Craneware plc Annual Report

for the year ended 30 June 2016

Craneware solutions enable healthcare providers to improve margins so they can invest in quality patient outcomes.

Founded in 1999, Craneware has headquarters in Edinburgh, Scotland with offices in Atlanta, Boston, Pittsburgh and Phoenix employing over 240 staff. Craneware's market-driven, SaaS solutions normalise disparate data sets, bringing in up-to-date regulatory and financial compliance data to deliver value at the points where clinical and operational data transform into financial transactions, creating actionable insights that enable informed tactical and strategic decisions.

To learn more, visit craneware.com and thevaluecycle.com.

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Financial and Operational Highlights

Financial

- Total Contract Value in the year continues at record levels of $82.3m (FY15: $72.9m)
  - new sales increased by 63% to $58.6m (FY15: $35.9m)
  - renewal rate remains above 100% by dollar value
- Revenue increased 11% to $49.8m (FY15: $44.8m)
- Adjusted EBITDA[1] increased by 10% to $15.9m (FY15: $14.4m)
- Profit before tax increased by 10% to $13.9m (FY15: $12.5m)
- Basic adjusted EPS increased 13% to $0.429 (FY15: $0.378) and adjusted diluted EPS has increased to $0.423 (FY15: $0.375)
- Continued operating cash conversion above 100% of Adjusted EBITDA
- Cash at year-end of $48.8m (FY15: $41.8m) after payment of $6m dividend to shareholders
- Proposed final dividend of 9p (12 cents) per share giving a total dividend for the year of 16.5p (22 cents) per share (FY15: 14p (22 cents) per share)

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

Operational

- US healthcare market continues its evolution towards value-based care with a critical dependency on accurate financial and operating data
- Further expansion of the product suite to support the Value Cycle, including:
  - development of Trisus® Patient Payment, our Patient Engagement gateway product, on track for launch during calendar 2016
  - launch of Craneware Healthcare Intelligence, a new group business, developing new solutions to address an emerging but significant market opportunity for healthcare cost analytics
- Two significant 5 year contract wins in the year for Craneware core value cycle solutions, worth a combined $15.5m
- Continued very high levels of customer retention
- Total visible revenue increased 23% to $149.1m (FY15 same 3 year period: $121.1m)

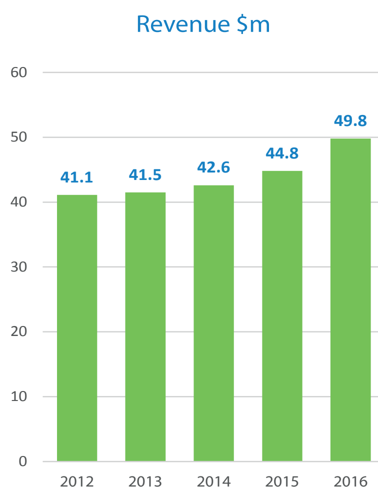
Quick Facts — Financial

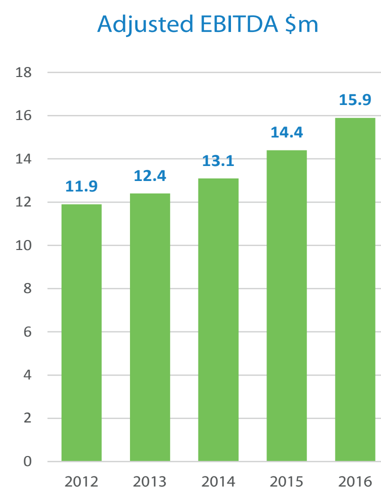
$49.8m
in revenue

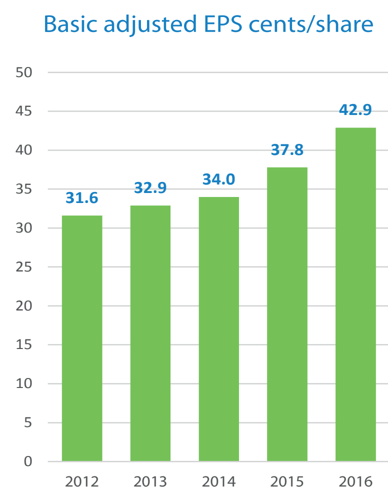
$15.9m
in adjusted EBITDA[1]

$48.8m
cash at year end

16.5p
total dividend for year







Craneware solutions and services

Craneware Value Cycle Solutions span five product families – Patient Engagement, Charge Capture & Pricing, Coding Integrity, Cost Analytics, and Revenue Collection & Retention. In addition, hospitals of all sizes and types rely on Craneware's Professional Services to help deliver results that lead to improved financial outcomes.

Value Cycle Areas								
Patient Engagement		*Charge Capture & Pricing*			*Coding Integrity*	*Cost Analytics*	*Revenue Recovery & Retention*	
Medical Necessity & Prior Auth	*Patient Responsibility*	*Procedures*	*Pharmacy*	*Supplies*	*Billing & Claims Analyis*	*Cost of Care*	*Audit Management*	*Denials Management*
Business Outcomes								
Determine requirement for payers: government & commercial *Waiver forms for non-covered procedures* *Multi-attribute verification*	*Estimate patient responsibility*	*Ensure charge accuracy* *Ensure chargemaster accuracy across enterprise* *Creation/ maintenance of physician fee schedule* *Model contract proposals* *Model net revenue reimbursement*	*Identify and correct discrepancies between purchased and billed drugs*	*Identify and correct discrepancies between purchased and billed supplies* *Accurate HCPCS for billable supplies*	*Integrity for all earned revenue* *I.D. and correct all coding mistakes* *Identify missed charges*	*Analyse cost, utilisation and reimbursement to Identify the most effective and efficient way to provide care*	*Automated audit tracking and execution* *Defensible accrual and reserve forecasting* *Appeals workflow*	*Automated denial tracking and execution* *Multiple facility/ department segmentation and workflow*
Craneware Solutions								
InSight Medical Necessity®	*Trisus® Patient Payment* *Patient Charge Estimator®*	*Chargemaster Toolkit®* *Physician Revenue Toolkit®* *Pricing Analyzer™* *Reference Plus™*	*Pharmacy ChargeLink®*	*Supplies ChargeLink®* *Supplies Assistant*	*Trisus® Claims Informatics*	*Craneware Healthcare Intelligence*	*InSight Audit®*	*InSight Denials®*

Craneware Consulting and Professional Services			
CDM Review & Educational Review *CDM Standardisation*	*Pricing Optimization Study* *Supply Banding*	*Revenue Integrity Assessments* *Appeal Services*	*Charge Capture Performance Improvement Services* *Interim & full time Success Management Services*

Trisus® – Craneware's Next Generation of Solutions

The new, value-driven healthcare market is reorienting around best outcomes for best cost, while margin remains the most essential metric for business performance. The revenue cycle is now part of the larger value cycle, encompassing the systems that not only drive billing performance and compliance, but operational efficiency and quality of care as well.

In order to build solutions for the value cycle era, Craneware has developed the Trisus solution platform. Supporting a growing number of products, this highly scalable cloud-based technology platform is capable of integrating data sets across the continuum of care to give clients actionable insights into their processes. Trisus supports bringing disparate data sets together so that data can be linked and advanced informatics applied. New data sets are easy to plug in, and additional value is realised as the platform expands.

Craneware solutions are based on an annuity subscription model. Client data is 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 used throughout the health system, permitting different prescribed levels of interaction with minimal impact to resource-strained IT teams and busy users.

Patient Engagement

InSight Medical Necessity®
A SaaS solution that provides medical necessity validation for all major U.S. 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.

Trisus® Patient Payment
A SaaS solution that provides hospitals and health systems a way to modernise their patient access process, better manage cash flow, reduce bad debt, and improve collection rates while minimising administrative costs.

Patient Charge Estimator®
This SaaS solution simplifies the process of providing patient bill estimates for inpatient and outpatient services to improve up-front collections and reduce bad debt.

Charge Capture & Pricing

Chargemaster Toolkit®, Chargemaster Corporate Toolkit® and Chargemaster Toolkit® - CAH
Automated SaaS chargemaster management solutions for capturing optimal legitimate reimbursement for providers, while mitigating compliance risk. Chargemaster Toolkit is customisable for any organisation, from small community providers to large healthcare networks.

Chargemaster Toolkit® Discovery Viewer
Chargemaster Toolkit Discovery Viewer addresses the challenges that enterprise CDM data presents to hospitals by enabling all related CDM data to be viewed in one place.

Physician Revenue Toolkit®, Physician Management Toolkit and Physician Revenue Toolkit® – Corporate
SaaS solutions for managing physician group KPIs, charges, codes, RVUs, fee schedules, and related information.

Pricing Analyzer™
SaaS solution that simplifies the price modelling process, creating a repeatable, well-documented method to establish transparent, defensible and competitive pricing.

Reference Plus™
SaaS solution for providers with less than $44 million in operating expenses to perform chargemaster analysis, and efficiently optimise revenue, charge compliance and 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 provider'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 supply purchase history and chargemaster, helping to ensure accurate pricing, coding and billing of these supplies.

Supporting Modules

Online Reference Toolkit®
Web-based and mobile-friendly tool for reducing risk by providing access to reference and regulatory resources.

Interface Scripting Module
Software that automatically uploads chargemaster changes to the patient billing system for accurate billing.

Supplies Assistant
Web-based, mobile-friendly supplies lookup tool available in Supplies ChargeLink or Online Reference Toolkit. Supplies Assistant enables providers to access Craneware's proprietary supply master catalog and quickly and correctly code expensive implants and devices.

Coding Integrity

Trisus® Claims Informatics
Software that automates coding and charge capture issue identification and resolution for hospitals and health systems.

Bill Analyzer
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.

Revenue Recovery & Retention

InSight Audit®
A comprehensive, web-based audit management tool that empowers healthcare organisations to manage claim audits and workflows 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 Denials®
Analyses, tracks, trends and reports on denial data, providing workflow tools to distribute denied claims to the right departments and staff for resubmission. InSight Denials expedites the repair and resubmission of denied claims for cross-departmental teams. An intelligent workflow engine applies client-specific logic to efficiently distribute denied claims requiring resubmission to the right departments and individual team members, and maintains a detailed history of actions on all claims.

Cost Analytics

Craneware Healthcare Intelligence
A new Craneware plc business, developing new solutions to address an emerging but significant market opportunity for healthcare cost analytics.

Professional Services

Craneware Professional Services provides 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.

Chargemaster Toolkit® is ranked No.1 in the Revenue Cycle – Chargemaster Management market category for the tenth year in a row (2006 – 2015/2016.) "2015/2016 Best in KLAS Awards: Software & Services" report, published January 2016. Data © 2016 KLAS Enterprises, LLC. All rights reserved. www.KLASresearch.com

*HFMA staff and volunteers determined that Craneware's Chargemaster Toolkit®, Chargemaster Corporate Toolkit®, Bill Analyzer, Online Reference Toolkit®, and Interface Scripting Module have met specific criteria developed under the HFMA Peer Review Process. HFMA does not endorse or guarantee the use of these products.

Microsoft Partner

Gold Application Development

Craneware is a Microsoft Gold Partner for Application Development.

"Third consecutive year of record sales performance and a return to double digit growth"

George Elliott, Chairman

The Board is pleased to confirm the Group's third consecutive year of record sales performance and a return to double digit growth in revenue and adjusted EBITDA.

With an impressive 63% growth in new sales to $58.6m (FY15: $35.9m), the total value of contracts signed in the year increased to $82.3m (FY15: $72.9m). Underlying this the average new contract length was maintained at 5 years, renewal rates remained high (well above 100% by dollar value) and customer retention continued to be significantly higher than the industry norm. This has been a truly successful sales year for the Group.

The Group's revenue recognition policy retains focus on long term sustainable growth and mitigates against year on year fluctuations in the total value of contracts signed. Therefore, the vast majority of the revenue from these sales has not been recognised in the year to 30 June 2016, and will instead benefit future years.

We are now seeing the impact of this continued period of record sales levels flow through into our reported figures. Revenue increased 11% to $49.8m (FY15: $44.8m) and adjusted EBITDA, increased by 10% to $15.9m (FY15: $14.4m). Cash generation was strong, resulting in cash reserves of $48.8m (FY15: $41.8m) after payment of $6m dividend to shareholders.

Craneware's solutions span the breadth of the US healthcare provider landscape, from the smaller rural hospitals to multi-hospital groups. Sales across all strata were strong in the year and it was particularly pleasing to see two significant sales successes into two large hospital groups. These $7.5m and $8m contracts demonstrate the value and importance these groups attribute to the Craneware software solutions in assisting them to protect their operating margins while delivering improved outcomes for all.

