



**Craneware plc Annual Report**  
for the year ended 30 June 2018

## About Craneware

---

Craneware enables healthcare providers to improve margins and enhance patient outcomes so they can continue to provide quality outcomes for all.

Craneware is the leader in automated value cycle solutions that help US healthcare provider organisations discover, convert and optimise assets to achieve best clinical outcomes and financial performance.

Founded in 1999, Craneware is headquartered in Edinburgh, Scotland with offices in Atlanta and Pittsburgh employing over 320 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](http://craneware.com).

---

## Contents

---

Financial and Operational Highlights . . . . .	1
Craneware Value Cycle Solutions® . . . . .	2
Chairman's Statement . . . . .	4
Strategic Report: Operational and Financial Review . . . . .	5
Strategic Report: Key Performance Indicators and Principal Risks and Uncertainties. . . . .	11
Directors, Secretary, Advisors and Subsidiaries . . . . .	14
Board of Directors . . . . .	15
Directors' Report. . . . .	17
Corporate Governance Report. . . . .	20
Remuneration Committee's Report . . . . .	24
Independent Auditors' Report to the Members of Craneware plc . . . . .	31
Consolidated Statement of Comprehensive Income for the year ended 30 June 2018 . . . . .	35
Statements of Changes in Equity for the year ended 30 June 2018 . . . . .	36
Consolidated Balance Sheet as at 30 June 2018 . . . . .	37
Company Balance Sheet as at 30 June 2018. . . . .	38
Statements of Cash Flows for the year ended 30 June 2018. . . . .	39
Notes to the Financial Statements . . . . .	40

## Financial and Operational Highlights

### Financial

- Revenue increased 16% to \$67.1m (FY17: \$57.8m)
- Adjusted EBITDA<sup>1</sup> increased 20% to \$21.6m (FY17: \$18.0m)
- Profit before tax increased 12% to \$18.9m (FY17: \$16.9m)
- Basic adjusted EPS<sup>2</sup> increased 17% to \$0.602 (FY17: \$0.514) and adjusted diluted EPS increased to \$0.591 (FY17: \$0.503)
- Total visible revenue increased 20% to \$192.9m (FY17 same 3 year period: \$160.7m)
- Continued operating cash conversion above 100% of Adjusted EBITDA
- Renewal rate remains above 100% by dollar value
- Cash at year-end of \$52.8m (FY17: \$53.2m) after having returned \$23.2m to shareholders via a share buyback and dividends, while also investing \$4.2m in the Employee Benefit Trust
- Proposed final dividend of 14.0p (18.48 cents) (FY17: 11.3p, 14.71 cents) per share giving a total dividend for the year of 24.0p (36.68 cents) (FY17: 20.0p, 26.04 cents) per share

<sup>1</sup>Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation and share based payments.

<sup>2</sup>Adjusted Earnings per share calculations allow for the tax adjusted acquisition costs and share related transactions together with amortisation on acquired intangible assets.

### Operational

- Over 100% increase in new sales in the year, including five significant contracts wins or contract extensions
- Continued supportive market environment as the US healthcare market evolves towards value-based care, with a critical dependency on accurate financial and operating data
- Continued high levels of customer acquisition and retention
- Increasing market engagement with newly launched cloud-based platform, Trisus™
- Strong sales and opportunities across the product suite and across all classes of hospital providers, including for the first Trisus product: Trisus Claims Informatics
- Early adopters reporting positive results for our new Craneware Healthcare Intelligence software, the next Trisus software release

### Quick Facts — Financial

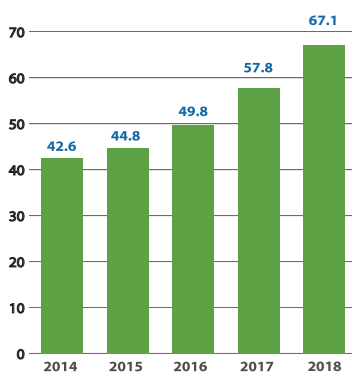
**\$67.1m**  
in revenue

**\$21.6m**  
in adjusted EBITDA<sup>1</sup>

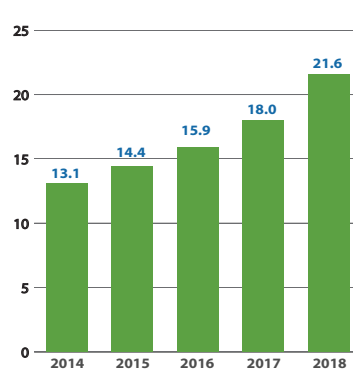
**\$52.8m**  
cash at year end

**24.0p**  
total dividend for year

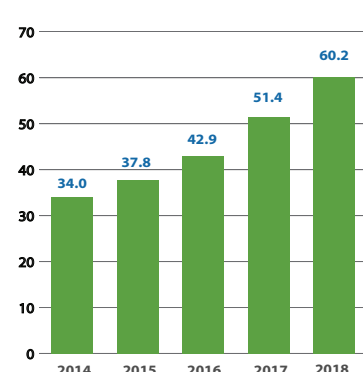
Revenue \$m



Adjusted EBITDA<sup>1</sup> \$m



Basic adjusted EPS cents/share



## Craneware Solutions and Services

Craneware Value Cycle Solutions span five product families – Patient Engagement, Charge Capture & Pricing, Claims Analysis, Revenue Collection & Retention, and Cost Analytics. 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			Claims Analysis	Revenue Recovery & Retention		Cost Analytics
Medical Necessity & Prior Authorisation	Patient Responsibility	Procedures	Pharmacy	Supplies	Billing & Claims Analysis	Audit Management	Denials Management	Cost of Care
Business Outcomes								
Determine requirement for payers: government & commercial Waiver forms for non-covered procedures Multi-attribute verification	Estimate patient responsibility and payment plans	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	Automated audit tracking and execution Defensible accrual and reserve forecasting Appeals workflow	Automated denial tracking and execution Multiple facility/department segmentation and workflow	Analyse cost, utilisation and reimbursement to identify the most effective and efficient way to provide care
Craneware Solutions								
InSight Medical Necessity®	Trisus® Patient Payment	Chargemaster Toolkit® Physician Revenue Toolkit® Pricing Analyzer™ Reference Plus™	Pharmacy ChargeLink®	Trisus® Supply Supplies Assistant	Trisus® Claims Informatics	InSight Audit®	InSight Denials®	Trisus® Healthcare Intelligence
Craneware Consulting and Professional Services								
CDM Review & Educational Review		CDM Standardisation		Pricing Optimization Study		Supply Banding		
Charge Capture Performance Improvement Services		Interim & full time Success Management Services			Revenue Integrity Assessments		Appeal Services	

## What Craneware Customers Are Saying



**“...Craneware is helping my hospital to increase revenue and to survive and be there for our community.”**

Janet Kaneff, Chargemaster Analyst, Southeastern Ohio Regional Medical Center



**“Craneware is invested in our success. We are not just a customer, we are a partner.”**

Kerry Topper, RHIA, Manager of Revenue Integrity, Beebe Healthcare



**“With the tool we've been able to find pricing discrepancies that allows us to capture revenue that weren't capturing previously.”**

Jim Jones, Director, Support Services Nationwide Children's Hospital

## 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.

Data dictionaries are now provided as an option for medical necessity. These dictionaries function within a hospital's existing billing and electronic health record systems to prevent medical necessity denials without the need to access an external, stand-alone system.

### Trisus® Patient Payment

A SaaS solution that provides hospitals and health systems a way to modernise patient payment by moving collections to the front end, better manage cash flow, reduce bad debt, and improve collection rates while minimising administrative costs.

## Charge Capture & Pricing

### Chargemaster Toolkit®, Chargemaster Toolkit® Discovery Viewer, and Chargemaster Toolkit® Corporate Discovery Viewer

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, and addresses the challenges that enterprise chargemaster data presents to hospitals by enabling all related chargemaster data to be viewed in one place.

### Physician Revenue 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.

### Trisus® Supply

Utilizes foundational data from the item master, OR file, and chargemaster to identify data gaps between the systems, ensuring every reimbursable supply, implant, and device is billed.

## 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.

## Claims Analysis

### Trisus® Claims Informatics

Software built on Craneware's next generation SaaS based product platform that 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 government and commercial audits from one central location.

### InSight Denials®

Analyses, tracks, trends and reports on denial data, providing workflow tools for expediting repair and resubmission of denied claims.

## Cost Analytics

### Trisus® Healthcare Intelligence

A cost analytics and resource efficiency platform that unites cost and operational information across the provider organisation, delivering revenue, cost, and operational information for each patient encounter.

## Customer Success Management and Consulting Services

Craneware 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 Academy and optional fee-based training.



Chargemaster Toolkit® is ranked No.1 in the Revenue Cycle – Chargemaster Management market category for the twelfth year in a row (2006 – 2018) in the "2018 Best in KLAS Awards: Software & Services" report, published January 2018. Data © 2018 KLAS Enterprises, LLC. All rights reserved. . www.KLASresearch.com



\*HFMA staff and volunteers determined that Craneware's Chargemaster Toolkit® has 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.



**“In an era of increasing scrutiny and the need to drive value in healthcare, the insight our suite of products provides will be crucial in ensuring our customers’ long-term financial health and their ability to deliver better clinical outcomes for all their communities.”**

**George Elliott, Chairman**

I am delighted to report on another outstanding trading performance by the Group, with underlying new sales increasing by over 100%. Growth is being driven by the investments we have made into the business across our operations, people and product suite, and the supportive market environment. We now have the right structure and capabilities to capitalise on what we believe to be a significant, long-term growth opportunity supporting the movement of the US healthcare industry towards value-based care.

This enhanced positioning can be seen in the financial metrics. Revenue increased 16% to \$67.1m (FY17: \$57.8m) and adjusted EBITDA increased 20% to \$21.6m (FY17: \$18.0m). It is particularly pleasing to note the continued strong cash conversion of the Group, demonstrating the high quality of our earnings. The Group had cash reserves at the end of the year of \$52.8m, a return to the level seen at the end of the previous financial year (FY17: \$53.2m), after having returned \$23.2m to shareholders via a share buyback and dividends, while also investing a further \$4.2m in the Employee Benefit Trust during the year.

Sales in the year amounted to \$98.6m (FY17: \$54.0m) of which \$71.3m and \$27.3m were new sales and renewals, respectively (FY17: \$35.4m and \$18.6m respectively). The continued sales success, combined with renewals remaining above 100% (by dollar value), has once again delivered very high levels of revenue visibility that supports our continued future growth.

It is clear that Craneware has an exciting opportunity in front of it, supporting healthcare providers in the transition to value-based care. In an era of increasing scrutiny and the need to drive value in healthcare, the insight our suite of products provides will be crucial in ensuring our customers’ long-term financial health and their ability to deliver better clinical outcomes for all their communities. As Craneware approaches its twentieth anniversary as a business, the data that the software has collected and the strong relationships we have forged with our customers, mean we are in a unique position to provide genuine insight into the economics of healthcare provision. Our mission is to identify and build solutions that will enable our customers to unlock the value of that data so that they can thrive in a new value-based environment, delivering better outcomes for all their patients, staff and stakeholders.

The strong progress within the business can be seen in the successful initial sales of the first Trisus product, which sits upon our newly launched cloud-based

platform, the exciting results being delivered by our trial analytics customers and the expansion of our customer base. We now supply one or more of our solutions to a third of all US hospitals, with a strong pipeline of additional opportunities.

