy we are on the right path towards accelerated revenue and profit growth in future years.

Market Developments

The US healthcare market, worth more than $2.8 trillion, is quickly evolving and continues to grow through 2014. Healthcare expenditure in the United States is expected to increase to approximately $3.3 trillion in 2015, reaching 18% of GDP.*

With six main trends affecting US healthcare reimbursement, outlined below, the main priority of our customers continues to be providing quality care to their patients against the background of continuing cuts in Medicare reimbursements, imposed restructuring of their business models and increased pressure from payor auditors.

The Affordable Care Act

Impacts of the Affordable Care Act are well underway. The online Health Insurance Exchanges established under the Act, which allow individuals and small businesses to purchase private health insurance, resulted in enrollments from over 8 million people in the Health Insurance Marketplace according to a May 2014 press release from the US Department of Health and Human Services.

Hospitals will shortly begin to see large numbers of these patients in a setting that will be covered by at least a basic level of insurance where previously many hospitals would have been forced to see these patients and write off much of the treatment costs as charity care. Future supply and demand curves for hospitals are predicted to remove any current perceived spare capacity in the industry.

New Reimbursement Models

As part of the Affordable Care Act, healthcare providers and payors have been asked to consider and implement a wide range of new business models for managing healthcare and related reimbursement to reduce dependence on fee-for-service-only style payments. This involves reimbursement coming from a variety of healthcare business payment models. Alongside fee-for-service-based payment and bundled payment, US healthcare is working toward outcomes-based payment and is organising other new risk-sharing models for efficient population health management.

The charge is the common unit of measurement across all new business models that enables healthcare organisations to ensure they bill accurately for all services provided. To disperse the payments to varied providers in risk-sharing organisations, accurate charges enable each party to identify their portion of care. Population health management requires accurate charges as the basis for measuring cost-per-patient and cost-per-patient-type.

As multiple reimbursement models move more risk to the healthcare provider, they also create a greater dependency for them to claim reimbursement correctly, requiring the accuracy of data both clinically and financially within their systems to make correct assessment of the acquired risk. Residing at the points in a health system where clinical and operational data transform into financial transactions, the chargemaster is central to the quality drive, serving as the logical control point for data normalisation that combines disparate data sets whilst maintaining the localised context. Measuring a health system's operations from the viewpoint of its chargemaster enables the creation of organisation-wide visibility and accountability, whilst proffering valuable, actionable information regardless of the reimbursement models chosen.

Healthcare Consumerisation

With rising costs in healthcare being transferred disproportionately from the government, insurers and the employer to the consumer, hospitals have seen more than a trebling of their reimbursement coming directly from the consumer in the last ten years. This drive to consumerism and the need for healthcare organisations to focus on patient-direct billing as never before has resulted in a technology-backed focus on correct and efficient patient registration with payment arrangements and collections before the provision of treatment.

Payor Audits

With more than $3.7 billion in Medicare funds recouped from hospitals and other healthcare providers in the twelve months prior to June 30, 2014 alone, the Recovery Audit Programme has been a financial boom for Medicare. Medicare recovery audits continue to put strong pressure on hospitals, as hospitals must respond to audit requests within tight deadlines, coordinating to provide auditors with complete medical records and documentation from multiple systems, and to show that care provided meets criteria as medically necessary, and to effectively manage related payment appeals.

The Medicare Recovery Audit Programme is also in a period of transition. In order to complete all outstanding claim reviews and related processes by the end date of the current Recovery Auditors' contracts, there is a delay in the procurement process for the ensuing round of contracts to be awarded to the next set of Recovery Auditors. In the meantime, the current Recovery Audit Programme contracts have been extended so that these active Recovery Auditors' can continue sending additional documentation requests and initiating automated reviews, however their activities after June 1, 2014 are limited until new contracts are awarded.

Healthcare providers currently have billions of dollars in denied payments tied up in a massive backlog of appeal cases. The backlog is causing wait times of two or more years for appeal resolution. In May 2014, the American Hospital Association filed a lawsuit to compel Medicare to meet its stated requirement of 90-day appeal resolution. In an attempt to clear this backlog, Medicare has begun offering partial payment on these claims if providers agree to drop their appeal.

The Recovery Audit Programme's success has also led to the growth of audits as a method for commercial insurers as well as other government agencies such as Medicaid to categorise payments being made to hospitals as improper until the hospital defends its reimbursement. These trends all reinforce the business need for hospitals to mitigate their exposure to the risk of having their revenue reduced by ensuring they have the correct processes and tools to ensure Revenue Integrity in the initial instance and to be able to track, trend, and manage the variety of financial audits that hospitals face in today's healthcare environment.

*Source: The US Centers for Medicare & Medicaid Services, Office of the Actuary, "National Health Expenditure Projections and Selected Economic Indicators, Levels and Annual Percent Change: Calendar Years 2006-2022," which incorporate estimates from June 2013 of Gross Domestic Product.

ICD-10 Coding Transition

For the fourth time, the compliance deadline has been delayed for US hospitals and health systems to have to report their claims with an International Classification of Diagnosis Code Version 10 (ICD-10) replacing the simpler version 9, which is currently mandated for the US. Although very large in its magnitude and increased complication for providers, as this conversion from ICD-9 to ICD-10 has been scheduled for a long time (with the most recent delay moving the US compliance deadline from October 2014 to October 2015) the majority of hospitals have had time to detail and advance their plans to deal successfully with this conversion. Although getting these codes wrong on a claim could have a catastrophic effect on a hospital's reimbursement, the number of hospitals that appear to have not been successfully testing their claims with this data set is limited and therefore should not substantially result in a diversion for hospitals, as long as the payor systems are equally robust.

Consolidation and Affiliation

As reported in previous periods, the increasing trend for healthcare providers to consolidate and affiliate to share economies of scale continues. This has introduced more complex operational challenges for hospitals as they choose to run their operations over many disparate Patient Accounting Systems from different vendors or consolidate onto one patient accounting platform from a single vendor. This decision has accelerated the migration of healthcare providers into other Patient Accounting System platforms with the need for tools to monitor this progress and compensate for functionality that previously existed in legacy systems.

Management believes Craneware has the most extensive suite of revenue integrity solutions to address the aforementioned healthcare trends and is confident of its growing prominence within the US healthcare market as it continues to further develop and enhance its solutions for Patient Access, Charge Capture & Pricing, Coding Integrity, Revenue Collection & Retention, Data & Decision Enablement, which encompass the span of the revenue cycle, supply chain and audit areas in US healthcare organisations.

Sales and Marketing

The Group delivered an outstanding sales performance in the year, in part reflecting the anticipated development of the natural buying cycle, with the increasing engagement of larger hospital groups and their inherently more complex buying decisions. Total contract sales values of $71.0m were a result of the investments made into the sales force over the last two years through increased capacity at a sales leadership level, training and a new competitive incentive scheme to drive this performance.

The average length of new customer contracts continues to be in line with our historical norms of approximately five years, although we have seen the return of seven and nine year contracts in the year, which is reflective of the increasing market confidence of our customers. 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 remains greater than three years, in line with our expectations.

Renewal rates by dollar value is a financial metric that specifically ties to the revenue visibility for future years. This metric, at 95%, is within expected norms of 85-115% including cross-selling of further products to renewing clients. Variations are driven by the timing of individual renewals, additional product sales and contract negotiation or cancellation. Length of our average contract for renewals in the period has increased to four years, a significant increase from two and a half years previously, driven by an active engagement with clients on one-year evergreen auto-renew contracts to sign new multi-year contracts.

The sales mix remained fairly constant throughout the period, resulting in no change to the overall product attachment rate, which remained steady at approximately 1.6 products per customer. We have made further strides in the promotion and market acceptance of our other Gateway products, outside of Chargemaster Toolkit. In a year of record total sales, the sales of Chargemaster Toolkit and our other two gateway products Pharmacy ChargeLink and InSight Audit was approximately in the ratio of 3:2:1.

Our marketing focus has been on developing messaging that builds on our historic brand values but highlights in a more contemporary setting the strategic relevance of our assets in the effective running of hospital operations across multiple disciplines targeting the "C Suite" including the CFO of healthcare providers. The importance of revenue integrity to all healthcare providers is gaining increasing exposure at the top tier management of these organisations as there is a growing realisation that under new payment models, cost base management and receipt of legitimate reimbursement combine to ensure revenue Integrity which is far more critical than just monitoring and managing Revenue Cycle alone. We are now seeing acknowledgment across the "C Suite" that financial and clinical operations have to be aligned financially to drive better healthcare and therefore better patient outcomes.

Awards

Once again two of our solutions ranked first in two distinct revenue cycle categories in the annual "2013 Best in KLAS Awards: Software & Services" report, published January 2014. In this KLAS report, Craneware's flagship product, Chargemaster Toolkit®, earned the #1 ranking in the KLAS "Revenue Cycle – Chargemaster Management" market category for the eighth consecutive year, and Craneware's Bill Analyzer software ranked #1 in the "Revenue Cycle – Charge Capture," winning a Category Leader award for the third year running.

In June 2014, the Healthcare Financial Management Association (HFMA) recognised five Craneware products at HFMA's 2014 Annual National Institute in Las Vegas, for earning the "Peer Reviewed by HFMA®" standard every year since 2004, the first year of the Peer Review program. This is a testament to Craneware solutions' ability to effectively enable hospitals and health systems to achieve revenue integrity.