The US healthcare market continues to evolve as predicted towards value-based care. The Group's strategy is to expand its offerings, providing deeper insight into a broad range of a hospital's operations, analysing and managing data from across the organisation. Our solutions will enable providers to improve margins and enhance patient outcomes so the hospitals can provide quality care to their communities. To achieve this, we will continue to utilise a combination of in-house development expertise, partnerships and targeted acquisitions to expand our offering.

We have made good progress towards delivering this vision in the year, with two new areas of product development in the pipeline. The first to be launched will be Trisus Patient Payment, our gateway product within our newly formed Patient Engagement product family. This will be launched this calendar year and joins the first product launched on our new cloud-based platform, Trisus. The product will ultimately combine the mobile platform brought into the Group last year via the acquisition of Kestros with the technology from the reseller agreement with VestaCare announced this year.

We are also particularly excited to announce the launch of Craneware Healthcare Intelligence, a new Group company. The company has been created to develop and market cost analytics software to the US healthcare industry. Initial product is expected to be launched towards the end of Craneware's 2017 financial year. This is expected to be a significant new market opportunity for Craneware and will be a key area of investment for the Company moving forward.

The Board continues to be alert to potential acquisitions. Strict criteria will be applied to targets to ensure they both deliver against the product roadmap while being accretive to the financial strength of the Group.

As we enter our tenth year since the Company IPO in 2007, I continue to be impressed by the enthusiasm and commitment shown by our employees across Scotland and the US. Their passion for service to our customers and the healthcare industry is a key element of our success and I would like to take this opportunity to thank them for all their hard work during the year.

I would like to express particular gratitude to Gordon Craig, who has decided after 16 years to retire as CTO and take on a salaried advisory role within the Company. Gordon has been responsible for product development during his tenure and hands that on at this appropriate time. We have seen significant progress made on the Trisus platform, with the roll out of the first components of the platform taking place in the next twelve months. Gordon's replacement will join the Company on 12 September, from his role as a VP (and Fellow) of R&D at a Fortune 10 Healthcare company. He brings relevant experience of migrating highly scalable enterprise applications to the cloud that are HIPAA compliant and process large volumes of healthcare data.

Neil Heywood who has been a non-executive director throughout the last 14 years has decided not to stand for re-election at the forthcoming AGM. I would like to take this opportunity to thank both Neil and Gordon, on behalf of the Board, for all their service and support to the Group and wish them well in their future endeavours.

The excellent sales performances over the last three years, the clear strategy for growth and the strong financial position of Company provide the Board with confidence in the success of Craneware in the year ahead.

George Elliott
Chairman
5 September 2016

"We...have only scratched the surface of our long term potential"

Keith Neilson, CEO and co-founder

"The investment we are making in our product suite mean our market opportunity is now several times larger"

Craig Preston, CFO

Operational Review

We have enjoyed another strong year, delivering significant operational and financial progress against our long term strategic objectives.

The US healthcare landscape continues to evolve. New regulations, increasing requirement for reliable data analytics, emerging medical techniques and technologies, are all contributing to a major shift in the operational needs of US healthcare providers. However, the one thing that appears unchanged is the need for quality patient outcomes. At Craneware, we deliver solutions that help healthcare providers maintain their financial health so they can concentrate on what matters most: providing the best possible outcomes for all.

Three consecutive years of record sales, we believe, have only scratched the surface of our long term potential. We have entered the next phase of growth for Craneware, in which we are expanding our product suite, whilst supporting our customers as they meet the challenges value-based care brings.

Market Strategy

Overview

While the need to address the healthcare requirements of an ageing population grows more urgent, the growing cost of US healthcare is unsustainable. Hospital operating margins continue to be under pressure and there is still significant waste and inefficiency in the system.

We are approaching an era where, it is expected, greater than 50% of all US healthcare payments will have a value-based component. These major changes in reimbursement and care delivery models have made understanding and reducing the cost of care, while improving patient outcomes, mission-critical for every healthcare provider in the US.

While hospital leadership teams are focusing on controlling costs and increasing levels of care, consumers are facing ever increasing out-of-pocket costs as the healthcare model shifts a significant proportion of the payment responsibility to the patient, via high deductible plans.

These factors and the challenges they bring to US healthcare providers drive two major areas of focus in the comings years – a high growth market for cost analytics and performance platforms as well as solutions to manage our customers' challenges with the growing levels of direct engagement they have with consumers.

Delivering the Value Cycle

The Value Cycle is the process and culture by which healthcare providers pursue quality patient outcomes and optimal financial performance, through the management of clinical, operational and financial assets.

Without this data, and the insight into that data, to enable action, healthcare systems cannot protect their margins and provide quality outcomes for all.

Craneware's Value Cycle solutions support our customers in this new world of value based reimbursement. Our solutions monitor the points in their system where clinical and operational data transform into financial transactions, delivering value in the discovery, conversion and optimisation of these assets.

Our Strategy

Our strategy is to continue to build on our established market-leading position in revenue cycle solutions, expanding our product suite coverage of the Value Cycle. By expanding our offerings in the cost management area of hospital operations and combining this with data from the revenue cycle we will provide a unique insight into the management and analysis of clinical and operational data.

The expansion will be achieved through a combination of extensions to the current product set, internal product development, partnerships with other technology providers and targeted acquisitions.

Craneware's Product Roadmap: Trisus Enterprise Value Platform

We continue to invest in our current solutions set, however, alongside this investment we have a roadmap to move all these solutions to a new cloud-based platform, the Trisus Enterprise Value Suite. Trisus will combine revenue integrity, cost management and decision enablement functionality in a versatile, customisable solution that fully delivers on Craneware's primary purpose to help healthcare systems improve margins and enhance patient outcomes. Development of the Trisus platform continues with a release of the first elements of the platform scheduled to take place later this year and throughout calendar 2017.

In addition to our current solution set, we continue to expand our coverage of the Value Cycle. Our initial area of focus for this expansion has been within the area of patient access and engagement - addressing the growing consumerisation within healthcare.

Patient Access and Engagement: Trisus Patient Payment

Development of Trisus Patient Payment, a new fourth gateway product, operating within the patient access and engagement area, has progressed well in the year and is on track for launch before the end of this calendar year.

The ultimate offering will combine the automated payment technologies and services (VestaPay) provided by VestaCare, the exclusive value added reseller agreement signed in January 2016, with Craneware's medical necessity and price estimation products as well as Craneware's mobile patient engagement platform, which has been developed following the acquisition of Kestros. Together these will form this enhanced Patient Engagement solution.

The past five years have seen an explosion of high-deductible health plans and an increasing out-of-pocket burden for patients. In many hospitals, patient payments represents a fast-growing proportion of their revenue, yet is the most difficult and expensive portion to collect with a high reputational risk associated with pursuing delinquent individuals. After decades of primarily relying on financial transactions with health plans, Medicare and Medicaid, hospital revenue cycle and patient access teams are often ill-equipped to manage effective patient-friendly point-of-service collections. For the patient, who is often underinsured, it can be mentally and financially overwhelming to receive expensive and confusing medical bills after being discharged.

Trisus Patient Payment is a solution designed to increase patient billing satisfaction while also improving point-of-service collection rates.

The solution will be launched by the end of this calendar year. We will receive an annual license fee from customers with an additional revenue share element based on improved collection rates.

New Group company: Craneware Healthcare Intelligence

In the second half of FY16, Craneware formed a new Group company, Craneware Healthcare Intelligence, to develop and market cost analytics software to the US healthcare industry. Cost analytics are a vital component within the emerging Value Cycle solutions market. The understanding of costs, combined with correct reimbursement will enable our customers to better understand their margin and in turn drive better patient outcomes. We believe this area of the Value Cycle represents a market opportunity several times larger than that of our existing product portfolio.

Having assessed various acquisition and partnering options, we concluded that developing our own solution is the best way to ensure we have a world class product to take to our customer base.

We have appointed one of the pre-eminent experts in the field of Cost Analytics in the US as Senior Vice President, Healthcare Analytics, who will lead this new development. With 16 years' experience working with a major US hospital network, developing and deploying ground-breaking cost analytics solutions, we believe our new head of this project gives us a significant head start in delivering this new solution. We are in the process of building a complete development and delivery team and expect to see initial product within calendar 2017.

Acquisitions

The Board continues to assess opportunities to complement the Group's organic growth strategy and increase speed to market for new products through acquisition. The Board adheres to a rigorous set of criteria to analyse acquisition opportunities, including quality of earnings and product offering. The $50 million funding facility provided by the Bank of Scotland announced previously combined with our own cash resources, provides the Company with the firepower to carry out strategic acquisitions if and when these criteria are met.

Sales and Marketing

Within our record sales performance, the Group delivered good levels of sales to all segments of the US healthcare market, demonstrating continued sales momentum and the benefits of a supportive market environment. Going forward the sales pipeline continues to be at record highs with opportunities across all strata of hospitals.

The average length of new hospital contracts continues to be in-line with our historical norms of approximately five years. Where Craneware enters into new product contracts with its existing customers, contracts are occasionally 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.

We were delighted to secure two significant contract wins within the year. The first contract announced in January 2016 is expected to deliver $7.5m revenue

over the initial five year term. The new customer is a growing hospital operator and consolidator that manages in excess of 50 hospitals across multiple US states primarily in non-urban communities. Chargemaster Corporate Toolkit® will be used by the group to establish and manage corporate standardisation across its entire portfolio of owned and managed facilities. This will enable system-wide reporting efficiencies and the timely submission of accurate claims whilst managing billing compliance risk.

The second contract, secured at the end of the year, is with another of the US' largest multi-hospital groups. Commencing in 2017, the contract is expected to deliver revenue greater than $8m during the next five years, as the hospital network rolls out multiple Craneware core value cycle solutions, led by Chargemaster Toolkit, Pharmacy ChargeLink and Supplies ChargeLink.

With these significant contract wins bringing new hospital systems to the Group, the sales mix saw a higher percentage of sales to new customers in the year, however overall the levels of sales between new customers and existing customers (both mid-contract and at renewal time) is well balanced. All new hospital sales provide opportunities for further product sales in the future.

Awards

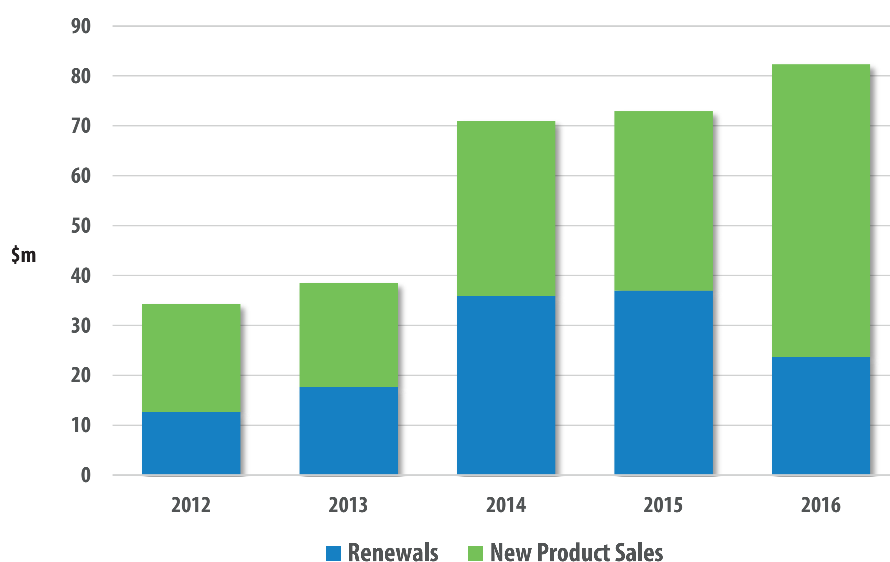
Chargemaster Toolkit® was named Category Leader in the "Revenue Cycle – Chargemaster Management" market category for the tenth consecutive year in the annual "2015/2016 Best in KLAS Awards: Software & Services." KLAS's annual "Best in KLAS" report provides unique insight gathered from thousands of healthcare organisations across the US. The report includes client satisfaction scores and benchmark performance metrics.

Financial Review

In our 6 July trading statement we were pleased to report our third year of record sales levels. Equally pleasing was the confirmation of our return to double digit growth rates for both Revenue and adjusted EBITDA. This translates to Revenues reported for the financial year under review of $49.8m (FY15: $44.8m) which has resulted in an adjusted EBITDA of $15.9m (FY15: $14.4m).