Alongside technology innovation and organic growth strategies, we continue to monitor potential acquisitions and with our healthy cash balance and a \$50m funding facility in place, we have the resources to execute upon our strategic vision should an appropriate acquisition target arise. Strict criteria continue to be applied to potential acquisition targets ensuring that they would enhance our hospital footprint, data sets or our product roadmap so that they are quickly accretive to both the financial and operational strength of the Group.

As we enter the new financial year, we remain positive that the business environment in the US will continue to be supportive of Craneware, given our unique ability to support our customers. Our expanded market opportunity, double digit growth rates, record sales pipeline and increasing long-term revenue visibility provide the Board with confidence in achieving a successful outcome to the current year and beyond.

I would like to thank all our employees across the UK and US for their continued dedication and passion for our customers. They are the backbone on which the success of the Company has been formed and grown. Twenty years ago, Craneware was a small group of people with a big vision – a notion that they could deliver a solution that would positively influence the United States healthcare market. Today, there are more than 320 of us serving a third of US hospitals and health systems, with a financial impact of over a quarter of a trillion dollars. Each year, approximately 200 million encounters are provided by Craneware customers to their patients. These customers chose Craneware to help them grow and protect their future vision, their legacy.

As we look to the next twenty years, I am confident we have the right people in place to build Craneware to a significant scale that will deliver on the sizeable opportunity that it has created, to profoundly impact healthcare delivery and improve the value achieved from the vast amount spent on healthcare world-wide.

**George Elliott  
Chairman**

3 September 2018



"...we are well positioned to provide the insight our customers need to thrive in this new era of value-based care and make a meaningful impact on the quality of US healthcare."

Keith Neilson, CEO and co-founder



"The need to drive value in healthcare, and the challenges this brings, provide an ongoing supportive market environment for Craneware due to our ability to help our customers meet these challenges."

Craig Preston, CFO

### Operational Review

We have enjoyed another excellent year, with the strong financial results just one proof point of the successful execution of our strategy. Our double-digit revenue and EBITDA growth rates are an indication not only of the success of the investments we have made into people, products and operations, but also the growing urgency now being felt within the US healthcare market to find a means to successfully adapt to the new environment of value-based care and to deliver value for the healthcare spend.

The combination of our significant expertise and experience in the US healthcare industry, the data that our solutions have gathered, and the continued investment into the expansion of our product suite means we are well positioned to provide the insight our customers need to thrive in this new era of value-based care and make a meaningful impact on the quality of US healthcare.

#### Market and Strategy

The ongoing evolution of the US healthcare industry towards the provision of value-based care, puts the emphasis onto the healthcare provider to ensure they are delivering the right care, in the right place and at the right cost. This is a significant shift away from the historic fee-for-service environment and requires every hospital CFO to have a far greater understanding of their costs and the value they provide.

The need to drive value in healthcare, and the challenges this brings, provide an ongoing supportive market environment for Craneware due to our ability to help our customers meet these challenges. Recent market developments include the announcement in August by the US Centers for Medicare and Medicaid Services (CMS), the US state and federal healthcare coverage programmes, of the overhaul of the 'meaningful use' programme which includes emphasis on measures that require the exchange of health information between providers and patients, a key capability of our Trisus platform. The new policies aim to bring the US closer to the creation of a patient-centred healthcare system by increasing pricing transparency and fluid information exchange.

Three years ago, we developed the idea of the 'value cycle', being the process and culture by which healthcare providers pursue quality patient outcomes and optimal financial performance, through the management of clinical, operational and financial data assets. Craneware's value cycle solutions provide the financial insight and actionable data needed to navigate this evolving and uncharted landscape.

Our strategy is to continue to build on our established market-leading position in revenue cycle solutions and expand our product suite coverage of the value cycle. By expanding our offerings into operational areas of the hospital, incorporating cost management and combining this with data from the revenue cycle, we will provide a comprehensive insight into the management and analysis of clinical and operational data, providing the best possible outcomes for all.

The expansion of our solutions is being achieved through a combination of extensions to the current product set; building products through internal development; targeting potential acquisitions and partnering with other technology and services companies.

#### Product Roadmap

We continue to make progress in all areas of our product roadmap: the development of our cloud-based Trisus Enterprise Value Platform; the continued evolution and support of our existing market-leading product suite as we migrate to Trisus and the development of new products to sit upon the Trisus Platform including the development of our cost analytics software. All of these solutions will increase our coverage of the key areas of the value cycle and therefore increase our addressable market.

#### Trisus Enterprise Value Platform

In 2017 we launched the Trisus Enterprise Value platform. This cloud-based platform provides a suite of solutions for healthcare providers to identify and take action on risks related to revenue, cost, and compliance. It is designed to be versatile and expandable, growing alongside our customers as the healthcare industry continues to evolve. The platform provides an environment to gather, process, and deliver data across the continuum of care with an open architecture and common components, allowing for synergies between applications.

The first product on the platform, Trisus Claims Informatics, was released in June 2017, with a good level of early sales secured during the year. This product enables hospitals and healthcare systems to drive revenue growth and increase compliance by automating claims review and analysing claims for completeness, accuracy, and patterns of changing charging behaviour.

Trisus Supply was released in an early adopter version in June 2018. This unique solution aligns data across the supply item master database, the Operating Room supply database, and the chargemaster. Healthcare organisations need revenue preservation, data reliability, and critical analytics to address the ever-growing cost of supplies and medical devices, which when combined with pharmacy are expected to be higher than labour costs by 2020. With Trisus Supply, providers can ensure their high-dollar medical devices and supplies are accounted for, managed, and reimbursed properly increasing both compliance and revenue.

By the end of 2018, we are expecting a generally available version of Trisus Pricing Analyzer, our solution assisting healthcare organisations create transparent, defensible, and competitive pricing strategies. As government regulations begin requiring hospitals to publish their pricing schedules for procedures in 2019, providers will need to ensure their pricing strategies are in-line with their patient demographics and competitive hospitals. Trisus Pricing Analyzer will contain contract modelling tools, which assess all reimbursement methodologies by payor to identify net patient revenue opportunities, which enhance the predictive modelling used to create strategic pricing. This automated solution provides speed and flexibility to adapt to regulatory, payor contract, and market changes throughout the year.

We are executing on a roadmap to migrate all our solutions onto the Trisus platform, as well as continuing to look for innovative combinations of our data sets into new unique product offerings. As part of this roadmap we expect to see further hybrid solutions combining; the best of existing software regardless of the development origin, including outside of Craneware; elements of the Trisus platform; new Trisus products; and new early adopter Trisus enabled versions of other existing solutions.

We are particularly pleased to note how both our existing customer base and the wider healthcare provider market have responded positively to the technological evolution of the Craneware solution set, delivered on the Trisus platform. We have seen many of our existing customers implement the Trisus Bridge over the year, a connector layer linking their existing on premise Craneware solutions to the advanced functionality of Trisus in the cloud. This provides us with confidence in the successful long-term transition of all our products to the cloud platform.

### Craneware Healthcare Intelligence

In the second half of the 2016 financial year, Craneware formed a new wholly owned Group company, Craneware Healthcare Intelligence, LLC, to develop Cost Analytics and Resource Efficiency software for the US healthcare industry. Healthcare intelligence is a vital component within the emerging value cycle solutions market, representing a market opportunity several times larger than that of our existing product portfolio.

The aim of the business is to provide our customers with an understanding of the true cost of every episode of care given to their patients. Most hospitals' accounting systems are set up to collect financial data in aggregate and average metrics. This structure, while useful in a fee-for-service system, does not adequately support the shift to quality-centric healthcare delivery system that provides true value. Our Healthcare Intelligence platform unites cost and operational information across the provider organisation, delivering revenue, cost, and operational information for each patient encounter. It enables understanding of the critical components of operational metrics and expenses across the entire episode of care.

In 2017 we engaged with two hospitals, in Missouri and Pennsylvania, to run trial implementations of the software under the pilot phase of release, combining our Healthcare Intelligence models with live hospital data. Both implementations were successful and have led to multi-year contracts for the solution as well as providing valuable development information as we move towards general release. We have hired team members through the year and now have 14 employees and have plans to further increase headcount. The Group has hired a dedicated VP of Sales and we expect to see marketing activity increase in the year ahead.

### Sales and Marketing

We have seen substantial, positive sales momentum, securing a high level of new sales in the year across all sizes, classes and types of hospital customer. This sales momentum has continued into the new financial year and the sales pipeline continues to be at record highs, all combining to provide further confidence of accelerated revenue and profit growth by supplying products that are meeting real world customer needs.

During the year, sales to both new and existing customers grew in absolute terms, with sales to new hospitals becoming the larger proportion of the overall sales mix, increasing our platform for future sales. Of particular note in the year has been the strength of sales of our Pharmacy ChargeLink solution (PCL), which for the first time in its history was the Company's largest selling product. This is particularly pleasing given the strategic aim in the year to leverage the strength of our customer communities to assist in the development and promotion of our solutions. PCL has

been championed by a number of our larger customers particularly as they attempt to understand the growing impact that pharmacy costs have on their organisation, as well as other customers who are in the process of migrating patient accounting systems.

The average length of contracts with new customers continues to be in-line with our historical norms of approximately five years. As with last year, for all other contracts we have anticipated the crossover dates of new product availability on the Trisus platform and the impact for each individual customer contract as part of our migration strategy. It is anticipated that our phased migration of all current products to the Trisus platform will be complete no later than 2021. With the adoption of the Trisus Bridge by the majority of our customer base, we are now able to offer customers a viable and secure method of transitioning to our cloud based platform at a pace that suits them.

At the end of any contract term, we expect to see our renewal rates remain at their current high levels (well above 100% by dollar value), along with additional sales, as customers move to the improvements brought to them by the Trisus platform.

### Significant contract wins

Alongside excellent levels of sales to individuals and mid-sized hospital groups, we were delighted to secure five significant contracts during the year, ranging from \$3.5m to \$16m in value. These included extensions with existing customers to roll out our solutions to newly acquired facilities, network roll outs to new customers following successful trials, new customers carrying out major systems changes and sales of the newly launched Trisus Claims Informatics and Pharmacy ChargeLink. These contracts demonstrate both the relevance of Craneware at an enterprise-wide level and the importance of Craneware value cycle solutions to customers that are looking for innovation to help them realise their strategic financial goals as they evolve in a value-based world. Almost the entirety of revenue from these sales will be recognised in future years, adding to our growing visibility of future revenue.

### Awards

Chargemaster Toolkit® was named Category Leader in the "Revenue Cycle – Chargemaster Management" market category for the twelfth consecutive year in the annual "2018 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 customer satisfaction scores and benchmark performance metrics.



### Acquisitions

The Board continues to assess acquisition opportunities to complement the Group's organic growth strategy and increase our product coverage of the value cycle. The Board adheres to a rigorous criteria to evaluate acquisition opportunities, including quality of earnings, customer relationships, strategic fit and product offering. In addition to the Company's cash reserves, an undrawn \$50 million funding facility provides the Company with available resources to carry out strategic acquisitions if, and when, these criteria are met. Areas for consideration will include: competitors who bring market share; businesses with complementary data sources; or international companies with complementary product suites of benefit to our customers, who do not have a foothold in the US.