The Craneware products receiving this distinction include Chargemaster Toolkit®, Chargemaster Corporate Toolkit®, Online Reference Toolkit®, Interface Scripting Module, and Bill Analyzer: the only healthcare products and services to earn this designation every year since the inception of the program.

Product Development

Our strategy is to provide software solutions that help customers at the points in their systems where clinical and operational data transform into financial transactions. Our solutions automate data normalisation, combining disparate data sets while maintaining the localised context. This produces valuable, actionable information and creates organisation-wide visibility and accountability. We consistently receive feedback from our customers that the implementation of our software can have a profound effect on hospital operations, enabling the rapid identification of significant amounts of dollars in missed revenue, overspend on their cost base or incorrect billing that could lead to lost income and fines. We want to enhance these findings with data analytics that sit natively within our products and draw benchmarks from underlying data from our customer footprint and proprietary data sets.

During the year we have progressed the initiatives that were launched in the prior year. These include continuing to enhance the functionality of current products whilst investigating the opportunities that integration of current offerings into new innovative combinations could present; leveraging our competencies to help clients that are in a consolidation phase (as target or acquirer) to better understand synergies from their combined financial operations regardless of patient accounting platform. Craneware provides an enterprise-wide view, and management believe this is a substantial competitive advantage. We maintain our focus on external integration with Healthcare Information Systems, such as the EPIC patient accounting system, to ensure we can fully support all our customers should they decide to replace their current systems.

With the acquisition of Kestros Limited post year-end it is expected that we will be able to use technology already proven by them to develop a new fourth Gateway product in the Patient Access and Consumerisation area for intended FY16 launch.

During the year we completed the development of a hybrid solution, which combines services with some of our core products that enables them to be implemented at smaller hospitals that do not have their own internal revenue integrity teams. This solution was subsequently launched on the 2nd of September 2014.

In conjunction with and in support of these initiatives, we have continued development of our common software framework. This will provide the foundation for our future development efforts, significantly decreasing our time to market. Product development continues to be focused on supporting this long-term strategy as well as utilising technology to further enhance options for products to move further on to the cloud and mobile platforms.

Financial Review

Revenues reported for the financial year under review were \$42.6m (FY13: \$41.5m) which has resulted in an adjusted EBITDA of \$13.1m (FY13: \$12.4m).

We have made significant investments in prior years, which have strengthened the Group in many ways, and positioned Craneware for its next stage of growth. In addition to the ongoing investments we make to our product suites, we have further invested in our people, both increasing the management bandwidth and the levels of expertise across the Group. A major focus of our investment has been in our sales force. Here, as reported previously, we have made key hires into the sales leadership level increasing the previous capacity; have developed our core sales force through enhanced training initiatives; implemented additional sales support and contracting functions to ensure we maximise the capacity of individual sales managers and have redesigned sales incentive plans to ensure we drive the performance we expect.

These investments were initially made in a market environment that was in the early stages of recovery. In the prior year, we reported that we had seen the return of individual hospitals and small hospital groups as purchasing entities. As expected, this trend has continued to develop with our current year sales including sales to all types of hospital entities, from individual hospitals to the large multi-hospital network sales that have been announced during the year.

It is pleasing that through both the anticipated development of our US health provider marketplace and its increasing refocus on revenue integrity combined with the investments we have made, we have delivered a record sales performance in the year, delivering a total value of contracts (sales) signed during the year of \$71.0m (FY13: \$38.5m). Due to the Group's business model, these sales represent a leading indicator of future growth, not significantly impacting financial results in the year in which they are signed.

Business Model

As a result of the Group's business model and associated revenue recognition policies, sales and revenue have separate meanings and cannot be interchanged. The Group continues to recognise the vast majority of revenue under its annuity Software-as-a-Service (SaaS) revenue recognition model. The strategy behind this business model is to ensure the long-term growth and stability of the Group.

As it is highly likely the levels of sales will fluctuate between individual years, the Annuity SaaS business model adopted by the Group delivers a 'smoothing' of these fluctuations and provides for more even and consistent growth over the long term. 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 hospital contracts over an average life of five years, we will see the benefit of any new sales over this underlying contract term.

As well as the incremental licence revenues we generate from each new sale, we normally expect to deliver an associated professional services engagement. This revenue is typically recognised as we deliver the service to the customer, usually on a percentage of completion basis. The nature and scope of these engagements will vary depending on both our customer needs and which of our solutions they have licenced. However these engagements will always include the implementation of the software as well as training the hospital staff in its use.

As a result of the different types of professional services engagements, the period over which we deliver the services and consequently recognise all associated revenue will vary, however we would normally expect to recognise this revenue over the first year of the contract.

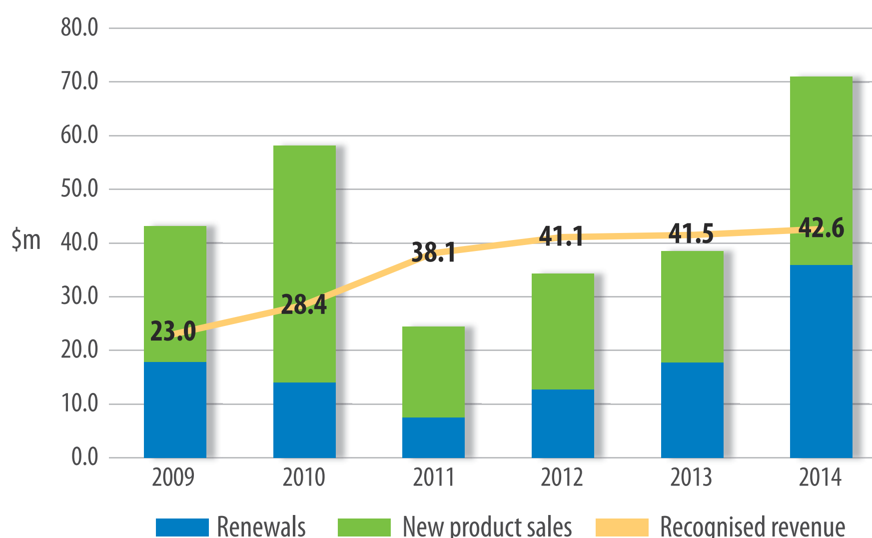
In any individual year we would normally expect between 10% to 20% of revenues reported by the Group to be from services performed.

Our final revenue model results from the ClaimTrust, Inc. acquisition in 2011. As the company has now been fully integrated, the ongoing transition of customers to the Annuity SaaS business model, and the redeployment of their highly skilled healthcare consultants from more traditional services work to contracted engagements that directly support existing customers and potential new software sales, means this revenue now represents less than 5% of total Group Revenues reported. This revenue model results in revenue still being recognised monthly (as billed) and is recurring in its nature, but as it is not signed under long term non-breakable contracts it does not deliver the same advantages as the Annuity SaaS model.

As a result of these revenue recognition models, based on our average contract life for new hospitals of five years, the maximum value of an average contract that is expected to be recognised as revenue in any one year is 20% plus the value of associated services that have been delivered. In all cases, should the contract contain any material contingencies or any increased risk of collection is identified, revenue is deferred until the contingency or otherwise 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.

Sales, Revenue Reported and Revenue Visibility

The difference between revenue and sales under the Annuity SaaS business model can be demonstrated by reviewing the last five years sales levels to the reported revenue numbers. In the table below we show our total contracts signed in the relevant years between sales of new products (to both new and existing hospital clients) and clients who are renewing their contracts at the end of their terms, our total sales and compare this total to the revenue reported.



Fiscal Year	2009 $m	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m
New Product Sales	25.4	44.1[1]	16.9	21.6[2]	20.8	35.1
Renewals[3]	17.8	14.0	7.5	12.7	17.7	35.9
Total Contract Value	43.2	58.1	24.4	34.3	38.5	71.0
Reported Revenue	23.0	28.4	38.1	41.1	41.5	42.6

[1] FY10 included the large reseller agreement with Premier, Inc. that added $15m to the new product sales and therefore total contract value in the year, with revenue being recognised over ten years.

[2] FY12 included the large white label and reseller agreement that added $7.5m to new product sales and therefore total contract value in the year, with the $3.5m white label revenue recognised in the year and the remaining $4m recognised over the related 28 month period.

[3] As the Group signs new customer contracts for between three to nine years, the number and value of customers' contracts coming to the end of their term ("Renewal") will vary in any one year. This variation along with whether customers auto-renew on a one year basis or renegotiate their contracts for up to a further nine years, will impact the total contract value of renewals in any one year.

As described above, the advantages of the Group's business model is to protect against short term fluctuations in sales levels, thereby promoting long-term growth and stability. The majority of the revenue from any new sale will not be recognised in the year of sale. Instead, this balance of unrecognised revenue leads to *Future Revenue Visibility*. This is revenue that is under contract, that is going to be recognised in future years, and subject to the renewal of the contract at the end of its original life, forms an annuity base of revenue for the Group that increases with each new sale.

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).
- Other recurring revenue (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. five years) and will require their contracts to be renegotiated and renewed for the revenue to be recognised. The average value of customers renewed in any period (including cross sell and upsell to those customers on renewal) is over 100% renewals by dollar value therefore it is reasonable to conclude little additional risk is associated to this revenue. The final category "Other recurring revenue" 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.