Our Annuity SaaS business model (which is described

Annuity SaaS Model Sales



Fiscal Year	2012 $m	2013 $m	2014 $m	2015 $m	2016 $m
New Product Sales	21.6[1]	20.8	35.1	35.9	58.6
Renewals[2]	12.7	17.7	35.9	37.0	23.7
Total Contract Value	34.3	38.5	71.0	72.9	82.3
Reported Revenue	41.1	41.5	42.6	44.8	49.8

[1]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.

[2]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.

in the next section) is designed to deliver long term sustainable growth. Whilst this means the vast majority of any current year's sales success is not reflected in that year's income statement, it does mean the majority of the growth in revenues we are currently reporting is reflective of prior year's sales successes, with the sales success of the current year being available to further benefit future years.

In our revenue visibility KPI detailed below, we already have visibility over $51.3m of potential revenue for FY17 prior to any further new product sales being made.

The total value of contracts written during the year increased by 13% to $82.3m (FY15: $72.9m). However, this growth under-represents the true sales success in the period. Contracts written for new product sales actually increased 63% to $58.6m (FY15: $35.9m). The overall growth rate reported was moderated by the lower number of customers that were coming to the end of their multi-year contracts and therefore fewer were due to renew in the year. Whilst this did impact the Sales KPI, it does mean we have more customers under contract enjoying the benefits our solutions can bring.

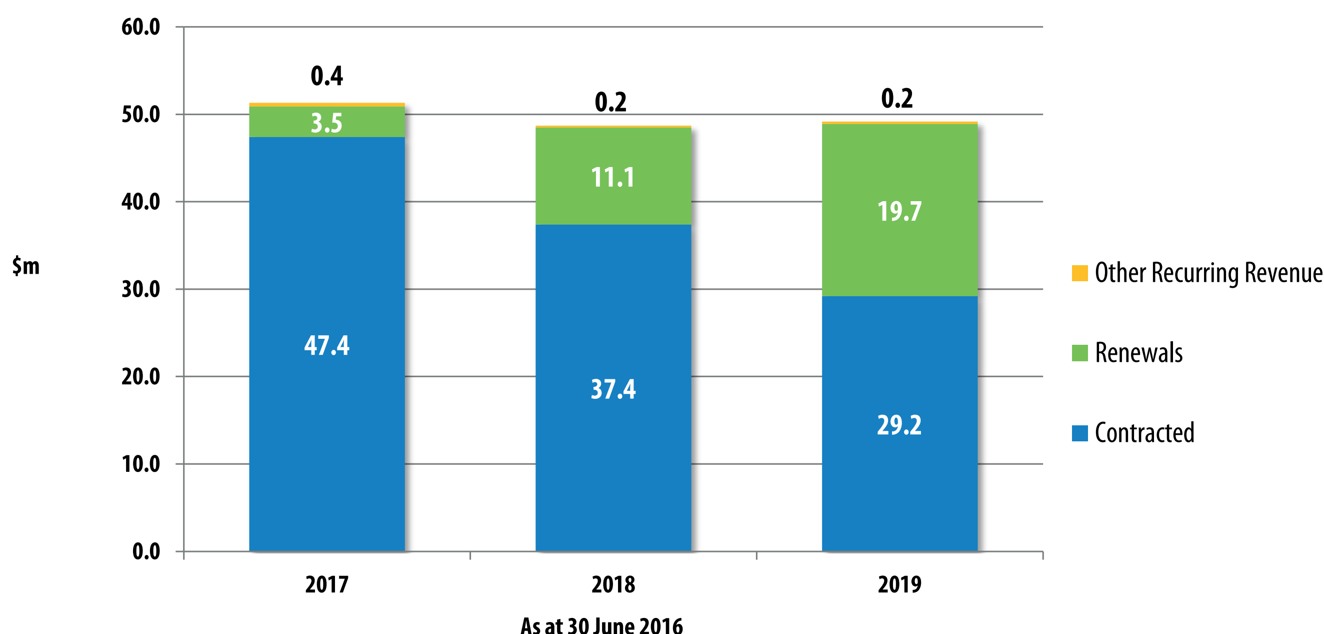
Our average contract for a new hospital customer continues to be five years, with contracts for customers renewing and buying additional products part way through an existing contract both averaging over three years, continuing to be in line with our historical norms.

The sales success of the prior financial years saw a significant proportion of our customer base renew on multiyear contracts. As a result, significantly fewer customers were due to renew in the financial year under review which whilst not impacting revenue did impact both the total value of renewal contracts signed, as detailed above, and the renewal rate by dollar value metric. The upcoming financial year will have a similar number of customers due to renew.

Renewal rates by dollar value is a financial metric which specifically ties to the three-year visible revenue detailed below. This metric measures 'last annual value' of all customers due to renew in the current year and compares it to actual value these customers renew at (in total), including upsell and cross-sell. This metric at 122% is above our expected norms of 85-115% however with fewer customers being due to renew in the current year, we do not believe this represents a change to our future expected range. Variations in our dollar value renewal rates are driven by the timing of individual renewals, additional product sales and contract negotiation or cancellation.

Business Model

The Group recognises the vast majority of revenue under its 'Annuity SaaS' revenue recognition model. This business model has been consistently applied throughout the period under review. The strategy behind this business model is to ensure the long-term growth and stability of the Group. The annuity SaaS business model adopted by the Group delivers a 'smoothing' of any sales fluctuations and focusing on growth over the long-term. As a result the majority of



the revenue resulting from all sales will be recognised over future periods, adding to the Group's long term visibility of revenue under contract – as stated in all our trading and contract win announcements.

Under our 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 revenue from 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 contracted for. 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 engagement, 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 around 10% - 20% of revenues reported by the Group to be from services performed.

Sales, Revenue and Revenue Visibility

Under our model 'revenue' and 'sales' have different meanings and are not interchangeable. This can be demonstrated by reviewing the last five years' sales levels and comparing these to the reported revenue numbers. In the table on page 7 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.

As the majority of the revenue resulting from all sales will be recognised over future periods, the financial statements do not, anywhere, record the valuable 'asset' this contracted, but not yet recognised, revenue represents to the Group. As such, at every reporting period, the Group presents it's "Revenue Visibility". This KPI identifies revenues which we reasonably expect to recognise over the next three year period, without any further new product sales. This "Three Year Visible Revenue" metric includes:

- future revenue under contract
- revenue generated from renewals (calculated at 100% dollar value renewal)
- other recurring revenue

As we are signing multi-year contracts with our customers and at the end of these contracts we are, on average, renewing these customers at 100% of dollar value, the Group is consistently building an underlying annuity base of revenue that increases with each new sale.

The Three Year Revenue Visibility KPI is a forward looking KPI and therefore will always include some judgement. To help assess this, we separately identify different categories of revenue to better 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 once invoiced will 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. As this category of revenue is assumed to renew at 100% of dollar value, we consistently monitor and publish this KPI (at each reporting period) to ensure the reasonableness of this assumption. The final category "Other recurring revenue" is revenue that we would expect to recur in the future but is monthly or transactional in its nature and as such there is increased potential for this revenue not to be recognised in future years, when compared to the other categories.
The Group's total visible revenue for the three years as at 30 June 2016 (i.e. visible revenue for FY17, FY18 and FY19) identifies $149.1m of revenue which we reasonably expect to benefit the Group in this next three year period. This visible revenue breaks down as follows:

- future revenue under contract contributing $114.0m of which $47.4m is expected to be recognised in FY17, $37.4m in FY18 and $29.2m in FY19
- revenue generated from renewals contributing $34.3m; being $3.5m in FY17, $11.1m in FY18 and $19.7m in FY19
- other revenue identified as recurring in nature of $0.8m

Gross Margins

We expect the gross profit margin to be between 90 - 95%, the gross profit for the year was $46.8m (FY15: $42.4m) which represents a gross margin percentage of 93.9% which is towards the top of our historical range and therefore reflects the correct matching of incremental costs incurred as a result of sales with the associated revenue being recorded.

Earnings

The Group presents an adjusted earnings figure as a supplement to the IFRS based earnings figures. The Group uses this adjusted measure in our operational and financial decision making as it excludes certain one-off items, so as to focus on what the Group regards as a more reliable indicator of the underlying operating performance. We believe the use of this measure is consistent with other similar companies and is frequently used by analysts, investors and other interested parties.

Adjusted earnings represent operating profits excluding costs incurred as a result of acquisition and share related activities, share related costs including IFRS 2 share based payments charge, depreciation, amortisation and in the current year excludes the 'other income' arising out of the conclusion of the contingent consideration arising from the prior year Kestros acquisition ("Adjusted EBITDA").

Adjusted EBITDA has grown in the year to $15.9m (FY15: $14.4m) an increase of 10%. This reflects an Adjusted EBITDA margin of 31.8% (FY15: 32.0%). This is consistent with the Group's measured approach to 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

The increase in net operating expenses (to Adjusted EBITDA) reflects our policy of investing in line with revenue growth increasing over 10% to $30.9m (FY15: $28.0m). We are now seeing the benefits of our previous investments, in both management bandwidth and the Sales and Marketing areas, through our record sales levels. The resulting revenue increases have allowed us to expand our investment with the focus in the past year being in Client Servicing and Development.

We firmly believe "we win when our client wins" so ensuring we continue to provide the highest level of customer support whether during the initial implementation or later as the customers use our software during the life cycle of their contract, is paramount to the Group. We continually rank top in category in the KLAS scores for our customer support and through appropriate and targeted investment we aim to continue this focus on our customers.

Product innovation and enhancement continues to be core to the Group's future. The Operating Review provides significant detail of our current ongoing development programs, including the Trisus platform and the portfolio of products that will be part of this platform, the new gateway product development in the Patient Access and Engagement arena and the launch of Craneware Healthcare Intelligence.

As we undertake these initiatives and consider the market opportunities these present, the Group has decided to accelerate investment in these areas whilst maintaining our current product offerings and ensuring they remain market leading. This has resulted in an increase in the cost of Development related to our current products and therefore charged in the period to $7.7m (FY15: $7.0m), a 10% increase and therefore in line with our revenue growth. In addition, we have made further investments to accelerate the development of the new product offerings. As these products have yet to be made available to our customers, the associated incremental costs have been capitalised, this has resulted in $2.0m (FY15: $0.8m) of capitalised development spend in the year. We expect to see both the levels of development expense and capitalisation continue the current trends as we continue to build out the solution set that supports the Value Cycle.

Cash and Bank Facilities

We measure the quality of our earnings through our ability to convert them into operating cash. During the year we have seen continued high levels of cash conversion, achieving over 100% conversion of our adjusted EBITDA into operating cash. When comparing to the prior year, the comparative should be adjusted for the one-time amount of $4m of accrued revenue relating to a partner contract clearing the Group's balance sheet. After adjusting for this amount the levels of cash generated are consistent.

The success of our very high levels of cash conversion (over 100% of Adjusted EBITDA) has enabled us to grow our cash reserves to $48.8m (FY15: $41.8m). These cash levels are after paying $2.3m in taxation (FY15: $2.5m) and returning $6.0m (FY15: $5.4m) to our shareholders by way of dividends.

We retain a significant level of cash reserves and balance sheet strength to fund acquisitions as suitable opportunities arise. To supplement these reserves, the Group announced in our interim report that we had secured a funding facility from the Bank of Scotland of up to $50m. Whilst no draw down of this facility occurred in the year, the Group continues to investigate strategic opportunities for further its growth strategy.

Balance Sheet

The Group maintains a strong balance sheet position with rigorous controls over working capital.

The level of trade and other receivables has increased in comparison to the prior year. This is a result of the significant level of sales made in the second half of the year and the associated increase in accounts receivable. The corresponding increase in Deferred income and our continued cash collection rates confirm this increase is solely a result of the increased sales levels.
As we continue to deliver record levels of sales so the amounts we pay out relating to sales commissions continue to increase. Total sales commissions are based on the total value of the contract sold, however for income statement purposes, only a small proportion of revenue from the contract value is recognised in the year, as a result we charge an equivalent percentage of the sales commission, thereby properly matching revenue and incremental expense. The resulting prepayment has increased, as expected, in the year from $3.2m to $6.0m (resulting from the growth in new product sales). However, as we only pay the sales commission upon receipt of the first annual payment from the customer, we remain cash flow positive from any new sale.

Deferred income levels reflect the amounts of the revenue under contract that we have invoiced and/or been paid for in the year, but have yet to recognise as revenue. This balance is a subset of the total visible revenue we describe above and reflected through our three year visible revenue metric.