### Financial Review

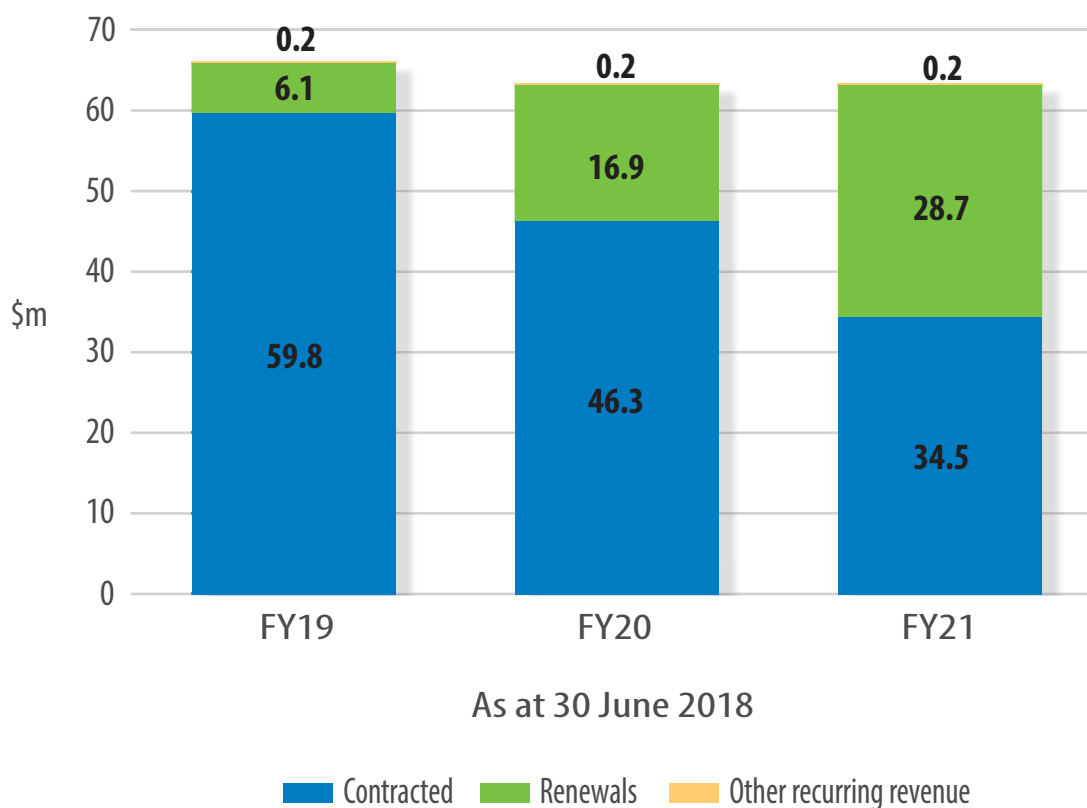
It is pleasing to report that our double-digit revenue growth has continued for a third successive year and Adjusted EBITDA has accelerated, growing to 20%. Accordingly, we are reporting a growth in revenue of 16% to \$67.1m (FY17: \$57.8m) and an adjusted EBITDA of \$21.6m (FY17: \$18.0m).

However, the true success of the year, underlying these results continues to be the contracts we sign with our hospital customers, our "sales". In the year, we have seen significant sales success delivering an increase of over 100% in new sales contracts, signing \$71.3m of new total contract value with new and existing customers. At the end of these initial licence periods, or at a mutually agreed earlier date, we renew our licences with our customers, these "renewals"

contributed an additional \$27.3m to sales in the period. As a result we are reporting the total value of contracts signed in the year of \$98.6m (FY17: \$54.0m).

As demonstrated by the numbers reported above, and as a result of our business model, "sales" and "revenue" have very different meanings and are not interchangeable. In fact, only a small proportion of the revenue resulting from the sales made in the year is recognised in the current year's reported revenue, instead the vast majority of the associated revenue is recognised in future years, adding to the Group's long-term visibility of future revenue.

### Three Year Visible Revenue



New contracts provide a licence for a customer to access specified products throughout their licence period. This licence period on average, for a sale to a new customer, is five years. In calculating averages, we only take the contract length up to the first renewal point/break clause for that specified product. By renewing these contracts when they come to the end of their initial term, we ensure we are sustaining and, with new hospital sales, building our underlying annuity revenue base. It is for this reason, we measure our renewal rates by dollar value. We do this by measuring the 'last annual value' of all customers due to renew in the current year and compare it to actual value these customers renew at (in total), including up-sell and cross-sell. This metric for the current year is at 114%.

Through our business model and resulting revenue recognition, the Group ensures that it is focused on building its underlying annuity revenue base to deliver sustainable growth.

**Business Model**

Under the Group's 'Annuity SaaS' business 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 for an average life of five years, we will see the revenue from any new sales recognised 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 to assist our customers in embedding the software within their core processes to maximise the value the software can bring to them. This revenue is typically separately identifiable from the licence and is 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

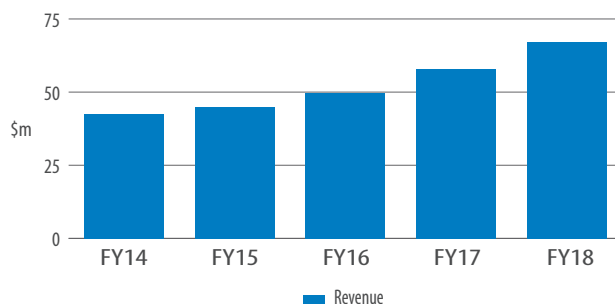
as well as training the hospital staff in its use. As a result of the different types of professional services engagement, the period over which we deliver the services and consequently recognise all associated revenue will vary, however we would normally expect to recognise this revenue over the first 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.

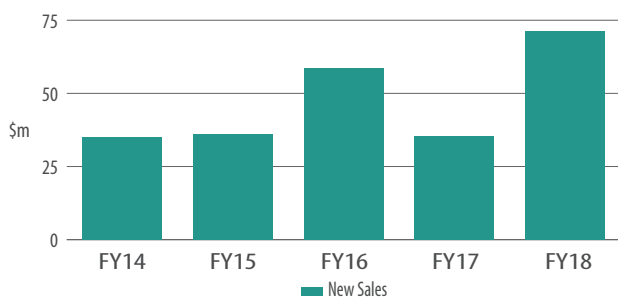
**Sales, Revenue and Revenue Visibility**

The table below shows the total value of contracts signed in the relevant years, split between sales of new products (to both new and existing hospital customers) and the value of renewing products with existing customers at the end of their current contract terms, and how these sales have translated into reported revenue in the corresponding year.

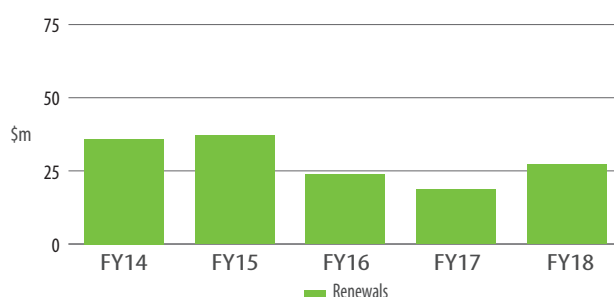
**Reported Revenue**



**New Sales**



**Renewals\***



\*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 that year

As the majority of the revenue resulting from sales in any one year will be recognised over future years, the financial statements do not fully reflect the valuable 'asset' that is contracted, but not yet recognised, revenue. As such, at every reporting period, the Group presents its "Revenue Visibility". This KPI identifies revenues which we reasonably expect to recognise over the next three year period, based on sales that have already occurred. This "Three Year Visible Revenue" metric includes:

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

Through this metric we can demonstrate how the underlying annuity base of revenue is building as we sign new multi-year contracts with our customers and at the end of these contracts by, on average, renewing these customers at 100% of dollar value.

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 future 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 2018 (i.e. visible revenue for FY19, FY20 and FY21) identifies \$192.9m 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 \$140.6m of which \$59.8m is expected to be recognised in FY19, \$46.3m in FY20 and \$34.5m in FY21
- revenue generated from renewals contributing \$51.7m; being \$6.1m in FY19, \$16.9m in FY20 and \$28.7m in FY21
- other revenue identified as recurring in nature of \$0.6m

### Gross Margins

Typically, we expect the gross profit margin to be between 90% - 95% reflecting the incremental costs we incur to obtain the underlying contracts. The gross profit for FY18 was \$63.7m (FY17: \$54.2m) representing a gross margin percentage of 94.9% (FY17: 93.8%) which is towards the top of our historical range. This reflects the correct matching of these incremental costs 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 (if applicable in the year), share related costs including IFRS 2 share based payments charge, depreciation and amortisation ("Adjusted EBITDA").

Adjusted EBITDA has grown in the year to \$21.6m (FY17: \$18.0m) an increase of 20%. This reflects an Adjusted EBITDA margin of 32.2% (FY17: 31.1%). This is consistent with the Group's continued approach to making investments in line with the revenue growth. The Group also takes opportunities where they exist to accelerate investments in certain areas, such as development (detailed below), to further build for future growth 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 by 16% to \$42.0m (FY17: \$36.2m). As detailed in the Operating Review, product innovation and enhancement continues to be core to the Group's future; our customers are facing a market that continues to evolve towards value-based economics and the Group is in a unique position with its value cycle strategy to help them meet the challenges these new reimbursement models bring. As such we continue to invest significant resource in this area as we build out the Trisus Platform and the portfolio of products that will be part of this platform.

We continue our Build, Buy or Partner strategy to build out this portfolio of products, recognising 'Build' is often the best way forward. We undertake the development of innovative new products whilst maintaining our current product offerings and ensuring they remain market-leading. As a result of this investment the total cost of development in the year was \$17.9m (FY17: \$12.3m), a 46% increase which is ahead of our revenue growth and reflective of the opportunities in the market for our products. From this total investment we have capitalised very specific projects relating to the development of the new product offerings ("Build"), which includes our new Trisus products and the Trisus Bridge extension of the Trisus platform, as well as our new cost analytics and Healthcare Intelligence product. With the significant investment into our development and product management teams we have ensured costs relating to expanding and training the new teams are not capitalised.

As a result the total amount capitalised in the year was \$4.7m (FY17: \$3.5m). These capitalised amounts represent further investment in our future and are an efficient and cost effective way to further build out our value cycle strategy. We expect to see both the levels of development expense and capitalisation continue at the current trends as we progress with building out this solution set. As specific products are made available to relevant customers, the associated amounts capitalised are charged to the Group's income statement over their estimated useful economic life.

### 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.

During the year we have returned \$23.2m to our shareholders through a share buyback (detailed below) in January of \$15.4m and dividends paid in the year of \$7.8m. In addition we have provided additional funding to our Employee Benefits Trust of \$4.2m. The success of our very high levels of cash conversion has enabled us to return our end of year cash balances to \$52.8m, a level equivalent to the prior year balance of \$53.2m.

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 retains 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 to add to the value cycle strategy.

### Balance Sheet

The Group maintains a strong balance sheet position. The level of trade and other receivables has decreased in comparison to the prior year. This is a result of the positive levels of cash collection, especially during the last quarter of the year.

Every year as we make sales, we pay out amounts relating to sales commissions; these costs are incremental costs in obtaining the underlying contracts. Total sales commissions are based on the total value of the contract sold; however for the purposes of the Statement of Comprehensive Income, a lower 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 of \$7.5m (FY17: \$5.9m) is the balance to be charged to the Group's income statement as we recognise the associated revenue. 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 recognised in the Statement of Comprehensive Income. Overall, levels of deferred income are significantly more than accrued income and the prepayment of sales commissions, we therefore remain cash flow positive in regards to how we account for our contracts.