The Group's total visible revenue for the three years as at 30 June 2014 (i.e. visible revenue for FY2015, FY2016 and FY2017) shows how, combined with renewals and other recurring revenue, we expect the current excess of contracted value of sales to revenue reported to benefit the Group in this next three year period. The total of this visible revenue is $112.8m and breaks down as follows:

- Future revenue under contract contributing $76.4m of which $32.0m is expected to be recognised in FY15, $24.9m in FY16 and $19.5m in FY17.
- Revenue generated from renewal activities contributing $33.3m; being $5.2m in FY15, $11.3m in FY16 and $16.8m in FY17.
- InSight revenue identified as recurring in nature of $3.1m.

Revenue

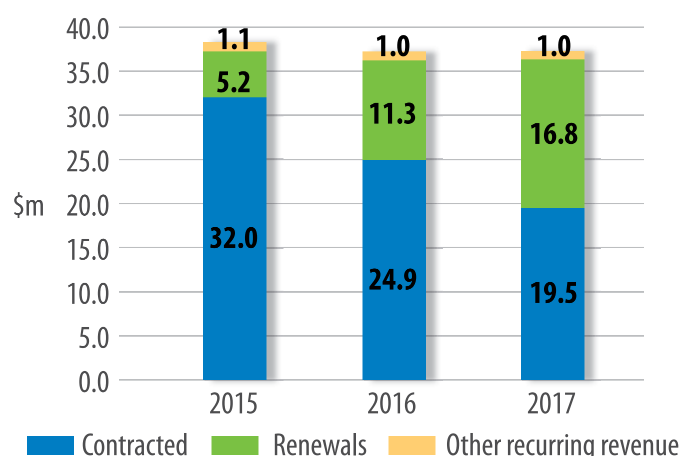
We are reporting revenue for the year of $42.6m (2013: $41.5m). Underlying this marginal growth in revenue we have seen the return of sales to large hospital networks, as well as the return of seven and nine year contracts.

As anticipated, the redeployment of the skilled healthcare consultants from more traditional services work (part of the ClaimTrust, Inc. acquired contracts) to contracted engagements directly supporting existing customers and supporting potential new software sales has had an impact on levels of professional services revenues delivered in the year. This has reduced from $5.3m in FY13 to $4.9m in FY14, however this transition effect is expected to be short term in nature and professional services revenue at 11% 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 and as a result of the sales performance in the year we expect this revenue stream to expand and contribute to future years' revenue growth.

Gross Margins

The Gross Profit for the year was $40.6m (FY13: $39.4m) which represents a stable gross margin percentage of 95% in both the current and prior year. Included within the Group's cost of sale is the commissions paid to sales managers on execution of contracts. As detailed earlier the

Three Year Visible Revenue



Group has introduced a new competitive sales incentive scheme, and this combined with the significant increase in the total value of sales contracts in the year has resulted in higher levels of commissions being earned in the current year.

The new IFRS15 Revenue Standard, expected to be adopted in the EU in the future, has an effective date for accounting periods on or after 1 January 2017. Whilst yet to fully assess the impact of the full standard, part of this standard codifies the accounting for sales commissions on long-term contracts, which our licence contracts effectively are. The approach is consistent with the outcome required by current GAAP and would be the approach expected under US GAAP, and as such the Group is charging sales commissions earned under the new incentive scheme in the year over the life of the underlying contracts. The result of this is a consistent Gross Margin of 95% and 'deferred contract costs' recorded in the balance sheet of $2.3m that will be charged to cost of sales in line with the recognition of the related revenue. Due to new commission plan and the associated level of sales that have resulted, not to take this approach would result in profitable long-term contracts signed in the year, being represented as loss-making in their first reporting period solely as a result of mismatching costs incurred with how the Annuity business models evenly recognise revenues. As a result, the current year commission charge is materially in line with the prior period.

Earnings

Adjusted earnings before interest, taxation, share based payments, depreciation and amortisation ("Adjusted EBITDA") has grown in the year to $13.1m (FY13: $12.4m) an increase of 6%. This reflects an Adjusted EBITDA margin of 30.7% (FY13: 29.8%). 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 managing to ensure the efficiency of the investments we make.

Operating Expenses

Net operating expenses (before share based payments, depreciation and amortisation) have, despite the investments we have made in key areas, only increased marginally to $27.6m (FY13: $27.0m). We continue to invest in the future growth of the Group whilst looking to leverage the investments we have made in prior years. Continued investment in line with the growth of the Group will provide us the opportunity to deliver on the Group's strategy.

As innovation will continue to be core to the Group's future we continue to invest in Product Development spend, which has remained at $7.0m with no significant amounts capitalised in the year.

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 that has enabled us to grow our cash reserves to $32.6m (FY13: $30.3m). These cash levels are after paying $2.2m in taxation (FY13: $3.4m) and a further $5.4m (FY13: $4.7m) to our shareholders by way of dividends.

We retain a significant level of cash reserves to fund 'bolt-on' acquisitions as 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.

As a result of the guaranteed minimum revenues associated to a partner deal entered into in February 2012, we have been building up an accrued revenue balance as we recognised the associated revenue under our normal revenue recognition model. This accrued balance reached its maximum level of $4m at 30 June 2014, at which point it was invoiced in line with the underlying contractual terms and was recorded in Trade Receivables. Since the year end, $3.6m of this balance has been cleared. The remaining amounts relate to an ongoing project and these amounts will be fully paid by February 2015. The underlying contract with this partner has been renewed for a minimum further term of one year, allowing them on a non-exclusive basis to sell our white-labelled software on a value added reseller basis to State and Federal customers, however no further contracted revenues were due as at 30 June 2014. No amounts relating to this contract are included in our three year visible revenue detailed earlier.

Post Balance Sheet Event: Acquisition of Kestros Limited

On 28 August 2014, Craneware acquired the entire share capital of Kestros Limited for a maximum consideration of $2.14m (£1.25m) that will be adjusted according to revenue milestones. £150,000 of the consideration has been paid in cash with the remainder paid in new Craneware equity. The acquired assets and intellectual property of this emerging Scottish technology company, will provide Craneware with a technology platform in the high growth Patient Access market, addressing the growing level of consumerisation within Healthcare.

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 been impacted through exchange rate movements, with the average exchange rate throughout the year being $1.6262 as compared to $1.5685 in the prior year. However, this has been immaterial to our results.

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 sales performance in the year has increased the levels of income in both jurisdictions, and as detailed in previous years we are as a result seeing our effective tax rate return to more normalised levels. However this has been partially offset by the reduction in the levels of professional services revenue generated in the year. As all professional services are delivered in the US, the resulting lower levels of this revenue impacts the overall total income subject to taxation in the US. As result of the higher taxation levels in the US, the current year's effective tax rate is 24% (FY13: 22%). Effective tax rates will increase in future years if the ratio of underlying professional services to software license revenues increases and the overall levels of sales increase.

EPS

In the year adjusted EPS has increased to $0.340 (FY13: $0.329) and adjusted diluted EPS has increased to $0.338 (FY13: $0.328). The increase in EPS is driven by the increased levels of EBITDA but has been impacted by the increasing effective tax rate.

Dividend

The Board recommends a final dividend of 6.8p (11.63 cents) per share giving a total dividend for the year of 12.5p (21.37 cents) per share (2013: 11.5p (17.4 cents) per share). Subject to confirmation at the Annual General Meeting, the final dividend will be paid on 16th December 2014 to shareholders on the register as at 14th November 2014, with a corresponding ex-Dividend date of 13th November 2014.

The final dividend of 6.8p 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 14th November 2014. The exact amount to be paid will be calculated by reference to the exchange rate to be announced on 14th November 2014. The final dividend referred to above in US dollars of 11.63 cents is given as an example only using the Balance Sheet date exchange rate of $1.7099/£1 and may differ from that finally announced.

Outlook

We have been pleased with the Group's performance in the year. We have seen signs of growing customer confidence and believe Craneware is increasingly well positioned to address a growing market opportunity in what is the largest software vertical in the world; the US healthcare market.

Craneware remains at the forefront of providing solutions to US healthcare providers to help them achieve revenue integrity through the management of their cost base whilst ensuring receipt of all legitimate reimbursement. We believe true revenue integrity is required if healthcare providers are to continue to support improved patient care and clinical outcomes.

Investments in the business mean we have the people and the expertise in place to take us through the next stage of growth, building on our record sales performance. We have had a strong start to the current year, carrying on the momentum from the previous year and are confident we have the platform to deliver ongoing increased stakeholder value.

Keith Neilson
Chief Executive Officer

Craig Preston
Chief Financial Officer
15 September 2014

Strategic Report: Key Performance Indicators and Principal Risks and Uncertainties

Key Performance Indicator Review

Revenue Growth	2014	2013
Revenue	**$42.6m**	$41.5m
Growth	**3%**	1%

Revenue for the year grew by 3%, whilst still below our historical norms, has increased over the prior year. The Group's Annuity SaaS revenue recognition model means the full benefit of current year's sales will be recognised in later years.

Adjusted EBITDA Growth	2014	2013
EBITDA	**$13.1m**	$12.4m
Growth	**6%**	4%

We continue to invest in the future growth of the Group whilst looking to leverage the investments we have made in prior years. By taking a measured approach to investment we aim to release additional investment, in line with revenue growth, with the focus on delivering profitable growth to all stakeholders.