Deferred income, accrued income and the prepayment of sales commissions all arise as a result of our annuity SaaS business model described above and we will always expect them to be part of our balance sheet. They arise where the cash profile of our contracts does not exactly match how revenue and related expenses are recorded in the income statement. Overall levels of deferred income are significantly more than accrued income and the prepayment of sales commissions, confirming we remain cash flow positive in regards to how we recognise revenue from our contracts.

Conclusion of the Contingent Consideration arising from the Kestros Limited Acquisition

On 28 August 2014, Craneware acquired the entire share capital of Kestros Limited (now trading as Craneware Health) for a maximum consideration of $2.14m (£1.25m) subject to the achievement of certain revenue milestones. The contingent consideration element has now been assessed and as a result the income statement in the year records other income of $1.0m (FY15: $Nil). Concurrently the Group has assessed the original goodwill and associated intellectual property intangible assets and has reduced the carrying value of these accordingly. This impairment of $1.0m is included in the amortisation charge for intangible assets charged in the year. Both amounts are recorded as 'adjustments' in calculating Adjusted EBITDA and due to their relative amounts have no effect on Operating Profit or EPS reported in the year.

Currency

The functional 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 seen some benefit of exchange rate movements, with the average exchange rate throughout the year being $1.4837 as compared to $1.5750 in the prior year. This benefit has allowed us to release further investment whilst maintaining profit margins.

Taxation

The Group generates profits in both the UK and the US, the overall levels of which are determined by both the level of sales in the year and the level of professional services income recognised. The Group's effective tax rate remains dependent on the applicable tax rates in these respective jurisdictions. In the current year the effective tax rate has seen the benefit of a reducing UK corporation tax rate and as such the current year effective tax rate is 24% (FY15: 25%). Effective tax rates in any one year will reflect the relative tax rates in the UK and the US, the ratio of underlying professional services to software licence revenues and the overall level of sales increase.

EPS

In the year adjusted EPS has increased to $0.429 (FY15: $0.378) and adjusted diluted EPS has increased to $0.423 (FY15: $0.375). The increase in EPS is driven by the increased levels of EBITDA combined with the overall reduced effective tax rate detailed above.

Dividend

The Board recommends a final dividend of 9.0p (12.1 cents) per share giving a total dividend for the year of 16.5p (22.0 cents) per share (FY15: 14.0p (22 cents) per share). Subject to confirmation at the Annual General Meeting, the final dividend will be paid on 8 December 2016 to shareholders on the register as at 11 November 2016, with a corresponding ex-Dividend date of 10 November 2016.

The final dividend of 9p 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 11 November 2016. The exact amount to be paid will be calculated by reference to the exchange rate to be announced on 11 November 2016. The final dividend referred to above in US dollars of 12.1 cents is given as an example only using the Balance Sheet date exchange rate of $1.3397/£1 and may differ from that finally announced.

Outlook

The IPO of Craneware on AIM in 2007 provided us with access to capital in order to build a business capable of delivering on the significant opportunity we could see approaching within the US healthcare industry. We have achieved the targets we set the business since that time, delivering significant revenue and profit growth, cash generation and other factors such as expanding our solution suite to better address the challenges faced by our customers.

Craneware is in a stronger position than ever and we are passionate about the opportunity ahead. The double digit growth in our reported revenue and adjusted EBITDA are only beginning to reflect the record levels of sales which began three years ago. Importantly, the investment we are making in our product suite mean our market opportunity is now several times larger than it was when we joined AIM in 2007.

The market continues to evolve as we anticipated. US healthcare providers are seeking the solutions to address the challenges the new value based re-imbursement environment brings to them. We believe the investment we are making to expand the products in our Value Cycle suite addresses these challenges and we are now recognised beyond our original niche within the revenue cycle as a more strategic provider within a hospital's financial operations and their value cycle.
We are confident that the ongoing investment we are making, combined with our continuing sales successes, mean we are well positioned to deliver continued future growth as well as increasing stakeholder value.

Keith Neilson
Chief Executive Officer
5 September 2016

Craig Preston
Chief Financial Officer
5 September 2016

Key Performance Indicator Review

Revenue Growth	2016	2015
Revenue	**$49.8m**	$44.8m
Growth	**11%**	5%

Revenue for the year grew by 11%. Underpinning this return to double digit growth is the increased sales levels seen in prior years plus an increase in new product sales growing by 63% on the prior year. The Group's annuity SaaS revenue recognition model means we are beginning to see the full benefit of prior years' sales and the vast majority of the current year's sales will be recognised in later years.

Three Year Revenue Visibility	2016	2015
Three Year Revenue Visibility	**$149.1m**	$123.4m

With the full benefit of current year's sales not being reflected in the current year financial statements, the Group produces a 'Three Year Revenue Visibility' KPI. The metric compares the growth in the three years contracted revenue; revenue subject to renewal and other recurring revenue, for the same three year period starting 1 July 2016. Full details of how this is calculated are detailed in the financial review section of the Operational Review. The growth in this metric reflects the growing annuity revenue base that results from the Group's Annuity SaaS revenue recognition model which will benefit future years.

Adjusted EBITDA Growth	2016	2015
EBITDA	**$15.9m**	$14.4m
Growth	**10%**	10%

We continue to invest to support the future growth of the Group. The increasing revenue growth has allowed us to continue and in certain areas accelerate this investment whilst maintaining our Group Margins and delivering EBITDA growth. 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	2016	2015
Adjusted EPS	**42.8 cents**	37.8 cents
Growth	**13%**	11%

Adjusted EPS growth demonstrates the Group's overall profitability after taking into account the taxation in the year and any changes in share capital. The Group generates profits in both the UK and the US, the overall level of which is determined by both the level of sales in the year and the level of professional services income. The Group's effective tax rate remains dependent on the applicable tax rates in each respective jurisdiction.

Cash	2016	2015
Cash	**$48.8m**	$41.8m

The Group continues to convert very high levels of the Adjusted EBITDA reported in the year into operating cash flows which has resulted in an increase in cash balances of 17%. Overall Operating cash conversion continues above our long term target of 100%.

Principal Risks and Uncertainties

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

Management of Growth

Issue: The Group is planning for further significant growth both organically and through acquisition, which could place strain on the current management bandwidth and other resources across 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 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.

US Healthcare Evolution and Reform

Issue: The US healthcare industry continues to evolve, with the value based reimbursement model 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 has and it continues to develop significant industry expertise at both the Operations Board and the PLC Board. It actively promotes developing further experience throughout the wider organisation by, amongst other things:

- 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.

The Group's "value cycle" strategy strengthens our position as a trusted financial performance partner to hospitals and it continually enhances and expands its product offerings to meet the evolving challenges.

These strategies keeps the Group at the forefront of industry developments.

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 and will continue to expand and strengthen its senior management team, including the PLC Board, as appropriate. In the current year, the Group has developed new programs to identify, train and mentor the management and talent who will be the 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: In an evolving market failure to enhance products or add to the product suite could significantly limit the Group's market opportunity and leave it unable to meet its customers' needs.

Actions: The Group's "Value Cycle" strategy, evolution of the product suite and Trisus platform that supports this strategy positions the Group forefront of providing solutions to help US healthcare providers address the challenges of value-based reimbursement. In addition to the first elements of the Trisus platform being launched in calendar 2017, the Group has invested in a new gateway product within the patient access and engagement area and announced the development of a new product in the cost analytics area.

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.

Data and cyber security

Issue: Security of customer, commercial and personal data poses increasing reputational and financial risk to all businesses. In particular, the sharp rise in cyber and data related crime presents a significant challenge in terms of securing data and systems against attack.

Actions: Whilst it is not possible to completely eliminate data and cyber security risk, it is clear that effective mitigation now go beyond building and operating security controls. While the Group will continue to invest in the strict physical and data security systems and protocol and mentioned above it also carries specific insurance in this regard. The Group also recognises and supports that a sustained evolution of culture within the organisation which embeds security across the business.

Competitive Landscape

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

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

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 and Board members individually have relevant experience in regards to completing acquisitions. In addition, and where appropriate, the Board appoints independent professional advisors to assist in the consideration of the acquisition and to assist management in the due diligence process.

The principal financial risks are detailed in Note 3 to the financial statements. How the Board determines and manages risks is detailed in the Corporate Governance report on pages 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 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
5 September 2016

Directors, Secretary, and Advisors

Directors

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

Company Secretary & Registered Office

C T Preston
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Edinburgh
EH3 5DA

Stockbrokers and Nominated Advisors

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London
EC2Y 5ET

Registrars

Capita Asset Services
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Beckenham
Kent
BR3 4TU

Bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

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
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Independent Auditors

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Chartered Accountants & Statutory Auditors
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Edinburgh
EH3 8EX

Solicitors

Pinsent Masons LLP
Princes Exchange
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Edinburgh
EH3 9AQ

Board of Directors

The Directors of the Company and their responsibilities within the Group are set out below:

George R Elliott, 63 — Non-Executive Chairman :: Appointed 10 August 2007

George is non-executive Chairman of Calnex Solutions Ltd, an Ethernet test equipment manufacturer, Cooper Software Ltd, an enterprise and business intelligence solution consultancy and Optoscribe Ltd, which develops and supplies high performance 3D waveguide solutions for the data and telecommunications industries. He is also a non-executive director of Par Equity Holdings Ltd, a venture capital company, which focuses on early stage high growth potential companies. 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, Summit Corporation plc and Cupid plc. From 2000-2007 George was Chief Financial Officer of Wolfson Microelectronics plc, which was 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 for software publishers, 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, 47 — 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 an active member of the Young Presidents Organisation (YPO), a syndicate member and Partner in Par Equity LLP, a board member of Code Clan, the Scottish Digital Skills Academy and the Scottish North American Business Council (SNABC). 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, 45 — 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, 54 — Non-Executive Director :: Appointed 31 January 2002

Neil is chairman of Codeplay Software Ltd and a non-executive director at DeltaDNA Ltd and Kobojo SAS. 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 Chairman of Two Big Ears Ltd and CEO of Quadstone, and a marketing analytics company, and head of the Edinburgh Parallel Computing Centre at the University of Edinburgh.

Ron F Verni, 68 — 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, 56 — Non-Executive Director :: Appointed 12 November 2013

Colleen Blye is the Executive Vice President and Chief Financial Officer for Montefiore Health System and Albert Einstein College of Medicine. Montefiore Health System consists of eleven hospitals and an extended care facility, it is a premier academic medical center and includes the Albert Einstein College of Medicine. Colleen has a distinguished background in large, complex healthcare organisations. Prior to joining Montefiore, she served as Executive Vice President and Chief Financial Officer of Catholic Health Services of Long Island, an integrated healthcare delivery system comprising six hospitals and three nursing homes. Earlier, she served as Executive Vice President for Finance and Integrated Services at Catholic Health Initiatives, a health system with 102 hospitals across the United States. Her previous experience includes responsibility for treasury management, revenue cycle, financial reporting and planning, third-party contracting, supply chain, accounts payable, payroll, and information technology. Colleen Blye is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the Healthcare Financial Management Association.

Russ Rudish, 64 — 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 holds a directorship in Rudish Health Solutions, LLC, a healthcare consulting firm. Russ is also a principal in Healthcare IT Leaders and Run Consultants, both of which provide IT staff augmentation services. Between 2006 and 2014, Russ served as partner and 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. He is an active speaker and contributor to thought leadership on today's most pressing healthcare business issues.

The Directors present herewith their report and the audited consolidated financial statements for the year ended 30 June 2016.

Principal Activities and Business Review

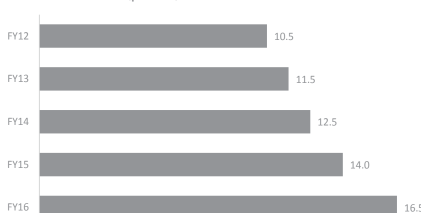
The Group's principal activity continues to be the development, licensing and ongoing support of computer software for the US healthcare industry.

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 and share related payments, 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 in pages 5 to 12 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 $49.8m (2015: $44.8m) which has generated an adjusted operating profit (before acquisition related matters) of $15.0m (2015: $13.2m). The full results for the year, which were approved by the Board of Directors on 5 September 2016, are set out in the accompanying financial statements and the notes thereto.



During the year the Company paid an interim dividend of 7.5p (10.7 cents). The Directors are recommending the payment of a final dividend of 9p (12.1 cents) per share giving a total dividend of 16.5p (22.0 cents) per share based on the results for 2016 (2015: 14p (22.0 cents)). Subject to approval at the Annual General Meeting, the final dividend will be paid on 8 December 2016 to shareholders on the register as at 20 November 2016.