### 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 have approximately one third of the cost base based in the UK, relating primarily to our UK employees which is 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. The average exchange rate throughout the year being \$1.3472 as compared to \$1.2688 in the prior year.

### Taxation

The Group generates profits in both the UK and the US, the overall levels are determined by both the proportion 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 tax deduction related to share option exercises that occurred in the year reducing the tax charge by \$1.4m (FY17: \$0.2m) and increased R&D tax relief of \$0.3m. This benefit has been reduced by \$0.5m as a result of revaluing of the deferred tax asset, originally established for US tax losses as part of the accounting for the FY11 acquisition of Claimtrust Inc., following the change in US Federal Tax rates in January 2018. As such the current year effective tax rate is 17% (FY17: 20%).

### EPS

In the year being reported adjusted EPS has seen the benefit of the increased levels of Adjusted EBITDA combined with the lower effective tax rate reported above, offset by an increase in both the amortisation and share based payment charges, and as such has increased 17% to \$0.602 (FY17: \$0.514) and adjusted diluted EPS has increased to \$0.591 (FY17: \$0.503).

### Dividend

The Board recommends a final dividend of 14p (18.48 cents) per share giving a total dividend for the year of 24p (36.68 cents) per share (FY17: 20p (26.04 cents) per share). Subject to confirmation at the Annual General Meeting, the final dividend will be paid on 6 December 2018 to shareholders on the register as at 9 November 2018, with a corresponding ex-Dividend date of 8 November 2018.

The final dividend of 14p 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 9 November 2018. The exact amount to be paid will be calculated by reference to the exchange rate to be announced on 9 November 2018. The final dividend referred to above in US dollars of 18.48 cents is given as an example only using the Balance Sheet date exchange rate of \$1.3198/£1 and may differ from that finally announced.

### Outlook

While the past year has been outstanding in terms of financial results and operational progress, this is by no means the end of the journey and we are excited by the far greater opportunity that lies ahead. It is clear that the investments we have made into the organisation's design, people and products are delivering excellent results, and we will continue to invest in our people and business to ensure we have the capabilities to succeed. We believe that the breadth of our customer base and the quantity of data within our solutions means we have the opportunity to sit at the heart of the move to value-based economics; collating and analysing the information that will support hospital-wide decision making and ultimately have a positive impact on the quality of healthcare.

With an ongoing, growing market opportunity, a record sales pipeline and increasing long-term revenue visibility, we enter the new financial year with great confidence for the future and the ongoing success of the business.

**Keith Neilson**  
Chief Executive Officer  
3 September 2018

**Craig Preston**  
Chief Financial Officer  
3 September 2018

## Strategic Report: Key Performance Indicators and Principal Risks and Uncertainties

### Key Performance Indicator Review

<b>Revenue Growth</b>	<b>2018</b>	<b>2017</b>
Revenue	<b>\$67.1m</b>	\$57.8m
Growth	<b>16%</b>	16%

Revenue for the year grew by 16%. Through the Group's Annuity SaaS revenue recognition model, underlying sales levels in the current year combine with prior year's sales and continued high levels of customer retention, to increase the recurring revenue reported each year. The long term nature of our contracts supports sustainable growth with the majority of revenue resulting from current year sales being recognised in future periods.

<b>Three Year Revenue Visibility</b>	<b>2018</b>	<b>2017</b>
Three Year Revenue Visibility	<b>\$192.9m</b>	\$160.7m

The Group's revenue recognition model means the full benefit of current year's sales are not reflected in the current year financial statements. Instead, the vast majority of any new sales adds to the growth in the underlying 'annuity' of recurring revenue. This is demonstrated through the Group's 'Three Year Revenue Visibility' KPI. This 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 2018. Full details of how this is calculated are detailed in the financial review section of the Strategic Report.

<b>Adjusted EBITDA Growth</b>	<b>2018</b>	<b>2017</b>
Adjusted EBITDA	<b>\$21.6m</b>	\$18.0m
Growth	<b>20%</b>	13%

We take a measured approach to our investment, ensuring to invest to support the future growth of the Group. The continued revenue growth has allowed us to both continue and in certain areas accelerate this investment whilst delivering Adjusted EBITDA growth. By taking this approach, we aim to release additional investment, in line with revenue growth, with the focus on delivering profitable growth to all stakeholders.

<b>Adjusted EPS</b>	<b>2018</b>	<b>2017</b>
Adjusted EPS	<b>60.2 cents</b>	51.4 cents
Growth	<b>17%</b>	18%

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 Group's effective tax rate remains dependent on the applicable tax rates in each respective jurisdiction.

<b>Cash</b>	<b>2018</b>	<b>2017</b>
Cash	<b>\$52.8m</b>	\$53.2m

The Group continues to convert very high levels of the Adjusted EBITDA reported in the year into operating cash flows which, having returned \$23.2m to shareholders during the year, has resulted in cash balances returning to c\$53m. 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 10.

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

### Management of Growth

*Issue:* The Group's growth and its plans for further significant growth, both organically and through acquisition, could place strain on the Group's resources including management bandwidth.

*Actions:* The Group makes significant investments to both add to available resources as well as provide training to existing resources so as to increase bandwidth at all levels of management including the Board of Directors. The Group's Annuity SaaS business model combined with the detailed forecasting processes provides visibility to expected growth rates. This visibility provides a foundation when planning in advance, including any additional resourcing necessary as a result of this growth. The Group has in place strategies to ensure a supportive infrastructure for growth. This includes adopting "Lean" methodologies to help promote "operational excellence" throughout the organisation as well as ensuring assessments are regularly performed and improvements are made, as appropriate to systems, policies, procedures including business controls being upgraded.

### US Healthcare Evolution and Reform

*Issue:* The US healthcare industry continues to evolve, with a drive for increased value from healthcare spend and a shift towards consumerisation. The US healthcare 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 all levels of management including the Board of Directors. 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
- customer 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. In addition, the Group continues to innovate and develop new products to meet evolving market needs, such as the ongoing development of the Group's new product in the cost analytics area.

These strategies keep 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 Board of Directors, as appropriate. The Group continues to utilise 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; this is explained further in the Remuneration Committee's Report on pages 24 to 30.

### Political and Macroeconomic Changes

*Issue:* The Group has significant operations in both the UK and the US and therefore is exposed to the changes in the political and economic environments of both. This includes the ongoing Brexit negotiations and any changes in freedom of movement and international trade.

*Actions:* The Group has experienced Board members and senior management in both countries. The Group's operations are currently evenly balanced between the two, contributing positively to both economies. Globally there is a restricted supply of qualified personnel within the technology sector. Political uncertainty in the world can exacerbate this situation within specific geographies. To ensure the ongoing availability of qualified personnel, the Group continues to support training programs both internally and externally as well as develop partnerships with private enterprise. As the Group is a manufacturer in the knowledge economy, we are agnostic to the territory that we are ultimately domiciled in and therefore can mitigate any long term economic or political detrimental change by adjusting the balance of the organisation accordingly. This combined with the current multi-jurisdictional operations of the business substantially mitigates the Group's exposure to foreign exchange rates and risk to cross border trade which can be volatile in times of uncertainty. The Group continues to monitor emerging news and trends to stay alert to any potential future impacts.

### Market Consolidation

*Issue:* The evolving market in US Healthcare continues to place significant pressure on Healthcare providers, which is resulting in ongoing market consolidation. As a result, the Group's market is increasingly dominated by larger hospital networks. Failure to enhance products, ensure scalability or add to the current product suite could significantly limit the Group's market opportunity and leave it unable to meet its customers' evolving needs.

*Actions:* The Group's "value cycle" strategy and Trisus Platform, combined with the continued evolution of the product suite, positions the Group at the forefront of providing solutions to US Healthcare providers of all sizes.

### 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 protect 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 goes beyond building and operating security controls. The Group continues to invest in the strict physical and data security systems and protocols, including data loss prevention systems, internal and external threat monitoring. We deploy comprehensive auditing of our controls and processes targeted in these areas. The Group also recognises and supports (including through ongoing employee training) 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's 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 and this experience has been added to in recent years through key appointments to the Operations Board. In addition, and where appropriate, the Board appoints independent professional advisors to assist in the consideration of potential acquisitions 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 20 to 23.

In summary, and as explained in the Operational Review section of this Strategic Report, 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  
3 September 2018

## Directors, Secretary, Advisors and Subsidiaries

---

### Directors

G R Elliott (non-executive, Chairman)  
K Neilson  
C T Preston

R F Verni (non-executive)  
C Blye (non-executive)  
R Rudish (non-executive)

### Company Secretary & Registered Office

**C T Preston**  
1 Tanfield  
Edinburgh  
EH3 5DA

### Nominated Advisors

**Peel Hunt LLP**  
120 London Wall  
London  
EC2Y 5ET

### Registrars

**Link Asset Services Ltd**  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### Stockbrokers

**Peel Hunt LLP**  
120 London Wall  
London  
EC2Y 5ET

**Investec Bank plc**  
30 Gresham Street  
London  
EC2V 7QP

### 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  
G1 2RG

### Independent Auditors

**PricewaterhouseCoopers LLP**  
Chartered Accountants & Statutory Auditors  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

### Solicitors

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

### Subsidiaries and Registered Offices

**Craneware, Inc.**  
3340 Peachtree Rd NE  
Suite 850  
Atlanta, GA 30326

**Craneware InSight, Inc.**  
3340 Peachtree Rd NE  
Suite 850  
Atlanta, GA 30326

**Kestros Ltd t/a Craneware Health**  
1 Tanfield  
Edinburgh  
EH3 5DA

**Craneware Healthcare Intelligence, LLC**  
12570 Perry Highway  
Suite 110  
Wexford, PA 15090



## Board of Directors

---

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



**George R Elliott, 65** — Non-Executive Chairman : Appointed 10 August 2007

George Elliott has a proven track record in profitably growing technology companies. His main achievements have centred around building and bringing to market companies (including three IPOs) that compete and win on the global stage. George is currently non-executive Chairman of Indigovision Group plc, a leader in the design and manufacture of high performance video security systems, Calnex Solutions Ltd, an Ethernet test equipment manufacturer, Optoscribe Ltd, an early stage company which provides high performance 3D waveguide solutions for the data and telecommunication industries and a non-executive director of Cooper Software Ltd, an enterprise resource planning (ERP) systems integrator. Since 2007 he has been non-executive chairman/director of over 20 companies including, MicroEmissive Displays Group plc, Kewill plc, Cupid plc, Summit Corporation and Corsair Components Inc. From 2000 - 2007 George was CFO of Wolfson Microelectronics plc, which was a leading global provider of high performance mixed-signal semiconductors to the consumer electronics market. From 1996 - 2000 he was Director of Commercial Operations and latterly CFO at Calluna plc, which developed the first 1.8-inch hard disk drive that was later used in several leading MP3 players and storage devices. 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, 49** — 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 value cycle 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 CBI Scotland Council Member and a board member of 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, 47** — 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.



**Ron F Verni, 70** — Non-Executive Director : Appointed 1 May 2009

Ron is currently a director of On Deck Capital. Before that he served on the Board of Directors of Kewill, Inc., was President & CEO of Sage Software, Inc, and a member of the Board of Directors of the Sage Group plc. 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 the President and CEO of NEBS Software, Inc., the founder and CEO of ASTEC Software, and Vice President of Marketing with Automatic Data Processing.



**Colleen Blye, 58** — 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 organizations. 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, 66** — 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, and StarBridge Advisors, LLC, both healthcare professional services firms. 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 2018.