Adjusted EPS	2014	2013
Adjusted EPS	**34.0 cents**	32.9 cents
Growth	**3%**	4%

Adjusted EPS growth is a factor of the the Group's overall profitability after taking into account the taxation in the year. 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, which is a function of both the level of sales in the year and the level of professional services income.

Cash	2014	2013
Cash	**$32.6m**	$30.3
Operating Cash Flow Generation	**$10.2m**	$9.9m

The Group continues to convert very high levels of the Adjusted EBITDA reported in the year into Operating Cash flows. From these cash flows tax of $2.2m has been paid and $5.4m has been returned to our shareholders by way of dividends. This has resulted in a net increase in cash of 8% over the prior year.

Three Year Revenue Visibility	2014	2013
Three Year Revenue Visibility	**$112.8m**	$103.0m*

* Three year revenue visibility was adjusted during FY13 to reflect the redeployment of skilled healthcare consultants from more traditional services work (part of the ClaimTrust Inc acquired contracts) to 'contracted engagements' directly supporting existing customers and supporting potential new software sales

The three year revenue visibility metric compares the three years contracted, revenue subject to renewal and other recurring revenue, for the three year period starting 1 July 2014. Full details of how this is calculated are detailed in the financial review section of the Operational Review. The growth in this metric is a result of sales in the year and reflects the growing annuity revenue base that results.

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 and Financial Review on pages 5 to 12.

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 Evolution and Reform

Issue: The US healthcare industry continues to evolve, with the emergence of new payer models and a shift towards consumerisation, the outcome and nature of this market is subject to continual change 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:

- Key hires adding to the industry expertise across the Group, both at operational and strategic levels;
- Having independent industry experts attend and speak at internal and external Company events;
- Regular attendance by senior management at healthcare forums and industry education events; and
- Client forums.

Significant industry expertise has been added at both the Operations Board and the PLC Board. These Boards 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 that 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 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 has made significant investments over the prior years to increase bandwidth at both the Operations and PLC Board levels. 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 any additional resourcing necessary as a result of 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 has significantly expanded and strengthened its senior management team, with three new appointments to the Operations Board having been made in the prior year. 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 copyrights and protects access to its 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: The Group has increasing experience of acquisitions and Board members individually have significant experience in regards to completing acquisitions, gained prior to joining the Group. 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 21 to 24.

In summary, the US healthcare market is not immune to the macro-economic climate and, with the increasing focus and requirements of the evolving healthcare marketplace, 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.

Craig Preston
Chief Financial Officer
15 September 2014

Directors, Secretary, and Advisors

Directors

G R Elliott (Chairman, non-executive)
K Neilson
C T Preston
N P Heywood (non-executive)
R F Verni (non-executive)
C Blye (non-executive), appointed 12 November 2013
R Rudish (non-executive), appointed 28 August 2014

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
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Solicitors

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

Board of Directors

George R Elliott, 61 — Non-Executive Chairman :: Appointed 10 August 2007

George is non-executive Chairman of Cupid plc, an online dating and data company, Calnex Solutions Ltd, an Ethernet test equipment manufacturer and Cooper Software Ltd, an ERP systems integrator and is also a non-executive director of Two Big Ears Ltd, which develops audio content and development tools for emerging mobile technologies. Since 2007 he has been non-executive chairman/director of a number of technology companies, including MicroEmissive Displays Group plc, Corsair Components Inc, Kewill plc, and Summit Corporation plc. From 2000-2007 George was Chief Financial Officer of Wolfson Microelectronics plc, 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, 45 — 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. Keith is a syndicate member and Partner in Par Equity LLP. Keith is also proud to be a Patron of the Princes Trust and a Trustee of the Polar Academy both charitable organisations that work for the benefit of young people.

Craig T Preston, 43 — 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, 52 — Non-Executive Director :: Appointed 31 January 2002

Neil is chairman of Codeplay Software Ltd and Two Big Ears Ltd, and a non¬-executive director at Games Analytics Ltd. He is also a director of Matrix Alpha Analytics, a company providing services to the hedge fund sector, and an advisory panel member at Par Equity LLP. Previously he was CEO of Quadstone, a marketing analytics company, and head of the Edinburgh Parallel Computing Centre at the University of Edinburgh.

Ron F Verni, 66 — Non-Executive Director :: Appointed 1 May 2009

Ron is currently a director of On Deck Capital, and on the Board of Advisors of 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.

Colleen Blye, 54 — Non-Executive Director :: Appointed 12 November 2013

Colleen Blye is the Executive Vice President and Chief Financial Officer for Catholic Health Systems of Long Island ("CHS"), an integrated healthcare delivery system which includes six hospitals, three nursing homes, a regional home care and hospice group and a community-based agency for persons with special needs.

Colleen Blye joined CHS in 2010 from Catholic Health Initiatives (CHI), where she served as Executive Vice President and Chief Financial Officer since 2005. She was with CHI for over twenty years, serving in various roles of increasing responsibility. Ms. Blye started her career in Finance with Ernst and Young in Philadelphia, PA. She has been a certified public accountant since 1984 and is a member of the American Institute of Certified Public Accountants, and the Pennsylvania Institute of Public Accountants. She is also a member of the Healthcare Financial Management Association.

Russ Rudish, 62 — Non-Executive Director :: Appointed 28 August 2014

Russ Rudish has more than 30 years' experience in serving the healthcare industry, both in the United States and internationally. Russ's most recent role was Global Sector Leader for Healthcare at Deloitte Touche Tohmatsu, where he led the $2 billion global consulting, audit, tax and financial advisory business, developing the firm's Global health care strategy. Russ joined Deloitte in 2006 from Eclipsys Corp., which was acquired by Allscripts in 2010. He is an active speaker and contributor to thought leadership on today's most pressing Healthcare business issues. Russ holds a directorship in Rudish Health Solutions LLC. He previously held a partnership in Deloitte LLC, from 2006 - 2014.

The directors present herewith their report and the audited consolidated financial statements for the year ended 30 June 2014.

Principal Activities and Business Review

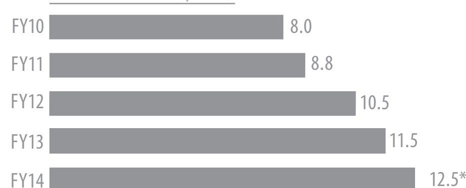
The Group's principal activity continues to be the development, licensing and ongoing support of computer software for the US healthcare industry.

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 cash generation during the year. Detailed information on all matters required is presented in the Strategic Report contained on pages 5 to 14 and is incorporated into this report by reference. A description of the principal risks and uncertainties facing the Group is also presented in the Strategic Report.

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 $42.6m (2013: $41.5m) which has generated an adjusted operating profit (before acquisition related matters) of $11.8m (2013: $11.1m). The full results for the year, which were approved by the Board of Directors on 15 September 2014, are set out in the accompanying financial statements and the notes thereto.



During the year the Company paid an interim dividend of 5.7p (9.46 cents). The Directors are recommending the payment of a final dividend of 6.8p (11.63 cents) per share giving a total dividend of 12.5p (21.37 cents) per share based on the results for 2014 (2013: 11.5p (17.4 cents)). Subject to approval at the Annual General Meeting, the final dividend will be paid on 16 December 2014 to shareholders on the register as at 14 November 2014.

The level of dividend proposed for the year continues 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 that includes research and development of new complementary products, integration (where appropriate) of products acquired through the ClaimTrust Inc and Kestros Limited acquisitions 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 $7.0m (2013: $6.9m) net of expenditure capitalised of $0.1m (2013: $0.1m).

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.

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 16 and 17.

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 26.

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, no options were exercised pursuant to the Company's share option schemes. (2013:16,872 new ordinary shares were exercised).

Subsequent to the Balance Sheet date, on the 16 July 2014 the Company purchased for cancellation a total of 393,816 issued ordinary shares and on 1 September 2014 the company allotted 211,539 ordinary shares in respect of the acquisition of Kestros Limited. Consequently at the date of this report 26,826,486 ordinary shares of 1p each were issued and fully paid up.

Directors and their interests

The interests of the Directors who held office at 30 June 2014 and up to the date of this report in the share capital of the company, were as follows:-

	2014	2013
G R Elliott	**15,650**	15,650
N P Heywood	**96,356**	130,356
K Neilson	**3,488,380**	3,471,529
	3,600,386	3,617,535

Directors' interests in share options are detailed in the Remuneration Committee Report on page 27.

Substantial shareholders

As at 1 September 2014, 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	4,220,813	15.73
K Neilson	3,488,380	13.00
W G Craig	2,702,563	10.07
Artemis Investment Management	2,188,738	8.16
Hargreave Hale	1,957,285	7.30
Fidelity Worldwide Investments	1,542,610	5.75
AXA Framlington	1,425,000	5.31
Baillie Gifford	1,308,199	4.88
Shroder Investment Management	1,040,000	3.88
D Paterson	873,800	3.26

The total number of shares as at 30 June 2014 was 27,008,763 and at 1 September 2014 was 26,826,486.