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. The primary focus of this development continues to be the enhancement and expansion of the product suite to support the Group's Value Cycle strategy. Full details of the development activities and the Group's roadmap is provided in the Strategic Report contained in pages 5 to 12. 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 $7.7m (2015: $7.0m) net of expenditure capitalised of $2.0m (2015: $0.8m).

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 financial statements, including the consideration of:

- cash reserves;
- 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 pages 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's 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 26,850,248 were issued and fully paid up. During the year, options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 17,666 new ordinary shares (2015: 6,096 options were exercised).

Directors and their interests

The interests of the Directors who held office at 30 June 2016 and up to the date of this report in the share capital of the company, were as follows:-

	2016	2015
G R Elliott	**15,650**	15,650
N P Heywood	**80,606**	80,606
K Neilson	**3,504,130**	3,504,130
	3,600,386	3,600,386

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

Substantial Shareholders

As at 1 August 2016, 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	4,818,157	17.94
K Neilson	3,504,130	13.05
W G Craig	2,702,563	10.07
Hargreave Hale	2,627,146	9.78
AXA Framlington	1,425,000	5.31
Baillie Gifford	1,277,855	4.76
Shroder Investment Management	1,106,273	4.12
Fidelity Worldwide Investment	891,718	3.32
D Paterson	873,800	3.25

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
- recycles waste products wherever possible, encouraging use of environmentally friendly materials, and disposing safely of any non-recyclable materials.

Customers

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

Community

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

Employees and Employee Involvement

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

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

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

The Group maintains core values of honesty, integrity, hard work, service and quality and actively promotes these values in all activities undertaken on behalf of the Group.

Employment of Disabled Persons

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

Policy on Payment of Payables

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

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

It is the Group's normal practice to make payments to suppliers in accordance with agreed terms and conditions, generally within 30 days, provided that the supplier has performed in accordance with the relevant terms and conditions. Trade payables at 30 June 2016 represented, on average 19 days purchases (2015: 16 days) for the Group and 21 days purchases (2015: 19 days) for the Company.

Charitable and Political Contributions

As part of the Group's commitment to Corporate Social Responsibility it has continued to develop its "Craneware Cares" program. The focus of Craneware Cares is to raise awareness and funds for charity. The focus for 2016 has been the continued support of the Polar Academy and the support of this charity whose aim is to inspire and motivate thousands of young adults, positively demonstrating that by inspiring through exploration anybody can achieve their absolute potential. The Craneware Cares program for fiscal year 2017 has recently been launched in both the UK and US, this year the Craneware staff have nominated the Children's Hospice Association Scotland (CHAS) and the Shriners Hospital for Children as their selected charities.

Fund raising activities have already begun and these supplement the Volunteer Time Off program where Craneware staff take paid leave to support projects and charities in their communities.

Neither the Company nor its subsidiaries made any donation for political purposes in fiscal years 2016 or 2015.

Annual General Meeting

The resolutions to be proposed at the Annual General Meeting, 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
5 September 2016

The Board of Directors ("the Board") acknowledges the importance and continued applicability for this reporting period of the principles set out in the UK Corporate Governance Code issued in April 2016 (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 in line with best practice for an AIM listed company. 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 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, Ronald Verni (Senior Independent Director), Neil Heywood, Colleen Blye and Russ Rudish. Detailed biographies of all Directors are contained on pages 16 and 17. The Board meets regularly 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. The Board does not have a separate Nominations Committee as the Company has again taken advantage of the Codes relaxations available to smaller companies and incorporated this function within the remit of the entire Board.

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	Remuneration Committee	Audit Committee
No. Meetings in year	9	2	3
Executive Directors			
K Neilson	9/9	-	-
C T Preston	9/9	-	-
Non Executive Directors			
G R Elliott	9/9	-	-
N P Heywood	9/9	2/2	3/3
R Verni	9/9	2/2	3/3
C Blye	9/9	2/2	2/3
R Rudish	9/9	-	-

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."

TThe Board has appointed Ronald Verni as Senior Independent Director. In this role, Ronald 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;
- senior financial reporting;
- 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 in January 2002. Whilst Neil's tenure is over 10 years, the Company and the Board have significantly changed since the Company's IPO in 2007, as a result of this and Neil's conduct, the Board has concluded this has not affected his independence.

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, 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 Directors periodically meet with the Group'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."*

At the end of the prior financial 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 in the current year were reviewed by the Board as a whole. This evaluation included a review of the performance of individual Directors including the Chairman and the Board Committees. Overall the Board has concluded that its performance in the period under review 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. It is the intention of all Directors, except Neil Heywood, to stand for re-appointment. As detailed in the Chairman's Statement on page 4, Neil has decided, due to his length of tenure with the Board, not to 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 Strategic 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 Ronald Verni. The Chief Financial Officer, Chief Executive Officer and other senior management attend meetings by invitation and the Committee also meets the external auditors without management present. Colleen Blye, as a member of the Audit Committee has recent and relevant financial experience.

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

Remuneration

The Level and Components of Remuneration

"Executive Directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied."

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

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

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

The Committee has presented its Remuneration Report on pages 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 21 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 has 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 company to:

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

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

Craig Preston
Company Secretary
5 September 2016

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 Ronald Verni (Chairman), Neil Heywood and Colleen Blye. 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
- long term incentives (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 holds any outside appointments with any other publically traded company.

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.

The remuneration package comprises:

(i) Basic Salary and pension entitlement

This is normally reviewed annually, or when an individual's position or responsibilities change and is normally paid as a fixed cash sum monthly. In April 2016, Director's basic salary levels were reviewed as part of the Group wide remuneration review, and an adjustment was made to the Chief Financial Officers' base salary in line with percentage increases across the Group. In regards to the Chief Executive Officer, no adjustment was made, however it was acknowledged that his remuneration remains significantly below the levels recommended by previous benchmarking exercises. It is the Remuneration Committees intention to address this disparity over the coming year.

As required by legislation, the Company has introduced a Company open enrolment pension scheme in which all UK employees, including Directors, are entitled to participate. As part of this scheme, the Company has matched personal contributions into the scheme, up to 1%. In addition, 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 partially met in the current year, a proportion of the performance related bonus entitlement has been paid and is detailed in the table below.

(iii) Share options and LTIP awards

During the year, the Company operated 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) could be awarded share options under this scheme.

In the year to 30 June 2016, 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. Each option grant is split into three tranches (of no more than a 1/3 of the total options granted) which allows the performance criteria to be 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 vests. No more than 1/3 of 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.

These performance criteria were met in the current year and as a result all options that were subject to vesting in the current year vested but only become exercisable on the third anniversary of the grant of the original option.

Share option grants in the year remained at a level consistent with prior years but were still remain below the levels recommended by previous benchmarking exercises.

Given that the Share Option Plan is approaching the tenth anniversary of its original adoption date (beyond which no further options may be granted pursuant to its terms), the Company is proposing to implement replacement arrangements (including a Long Term Incentive Plan (or "LTIP")) that will be used to provide share-based incentives to directors and other senior executives in the future. Details of these proposals are contained within the Notice of Annual General Meeting.

Service Contracts

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

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

*** During the year, the Company agreed to extend G Elliott's service contract for a further 3 years, subject to the normal requirement for re-election at the upcoming AGM.*

Directors' Interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Report on page 18.

Directors' Emoluments (audited)

For Directors who held office during the course of the year, emoluments[1] for the year ending 30 June 2016 were as follows (note: with the exception of R Verni, C Blye and R Rudish, all directors are paid in UK Sterling; the amounts below are translated at the relevant average exchange rate for period being reported) :

	Salary/Fees ($)	Benefits [2] ($)	Bonus ($)	Pension ($)	**2016 Total ($)**	2015 Total ($)
Executives						
K Neilson	318,569	856	159,230	10,593	**489,248**	421,902
C T Preston	303,540	936	157,590	3,035	**465,101**	389,805
Non-Executives						
G R Elliott	96,375	-	-	-	**96,375**	97,675
N P Heywood	51,531	-	-	515	**52,046**	52,748
R Verni	55,572	-	-	-	**55,572**	53,055
C Blye	49,140	-	-	-	**49,140**	47,385
R Rudish	49,632	-	-	-	**49,632**	39,585
Total	924,359	1,792	316,820	14,143	**1,257,114**	1,102,155

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 (£)	**2016 Total (£)**	2015 Total (£)
Executives						
K Neilson	214,713	577	107,356	7,140	**329,786**	267,987
C T Preston	204,583	630	106,250	2,046	**313,509**	247,601
Non-Executives						
G R Elliott	64,956	-	-	-	**64,956**	62,016
N P Heywood	34,731	-	-	347	**35,078**	33,491
Total	518,983	1,207	213,606	9,533	**743,329**	611,095

Directors' interests in share options

Directors' share options as at 30 June 2016 were in respect of Directors who held office during the course of the year:

	Exercise Price (cents)	Exercise Price (pence)	Issue Date	Held At 30/06/15	Granted During Year	Exercised During Year	Lapsed During Year	**Held At 30/06/16**
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	650.0	400.0	Sept-12	17,438	-	-	-	**17,438**
Ordinary shares	621.0	395.0	Sept-13	34,472	-	-	-	**34,472**
Ordinary shares	839.0	523.0	Sept-14	39,090	-	-	-	**39,090**
Ordinary shares	1066.0	750.0	Mar-16	-	28,628	-	-	**28,628**
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	650.0	400.0	Sept-12	16,027	-	-	-	**16,027**
Ordinary shares	621.0	395.0	Sept-13	32,459	-	-	-	**32,459**
Ordinary shares	839.0	523.0	Sept-14	36,808	-	-	-	**36,808**
Ordinary shares	1066.0	750.0	Mar-16	-	26,925	-	-	**26,925**

Employee share options as at 30th June 2016 were:

	Exercise Price (cents)	Exercise Price (pence)	Issue Date	Held At 30/06/15	Granted During Year	Exercised During Year	Lapsed During Year	**Held At 30/06/16**
Ordinary shares	534.0	335.0	Dec-09	32,355	-	-	-	**32,355**
Ordinary shares	618.0	401.0	Sept-10	20,061	-	(1,330)	-	**18.731**
Ordinary shares	572.0	360.0	Sept-12	53,326	-	(12,792)		**40,534**
Ordinary shares	520.0	343.0	June-13	32,051	-	-	-	**32,051**
Ordinary shares	621.0	395.0	Sept-13	112,637	-	(3,544)	(3,545)	**105,548**
Ordinary shares	755.0	467.0	Oct-13	2,650	-	-	(2,650)	**-**
Ordinary shares	839.0	523.0	Sept-14	220,879	-	-	(22,716)	**198,163**
Ordinary shares	1066.0	750.0	Mar-16	-	201,904	-	(2,805)	**199,099**
Ordinary shares	1072.0	750.0	Apr-16	-	10,000	-	-	**10,000**

On behalf of the Remuneration Committee:

Ronald Verni
Chairman of the Remuneration Committee
5 September 2016

Report on the financial statements

Our opinion

In our opinion;

- Craneware plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2016 and of the group's profit and the group's and the parent 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 parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the consolidated and company balance sheets as at 30 June 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the statements of cash flow 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.
Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the parent 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.

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

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' Responsibility 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 International Standards on Auditing (UK and Ireland) ("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 parent 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.

What an audit of financial statements involves

We conducted our audit in accordance with 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 parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Kenneth Wilson
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

5 September 2016

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 2016

	Notes	Total 2016 $'000	Total 2015 $'000
Continuing operations:			
Revenue	4	**49,846**	44,817
Cost of sales		**(3,011)**	(2,421)
Gross profit		**46,835**	42,396
Operating expenses	5	**(33,024)**	(29,984)
Operating profit	6	**13,811**	12,412
Analysed as:			
Adjusted EBITDA[1]		**15,863**	14,356
Acquisition costs and share related transactions		**(556)**	(219)
Share based payments	8	**(251)**	(247)
Depreciation of plant and equipment		**(442)**	(467)
Contingent consideration on business combination	16	**1,005**	-
Amortisation and impairment of intangible assets		**(1,808)**	(1,011)
Finance income	9	**112**	84
Profit before taxation		**13,923**	12,496
Tax on profit on ordinary activities	10	**(3,348)**	(3,108)
Profit for the year attributable to owners of the parent		**10,575**	9,388
Total comprehensive income attributable to owners of the parent		**10,575**	9,388

Earnings per share for the year attributable to equity holders			
- Basic ($ per share)	12a	**0.394**	0.350
- Adjusted Basic ($ per share)[2]	12a	**0.429**	0.378
- Diluted ($ per share)	12b	**0.389**	0.348
- Adjusted Diluted ($ per share)[2]	12b	**0.423**	0.375

[1]Adjusted EBITDA is defined as operating profit before acquisition costs, share based payment, depreciation, contingent consideration, amortisation, impairment and shared related transactions.