### 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 13 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.

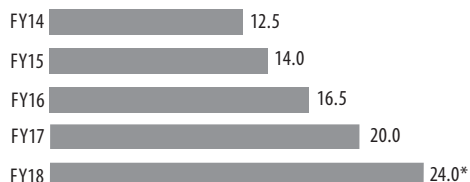
Where the Directors' Report, Chairman's Statement and Operational Review contain forward looking statements, these are made by the Directors in good faith, based on the information available to them at the time of their approval of this report. Consequently, such statements should be treated with caution 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 \$67.1m (2017: \$57.8m) which has generated a profit before tax of \$18.9m (2017: \$16.9). The full results for the year, which were approved by the Board of Directors on 3 September 2018, are set out in the accompanying financial statements and the notes thereto.

During the year the Company paid an interim dividend of 10p (13.5 cents). The Directors are recommending the payment of a final dividend of 14p (18.48 cents) per

#### Dividends/Share (pence)



\*Subject to approval at AGM

share giving a total dividend of 24p (36.68 cents) per share based on the results for 2018 (2017: 20p (26.04 cents)). Subject to approval at the Annual General Meeting, the final dividend will be paid on 6 December 2018 to shareholders on the register as at 9 November 2018.

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 market. 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 13. 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 \$13.2m (2017: \$9.1m) net of expenditure capitalised of \$4.7 m (2017: \$3.5m).

### 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 Strategic Report on pages 5 to 13 contains information regarding the Group's activities and an overview of the development of its products, services and the environment in which it operates. The Group's revenue, operating results, cash flows and balance sheet are detailed in the financial statements and explained in the Financial Review on pages 5 to 10.

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

- net 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 the consolidated and Company financial statements.

### Directors

The Directors of the Company are listed on pages 15 and 16.

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 27.

### Share Capital

The Company's issued and fully paid up share capital at 30 June 2018 was 26,662,271 Ordinary Shares of 1p each (2017: 26,961,709 Ordinary Shares). The shares are traded on the Alternative Investment Market ('AIM'), a market operated by the London Stock Exchange. The Company's Articles of Association, which are available on the Company's website, contain the details of the rights and obligations attached to the shares.

### Share buyback

In January 2018 the Company announced and completed a share buyback which was effected as a mechanism to return capital to shareholders and to ameliorate dilution under the Group's share incentive plans. In accordance with this share buyback, the Company purchased 628,869 of its own shares during the financial year (2017: nil), at 1769 pence per share which totalled £11.1 million (\$15.4 million). The nominal value of those shares was £6,289 (\$8,725) and they represented 2.33% of the Company's issued Ordinary Shares at that time. The shares purchased by the Company were immediately cancelled.

### Authority for purchase of own shares

Authorisation was given by shareholders at the Annual General Meeting on 8 November 2017 for the Company to purchase up to 1,348,085 Ordinary Shares. A resolution to renew this authority will be proposed at the 2018 Annual General Meeting.

### Share capital allotted

During the year, 329,431 Ordinary Shares (2017: 111,461 Ordinary Shares) were allotted to satisfy employee share options which were exercised in accordance with The Craneware plc Employee's Share Option Plan 2007. Details of the Company's employee share plans, including the number of ordinary shares subject to employee share plan awards, are included in Note 8 to the financial statements.

### Employee benefit trust

The Company established an Employee Benefit Trust (EBT), 'The Craneware plc Employee Benefit Trust' during the financial year ended 30 June 2017. As at 30 June 2018 the EBT held 353,124 Craneware plc Ordinary Shares (at 30 June 2017: 242,930 Ordinary Shares). The EBT waived its right to dividends in the year ended 30 June 2018. Further details regarding the EBT are contained in Note 18 to the financial statements.

### Directors and their Interests

The interests of the Directors who held office at 30 June 2018 and up to the date of this report in the share capital of the company, were as follows:-

	2018	2017
<b>G R Elliott</b>	<b>10,000</b>	15,650
<b>K Neilson</b>	<b>3,377,799</b>	3,459,718
<b>CT Preston</b>	<b>82,103</b>	-
	<b>3,469,902</b>	<b>3,475,368</b>

Directors' interests in share options are detailed in the Remuneration Committee's Report on pages 29 and 30

### Substantial Shareholders

As at 1 August 2018, 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
<b>Liontrust Asset Management</b>	4,664,137	17.49
<b>K Neilson</b>	3,377,799	12.67
<b>Canaccord Genuity Group</b>	2,850,212	10.69
<b>W G Craig</b>	2,379,518	8.92
<b>AXA Investment Managers</b>	1,130,130	4.24
<b>Schroder Investment Management</b>	1,112,773	4.17
<b>Baillie Gifford &amp; Co Ltd</b>	953,601	3.58
<b>Bank of Montreal</b>	886,512	3.32
<b>D Paterson</b>	884,758	3.32

### 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. This indemnity was in place during financial year and is ongoing up to the date of this report. 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.

### 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 2018 was the support of the Children's Hospice Association Scotland (CHAS) in the UK and Creative Philanthropy in the US. For 2019 the focus will be the support of both Scottish Association for Mental Health and The Yard in the UK and both the Fanconi Anemia Research Fund and KaBOOM! in the US. 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 2018 or 2017.

### 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. Plans are being proposed for share schemes to encourage involvement of employees in the Group's performance as detailed on page 26 of the Remuneration Committee Report.

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.

As a UK company, Craneware plc is bound by the laws of the UK, including the Bribery Act 2010, in respect of our conduct within and outside of the UK. In addition, we uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate.

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 2018 represented, on average 18 days purchases (2017: 18 days) for the Group and 15 days purchases (2017: 13 days) for the Company.

### 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 and made available on the Company's website at [www.craneware.com](http://www.craneware.com) 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. 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 and the Company 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 have been followed for the group and the company financial statements, 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 also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to be re-appointed and a resolution for reappointment 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  
3 September 2018

The Board of Directors ("the Board") has always recognised the importance and value of good corporate governance. Changes to AIM rules on 30 March 2018 require AIM companies to apply a recognised corporate governance code by 28 September 2018. Under the new rules, the Company is required to comply with the chosen code or explain why it is not complying. The Company has always sought to comply with both the principles and the spirit of the UK Corporate Governance Code issued in April 2016 (the "Code") and has historically reported against these. Although not yet compulsory for AIM listed companies, the Board is pleased to report how it has and will continue to apply the principles in line with best practice for an AIM listed company. This Report sets out 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 three further non-executive Directors, Ronald Verni (Senior Independent Director), Colleen Blye and Russ Rudish. Detailed biographies of all Directors are contained on pages 15 and 16. 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 Code's 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	8	2	3
<b>Executive Directors</b>			
K Neilson	8/8	-	-
CT Preston	8/8	-	-
<b>Non-Executive Directors</b>			
G R Elliott	7/8	-	-
R Verni	8/8	2/2	3/3
C Blye	8/8	2/2	3/3
R Rudish	8/8	2/2	3/3

Where any director 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 18, 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 responsibility 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 seven further members of the Senior Management Team. The day-to-day operation of the Group's business is managed by this Operations 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. George has a depth of experience both as Chairman and a non-executive director for a number of other companies, including other listed companies, details of which can be found in the Directors' biographies on page 15.

#### Non-Executive Directors

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

The Board has appointed 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 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 Ronald Verni, having been appointed on 1 May 2009, he has completed his ninth year of service on the Board this year, the Board in making its assessment of independence has noted the significant growth and changes in the Company during this period, this combined with Ronald's conduct has led the Board to conclude his length of tenure has not affected his independence. In regards to all other non-executive directors the Board have not identified any matters which would affect their 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.

Any conflicts, or potential conflicts, of interest are disclosed and assessed prior to a new Director's appointment to ensure that there are no matters which would prevent that person from accepting the appointment. The Group has procedures in place for managing conflicts of interest and Directors have continuing obligations to update the Board on any changes to these conflicts. This process includes relevant disclosure at the beginning of each Board meeting. If any potential conflict of interest arises, the Articles of Association permit the Board to authorise the conflict, subject to such conditions or limitations as the Board may determine.

### 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 15 and 16. 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 directorship of a listed company. 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

*"All Directors should receive induction on joining the Board and should regularly update and refresh their skills and knowledge."*

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

### Appropriate Information

*"The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties."*

In setting the Board agendas, the Chairman, in conjunction with the Company Secretary, ensures input is gathered from all Directors on matters that should be included. Board papers are then 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. At a minimum these board papers include the Financial Results of the Group and a report from both the Chief Executive Officer and the Chief Financial Officer.

In addition, the non-executive 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."*

The Board has performed a full formal evaluation in the current Financial Year. This was performed by means of a detailed questionnaire to be completed by each Director. This evaluation included a review of the performance of the Chairman and the Board Committees. The results of the process were collated by the Senior Independent Director and were reviewed by the Board as a whole.

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 to stand for re-appointment.

### Accountability

#### Financial and Business Reporting

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

The Board recognises its responsibilities, including those statutory responsibilities laid out on page 19. An assessment of the Group's market, business model and performance is presented in the Chairman's Statement and the Strategic Review on pages 5 to 13.

As detailed on page 17 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 principal 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 pages 12 and 13. 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 and risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditors."*

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 Colleen Blye and its other members are Ronald Verni and Russ Rudish. 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 chair 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 comprises non-executive directors and is chaired by Ronald Verni and its other members are Colleen Blye and Russ Rudish. 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 24 to 30, 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 Committee's Report on pages 24 to 30.



### 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. Ronald 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 (at [www.craneware.com](http://www.craneware.com)) has a section for investors which contains all publicly available financial information and news on the Company.

#### Constructive Use of the AGM

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

The Board encourages attendance at its AGM from all shareholders. The Notice of AGM together with all resolutions and explanations of these resolutions are sent at least 20 working days before the meeting. All

Directors, where possible, make themselves available to answer any questions shareholders may have. Results of all votes on resolutions are published as soon as practicable on the Company's website.

#### The Audit Committee

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

- interim and annual reports information including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- developments in accounting and reporting requirements;
- external auditors' plan for the year-end audit of the Company and the Group;
- the Committee's effectiveness;
- 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's 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  
3 September 2018

This report sets out Craneware plc's remuneration and benefits provided to Directors 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. As an AIM listed company, Craneware plc is not required to comply with the Directors' Remuneration Report regulations requirements under Main Market UK Listing Rules or those aspects of the Companies Act 2006 applicable to listed companies.

### 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), Colleen Blye and Russ Rudish. None of the Committee has any personal financial interests 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 Committee met twice during the year and the meeting attendance is shown on page 20.

The remuneration of the non-executive Directors is determined by the Board as a whole within limits set out in the Articles of Association. The non-executive Directors do not participate in performance related bonus or share based incentive arrangements.

### 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.

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 publicly 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 for the executive Directors comprises:

#### (i) Basic salary

This is normally reviewed annually, or when an individual's position or responsibilities change and is normally paid as a fixed cash sum monthly. It was explained in the Remuneration Committee Report section of the 2017 Annual Report that in April 2017, following the outcomes of benchmarking studies conducted over several years, the executive Directors' basic salary levels were reviewed and adjustments were made to bring the Directors' salaries into line.

#### (ii) Pension entitlement

The Company operates an open enrolment pension scheme in which all UK employees, including executive Directors, are entitled to participate. As part of this scheme, the Company has matched employee contributions into the scheme at up to 3% of basic salary (effective from September 2017). In addition, the Company pays a fixed sum to a personal pension plan on behalf of the Chief Executive Officer.