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, is 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 2014 represented, on average 19 days purchases (2013: 16 days) for the Group and 16 days purchases (2013: 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. Following on from 2013, Craneware Cares initiatives included staff at the Craneware headquarters in Edinburgh undertaking the Walk the West Highland Way in a challenging 30 hours, 96-mile hike across many of Scotland's iconic mountains and glens specifically to raise awareness and funds for Alzheimer charities, and raised more than $37,000. The focus for 2014 has been to support the Polar Academy where staff at Craneware have given their time and expertise to help support this charity to deliver its aim of inspiring and motivating thousands of young adults, positively demonstrating that by "inspiring through exploration" anybody can achieve their absolute potential.

Neither the Company nor its subsidiaries made any donation for political purposes in fiscal years 2014 or 2013.

Post Balance Sheet Events

On 28 August 2014, Craneware acquired 100% of issued share capital of Kestros Ltd for a maximum consideration of $2.14m (£1.25m), which will be adjusted according to Revenue milestones. The Directors are yet to complete the acquisition accounting for the new business combination.

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;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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
15 September 2014

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 identifies 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 's 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 four further non-executive Directors, Ron Verni (Senior Independent Director), Neil Heywood, Colleen Blye (appointed November 2013) and Russ Rudish (appointed August 2014). Detailed biographies of all Directors are contained on page 16 and 17. The Board meets regularly, usually monthly, to discuss and agree on the various matters brought before it, including the Group's 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 was a member of both these committees during the year, in addition to the two independent non-executives. In deciding this, the Company had taken advantage of the Code's relaxations available to smaller companies. However following the appointment of Colleen Blye to these committees in March, George Elliott stepped down from both. The Board does not have a separate Nominations Committee as the Company has again taken advantage of the Code's relaxations available to smaller companies and incorporated this function within the remit of the entire Board. In the year it was determined appropriate to add a further independent non-executive Director which resulted in the appointment of Russ Rudish as detailed above.

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	11/11	-	-	-
Non Executive Directors				
G R Elliott	11/11	-	2/2	2/2
N P Heywood	10/11	-	2/2	3/3
R Verni	11/11	-	2/2	3/3
Colleen Blye	7/8	-	-	1/1

Where any Board member has been unable to attend Board or Committee meetings during the year, their 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 19, 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 six 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 ten 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.

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 was the case with the appointment of Colleen Blye), 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.

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 pages 16 and 17. 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 periodically meet with 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 current 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 resulted in the recruitment of Russ Rudish as 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 as appropriate.

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 20. An assessment of the Group's market, business model and performance is presented in the Chairman's Statement and the Operational and Financial Review on pages 4 to 12.

As detailed on page 18 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 Strategic Report on page 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 Colleen Blye and Ron Verni. George Elliott was also a member of the Audit Committee during the year, however he stepped down following Colleen Blye's appointment. 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. Colleen Blye (previously 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 on page 24.

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 Colleen Blye and Neil Heywood. George Elliott was also a member of the Remuneration Committee during the year, however he stepped down following Colleen Blye's appointment. 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's 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 25 to 27, 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 25 to 27.

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
15 September 2014

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 Colleen Blye, George Elliott was also a member of the Remuneration Committee during the year, however he stepped down following Colleen Blye's appointment. 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

The Committee develops 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 27.

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. Each option grant is split into 3 tranches (of no more than a 1/3 of the total options granted) which allows the performance criteria are assessed annually (against the preceding three year period). If performance is below the median of the comparator group over the relevant three year period then no options vest that year. The amount of options that vest increases as performance reaches top quartile when the relevant tranche of options vest. No more than 1/3 of the each option grant can vest in any single year and options do not become exercisable until three years from the original grant date. As a result performance criteria are based on share price performance over a five year period which must be maintained over that period if all options granted are to become exercisable. As this performance criteria was not met in the current year, all options that were subject to vesting 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 previous benchmarking exercises.

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	1 Years 11 months	1 month
N P Heywood	11 January 2002	Rolling	1 month
R Verni	1 May 2009	Rolling	1 month
C Blye	12 November 2013	Rolling	1 month
R Rudish	28 August 2014	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 18.

Directors' Emoluments

For Directors who held office during the course of the year, emoluments for the year ending 30 June 2014 were as follows (note: With the exception of R Verni and C Blye, 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 ($)	Pension ($)	**2014 Total ($)**	2013 Total ($)
Executives						
K Neilson	332,151	777	-	8,131	**341,059**	328,720
C T Preston	312,757	881	-	-	**313,638**	302,281
Non-Executives						
G R Elliott	99,605	-	-	-	**99,605**	96,071
N P Heywood	53,258	-	-	-	**53,258**	51,607
R Verni	52,400	-	-	-	**52,400**	52,400
C Blye (appointed Nov 2013)	31,200	-	-	-	**31,200**	-
Total	881,371	1,658	-	8,131	**891,160**	831,079

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.

The following directors were paid in Sterling:

	Salary/Fees (£)	Benefits (£)	Bonus (£)	Pension (£)	**2014 Total (£)**	2013 Total (£)
Executives						
K Neilson	204,250	478	-	5,000	**209,728**	209,576
C T Preston	192,324	542	-	-	**192,866**	192,720
Non-Executives						
G R Elliott	61,250	-	-	-	**61,250**	61,250
N P Heywood	32,750	-	-	-	**32,750**	32,750
Total	490,574	1,020	-	5,000	**496,594**	496,296

Directors' interests in share options

Directors' share options as at 30 June 2014 were in respect of Directors who held office during the course of the year:

	Exercise Price (cents)	Exercise Price (pence)	Issue Date	Held At 30/06/13	Granted During Year	Exercised During Year	Lapsed During Year	**Held At 30/06/14**
K Neilson								
Ordinary shares	534.0	335.0	Dec-09	28,580	-	-	-	**28,580**
Ordinary shares	618.0	401.0	Sept-10	13,383	-	-		**13,383**
Ordinary shares	866.0	561.0	Sept-11	23,623	-	-	(23,623)	**-**
Ordinary shares	650.0	400.0	Sept-12	34,875	-	-	(17,438)	**17,437**
Ordinary shares	621.0	395.0	Sept-13	-	51,708	-	(17,236)	**34,472**
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	11,721	-	-	-	**11,721**
Ordinary shares	866.0	561.0	Sept-11	14,284	-	-	(14,284)	**-**
Ordinary shares	650.0	400.0	Sept-12	32,054	-	-	(16,027)	**16,027**
Ordinary shares	621.0	395.0	Sept-13	-	48,689	-	(16,230)	**32,459**

Employee share options as at 30th June 2014 were:

	Exercise Price (cents)	Exercise Price (pence)	Issue Date	Held At 30/06/13	Granted During Year	Exercised During Year	Lapsed During Year	**Held At 30/06/14**
Ordinary shares	534.0	335.0	Dec-09	32,355	-	-	-	**32,355**
Ordinary shares	618.0	401.0	Sept-10	27,487	-	-	-	**27,487**
Ordinary shares	866.0	561.0	Sept-11	33,935	-	-	(33,935)	**-**
Ordinary shares	572.0	360.0	Sept-12	144,154	-	-	(75,528)	**68,626**
Ordinary shares	520.0	343.0	June-13	48,076	-	-	(16,025)	**32,051**
Ordinary shares	621.0	395.0	Sept-13	-	221,458	-	(80,260)	**141,198**
Ordinary shares	755.0	467.0	Oct-13	-	3,975	-	(1,325)	**2,650**

On behalf of the Remuneration Committee:

Ron Verni
Chairman of the Remuneration Committee
15 September 2014

Report on the financial statements

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2014 and of the group's profit and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by Craneware plc, comprise:

- the consolidated balance sheet as at 30 June 2014;
- the company balance sheet as at 30 June 2014;
- the consolidated statement of comprehensive income for the year then ended;
- the statements of cash flows for the year then ended;
- the statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 the 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

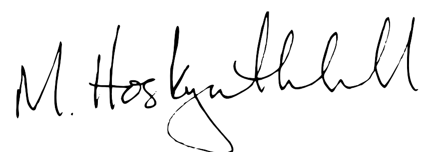
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 20, 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 ISAs (UK & 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.



Mark Hoskyns-Abrahall
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Edinburgh

15 September 2014

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 2014

	Notes	**Total 2014 $'000**	Total 2013 $'000
Continuing operations:			
Revenue	4	**42,574**	41,452
Cost of sales		**(1,943)**	(2,071)
Gross profit		**40,631**	39,381
Operating expenses	5	**(29,407)**	(28,881)
Operating profit	6	**11,224**	10,500
Analysed as:			
Adjusted EBITDA[1]		**13,069**	12,357
Share-based payments	8	**(198)**	(181)
Depreciation of plant and equipment		**(575)**	(621)
Amortisation of intangible assets		**(1,072)**	(1,055)
Finance income	9	**66**	103
Profit before taxation		**11,290**	10,603
Tax charge on profit on ordinary activities	10	**(2,680)**	(2,307)
Profit for the year attributable to owners of the parent		**8,610**	8,296
Total comprehensive income attributable to owners of the parent		**8,610**	8,296

Earnings per share for the year attributable to equity holders			
- Basic ($ per share)	12a	**0.319**	0.307
- Adjusted Basic ($ per share)[2]	12a	**0.340**	0.329
- Diluted ($ per share)	12b	**0.317**	0.306
- Adjusted Diluted ($ per share)[2]	12b	**0.338**	0.328

[1]Adjusted EBITDA is defined as operating profit before share based payments, depreciation and amortisation.