[2]Adjusted Earnings per share calculations allow for the tax adjusted acquisition costs and share related transactions together with amortisation on acquired intangible assets to be better understood and allow a better comparison of the underlying performance 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 2016

Group	Share Capital $'000	Share Premium $'000	Other Reserves[1] $'000	Retained Earnings $'000	Total Equity $'000
At 1 July 2014	539	15,496	235	28,646	44,916
Total comprehensive income - profit for the year	-	-	-	9,388	9,388
Transactions with owners:					
Share-based payments	-	-	247	182	429
Impact of share options exercised/lapsed	-	40	(104)	104	40
Issue of Ordinary shares related to business combination	4	1,820	-	-	1,824
Buy back of Ordinary shares	(7)	-	-	(3,572)	(3,579)
Dividends (Note 11)	-	-	-	(5,388)	(5,388)
At 30 June 2015	536	17,356	378	29,360	47,630
Total comprehensive income - profit for the year	-	-	-	10,575	10,575
Transactions with owners:					
Share-based payments	-	-	251	210	461
Impact of share options exercised/lapsed	-	95	(74)	74	95
Dividends (Note 11)	-	-	-	(5,953)	(5,953)
At 30 June 2016	**536**	**17,451**	**555**	**34,266**	**52,808**

Company	Share Capital $'000	Share Premium $'000	Other Reserves[1] $'000	Retained Earnings $'000	Total Equity $'000
At 1 July 2014	539	15,496	192	23,850	40,077
Total comprehensive income - profit for the year	-	-	-	9,094	9,094
Transactions with owners:					
Share-based payments	-	-	145	-	145
Impact of share options exercised/lapsed	-	40	(52)	177	165
Issue of Ordinary shares related to business combination	4	1,820	-	-	1,824
Buy back of Ordinary shares	(7)	-	-	(3,572)	(3,579)
Dividends (Note 11)	-	-	-	(5,388)	(5,388)
At 30 June 2015	536	17,356	285	24,161	42,338
Total comprehensive income - profit for the year	-	-	-	8,773	8,773
Transactions with owners:					
Share-based payments	-	-	141	-	141
Impact of share options lapsed	-	95	(45)	138	188
Dividends (Note 11)	-	-	-	(5,953)	(5,953)
At 30 June 2016	**536**	**17,451**	**381**	**27,119**	**45,487**

[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 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Non-Current Assets			
Plant and equipment	13	**1,213**	1,242
Intangible assets	14	**16,535**	16,196
Trade and other receivables	17	**4,581**	2,432
Deferred tax	18	**1,685**	1,510
		24,014	21,380
Current Assets			
Trade and other receivables	17	**20,953**	15,010
Cash and cash equivalents	21	**48,812**	41,832
		69,765	56,842
Total Assets		**93,779**	78,222
EQUITY & LIABILITIES			
Non-Current Liabilities			
Deferred income		**4**	819
		4	819
Current Liabilities			
Deferred income		**28,963**	22,460
Current tax liabilities		**2,353**	1,289
Trade and other payables	22	**9,651**	6,024
		40,967	29,773
Total Liabilities		**40,971**	30,592
Equity			
Share capital	19	**536**	539
Share premium account		**17,451**	17,356
Other reserves		**555**	378
Retained earnings		**34,266**	29,360
Total Equity		**52,808**	47,630
Total Equity and Liabilities		**93,779**	78,222

Registered Number SC196331

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

The financial statements on page 30 to 57 were approved and authorised for issue by the Board of Directors on 5 September 2016 and signed on its behalf by:

Keith Neilson
Director

Craig Preston
Director

Company Balance Sheet as at 30 June 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Non-Current Assets			
Investment in subsidiary undertakings	15	**10,107**	11,112
Plant and equipment	13	**838**	842
Intangible assets	14	**2,603**	1,050
Deferred Tax	18	**405**	318
Amounts due from subsidiary undertaking	17	**6,000**	6,000
		19,953	19,322
Current Assets			
Trade and other receivables	17	**16,573**	11,951
Cash and cash equivalents	21	**45,324**	39,932
		61,897	51,883
Total Assets		**81,850**	71,205
EQUITY & LIABILITIES			
Non-Current Liabilities			
Deferred income		**4**	819
		4	819
Current Liabilities			
Deferred income		**27,870**	20,762
Current tax liabilities		**1,019**	1,177
Trade and other payables	22	**7,470**	6,109
		36,359	28,048
Total Liabilities		**36,363**	28,867
Equity			
Share capital	19	**536**	536
Share premium account		**17,451**	17,356
Other reserves		**381**	285
Retained earnings		**27,119**	24,161
Total Equity		**45,487**	42,338
Total Equity and Liabilities		**81,850**	71,205

Registered Number SC196331

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

The financial statements on pages 30 to 57 were approved and authorised for issue by the Board of Directors on 5 September 2016 and signed on its behalf by:

Keith Neilson
Director

Craig Preston
Director

Statements of Cash Flows for the year ended 30 June 2016

	Notes	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Cash flows from operating activities					
Cash generated from operations	20	**17,564**	22,025	**14,944**	21,953
Interest received		**112**	84	**245**	185
Tax paid		**(2,254)**	(2,527)	**(1,913)**	(2,413)
Net cash from operating activities		**15,422**	19,582	**13,276**	19,725
Cash flows from investing activities					
Purchase of plant and equipment	13	**(418)**	(378)	**(230)**	(148)
Capitalised intangible assets	14	**(2,166)**	(811)	**(1,796)**	(670)
Acquisition of subsidiary, net of cash acquired	16	**-**	(247)	**-**	(290)
Net cash used in investing activities		**(2,584)**	(1,436)	**(2,026)**	(1,108)
Cash flows from financing activities					
Dividends paid to company shareholders	11	**(5,953)**	(5,388)	**(5,953)**	(5,388)
Buy back of Ordinary Shares		**-**	(3,579)	**-**	(3,579)
Proceeds from issuance of shares		**95**	40	**95**	40
Net cash used in financing activities		**(5,858)**	(8,927)	**(5,858)**	(8,927)
Net increase in cash and cash equivalents		**6,980**	9,219	**5,392**	9,690
Cash and cash equivalents at the start of the year		**41,832**	32,613	**39,932**	30,242
Cash and cash equivalents at the end of the year		**48,812**	41,832	**45,324**	39,932

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

General Information

Craneware plc (the Company) is a public limited company incorporated and domiciled in Scotland. The Company has a primary listing on the AIM stock exchange. The address of its registered office and principal place of business is disclosed on page 15 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, International Financial Reporting Standards Interpretation Committee (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 year. 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 financial statements 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 $1.4837/£1 (2015: $1.5750/£1). Monetary assets and liabilities expressed in foreign currencies are translated into US dollars at rates of exchange ruling at the Balance Sheet date $1.3397/£1 (2015: $1.5717/£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 2012 (effective 1 July 2014*), This set of annual improvements addresses issues in the 2010-2012 reporting cycle which includes changes to seven standards, none of which are expected to have a material impact on the Group.

Annual Improvements 2013 (effective 1 July 2014*), This set of annual improvements addresses issues in the 2011-2013 reporting cycle which includes changes to four standards, none of which are expected to have a material impact on the Group.

IAS 19, 'Employee Benefits' (effective 1 July 2014*),This amendment applies to contributions from employees or third parties to defined benefit plans. The objective of this amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

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 have been adopted early but their potential impact is continually monitored.

Annual improvements 2014 (effective 1 January 2016*), This set of annual improvements addresses issues in the 2012-2014 reporting cycle which affects four different standards.

- IFRS 2, 'Share based payments' (effective 1 January 2018*),
- IFRS 9, 'Financial instruments: classification and measurement' (effective 1 January 2018*),
- IFRS 10, 'Consolidated financial statements' (effective 1 January 2016*),
- IFRS 11, 'Joint arrangements' (effective 1 January 2016*),
- IFRS 14, 'Regulatory deferral accounts' (effective 1 January 2016*),
- IFRS 16, 'Leases' (effective 1 January 2019*),
- IAS 1, 'Presentation of financial statements' (effective 1 January 2016*),
- IAS 7, 'Statement of Cash Flows' (effective 1 January 2017*),
- IAS 12, 'Income Taxes' (effective 1 January 2017*),
- IAS 16, 'Property, plant and equipment' (effective 1 January 2016*),
- IAS 27, 'Separate financial statements' (effective 1 January 2016*),
- IAS 28 (revised 2011), 'Investments in associates and joint ventures' (effective 1 January 2016*),
- IAS 38, 'Intangible assets' (effective 1 January 2016*),
- IAS 41, 'Agriculture' (effective 1 January 2016*).

1 Principal accounting policies (cont'd.)

The Directors continue to assess the potential implications of IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018). The first year end that is expected to be affected is 30 June 2019.

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

Basis of consolidation

The consolidated Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Statement of Cash flows include the financial statements of the Parent Company and its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 a financial asset or financial liability is recognised in accordance with IAS 39 in the Statement of Comprehensive Income and any balances at the balance sheet date are catorgorised as 'fair value through profit and loss'. 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.

In relation to Craneware Health (Kestros Ltd), there has been an adjustment to the fair value and this is reflected in Note 17.

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 licences 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.
'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 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.

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.

1 Principal accounting policies (cont'd.)

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.

(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 10% - 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.

1 Principal accounting policies (cont'd.)

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.

Kestros Ltd

Kestros Ltd (SC362481), one of Craneware plc's subsidiaries is exempt from the requirement for its financial statements to be audited under the provisions of section 479 A of the Companies Act 2006.

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 financial statements 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:-

- **Contingent consideration:-** the contingent consideration related to the acquisition of Kestros Limited is measured at fair value which requires judgement with regards to the likelihood of the subsidiary acquired meeting the revenue targets stipulated in the sales and purchase agreement. The balance was re-measured taking into account revenue achieved to date and the forecasted revenue up to the final day of the earn out period.
- **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 recoverable amount of the applicable cash generating unit to which the Goodwill and other assets relate. Estimating the recoverable amount 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% (18% to 23%) and decreasing the long-term growth rate applied to revenues by 1% (2% to 1%) would still result in no impairment.
- **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.
- **Capitalisation of development expenditure:-** the Group capitalises development costs provided the aforementioned conditions have been met. Consequently, the directors require to continually assess the commercial potential of each product in development and its useful life following launch.

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, counterparty risk and liquidity risk.

Risk management is carried out under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

(a) Market risk

(i) Foreign exchange risk
Foreign exchange risk arises when commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group operates primarily in the US however a significant proportion of costs are incurred in Sterling.

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

The Directors believe that a 10% change in the value of Sterling relative to the Dollar would impact post-tax profits and equity between approximately $1,050,000 and $950,000 (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 $109,000 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 overleaf 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.

3 Financial risk management (cont'd.)

	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 2015					
Trade and Other Payables	5,573	-	-	-	5,573
At 30 June 2016					
Trade and Other Payables	**9,155**	**-**	**-**	**-**	**9,155**

There is no difference between the undiscounted liabilities and the amounts shown in Note 22 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 almost 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.