#### (iii) Benefits in kind

Executive Directors are entitled to private medical insurance, life insurance and permanent health insurance.

#### (iv) Annual performance related bonus

Under the annual performance related bonus plan, executive Directors are eligible to earn a cash bonus (non-pensionable) 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.

With the significant performance and development of the Company in the financial year (including the overall sales performance) the Remuneration Committee has concluded that targets have been fully met for the current financial year. The bonus amounts for the executive directors are reflected in the directors' emoluments table on page 27.

### (v) Share options and LTIP awards

During the year and historically the Company has operated employee share plans from which, and at the discretion of the Committee, executive Directors and other employees (including senior management) could be granted share-based awards.

#### The 2016 share plans

The Craneware Employees' Share Option Plan 2007 ("2007 Share Option Plan") was operated by the Company from 2007 and further details regarding this option plan are provided below. As the 2007 Share Option Plan was approaching the tenth anniversary of its original adoption date (after which no further grants could be made under its terms), the Company implemented three new discretionary employee share plans in the year ended 30 June 2017, following approval and authorisation obtained from shareholders at the Annual General Meeting on 8 November 2016:

- The Craneware plc Long Term Incentive Plan (2016) (the "LTIP");
- The Craneware plc Schedule 4 Company Share Option Plan (2016) (the "Schedule 4 Option Plan"); and
- The Craneware plc Unapproved Company Share Option Plan (2016) (the "Unapproved Option Plan").;

Although the LTIP is intended to be used as the primary means of incentivising senior management going forward, the Committee was also of the view that it would be useful for the Company to retain the flexibility to grant "market value" options if the need arises. Accordingly, two share option plans were also established as direct replacements for the 2007 Share Option Plan. The Schedule 4 Option Plan allows for the grant of tax advantaged options to UK based participants over shares worth up to £30,000 per individual; and the Unapproved Option Plan is used to grant options where the above limit has been reached or where the relevant individual is not based in the UK.

If, in any year, executive directors are given a combination of LTIP awards and options under the Schedule 4 / Unapproved Option Plans, the same form of performance condition will apply across each of the arrangements and the individual limits on participation will take into account both forms of grant.

#### Awards granted under the 2016 share plans in the year ended 30 June 2018

In January 2018 the Chief Executive Officer and the Chief Financial Officer were granted a combination of a conditional share award under the LTIP and share options under the Schedule 4 Option Plan and / or the Unapproved Option Plan. The total value of these awards at date of grant was equal to 100% of the basic salary for each of these directors. These awards are included in the tables on pages 29 and 30.

Conditional share awards and / or share options were granted to certain other employees (including senior management) in January 2018 under the 2016 share plans.

The vesting of the awards, which were granted from the 2016 share plans in the year ended 30 June 2018, are subject to performance conditions set by the Committee that are appropriate to the strategic objectives of the business, are considered to be challenging and in line with best practice/investor guidelines and are measured over three years.

For the conditional share awards granted under the LTIP in January 2018 and for share options granted from the 2016 share option plans, the performance conditions are based on the Company's total shareholder return ("TSR") performance relative to the performance achieved by a group of comparable companies in the same sector (the "Comparator Group"). As disclosed in the 2017 Annual Report, the same performance conditions (but measured over the period of three years commencing on the date of grant) apply to the conditional share awards and share options granted in March 2017.

The performance conditions are assessed over the period of three years, commencing on the date of grant, during which each company in the Comparator Group will be ranked in order of TSR performance. Vesting will then take place as follows:

Ranking of the Company against the Comparator Group	% of Shares comprised in conditional share award or share option that vest
Below median	0%
Median	25%
Upper quartile or above	100%
Between median and upper quartile	25% – 100% on a straight line basis

The performance condition is measured in three tranches such that one third of the Ordinary Shares over which the conditional share awards and share options subsist will vest based on performance over the three years ending on 30 June 2018, one third based on performance over the three years ending 30 June 2019 and the final third based on performance over the three years to 30 June 2020 – an aggregate five year period. Any tranche (or part thereof) that does not meet the performance criteria will lapse and not be re-tested in later years. However, notwithstanding the TSR ranking achieved by the Company, no part of a share plan award subject to the above conditions will vest unless the Committee is satisfied that there has been an overall satisfactory and sustained improvement in the underlying financial performance of the Company over the relevant period.

If and to the extent that the performance conditions are satisfied and subject to the award holder's continued employment within the Craneware Group throughout the period, the conditional share award will normally vest three years after the date of grant; and the share options will only become exercisable three years after the date of grant. Share options will expire, at the latest, 10 years after the date of grant

### *Performance condition measurement to 30 June 2018*

For share options and LTIP awards granted in March 2017, the second tranche is not due to vest until March 2019 and, for the share option and LTIP awards granted in January 2018, the first tranche is not due to vest until January 2019. However the performance criteria for each of these tranches is tested against the Company's TSR for the three years to 30 June 2018 compared to the TSR of the companies in the Comparator Group. Craneware plc's relative TSR for this period, when ranked against the Comparator Group was within the upper quartile and therefore the respective tranches, being one third of each award, will vest in full.

### **2007 Share Option Plan**

No share options were granted to directors or employees under this plan in the year ended 30 June 2018. Options granted under this scheme in prior financial years 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 in full. 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 three year period ended 30 June 2018 and as a result all options that were subject to the testing of performance criteria over that period vested but will only become exercisable on the third anniversary of the grant of the original option.

### **Proposed all employee share option plans**

In order to provide a wider population of employees with an opportunity to become Craneware shareholders, which promotes alignment to shareholder interests and aids with recruitment and retention, it is proposed to establish a Save As You Earn ('SAYE') share option plan for UK employees and an Employee Stock Purchase Plan ('ESPP') for US employees within the Group. The Committee supports this proposed enhancement to Craneware's employee reward offering. The executive directors would be permitted, if they choose to do so, to participate in the proposed SAYE share option plan on the same terms as other UK employees. Details of these proposed share option plans are contained within the Notice of the 2018 Annual General Meeting.

SAYE and ESPP share option plans allow employees, who choose to participate, to contribute regularly to the plans from their net salary and to use those funds

to buy shares in the parent company, at the end of the savings period. This is usually at a discounted purchase price which is set at the start of the savings period.

### *Source of shares and dilution limits*

The share plans are being operated in conjunction with an Employee Benefit Trust, The Craneware plc Employee Benefit Trust, ("EBT") which was established during the year ended 30 June 2017. Further details regarding the EBT are contained in Note 18 to the financial statements.

Conditional share awards granted under the LTIP and share options granted from the new share option plans may be satisfied either by the issue of new Ordinary Shares, the transfer of shares from treasury or the transfer of existing Ordinary Shares purchased in the market.

In any ten year period, the Company may not issue (or grant rights to issue) more than 10% of the issued ordinary share capital of the Company under the LTIP and any other employee share plan adopted by the Company. For the purpose of this limit:

- any Shares which are purchased in the market by the EBT for the purposes of satisfying Awards will not be counted;
- treasury Shares will count as new issue Ordinary Shares unless institutional investors decide that they need not count;
- no account will be taken of any Shares where the right to acquire them was released or lapsed prior to vesting / exercise; and
- no account will be taken of any Shares where the right to acquire them was granted prior to the Company's original admission to AIM in 2007.

Details of all share options and conditional share awards, which have been awarded and had not lapsed or been exercised or released at 30 June 2018, are contained in Note 8 to the financial statements.

## Remuneration Committee's Report [Cont'd.]

### 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	11 months	1 month
R Verni	1 May 2009	Rolling	1 month
C Blye	12 November 2013	Rolling	1 month
R Rudish	28 August 2014	Rolling	1 month

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

### Directors' Interests

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

### Directors' Emoluments (audited)

For Directors who held office during the course of the year, emoluments<sup>1</sup> in respect of the year ended 30 June 2018 were as follows (note: with the exception of R Verni, C Blye and R Rudish, all directors are paid in Sterling; the amounts below are translated into US Dollars at the relevant average exchange rate for period being reported):

	Salary/Fees (\$)	Benefits <sup>2</sup> (\$)	Bonus (\$)	Pension (\$)	2018 Total (\$)	2017 Total (\$)
<b>Executives</b>						
K Neilson <sup>4</sup>	420,285	808	436,757	20,150	<b>878,000</b>	908,277
C T Preston <sup>5</sup>	316,523	781	328,928	10,197	<b>656,429</b>	533,950
<b>Non-Executives</b>						
G R Elliott	104,139	-	-	-	<b>104,139</b>	84,864
R Verni	58,658	-	-	-	<b>58,658</b>	57,228
C Blye	56,078	-	-	-	<b>56,078</b>	53,508
R Rudish	52,388	-	-	-	<b>52,388</b>	51,108
N P Heywood <sup>3</sup>	-	-	-	-	-	16,335
<b>Total</b>	<b>1,008,071</b>	<b>1,589</b>	<b>765,685</b>	<b>30,347</b>	<b>1,805,692</b>	<b>1,705,270</b>

1. Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire, or conditional share awards in respect of, ordinary shares in the Company held by the Directors.

2. Benefits represent payments for health insurance, death in service and disability insurance.

3. N P Heywood resigned from the board 8th November 2016.

A. In March 2018 K Neilson exercised share options, which were granted in 2009 and in 2012 detailed above, in respect of a total of 29,081 Ordinary Shares in the Company. Based on the share price on the date of exercise, the gain on exercise of those share options was £0.5 million.

B. In March 2018 C T Preston exercised share options, which were granted in the years 2008 to 2014 detailed above, in respect of a total of 194,229 Ordinary Shares in the Company. Based on the share price on the date of exercise, the gain on exercise of those share options was £3.1 million.

## Remuneration Committee's Report [Cont'd.]

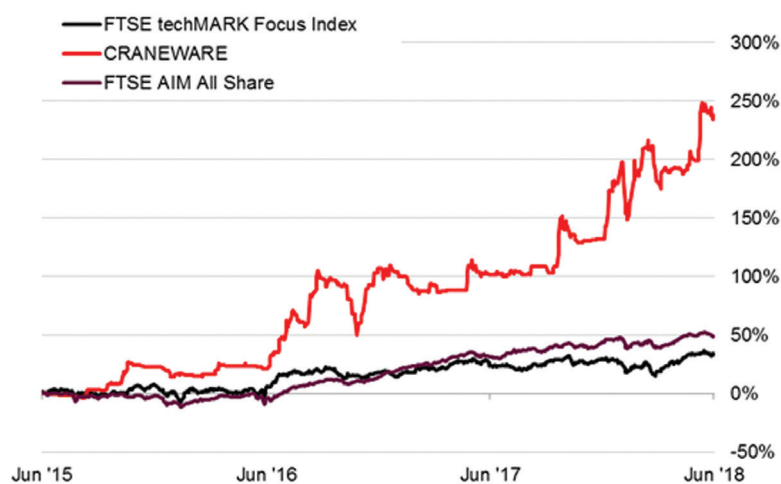
The following Directors were paid in Sterling:

	Salary/Fees (£)	Benefits (£)	Bonus (£)	Pension (£)	2018 Total (£)	2017 Total (£)
<b>Executives</b>						
K Neilson	311,969	600	311,969	14,957	<b>639,495</b>	715,855
C T Preston	234,949	580	234,949	7,569	<b>478,047</b>	420,831
<b>Non-Executives</b>						
G R Elliott	68,557	-	-	-	<b>68,557</b>	66,885
N P Heywood	-	-	-	-	-	12,873
<b>Total</b>	<b>615,475</b>	<b>1,180</b>	<b>546,918</b>	<b>22,526</b>	<b>1,186,099</b>	<b>1,216,444</b>

Further information regarding directors' share options and LTIP awards are contained in the tables on pages 29 and 30.