[2]Adjusted Earnings per share calculations allow for 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 2014

Group	Share Capital $'000	Share Premium $'000	Other Reserves[1] $'000	Retained Earnings $'000	Total Equity $'000
At 1 July 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
Total comprehensive income - profit for the year	-	-	-	8,610	8,610
Transactions with owners:					
Share-based payments	-	-	198	146	344
Impact of share options lapsed	-	-	(175)	175	-
Dividends (Note 11)	-	-	-	(5,359)	(5,359)
At 30 June 2014	**539**	**15,496**	**235**	**28,646**	**44,916**

Company	Share Capital $'000	Share Premium $'000	Other Reserves[1] $'000	Retained Earnings $'000	Total Equity $'000
At 1 July 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
Total comprehensive income - profit for the year	-	-	-	8,424	8,424
Transactions with owners:					
Share-based payments	-	-	120	111	231
Impact of share options lapsed	-	-	(115)	115	-
Dividends (Note 11)	-	-	-	(5,359)	(5,359)
At 30 June 2014	**539**	**15,496**	**192**	**23,850**	**40,077**

[1]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 2014

	Notes	**2014 $'000**	2013 $'000
ASSETS			
Non-Current Assets			
Plant and equipment	13	**1,329**	1,596
Intangible assets	14	**14,325**	15,291
Trade and other receivables	16	**1,890**	-
Deferred tax	17	**1,644**	1,615
		19,188	18,502
Current Assets			
Trade and other receivables	16	**20,946**	15,128
Current tax assets		**110**	468
Cash and cash equivalents	20	**32,613**	30,277
		53,669	45,873
Total Assets		**72,857**	64,375
EQUITY & LIABILITIES			
Non-Current Liabilities			
Deferred income		**2,077**	30
		2,077	30
Current Liabilities			
Deferred income		**19,355**	16,419
Current tax liabilities		**1,136**	1,055
Trade and other payables	21	**5,373**	5,550
		25,864	23,024
Total Liabilities		**27,941**	23,054
Equity			
Called up share capital	18	**539**	539
Share premium account		**15,496**	15,496
Other reserves		**235**	212
Retained earnings		**28,646**	25,074
Total Equity		**44,916**	41,321
Total Equity and Liabilities		**72,857**	64,375

Registered Number SC196331

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

The financial statements on pages 29 to 54 were approved and authorised for issue by the Board of Directors on 15 September 2014 and signed on its behalf by:

Keith Neilson
Director

Craig Preston
Director

Company Balance Sheet as at 30 June 2014

	Notes	2014 $'000	2013 $'000
ASSETS			
Non-Current Assets			
Investment in subsidiary undertakings	15	**9,000**	9,000
Plant and equipment	13	**944**	1,163
Intangible assets	14	**764**	1,131
Deferred Tax	17	**156**	-
Amounts due from subsidiary undertaking		**6,000**	6,000
		16,864	17,294
Current Assets			
Trade and other receivables	16	**18,035**	11,920
Cash and cash equivalents	20	**30,242**	27,452
		48,277	39,372
Total Assets		**65,141**	56,666
EQUITY & LIABILITIES			
Non-Current Liabilities			
Deferred tax	17	**-**	31
Deferred income		**2,077**	30
		2,077	61
Current Liabilities			
Deferred income		**17,911**	15,576
Current tax liabilities		**1,136**	1,055
Trade and other payables	21	**3,940**	3,193
		22,987	19,824
Total Liabilities		**25,064**	19,885
Equity			
Called up share capital	18	**539**	539
Share premium account		**15,496**	15,496
Other reserves		**192**	187
Retained earnings		**23,850**	20,559
Total Equity		**40,077**	36,781
Total Equity and Liabilities		**65,141**	56,666

Registered Number SC196331

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

The financial statements on pages 29 to 54 were approved and authorised for issue by the Board of Directors on 15 September 2014 and signed on its behalf by:

Keith Neilson
Director

Craig Preston
Director

Statements of Cash Flows for the year ended 30 June 2014

	Notes	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Cash flows from operating activities					
Cash generated from operations	19	**10,197**	9,891	**10,615**	9,420
Interest received		**66**	103	**159**	208
Tax paid		**(2,154)**	(3,377)	**(2,448)**	(3,330)
Net cash from operating activities		**8,109**	6,617	**8,326**	6,298
Cash flows from investing activities					
Purchase of plant and equipment	13	**(308)**	(190)	**(88)**	(77)
Capitalised intangible assets	14	**(106)**	(336)	**(89)**	(316)
Net cash used in investing activities		**(414)**	(526)	**(177)**	(393)
Cash flows from financing activities					
Dividends paid to company shareholders	11	**(5,359)**	(4,693)	**(5,359)**	(4,693)
Proceeds from issuance of shares		**-**	89	**-**	89
Net cash used in financing activities		**(5,359)**	(4,604)	**(5,359)**	(4,604)
Net increase in cash and cash equivalents		**2,336**	1,487	**2,790**	1,301
Cash and cash equivalents at the start of the year		**30,277**	28,790	**27,452**	26,151
Cash and cash equivalents at the end of the year		**32,613**	30,277	**30,242**	27,452

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 page15 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, IFRS IC 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 $1.6262/£1 (2013: $1.5685/£1). Monetary assets and liabilities expressed in foreign currencies are translated into US dollars at rates of exchange ruling at the Balance Sheet date $1.7099/£1 (2013 : $1.5167/£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 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.

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*), this amendment on government loans addresses on how to account for a government loan with a below-market rate of interest when transitioning to IFRS. The amendment on 'first time adoption' on fixed dates and hyperinflation provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
- IFRS 7, 'Financial instruments: disclosures' (effective 1 January 2013*), this amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those prepare US GAAP financial statements.
- IFRS 13, 'Fair value measurement' (effective 1 January 2013*), this standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- IAS 19, 'Employee benefits' (effective 1 January 2013*), these amendments eliminate the corridor approach and calculates finance costs in a net funding basis. Essentially this removes a choice to include expenses in the calculation of the defined benefit obligation (expected return on asset plan), the amendment forces the expense to be recognised in profit and loss as services rendered.

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 in their current form. None of the below Standards, amendments or interpretations has been adopted early but their potential impact is continually monitored.

Annual improvements 2012 (effective 1 July 2014*), this set of annual improvements addresses issues in the 2010-2012 reporting cycle which affects seven different standards.

Annual improvements 2013 (effective 1 July 2014*), this set of annual improvements addresses issues in the 2011-2013 reporting cycle which affects four different standards.

- IFRS 9, 'Financial instruments: classification and measurement' (effective 1 January 2018*),
- IFRS 10, 'Consolidated financial statements' (effective 1 January 2014*),
- IFRS 11, 'Joint arrangements' (effective 1 January 2014* and 1 January 2016*),
- IFRS 12, 'Disclosures of interests in other entities' (effective 1 January 2014*),
- IFRS 14, 'Regulatory deferral accounts' (effective 1 January 2016*),
- IFRIC 21, 'Levies' (effective 1 January 2014*),
- IAS 16, 'Property, plant and equipment' (effective 1 January 2016*),
- IAS 19, 'Employee benefits' (effective 1 January 2014*),
- IAS 27, 'Separate financial statements' (effective 1 January 2014*),
- IAS 28 (revised 2011), 'Associates and joint ventures' (effective 1 January 2014*),
- IAS 32, 'Financial instruments presentation' (effective 1 January 2014*).
- IAS 36, 'Impairment of assets' (effective 1 January 2014*),
- IAS 38, 'Intangible assets' (effective 1 January 2016*),
- IAS 39, 'Financial instruments: Recognition and measurement' (effective 1 January 2014*),

The Directors are yet to assess the potential implications of IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2017*). The first year end that is expected to be affected is 30 June 2018.

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

1 Principal accounting policies (cont'd.)

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 are 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. Incremental costs directly attributable in securing the contract are charged equally over the life of the contract and as a consequence are matched to revenue recognised. Any deferred contract costs are included in, both current and non-current, Trade and other receivables.

'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.

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 five years.

1 Principal accounting policies (cont'd.)

(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 ten 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 five 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 three to five 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 substantively 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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

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 cash flows 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.

- **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.

- **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.

3 Financial risk management (cont'd.)

(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 $828,000 and $912,000 (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 $75,000 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.

(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 15.

(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 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 2013					
Trade and Other Payables	5,174	-	-	-	5,174
At 30 June 2014					
Trade and Other Payables	**4,946**	**-**	**-**	**-**	**4,946**

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.