	2016 $'000	2015 $'000
Software licensing	**43,170**	38,842
Professional services	**6,676**	5,975
Total revenue	**49,846**	44,817

5 Operating expenses

Operating expenses comprise the following:

	2016 $'000	2015 $'000
Sales and marketing expenses	**7,634**	7,930
Client servicing	**9,285**	7,965
Research and development	**7,668**	6,985
Administrative expenses	**6,340**	5,222
Acquisition Costs	**556**	219
Share-based payments (Note 8)	**251**	247
Depreciation of plant and equipment	**442**	467
Contingent consideration of business combination	**(1,005)**	-
Amortisation and Impairment of intangible assets	**1,808**	1,011
Exchange loss/(gain)	**45**	(62)
Operating expenses	**33,024**	29,984

6 Operating profit

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

	2016 $'000	2015 $'000
Staff costs (Note 7)	**22,329**	19,779
Depreciation of plant and equipment	**442**	467
Amortisation of intangible assets	**803**	1,011
Impairment of intangible assets	**1,005**	-
Impairment of trade receivables	**381**	213
Operating lease rents for premises	**974**	994

Services provided by the Group's auditor

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

	2016 $'000	2015 $'000
Statutory audit - Parent Company financial statements and consolidation	**67**	83
Tax compliance and other tax services	**113**	128
	180	211

7 Staff costs

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

	2016 Number	2015 Number
Sales and distribution	**32**	36
Client servicing	**78**	72
Research and development	**92**	68
Administration	**28**	26
	230	202

Employment costs of all employees excluding non-executive Directors:

	2016 $'000	2015 $'000
Wages and salaries	**20,254**	17,899
Social security costs	**1,748**	1,550
Other pension costs	**76**	83
Share-based payments	**251**	247
Total direct costs of employment	**22,329**	19,779
Highest paid director:		
Salary and short-term employee benefits	**479**	411
Other pension costs	**11**	11
Share-based payments	**33**	37
	523	459

The highest paid Director did not exercise any shares during the year (2015: Nil).

Directors' emoluments are detailed in the Remuneration Committee's Report on page 26 and key management compensation is given in the Related Party Transaction note on pages 56 and 57. Retirement benefits are accruing to three of the Directors under a defined contribution scheme (2015: three).

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 $250,669 (2015: $247,196) as detailed in Note 7 above.

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

The market value of share options exercised during the year ranged from $5.46 (£3.60) to $5.70 (£4.01). The market value at 30 June 2016 was $10.48 (£7.82).

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	01-Apr-16	09-Mar-16	22-Sep-14	21-Oct-13	10-Sep-13	28-Jun-13	21-Sep-12	04-Sep-12	06-Sep-10	22-Dec-09
Options over Ordinary shares										
Share price at date of grant	$10.72	$10.66	$8.39	$7.55	$6.21	$5.20	$6.50	$5.72	$6.18	$5.34
Share price at date of grant	£7.50	£7.50	£5.23	£4.67	£3.95	£3.43	£4.00	£3.60	£4.01	£3.35
Vesting period (years)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Expected volatility	31%	31%	33%	36%	36%	36%	37%	37%	24%	23%
Risk free rate	0.48%	0.51%	1.33%	0.90%	1.02%	0.73%	0.37%	0.16%	1.18%	1.96%
Dividend yield	2.0%	2.0%	2.4%	2.8%	2.8%	2.7%	2.6%	2.5%	2.2%	1.5%
Exercise price	$10.72	$10.66	$8.39	$7.55	$6.21	$5.20	$6.50	$5.72	$6.18	$5.34
Exercise price	£7.50	£7.50	£5.14	£4.67	£3.95	£3.43	£4.00	£3.60	£4.01	£3.35
Number of employees	1	49	36	1	26	1	2	28	20	10
Shares under option	10,000	257,459	306,765	3,975	321,855	48,076	100,394	230,034	255,655	170,303
Fair value per option	$5.78	$1.78	$2.28	$1.79	$1.48	$1.23	$0.94	$0.82	$1.40	$1.34

8 Share-based payments (cont'd.)

The following options have been granted over Ordinary shares:

2007 Share Option Plan:	2016 options number	2015 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	86,034
Forfeited	-	-
Exercised	-	-
Outstanding at 30 June	86,034	86,034
Ordinary share options (£4.01 exercise price)		
Outstanding at 1 July	45,165	52,591
Forfeited	-	(1,330)
Exercised	(1,330)	(6,096)
Outstanding at 30 June	43,835	45,165
Ordinary share options (£3.60 exercise price)		
Outstanding at 1 July	53,326	68,626
Forfeited	-	(15,300)
Exercised	(12,792)	-
Outstanding at 30 June	40,534	53,326
Ordinary share options (£4.00 exercise price)		
Outstanding at 1 July	33,464	33,464
Forfeited	-	-
Outstanding at 30 June	33,464	33,464
Ordinary share options (£3.43 exercise price)		
Outstanding at 1 July	32,051	32,051
Forfeited	-	-
Outstanding at 30 June	32,051	32,051
Ordinary share options (£3.95 exercise price)		
Outstanding at 1 July	179,568	208,129
Forfeited	(3,545)	(28,561)
Exercised	(3,544)	-
Outstanding at 30 June	172,479	179,568
Ordinary share options (£4.67 exercise price)		
Outstanding at 1 July	2,650	2,650
Forfeited	(2,650)	-
Outstanding at 30 June	-	2,650
Ordinary share options (£5.225 exercise price)		
Outstanding at 1 July	296,777	-
Granted	-	306,765
Forfeited	(22,716)	(9,988)
Outstanding at 30 June	274,061	296,777
Ordinary share options (£7.50 exercise price)		
Outstanding at 1 July	-	-
Granted	257,457	-
Forfeited	(2,805)	-
Outstanding at 30 June	254,652	-
Ordinary share options (£7.50 exercise price)		
Outstanding at 1 July	-	-
Granted	10,000	-
Outstanding at 30 June	10,000	-

9 Finance income

	2016 $'000	2015 $'000
Deposit interest receivable	**112**	84
Total interest receivable	**112**	84

10 Tax on profit on ordinary activities

	2016 $'000	2015 $'000
Profit on ordinary activities before tax	**13,923**	12,496
Current tax		
Corporation tax on profits of the year	**3,344**	2,765
Foreign exchange on taxation in the year	**54**	(59)
Adjustments for prior years	**(86)**	86
Total current tax charge	**3,312**	2,792
Deferred tax		
Origination & reversal of timing differences	**27**	114
Adjustments for prior years	**25**	202
Change in tax rate	**(16)**	-
Total deferred tax charge	**36**	316
Tax on profit on ordinary activities	**3,348**	3,108

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:

	2016	2015
Profit on ordinary activities at the UK tax rate 20% (2015: 20.75%)	**2,785**	2,592
Effects of:		
Adjustment in respect of prior years	**(61)**	288
Change in tax rate	**(16)**	-
Additional US taxes on profit 39% (2015: 39%)	**559**	319
Foreign Exchange	**54**	(59)
Expenses not deductible for tax purposes	**27**	(32)
Total tax charge	**3,348**	3,108

11 Dividends

The dividends paid during the year were as follows:-

	2016 $'000	2015 $'000
Final dividend, re 30 June 2015 - 12.1 cents (7.7 pence)/share	**3,097**	2,863
Interim dividend, re 30 June 2016 - 10.65 cents (7.5 pence)/share	**2,856**	2,525
Total dividends paid to Company shareholders in the year	**5,953**	5,388

The proposed final dividend for 30 June 2016 is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

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.

	2016	2015
Profit attributable to equity holders of the Company ($'000)	**10,575**	9,388
Weighted average number of Ordinary shares in issue (thousands)	**26,838**	26,815
Basic earnings per share ($ per share)	**0.394**	0.350
Profit attributable to equity holders of the Company ($'000)	**10,575**	9,388
Tax adjusted acquisition costs, share related transactions and amortisation of acquired intangibles ($'000)	**937**	749
Adjusted Profit attributable to equity holders ($'000)	**11,512**	10,137
Weighted average number of Ordinary shares in issue (thousands)	**26,838**	26,815
Adjusted Basic earnings per share ($ per share)	**0.429**	0.378

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.

	2016	2015
Profit attributable to equity holders of the Company ($'000)	**10,575**	9,388
Weighted average number of Ordinary shares in issue (thousands)	**26,838**	26,815
Adjustments for Share options (thousands)	**345**	188
Weighted average number of Ordinary shares for diluted earnings per share (thousands)	**27,183**	27,003
Diluted earnings per share ($ per share)	**0.389**	0.348
Profit attributable to equity holders of the Company ($'000)	**10,575**	9,388
Tax adjusted acquisition costs, share related transactions and amortisation of acquired intangibles ($'000)	**937**	749
Adjusted Profit attributable to equity holders ($'000)	**11,512**	10,137
Weighted average number of Ordinary shares in issue (thousands)	**26,838**	26,815
Adjustments for Share options (thousands)	**345**	188
Weighted average number of Ordinary shares for diluted earnings per share (thousands)	**27,183**	27,003
Adjusted Diluted earnings per share ($ per share)	**0.423**	0.375

13 Plant and equipment

Group	Computer Equipment $'000	Office Furniture $'000	Tenants Improvements $'000	Total $'000
Cost				
At 1 July 2015	2,148	1,066	1,735	4,949
Additions	391	15	15	421
Disposals	(258)	(36)	(107)	(401)
At 30 June 2016	2,281	1,045	1,643	4,969
Accumulated depreciation				
At 1 July 2015	1,812	875	1,020	3,707
Charge for year	225	76	141	442
Depreciation on disposal	(258)	(31)	(104)	(393)
At 30 June 2016	1,779	920	1,057	3,756
Net Book Value at 30 June 2016	**502**	**125**	**586**	**1,213**
Cost				
At 1 July 2014	1,870	970	1,729	4,569
Additions	276	96	6	378
Acquisition of subsidiary (Note 16)	2	-	-	2
At 30 June 2015	2,148	1,066	1,735	4,949
Accumulated depreciation				
At 1 July 2014	1,621	750	869	3,240
Charge for the year	191	125	151	467
At 30 June 2015	1,812	875	1,020	3,707
Net Book Value at 30 June 2015	336	191	715	1,242

Company	Computer Equipment $'000	Office Furniture $'000	Tenants Improvements $'000	Total $'000
Cost				
At 1 July 2015	925	629	1,514	3,068
Additions	200	15	15	230
At 30 June 2016	1,125	644	1,529	3,298
Accumulated depreciation				
At 1 July 2015	757	621	848	2,226
Charge for year	111	3	120	234
At 30 June 2016	868	624	968	2,460
Net Book Value at 30 June 2016	**257**	**20**	**561**	**838**
Cost				
At 1 July 2014	786	624	1,510	2,920
Additions	139	5	4	148
At 30 June 2015	925	629	1,514	3,068
Accumulated depreciation				
At 1 July 2014	687	560	729	1,976
Charge for year	70	61	119	250
At 30 June 2015	757	621	848	2,226
Net Book Value at 30 June 2015	168	8	666	842

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 2015	11,438	2,964	3,043	3,796	912	22,153
Additions	-	-	-	1,959	207	2,166
Disposals		-		-	(126)	(126)
At 30 June 2016	11,438	2,964	3,043	5,755	993	24,193
Accumulated amortisation						
At 1 July 2015	-	1,384	1,058	2,759	756	5,957
Charge for the year	-	329	163	167	144	803
Impairment of acquisition	250	-	755	-	-	1,005
Amortisation on disposal	-	-	-	-	(107)	(107)
At 30 June 2016	250	1,713	1,976	2,926	793	7,658
Net Book Value at 30 June 2016	**11,188**	**1,251**	**1,067**	**2,829**	**200**	**16,535**
Cost						
At 1 July 2014	11,188	2,964	1,222	3,035	862	19,271
Additions	-	-	-	761	50	811
Acquisition of subsidiary (Note 16)	250	-	1,821	-	-	2,071
At 30 June 2015	11,438	2,964	3,043	3,796	912	22,153
Accumulated amortisation						
At 1 July 2014	-	1,054	814	2,457	621	4,946
Charge for the year	-	330	244	302	135	1,011
At 30 June 2015	-	1,384	1,058	2,759	756	5,957
Net Book Value at 30 June 2015	11,438	1,580	1,985	1,037	156	16,196

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 acquisitions of Craneware InSight Inc and Craneware Health (Kestros Ltd) (although the Group recognised the impairment in the current year).

The carrying values are assessed for impairment purposes by calculating the value in use (net present value (NPV) of future cashflows) of the core Craneware business cash generating unit. This is the lowest level of which there are separately identifiable cash flows to assess the goodwill acquired as part of the Craneware InSight Inc purchase. 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 18%.

The carrying amount of the separately identifiable Craneware Health cash generating unit has been reduced to its recoverable amount through recognition of an impairment loss against goodwill and proprietary software. This loss has been included in operating expenses. The level of sales achieved in the period since the acquisition of Craneware Health and the sales forecasted in the future have been below what was previously forecasted. Refer to note 16 for further details.