### Total Shareholder Return Performance Graph

The following graph charts the cumulative shareholder return of the Company over the past three years, compared to the FTSE AIM All Share Index and the FTSE techMARK Focus Index. The FTSE AIM All Share Index provides a comparison to a broad equity market index (of which Craneware is a constituent company). The FTSE techMARK Focus Index is selected because the constituents of this index are affected by similar economic and commercial factors to Craneware.



## Remuneration Committee's Report [Cont'd.]

### Directors' interests in share options and LTIP awards

Directors' interests in share options as at 30 June 2017, in respect of Ordinary Shares of 1p each in Craneware plc, were for the following Directors who held office during the course of the year:

	Exercise Price (cents)	Exercise Price (pence)	Held At 30/06/17	Granted During Year	Exercised During Year	Lapsed During Year	Held At 30/06/18	Exercisable from date	Expiry date
<b>K Neilson</b>									
Share Option Plan 2007									
<u>Grant Date</u>									
23 Dec 2009	534.0	335.0	28,580	-	(18,248)	-	<b>10,332</b>	23 Dec 12	23 Dec 19
6 Sep 2010	618.0	401.0	13,383	-	-	-	<b>13,383</b>	6 Sep 13	6 Sept 20
21 Sep 2012	650.0	400.0	17,438	-	(10,833)	-	<b>6,605</b>	21 Sep 15	21 Sept 22
10 Sep 2013	621.0	395.0	34,472	-	-	-	<b>34,472</b>	10 Sep 16	10 Sept 23
22 Sep 2014	839.0	523.0	39,090	-	-	-	<b>39,090</b>	22 Sep 17	22 Sept 24
9 Mar 2016	1066.0	750.0	28,628	-	-	-	<b>28,628</b>	2/3rd vested	9 Mar 26
12 Sep 2016	1563.0	1177.5	36,469	-	-	-	<b>36,469</b>	1/3rd vested	12 Sept 26
Schedule 4 Option Plan									
17 Jan 2018	2445.0	1775.0	-	1,690	-	-	<b>1,690</b>	Not yet vested	17 Jan 28
Unapproved Option Plan									
17 Jan 2018	2445.0	1775.0	-	7,238	-	-	<b>7,238</b>	Not yet vested	17 Jan 28
<b>CT Preston</b>									
Share Option Plan 2007									
<u>Grant Date</u>									
15 Sep 2008	365.0	208.0	72,115	-	(72,115)	-	-	15 Sep 11	15 Sept 18
23 Dec 2009	534.0	335.0	25,099	-	(25,099)	-	-	23 Dec 12	23 Dec 19
6 Sep 2010	618.0	401.0	11,721	-	(11,721)	-	-	6 Sep 13	6 Sept 20
21 Sep 2012	650.0	400.0	16,027	-	(16,027)	-	-	21 Sep 15	21 Sept 22
10 Sep 2013	621.0	395.0	32,459	-	(32,459)	-	-	10 Sep 16	10 Sept 23
22 Sep 2014	839.0	523.0	36,808	-	(36,808)	-	-	22 Sep 17	22 Sept 24
9 Mar 2016	1066.0	750.0	26,925	-	-	-	<b>26,925</b>	2/3rd vested	9 Mar 26
Schedule 4 Option Plan									
24 Mar 2017	1544.0	1237.5	2,424	-	-	-	<b>2,424</b>	1/3rd vested	24 Mar 27
Unapproved Option Plan									
24 Mar 2017	1544.0	1237.5	6,162	-	-	-	<b>6,162</b>	1/3rd vested	24 Mar 27
17 Jan 2018	2445.0	1775.0	-	6,618	-	-	<b>6,618</b>	Not yet vested	17 Jan 28

Information regarding total share options, as granted to Directors and other employees, which were in existence during the year is contained in Note 8 to the financial statements.

## Remuneration Committee's Report [Cont'd.]

### Directors' interests in share options and LTIP awards [Cont'd.]

The maximum number of Ordinary Shares subject to conditional share awards granted to Directors under the LTIP as at 30 June 2018 were as follows, in respect of Directors who held office during the course of the year:

	Grant date	Held At 30/06/17	Granted During Year	Exercised During Year	Lapsed During Year	Held At 30/06/18	Share price at date of grant (pence)	Vesting date
<b>K Neilson</b>								
Conditional share award	17 Jan 2018	-	8,928	-	-	<b>8,928</b>	1,775.0	17 Jan 2021
<b>CT Preston</b>								
Conditional share award	24 Mar 2018	8,586	-	-	-	<b>8,586</b>	1,237.5	24 Mar 2020
Conditional share award	17 Jan 2018	-	6,618	-	-	<b>6,618</b>	1,775.0	17 Jan 2021

There was no consideration for the grant of these conditional awards and no consideration will be payable by the award holders to receive the Shares from these awards, if and to the extent that they vest. The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to on page 25. The table above shows the maximum entitlement and the actual number of shares (if any) that vest from the awards will depend on those conditions being achieved.

On behalf of the Remuneration Committee:

**Ronald Verni**

**Chairman of the Remuneration Committee**

3 September 2018



### Report on the audit of the financial statements

#### Opinion

In our opinion, Craneware plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2018 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company balance sheets as at 30 June 2018; the consolidated statement of comprehensive income, the group and company statements of cash flows, and the group and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Our audit approach

##### Overview



- Overall group materiality: \$947,000 (2017: \$842,500), based on 5% of profit before tax.
- Overall company materiality: \$565,600 (2017: \$747,690), based on 5% of profit before tax.

- We performed an audit of the complete financial information of Craneware plc and Craneware, Inc.
- We also audited material balances in Craneware Insight, Inc and Craneware Healthcare Intelligence LLC.
- Taken together, the entities audited comprise 100% of Group revenues.
- All audit work was performed by one team in the UK.

- Revenue and deferred income (Group and Company).
- Provision of income tax (Group and Company).
- Internally developed intangible assets (Group and Company).

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by

## Independent Auditors' Report to the Members of Craneware plc [Cont'd.]

the directors that represented a risk of material misstatement due to fraud.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue and deferred income (Group and Company)</b></p> <p>The Group has revenue of \$67,067k (2017: \$57,796k) and deferred income of \$35,371k (2017: \$29,803k). The Company has revenue of \$31,433k (2017: \$32,036k) and deferred income of \$35,362k (2017: \$29,797k). These amounts are significant in the context of the Group statement of comprehensive income and the Group and Company balance sheets. The amount of revenue to be recognised is determined based on the contract details. The timing of revenue recognition is dependent on the terms contained in the contracts with customers. There is a risk that revenue and deferred income are not recognised appropriately or within the correct period.</p>	<p>For a sample of revenue transactions we agreed the key inputs for revenue recognition to contracts, and agreed to invoices and cash receipts. For each transaction tested we recalculated the revenue recognised in the current year in order to conclude that the correct amount of revenue had been recognised and in the correct period. A sample of revenue transactions recorded post year end were assessed to conclude that they should not have been recorded in an earlier period. No matters arose during our testing.</p>
<p><b>Provision for income tax (Group and Company)</b></p> <p>The Group has cross border activities and is subject to tax in the UK and the US. The Directors must regularly assess the applicability of the transfer pricing policy being applied to revenue transactions and costs between Craneware plc and Craneware, Inc. We focus on this area as there is judgement involved in the creation of the policy and it is important that the policy is applied as written. If the policy were to be challenged by either the UK or the US authorities it could lead to a material difference in the current tax charge.</p>	<p>We obtained and assessed the transfer pricing policy that management has in place. We reviewed the transfer pricing adjustments to confirm they were made in line with the policy.</p>
<p><b>Internally developed intangible assets (Group and Company)</b></p> <p>The Group has \$10,067k (2017: \$6,191k) and the Company has \$9,734k (2016: 5,844k) of development costs capitalised on the balance sheet. Development costs are capitalised when the following criteria have been met: new product development costs 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. The Directors are required to continually assess the commercial potential of each product in development in order to determine if costs can continue to be capitalised. We focus on this area as there is judgement involved in the Directors' assessment.</p>	<p>On a sample basis we agreed additions to intangible assets to supporting documentation, including invoices and time records. The nature of the costs being capitalised was assessed to ensure it met the accounting requirements to capitalise. Discussions were held with management in order to understand how all criteria for capitalisation had been met and supporting evidence was obtained to corroborate this.</p>

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is comprised of five entities. We performed an audit of the complete financial information of Craneware plc and Craneware, Inc due to their financial significance within the Group. We also audited material balances in Craneware Insight, Inc and Craneware Healthcare Intelligence LLC. Taken together, the entities where we performed our audit work accounted for 100% of Group revenues.

All audit work was undertaken by a single engagement team at the Group's head office.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

## Independent Auditors' Report to the Members of Craneware plc [Cont'd.]

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	\$947,000 (2017: \$842,500)	\$565,600 (2017: \$747,690)
How we determined it	5% of profit before tax	5% of profit before tax
Rationale for benchmark applied	Consistent with last year, we have applied this benchmark, a generally accepted auditing practice. We also believe the measure of profit before tax is the measure most commonly used by the shareholders to measure the performance of the Group.	Consistent with last year, we have applied this benchmark, a generally accepted auditing practice. We also believe the measure of profit before tax is the measure most commonly used by the shareholders to measure the performance of the Company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between \$565,000 and \$850,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$47,000 (Group audit) (2017: \$42,125) and \$28,000 (Company audit) (2017: \$37,400) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### Responsibilities for the financial statements and the audit

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



**Kenneth Wilson**

**Senior Statutory Auditor**

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

3 September 2018

## Consolidated Statement of Comprehensive Income for the year ended 30 June 2018

	Notes	Total 2018 \$'000	Total 2017 \$'000
Continuing operations:			
<b>Revenue</b>	4	<b>67,067</b>	57,796
Cost of sales		<b>(3,407)</b>	(3,582)
<b>Gross profit</b>		<b>63,660</b>	54,214
Operating expenses	5	<b>(44,968)</b>	(37,588)
<b>Operating profit</b>	6	<b>18,692</b>	16,626
<b>Analysed as:</b>			
Adjusted EBITDA <sup>1</sup>		<b>21,611</b>	18,002
Share based payments	8	<b>(663)</b>	(283)
Depreciation of plant and equipment	13	<b>(578)</b>	(478)
Amortisation and impairment of intangible assets	14	<b>(1,678)</b>	(615)
Finance income	9	<b>241</b>	258
<b>Profit before taxation</b>		<b>18,933</b>	16,884
Tax on profit on ordinary activities	10	<b>(3,136)</b>	(3,359)
<b>Profit for the year attributable to owners of the parent</b>		<b>15,797</b>	13,525
<b>Other comprehensive (expense) / income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Currency translation reserve movement		<b>(10)</b>	40
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(10)</b>	40
<b>Total comprehensive income attributable to owners of the parent</b>		<b>15,787</b>	13,565
<b>Earnings per share for the year attributable to equity holders</b>			
- Basic (\$ per share)	12a	<b>0.590</b>	0.502
- Diluted (\$ per share)	12b	<b>0.579</b>	0.491

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

<sup>1</sup>Adjusted EBITDA is defined as operating profit before, share based payments, depreciation and amortisation.