	2014 $'000	2013 $'000
Software licensing	**37,717**	36,174
White labelling	**-**	-
Professional services	**4,857**	5,278
Total revenue	**42,574**	41,452

5 Operating expenses

Operating expenses comprise the following:

	2014 $'000	2013 $'000
Sales and marketing expenses	**8,482**	8,251
Client servicing	**7,461**	7,306
Research and development	**6,979**	6,932
Administrative expenses	**4,594**	4,433
Share-based payments (Note 8)	**198**	181
Depreciation of plant and equipment	**575**	621
Amortisation of intangible assets	**1,072**	1,055
Exchange loss	**46**	102
Operating expenses	**29,407**	28,881

6 Operating profit

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

	2014 $'000	2013 $'000
Staff costs (Note 7)	**18,708**	17,807
Depreciation of plant and equipment	**575**	621
Amortisation of intangible assets	**1,072**	1,055
Impairment of trade receivables	**83**	41
Operating lease rents for premises	**955**	828

Services provided by the Group's auditor

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

	2014 $'000	2013 $'000
Statutory audit - Parent Company financial statements and consolidation	**97**	85
Tax compliance and other tax services	**110**	111
	207	196

7 Staff costs

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

	2014 Number	2013 Number
Sales and distribution	**36**	36
Client servicing	**70**	69
Research and development	**62**	66
Administration	**27**	27
	195	198

Employment costs of all employees excluding non-executive Directors:

	2014 $'000	2013 $'000
Wages and salaries	**17,004**	16,202
Social security costs	**1,490**	1,408
Post employment benefits	**16**	16
Share-based payments	**198**	181
Total direct costs of employment	**18,708**	17,807
Highest paid director:-		
Salary and short-term employee benefits	**333**	321
Post employment benefits	**8**	8
Share-based payments	**38**	38
	379	367

Directors' emoluments are detailed in the Remuneration Committee Report on page 26 and key management compensation is given in the Related Party Transaction note on pages 53 and 54. Retirement benefits are accruing to 1 of the executive Directors under a defined contribution scheme (2013: 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 $197,992 (2013: $180,623) as detailed in Note 7 above.

Directors and employees interests in share options are set out in the Remuneration Committee Report on page 27.

There were no share options exercised during the year ended 30 June 2014 (2013: 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 2014 was $9.28 (£5.42).

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	21-Oct-13	10-Sep-13	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	$7.55	$6.21	$5.20	$6.50	$5.72	$8.66	$6.18	$5.34	$3.65
Share price at date of grant	£4.67	£3.95	£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	3.00	3.00
Expected volatility	36%	36%	36%	37%	37%	28%	24%	23%	40%
Risk free rate	0.90%	1.02%	0.73%	0.37%	0.16%	0.83%	1.18%	1.96%	4.41%
Dividend yield	2.8%	2.8%	2.7%	2.6%	2.5%	1.6%	2.2%	1.5%	1.5%
Exercise price	$7.55	$6.21	$5.20	$6.50	$5.72	$8.66	$6.18	$5.34	$3.65
Exercise price	£4.67	£3.95	£3.43	£4.00	£3.60	£5.61	£4.01	£3.35	£2.08
Number of employees	1	26	1	2	28	25	20	10	1
Shares under option	3,975	321,855	48,076	100,394	230,034	255,520	255,655	170,303	72,115
Fair value per option	$1.79	$1.48	$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:	2014 options number	2013 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	**86,034**	113,535
Forfeited	**-**	(10,629)
Exercised	**-**	(16,872)
Outstanding at 30 June	**86,034**	86,034
Ordinary share options (£4.01 exercise price)		
Outstanding at 1 July	**52,591**	121,806
Forfeited	**-**	(69,215)
Outstanding at 30 June	**52,591**	52,591
Ordinary share options (£5.61 exercise price)		
Outstanding at 1 July	**71,842**	155,111
Forfeited	**(71,842)**	(83,269)
Outstanding at 30 June	**-**	71,842
Ordinary share options (£3.60 exercise price)		
Outstanding at 1 July	**144,154**	-
Granted	**-**	230,034
Forfeited	**(75,528)**	(85,880)
Outstanding at 30 June	**68,626**	144,154
Ordinary share options (£4.00 exercise price)		
Outstanding at 1 July	**66,929**	-
Granted	**-**	100,394
Forfeited	**(33,465)**	(33,465)
Outstanding at 30 June	**33,464**	66,929
Ordinary share options (£3.43 exercise price)		
Outstanding at 1 July	**48,076**	-
Granted	**-**	48,076
Forfeited	**(16,025)**	-
Outstanding at 30 June	**32,051**	48,076
Ordinary share options (£3.95 exercise price)		
Outstanding at 1 July	**-**	-
Granted	**321,855**	-
Forfeited	**(113,726)**	-
Outstanding at 30 June	**208,129**	-
Ordinary share options (£4.67 exercise price)		
Outstanding at 1 July	**-**	-
Granted	**3,975**	-
Forfeited	**(1,325)**	-
Outstanding at 30 June	**2,650**	-

9 Finance income

	2014 $'000	2013 $'000
Deposit interest receivable	**66**	103
Total interest receivable	**66**	103

10 Tax on profit on ordinary activities

	2014 $'000	2013 $'000
Profit on ordinary activities before tax	**11,290**	10,603
Current tax		
Corporation tax on profits of the year	**2,542**	2,453
Foreign exchange on taxation in the year	**(36)**	152
Adjustments for prior years	**57**	(168)
Total current tax charge	**2,563**	2,437
Deferred tax		
Origination & reversal of timing differences	**63**	133
Adjustments for prior years	**55**	(264)
Change in tax rate	**(1)**	1
Total deferred tax charge/(credit)	**117**	**(130)**
Tax on profit on ordinary activities	**2,680**	2,307

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:

	2014	2013
Profit on ordinary activities at the UK tax rate 22.5% (2013: 23.75%)	**2,541**	2,518
Effects of:		
Adjustment in respect of prior years	**112**	(432)
Change in tax rate	**(1)**	1
Additional US taxes on profits/losses 39% (2013: 39%)	**89**	39
Foreign Exchange	**(36)**	152
Expenses not deductible for tax purposes	**(25)**	(4)
Tax on share plan charges	**-**	33
Total tax charge	**2,680**	2,307

11 Dividends

The dividends paid during the year were as follows:-

	2014 $'000	2013 $'000
Final dividend, re 30 June 2013 - 10.08 cents (6.3 pence)/share	**2,783**	2,481
Interim dividend, re 30 June 2014 - 9.46 cents (5.7 pence)/share	**2,576**	2,212
Total dividends paid to Company shareholders in the year	**5,359**	4,693

The proposed final dividend for 30 June 2014 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.

	2014	2013
Profit attributable to equity holders of the Company ($'000)	**8,610**	8,296
Weighted average number of ordinary shares in issue (thousands)	**27,009**	26,998
Basic earnings per share ($ per share)	**0.319**	0.307
Profit attributable to equity holders of Company ($'000)	**8,610**	8,296
Amortisation of acquired intangibles ($'000)	**574**	574
Adjusted Profit attributable to equity holders ($'000)	**9,184**	8,870
Weighted average number of ordinary shares in issue (thousands)	**27,009**	26,998
Adjusted Basic earnings per share ($ per share)	**0.340**	0.329

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.

	2014	2013
Profit attributable to equity holders of the Company ($'000)	**8,610**	8,296
Weighted average number of ordinary shares in issue (thousands)	**27,009**	26,998
Adjustments for:- Share options (thousands)	**162**	69
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,171**	27,067
Diluted earnings per share ($ per share)	**0.317**	0.306
Profit attributable to equity holders of Company ($'000)	**8,610**	8,296
Amortisation of acquired intangibles ($'000)	**574**	574
Adjusted Profit attributable to equity holders ($'000)	**9,184**	8,870
Weighted average number of ordinary shares in issue (thousands)	**27,009**	26,998
Adjustments for:- Share options (thousands)	**162**	69
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**27,171**	27,067
Adjusted Diluted earnings per share ($ per share)	**0.338**	0.328

13 Plant and equipment

Group	Computer Equipment $'000	Office Furniture $'000	Tenants Improvements $'000	Total $'000
Cost				
At 1 July 2013	1,732	861	1,668	4,261
Additions	138	109	61	308
At 30 June 2014	1,870	970	1,729	4,569
Accumulated depreciation				
At 1 July 2013	1,358	594	713	2,665
Charge for year	263	156	156	575
At 30 June 2014	1,621	750	869	3,240
Net Book Value at 30 June 2014	**249**	**220**	**860**	**1,329**
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	1069	451	524	2,044
Charge for the 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

Company	Computer Equipment $'000	Office Furniture $'000	Tenants Improvements $'000	Total $'000
Cost				
At 1 July 2013	703	621	1,508	2,832
Additions	83	3	2	88
At 30 June 2014	786	624	1,510	2,920
Accumulated depreciation				
At 1 July 2013	605	454	610	1,669
Charge for year	82	106	119	307
At 30 June 2014	687	560	729	1,976
Net Book Value at 30 June 2014	**99**	**64**	**781**	**944**
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

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 2013	11,188	2,964	1,222	3,004	787	19,165
Additions	-	-	-	31	75	106
At 30 June 2014	11,188	2,964	1,222	3,035	862	19,271
Accumulated amortisation						
At 1 July 2013	-	724	570	2,101	479	3,874
Charge for the year	-	330	244	356	142	1,072
At 30 June 2014	-	1,054	814	2,457	621	4,946
Net Book Value at 30 June 2014	**11,188**	**1,910**	**408**	**578**	**241**	**14,325**
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

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 five 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 2013	3,004	520	3,524
Additions	31	58	89
At 30 June 2014	3,035	578	3,613
Accumulated amortisation			
At 1 July 2013	2,101	293	2,394
Charge for the year	356	99	455
At 30 June 2014	2,457	392	2,849
Net Book Value at 30 June 2014	**578**	**186**	**764**
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	383	45	428
At 30 June 2013	2,101	292	2,393
Net Book Value at 30 June 2013	903	228	1,131

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 (2013: 10,000) and 1,000 (2013: 1,000) common shares respectively with a nominal value of $0.01 each.