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 18% 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 2015	3,694	589	4,283
Additions	1,648	148	1,796
At 30 June 2016	5,342	737	6,079
Accumulated amortisation			
At 1 July 2015	2,738	495	3,233
Charge for the year	144	99	243
At 30 June 2016	2,882	594	3,476
Net Book Value at 30 June 2016	**2,460**	**143**	**2,603**
Cost			
At 1 July 2014	3,035	578	3,613
Additions	659	11	670
At 30 June 2015	3,694	589	4,283
Accumulated amortisation			
At 1 July 2014	2,457	392	2,849
Charge for the year	281	103	384
At 30 June 2015	2,738	495	3,233
Net Book Value at 30 June 2015	956	94	1,050

15 Investments in subsidiary undertakings

The following information relates to all of the subsidiaries 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 Health (Kestros Ltd)	Ordinary	100%	Software Development
Craneware Healthcare Intelligence	Ordinary	100%	Software Development

Craneware Inc, Craneware InSight Inc and Craneware Healthcare Intelligence, LLC are incorporated in the United States of America and Craneware plc holds 10,000 (2015: 10,000) and 1,000 (2015: 1,000) common shares respectively with a nominal value of $0.01 each. Kestros Ltd (t/a Craneware Health) is incorporated within the United Kingdom and Craneware plc holds 1,075 (2015: 1,075) Ordinary shares respectively with a nominal value of £1 each.

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

Kestros Ltd

Kestros Ltd (SC362481), one of Craneware plc's subsidiaries is exempt from the requirement for its financial statements to be audited under the provisions of section 479 A of the Companies Act 2006.

16 Acquisition of subsidiary: Craneware Health

In the prior year, on 26th August 2014, the Company acquired 100% of the issued share capital of Kestros Ltd. The total consideration for the acquisition along with the fair value of the identified assets and assumed liabilities as acquired are shown below:

Recognised amounts of identifiable assets acquired and liabilities assumed	Book Value $'000	Fair Value Adjustments 31-Dec-14 $'000	Provisional Fair Value $'000
Tangibles fixed assets			
Plant and Equipment	2	-	2
Intangibles assets			
Proprietary Software	101	1,720	1,821
Other assets and liabilities			
Trade and other receivables	33	-	33
Bank and cash balances	43	-	43
Trade and other payables	(35)	-	(35)
	144	1,720	1,864
Goodwill			250
Fair Value			**2,114**

Satisfied by	$'000
Cash	290
Ordinary Shares issued – 211,539 shares at $8.623 (£5.20)	1,824
	2,114
Bank balances and cash acquired	43
Cash consideration	(290)
Net Cash on acquisition	**(247)**

The value of the equity consideration was subject to revenue performance criteria through to 31 July 2016 with a potential cash repayment where stipulated revenue targets were not met. Due to the likelihood of revenue targets not being met a contingent consideration receivable is included in other receivables and disclosed in Note 17. An impairment charge has also been recognised against Goodwill (reduced by $250,000 to Nil) and a fair value reduction of $754,791 was made to the Proprietary Software.

	$'000
Opening balance of Contingent consideration	-
Contingent consideration of Business Combination	**1,005**
Closing Balance	**1,005**

17 Trade and other receivables

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Trade receivables	**16,504**	11,917	**15,932**	11,381
less: provision for impairment of trade receivables	**(1,135)**	(779)	**(1,134)**	(743)
Net trade receivables	**15,369**	11,138	**14,798**	10,638
Other receivables	**1,177**	99	**1,162**	94
Amounts owed from group companies	**-**	-	**6,000**	6,000
Prepayments and accrued income	**2,950**	3,032	**613**	1,219
Deferred Contract Costs	**6,038**	3,173	**-**	-
	25,534	17,442	**22,573**	17,951
Less non-current receivables:	**-**	-	**(6,000)**	(6,000)
Deferred Contract Costs	**(4,581)**	(2,432)	**-**	-
Current portion	**20,953**	15,010	**16,573**	11,951

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.

Included in other receivables is contingent consideration that Craneware are entitled to claw back in relation to the acquisition of Craneware Health (Kestros Ltd) during the year ended 30 June 2015. The balance of $1,004,791 has been measured at fair value and as the inputs used in determining the fair value are not based on observable market data the contingent consideration has been categorised as level 3 under IFRS 13. The fair value of the contingent consideration arrangement of $1,004,791 was estimated by assessing the expected revenue performance of Craneware Health up to the last day of the earn-out period and the sales performance actually achieved up to the balance sheet date. The earn out period came to an end on 31 July and subsequent to balance sheet date the claw back amount has been finalised and is in line with the balance recognised at balance sheet date.

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 2016, trade receivables of $1,313,903 (2015: $716,904) were past due and deemed to be impaired. The amount of the provision against these receivables was $1,135,429 as of 30 June 2016 (2015: $716,904). 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:

	2016 $'000	2015 $'000
Less than 30 days past due	**-**	-
30 – 60 days past due	**117**	-
61 – 90 days past due	**187**	-
91 + days past due	**1,010**	717
	1,314	717

17 Trade and other receivables (cont'd.)

As at 30 June 2016, trade receivables of $7,921,577 (2015: $6,160,565) 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:

	2016 $'000	2015 $'000
Less than 30 days past due	**6,279**	4,335
31 – 60 days past due	**403**	697
61 – 90 days past due	**527**	623
91 + days past due	**713**	506
	7,922	6,161

As at 30 June 2016, trade receivables of $7,180,798 (2015: $4,871,086) were not past due or impaired, and the Group does not anticipate collection issues. None of these balances are deemed to be impaired. (2015: $61,854).

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

	2016 $'000	2015 $'000
At 1 July	**779**	658
Provision for receivables impairment on revenue recognised	**499**	563
Receivables written off during year as uncollectable	**(25)**	(18)
Unused amounts reversed	**(118)**	(424)
At 30 June	**1,135**	779

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.

18 Deferred taxation

Deferred tax is calculated in full on the temporary differences under the liability method using a rate of tax of 19% (2015: 20%) in the UK and 39% (2015: 39%) in the US including a provision for state taxes.

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

	Group		**Company**	
	2016 $'00	2015 $'000	**2016 $'000**	2015 $'000
At 1 July	**1,510**	1,644	**318**	156
(Charge)/credit to comprehensive income	**(36)**	(316)	**(6)**	37
Transfer direct to equity	**211**	182	**93**	125
At 30 June	**1,685**	1,510	**405**	318

18 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 2016 was $1,683,964 (2015: $1,510,193).

Deferred tax assets - recognised **Group**	**Short term timing differences $'000**	**Losses $'000**	**Share Options $'000**	**Total $'000**
At 1 July 2015	435	1,282	525	2,242
(Charged)/Credited to comprehensive income	198	(465)	61	(206)
Credited to equity	-	-	211	211
Total provided at 30 June 2016	**633**	**817**	**797**	**2,247**
At 1 July 2014	451	2,341	278	3,070
(Charged)/Credited to comprehensive income	(16)	(1,059)	65	(1,010)
Credited to equity	-	-	182	182
Total provided at 30 June 2015	435	1,282	525	2,242

Deferred tax liabilities - recognised **Group**	**Long-term Timing differences $'000**	**Accelerated tax depreciation $'000**	**Total $'000**
At 1 July 2015	-	(732)	(732)
Credited to comprehensive income		170	170
Total provided at 30 June 2016	**-**	**(562)**	**(562)**
At 1 July 2014	(454)	(972)	(1,426)
Credited to comprehensive income	454	240	694
Total provided at 30 June 2015	-	(732)	(732)

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

Group	**2016 $'000**	2015 $'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 1 year	**1,457**	1,702
Deferred tax assets to be recovered within 1 year	**790**	540
	2,247	2,242
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 1 year	**(341)**	(468)
Deferred tax liabilities to be recovered within 1 year	**(221)**	(264)
	(562)	(732)
Net deferred tax assets	**1,685**	1,510

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

18 Deferred taxation (cont'd.)

Deferred tax assets - recognised

Company	Share Options $'000	Total $'000
At 1 July 2015	352	352
Credited to comprehensive income	20	20
Credited to equity	93	93
Total provided at 30 June 2016	**465**	**465**
At 1 July 2014	200	200
Credited to comprehensive income	27	27
Credited to equity	125	125
Total provided at 30 June 2015	352	352

Deferred tax liabilities - recognised

Company	Accelerated tax depreciation $'000	Total $'000
At 1 July 2015	(34)	(34)
Charged to comprehensive income	(26)	(26)
Total provided at 30 June 2016	**(60)**	**(60)**
At 1 July 2014	(44)	(44)
Credited to comprehensive income	10	10
Total provided at 30 June 2015	(34)	(34)

The Group continues to monitor the recoverability of deferred tax assets and are satisfied that the continuing profitability will utilise the assets in respect of losses and there remains the expectation that share options will be exercised which will give rise to the utilisation of the asset in this regard.

19 Share Capital

	2016		2015	
	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

	2016		2015	
	Number	**$'000**	Number	$'000
Equity share capital Ordinary shares of 1p each	**26,850,248**	**536**	26,832,582	536

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

- 17,666 Ordinary Share options were exercised in the year, as detailed in the Remuneration Committee Report on page 27.

20 Cash flow generated from operating activities

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

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Profit before tax	**13,923**	12,496	**11,538**	11,507
Finance income	**(112)**	(84)	**(245)**	(185)
Depreciation on plant and equipment	**442**	467	**234**	250
Amortisation and Impairment on intangible assets	**1,808**	1,011	**243**	384
Share-based payments	**251**	247	**141**	145
Movements in working capital:				
(Increase)/Decrease in trade and other receivables	**(8,065)**	5,422	**(3,771)**	7,497
Increase in trade and other payables	**9,317**	2,466	**6,804**	2,355
Cash generated from operations	**17,564**	22,025	**14,944**	21,953

21 Cash and cash equivalents

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**48,812**	41,832	**45,324**	39,932

The effective rates on short term bank deposits were 0.26% (2015: 0.23%).

22 Trade and other payables

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade payables	**1,473**	1,341	**400**	467
Amounts owed to group companies	**-**	-	**4,443**	3,592
Social security and PAYE	**496**	451	**223**	206
Other creditors	**63**	2	**1**	1
Accruals	**7,619**	4,230	**2,403**	1,843
	9,651	6,024	**7,470**	6,109

Amounts owed to Group companies on trading financial statements 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 2016 was 19 days (2015: 16 days). Trade and other payables are classified as financial liability at amortised cost.

23 Contingent liabilities and financial commitments

a) Capital commitments

The Group has no capital commitments at 30 June 2016 (2015: $nil)

b) Lease commitments

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

	2016	2015
	$'000	$'000
Within one year	**824**	818
Between 2 and 5 years	**3,560**	4,054
More than 5 years	**1,693**	3,021
	6,077	7,893

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.

24 Related party transactions

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

	2016		2015	
Group	**Charged**	**Outstanding at year end**	Charged	Outstanding at year end
	$	**$**	$	$
Fees for services provided as non-executive Directors				
Fees	**154,344**	**4,095**	140,025	-
Short-term employee benefits	**148,421**	**-**	150,423	-
Executive Directors				
Short-term employee benefits	**940,792**	**316,891**	797,507	163,713
Post employment benefits	**13,628**	**-**	14,200	-
Share-based payments	**64,347**	**-**	70,574	-
Other key management				
Short-term employee benefits	**1,918,469**	**380,943**	1,710,387	206,484
Post employment benefits	**14,075**	**-**	13,882	-
Share-based payments	**131,269**	**-**	107,003	-

24 Related party transactions (cont'd.)

Company	2016 Charged $	2016 Outstanding at year end $	2015 Charged $	2015 Outstanding at year end $
Fees for services provided as non-executive Directors				
Fees	**154,344**	**4,095**	140,025	-
Short-term employee benefits	**148,421**	**-**	150,423	-
Executive Directors				
Short-term employee benefits	**940,792**	**316,891**	797,507	163,713
Post employment benefits	**13,628**	**-**	14,200	-
Share-based payments	**64,347**	**-**	70,574	-
Other key management				
Short-term employee benefits	**913,303**	**181,999**	695,914	93,005
Post employment benefits	**14,075**	**-**	13,882	-
Share-based payments	**72,578**	**-**	45,800	-
Amounts due to Craneware Inc - Subsidiary company				
Sales commission	**21,383,869**	**-**	16,420,947	-
Net operating expenses	**2,669,387**	**-**	2,403,678	-
Balance	**-**	**2,530,272**	-	2,109,602
Net Amounts due from Craneware InSight Inc - Subsidiary company				
Balance	**-**	**3,300,809**	-	4,249,414
Net Amounts due from Craneware Health/Kestros - Subsidiary company				
Balance	**-**	**786,442**	-	269,041

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, Chief People Officer (from March 2016), EVP of Sales and EVP of Revenue Integrity.

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

25 Ultimate controlling party

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

Personal Notes

Personal Notes

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