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

16 Trade and other receivables

	Group		Company	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Trade receivables	**16,589**	8,448	**16,084**	7,748
less: provision for impairment of trade receivables	**(658)**	(607)	**(621)**	(505)
Net trade receivables	**15,931**	7,841	**15,463**	7,243
Other receivables	**175**	203	**73**	103
Amounts owed from group companies	**-**	-	**6,000**	6,000
Prepayments and accrued income	**4,382**	7,084	**2,499**	4,574
Deferred Contract Costs	**2,348**	-	**-**	-
	22,836	15,128	**24,035**	17,920
Less non-current receivables:	**-**	-	**(6,000)**	(6,000)
Deferred Contract Costs	**(1,890)**	-	**-**	-
Current portion	**20,946**	15,128	**18,035**	11,920

There is no material difference between the fair value of trade and other receivables and the book value stated above. All amounts included within trade and other receivables are classified as loans and receivables.

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 2014, trade receivables of $808,670 (2013: $623,906) were past due and deemed to be impaired. The amount of the provision against these receivables was $657,573 as of 30 June 2014 (2013: $607,032). 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:

	2014 $'000	2013 $'000
Less than 30 days past due	**-**	-
30 – 60 days past due	**43**	45
61 – 90 days past due	**117**	317
91 + days past due	**649**	262
	809	624

16 Trade and other receivables (cont'd.)

As at 30 June 2014, trade receivables of $2,874,915 (2013: $4,630,211) 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:

	2014 $'000	2013 $'000
Less than 30 days past due	**1,275**	2,752
31 – 60 days past due	**79**	1,265
61 – 90 days past due	**1,422**	359
91 + days past due	**99**	254
	2,875	4,630

As at 30 June 2014, trade receivables of $12,905,004 (2013: $3,192,432) were not past due or impaired, and the Group does not anticipate collection issues. None of these balances were deemed to be impaired (2013: $1,750).

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

	2014 $'000	2013 $'000
At 1 July	**607**	750
Provision for receivables impairment on revenue recognised	**236**	568
Receivables written off during year as uncollectable	**(32)**	(184)
Unused amounts reversed	**(153)**	(527)
At 30 June	**658**	607

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 20% (2013: 23%) in the UK and 39% (2013: 39%) in the US including a provision for state taxes.

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

	Group		**Company**	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
At 1 July	**1,615**	1,470	**(31)**	(14)
(Charge)/credit to comprehensive income	**(117)**	130	**76**	(32)
Transfer direct to equity	**146**	15	**111**	15
At 30 June	**1,644**	1,615	**156**	(31)

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 2014 was $1,643,755 (2013: $1,615,387).

Deferred tax assets - recognised Group	Accelerated accounting depreciation $'000	Short term timing differences $'000	Losses $'000	Share Options $'000	Total $'000
At 1 July 2013	-	452	2,350	36	2,838
(Charged)/Credited to comprehensive income	-	(1)	(9)	96	86
Credited to equity	-	-	-	146	146
Total provided at 30 June 2014	**-**	**451**	**2,341**	**278**	**3,070**
At 1 July 2012	-	125	2,746	19	2,890
Credited/(Charged) to comprehensive income	-	327	(396)	2	(67)
Credited to equity	-	-	-	15	15
Total provided at 30 June 2013	-	452	2,350	36	2,838

Deferred tax liabilities - recognised Group	Long Term Timing differences $'000	Accelerated tax depreciation $'000	Total $'000
At 1 July 2013	-	(1,223)	(1,223)
(Charged)/Credited to comprehensive income	(454)	251	(203)
Total provided at 30 June 2014	**(454)**	**(972)**	**(1,426)**
At 1 July 2012	-	(1,420)	(1,420)
Credited to comprehensive income	-	197	197
Total provided at 30 June 2013	-	(1,223)	(1,223)

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

Group	**2014 $'000**	2013 $'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 1 year	**1,714**	1,581
Deferred tax assets to be recovered within 1 year	**1,356**	1,257
	3,070	2,838
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 1 year	**(1,061)**	(927)
Deferred tax liabilities to be recovered within 1 year	**(365)**	(296)
	(1,426)	(1,223)
Net deferred tax assets	**1,644**	1,615

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

17 Deferred taxation (cont'd.)

Deferred tax assets - recognised

Company	Accelerated accounting depreciation $'000	Share Options $'000	Total $'000
At 1 July 2013	-	35	35
Credited to comprehensive income	-	54	54
Credited to equity	-	111	111
Total provided at 30 June 2014	**-**	**200**	**200**
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

Deferred tax liabilities - recognised

Company	Accelerated tax depreciation $'000	Total $'000
At 1 July 2013	(66)	(66)
Credited to comprehensive income	22	22
Total provided at 30 June 2014	**(44)**	**(44)**
At 1 July 2012	(33)	(33)
Charged to comprehensive income	(33)	(33)
Total provided at 30 June 2013	(66)	(66)

18 Called up share capital

Authorised

	2014		2013	
	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

	2014		2013	
	Number	**$'000**	Number	$'000
Equity share capital Ordinary shares of 1p each	**27,008,763**	**539**	27,008,763	539

There was no movement in share capital during the year.

19 Cash flow generated from operating activities

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

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Profit before tax	**11,290**	10,603	**10,878**	10,520
Finance income	**(66)**	(103)	**(159)**	(208)
Depreciation on plant and equipment	**575**	621	**307**	327
Amortisation on intangible assets	**1,072**	1,055	**455**	428
Share-based payments	**198**	181	**120**	115
Movements in working capital:				
(Increase)/decrease in trade and other receivables	**(7,708)**	(2,721)	**(6,165)**	(1,971)
Increase/(decrease) in trade and other payables	**4,836**	255	**5,179**	209
Cash generated from operations	**10,197**	9,891	**10,615**	9,420

20 Cash and cash equivalents

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**32,613**	30,277	**30,242**	27,452

The effective rates on short term bank deposits were 0.21% (2013: 0.36%).

21 Trade and other payables - current

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Trade payables	**1,228**	1,699	**344**	569
Amounts owed to group companies	**-**	-	**2,180**	1,355
Social security and PAYE	**427**	376	**179**	160
Other creditors	**26**	8	**1**	1
Accruals	**3,692**	3,467	**1,236**	1,108
Advance receipts	**-**	-	**-**	-
	5,373	5,550	**3,940**	3,193

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 2014 was 19 days (2013: 16 days). Trade and other payables are classified as financial liability at amortised cost.

22 Contingent liabilities and financial commitments

a) Capital commitments

The Group has no capital commitments at 30 June 2014 (2013: $nil).

b) Lease commitments

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

	2014 $'000	2013 $'000
Within one year	**713**	679
Between 2 and 5 years	**3,788**	2,876
More than 5 years	**4,066**	4,760
	8,567	8,315

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.

23 Related party transactions

During the year the Group has traded in its normal course of business with shareholders and its wholly owned subsidiaries in which Directors and the subsidiaries have a material interest as follows:-

	2014		2013	
Group	**Charged $**	**Outstanding at year end $**	Charged $	Outstanding at year end $
Fees for services provided as non-executive Directors				
Fees	**83,600**	**-**	91,165	-
Salaries and Short-term employee benefits	**152,863**	**-**	108,913	-
Executive Directors				
Salaries and Short-term employee benefits	**646,566**	**-**	623,158	-
Post employment benefits	**8,131**	**-**	7,843	-
Share-based payments	**67,354**	**-**	66,775	-
Other key management				
Salaries and Short-term employee benefits	**1,355,038**	**-**	958,521	-
Post employment benefits	**8,131**	**-**	7,843	-
Share-based payments	**64,768**	**-**	40,734	-

23 Related party transactions (cont'd.)

Company	2014 Charged $	2014 Outstanding at year end $	2013 Charged $	2013 Outstanding at year end $
Fees for services provided as non-executive Directors				
Fees	**83,600**	**-**	91,165	-
Salaries and Short-term employee benefits	**152,863**	**-**	108,913	-
Executive Directors				
Salaries and Short-term employee benefits	**646,566**	**-**	623,158	-
Post employment benefits	**8,131**	**-**	7,843	-
Share-based payments	**67,354**	**-**	66,775	-
Other key management				
Salaries and Short-term employee benefits	**610,277**	**-**	454,665	-
Post employment benefits	**8,131**	**-**	7,843	-
Share-based payments	**28,993**	**-**	26,064	-
Amounts due to Craneware Inc - Subsidiary company				
Sales commission	**14,463,743**	**-**	13,282,825	-
Net operating expenses	**2,352,097**	**-**	2,249,402	-
Balance	**-**	**1,304,690**	-	2,011,375
Amounts due from Craneware InSight Inc - Subsidiary company				
Balance	**-**	**5,125,406**	-	6,656,168

Key management are considered to be the Directors together with the Chief Intelligence Officer, Chief Technology Officer (President of US Operations), the Chief Marketing Officer (appointed September 2013), EVP of Human Resources, EVP of Sales and EVP of Revenue Integrity Officer (appointed July 2013).

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

24 Subsequent Events

On 28 August 2014, Craneware acquired 100% of issued share capital of Kestros Ltd for a maximum consideration of $2.14m (£1.25m), which will be adjusted according to Revenue milestones. The Directors are yet to complete the acquisition accounting for the new business combination.

25 Ultimate controlling party

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

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