## Statements of Changes in Equity for the year ended 30 June 2018

Group	Share	Share	Capital	Other	Retained	Total
	Capital	Premium	Redemption	Reserves <sup>1</sup>	Earnings	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2016	536	17,451	-	555	34,266	52,808
Total comprehensive income - profit for the year	-	-	-	-	13,525	13,525
Total other comprehensive income	-	-	-	-	40	40
<b>Transactions with owners:</b>						
Company share movement in employee benefit trust (Note 18)	-	-	-	-	(3,083)	(3,083)
Share-based payments	-	-	-	519	1,078	1,597
Impact of share options exercised / lapsed	1	523	-	(116)	416	824
Dividends (Note 11)	-	-	-	-	(6,356)	(6,356)
At 30 June 2017	537	17,974	-	958	39,886	59,355
Total comprehensive income - profit for the year	-	-	-	-	15,797	15,797
Total other comprehensive income	-	-	-	-	(10)	(10)
<b>Transactions with owners:</b>						
Company share movement in employee benefit trust (Note 18)	-	-	-	-	(4,248)	(4,248)
Buyback and cancellation of shares	(9)	-	9	-	(15,378)	(15,378)
Share-based payments	-	-	-	1,503	634	2,137
Impact of share options exercised / lapsed	6	1,803	-	(377)	378	1,810
Dividends (Note 11)	-	-	-	-	(7,817)	(7,817)
<b>At 30 June 2018</b>	<b>534</b>	<b>19,777</b>	<b>9</b>	<b>2,084</b>	<b>29,242</b>	<b>51,646</b>
<b>Company</b>						
At 1 July 2016	536	17,451	-	381	27,119	45,487
Total comprehensive income - profit for the year	-	-	-	-	12,052	12,052
<b>Transactions with owners:</b>						
Share-based payments	-	-	-	159	627	786
Impact of share options exercised / lapsed	1	523	-	(36)	98	586
Dividends (Note 11)	-	-	-	-	(6,356)	(6,356)
At 30 June 2017	537	17,974	-	504	33,540	52,555
Total comprehensive income - profit for the year	-	-	-	-	10,360	10,360
<b>Transactions with owners:</b>						
Buyback and cancellation of shares	(9)	-	9	-	(15,378)	(15,378)
Share-based payments	-	-	-	232	202	434
Impact of share options exercised / lapsed	6	1,803	-	(251)	252	1,810
Dividends (Note 11)	-	-	-	-	(7,817)	(7,817)
<b>At 30 June 2018</b>	<b>534</b>	<b>19,777</b>	<b>9</b>	<b>485</b>	<b>21,159</b>	<b>41,964</b>

<sup>1</sup>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 2018

	Notes	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Plant and equipment	13	1,223	1,375
Intangible assets	14	23,267	19,845
Trade and other receivables	16	5,275	4,278
Deferred tax	17	3,831	3,102
		<b>33,596</b>	28,600
<b>Current Assets</b>			
Trade and other receivables	16	12,503	15,381
Cash and cash equivalents	20	52,833	53,170
		<b>65,336</b>	68,551
<b>Total Assets</b>		<b>98,932</b>	97,151
<b>EQUITY &amp; LIABILITIES</b>			
<b>Current Liabilities</b>			
Deferred income		35,371	29,803
Current tax liabilities		80	198
Trade and other payables	21	11,835	7,795
		<b>47,286</b>	37,796
<b>Total Liabilities</b>		<b>47,286</b>	37,796
<b>Equity</b>			
Share capital	18	534	537
Share premium account		19,777	17,974
Capital redemption reserve		9	-
Other reserves		2,084	958
Retained earnings		29,242	39,886
<b>Total Equity</b>		<b>51,646</b>	59,355
<b>Total Equity and Liabilities</b>		<b>98,932</b>	97,151

Registered Number SC196331

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

The financial statements on pages 35 to 62 were approved and authorised for issue by the Board of Directors on 3 September 2018 and signed on its behalf by:

Keith Neilson  
Director

Craig Preston  
Director

## Company Balance Sheet as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Investment in subsidiary undertakings	15	10,107	10,107
Plant and equipment	13	748	826
Intangible assets	14	10,156	6,240
Deferred tax	17	1,204	980
Amounts owed from group companies	16	6,000	6,000
		<b>28,215</b>	24,153
<b>Current Assets</b>			
Trade and other receivables	16	17,042	15,468
Cash and cash equivalents	20	43,955	49,819
		<b>60,997</b>	65,287
<b>Total Assets</b>		<b>89,212</b>	89,440
<b>EQUITY &amp; LIABILITIES</b>			
<b>Current Liabilities</b>			
Deferred income		35,362	29,797
Current tax liabilities		-	1,539
Trade and other payables	21	11,886	5,549
		<b>47,248</b>	36,885
<b>Total Liabilities</b>		<b>47,248</b>	36,885
<b>Equity</b>			
Share capital	18	534	537
Share premium account		19,777	17,974
Capital redemption reserve		9	-
Other reserves		485	504
Retained earnings		21,159	33,540
At 1 July		33,540	27,119
Profit for the year attributable to owners		10,360	12,052
Other changes in retained earnings		(22,741)	(5,631)
<b>Total Equity</b>		<b>41,964</b>	52,555
<b>Total Equity and Liabilities</b>		<b>89,212</b>	89,440

Registered Number SC196331

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

The financial statements on pages 35 to 62 were approved and authorised for issue by the Board of Directors on 3 September 2018 and signed on its behalf by:

Keith Neilson  
Director

Craig Preston  
Director



## Statements of Cash Flows for the year ended 30 June 2018

	Notes	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	19	<b>33,110</b>	23,068	<b>26,820</b>	19,378
Interest received		<b>227</b>	258	<b>432</b>	420
Tax paid		<b>(3,349)</b>	(5,474)	<b>(3,111)</b>	(2,271)
Net cash generated from operating activities		<b>29,988</b>	17,852	<b>24,141</b>	17,527
<b>Cash flows from investing activities</b>					
Purchase of plant and equipment	13	<b>(434)</b>	(654)	<b>(244)</b>	(251)
Capitalised intangible assets		<b>(4,258)</b>	(3,925)	<b>(4,128)</b>	(3,866)
Net cash used in investing activities		<b>(4,692)</b>	(4,579)	<b>(4,372)</b>	(4,117)
<b>Cash flows from financing activities</b>					
Dividends paid to company shareholders	11	<b>(7,817)</b>	(6,356)	<b>(7,817)</b>	(6,356)
Proceeds from issuance of shares		<b>1,810</b>	524	<b>1,810</b>	524
Company shares acquired by employee benefit trust		<b>(4,248)</b>	(3,083)	<b>(4,248)</b>	(3,083)
Buy back of ordinary shares		<b>(15,378)</b>	-	<b>(15,378)</b>	-
Net cash used in financing activities		<b>(25,633)</b>	(8,915)	<b>(25,633)</b>	(8,915)
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(337)</b>	4,358	<b>(5,864)</b>	4,495
Cash and cash equivalents at the start of the year		<b>53,170</b>	48,812	<b>49,819</b>	45,324
<b>Cash and cash equivalents at the end of the year</b>	20	<b>52,833</b>	53,170	<b>43,955</b>	49,819

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 14 of the Annual Report. 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 currencies other than US dollars 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 \$1.3472/£1 (2017: \$1.2688/£1). Monetary assets and liabilities expressed in foreign currencies are translated into US dollars at rates of exchange ruling at the Balance Sheet date \$1.319765/£1 (2017: \$1.30197/£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 2014-2016 – IFRS 12 (effective 1 January 2017\*),

This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information.

IAS 7, 'Statement of Cash Flows' (effective 1 January 2017\*),

These amendments introduce an additional disclosure that will enable users of the financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12, 'Income Taxes' (effective 1 January 2017\*),

These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

### 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) 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.

### IFRS 9

IFRS 9 replaces IAS 39 Financial Instruments – Recognition and Measurement and will be effective for annual periods beginning on or after 1 January 2018. Transition to IFRS 9 for the Group will take place on 1 July 2018 and therefore the results presented for the year ended 30 June 2019 will be the first presented in accordance with IFRS 9.

IFRS 9 introduces three key changes when compared to IAS 39 relating to: the classification and measurement of financial assets and financial liabilities; impairment of financial assets; and general hedge accounting.

Upon adoption of IFRS 9, financial assets will be reclassified into the categories required by the standard, however no significant impact regarding measurement of financial assets has been identified. For financial liabilities, the existing classification and measurement requirements of IAS 39 are largely retained.

The financial asset impairment requirements of IFRS 9 introduce a forward-looking expected credit loss model that results in earlier recognition of credit losses than the incurred loss model of IAS 39. The Group has performed a preliminary assessment of the adoption of the standard on the basis of average default risk of customers groups and will continue to analyse the impact during the 2018/19 financial year. We do not expect this to have a significant impact on the consolidated income statement or consolidated balance sheet.

The hedge accounting requirements of IFRS 9 have been simplified and are more closely aligned to an entity's risk management strategy. The Group does not currently hedge account, however IFRS 9 introduces a new hedge accounting model which is optional to apply and is closer aligned to commercial activities, such that it may be applied in the future if deemed appropriate.

With the exception of disclosure requirements, adoption of the new standard is not expected to have a significant impact on the Group because it does not have any complex financial instruments, and does not currently apply hedge accounting. Due to the exemption in IFRS 9 the Group is not required to restate prior year comparatives. If however an adjustment resulted from the retrospective application of this standard this would be recognised at 1 July 2018.

### 1 Principal accounting policies (cont'd.)

#### IFRS 15

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group will adopt IFRS 15 for the first time in the year ending 30 June 2019 and will adopt the cumulative effect transition method. The cumulative effect of initially applying the standard reflected as an adjustment to the opening balance of retained earnings as of 1 July 2018 and the comparative period will not be restated.

#### Accounting for revenue

Revenue from contracts with customers will be recognised using the five-step model, requiring the transaction price for each identified contract to be apportioned to separate performance obligations arising under the contract. Revenue is recognised either when; the performance obligation in the contract has been performed (point in time recognition) or over time as control of the performance obligation is transferred to the customer. Management have finalised the assessment of contracts with variable consideration and have concluded that IFRS 15 will not have a material impact on the recognition of revenue under these contracts. Management are in the process of finalising the assessment of their contracts which include fixed annual inflators but have not reached a conclusion on the impact IFRS 15 will have on revenue recognition. There will be no impact on the cash received from the contracts or the total revenue recognised over the life of the contracts.

#### Accounting for costs

Costs incurred related to contracts are currently recognised over the life of the contract. Under IFRS 15, contract fulfilment costs will be recognised as an expense consistent with the transfer of related services to the customer over the life of the initial term of the contract. This change is not expected to impact the timing of costs recognised.

#### Balance sheet

Contract assets include sales commissions and prepaid royalties. Contract liabilities include unpaid commissions and deferred income. No significant impact on the balance sheet is expected as a result of the transition to IFRS 15.

#### Key judgements

Software licences are provided for a specified licence period including the right to regular software releases and regular updates of underlying data tables. Under IFRS 15, judgement is required when assessing whether the licence is providing a right to access or a right to use Craneware's intellectual property. The Group has assessed that the ongoing updates and software releases are fundamental to the value of the software and that without these the value of the software would substantially deteriorate over time. Therefore licences are considered to be right to access and revenue is recognised over time.

Installation and training revenue are currently recognised as separate performance obligations. Judgement is required as to whether installation and training are separate performance obligations under IFRS 15. Installation has been identified as not distinct and is therefore not a separate performance obligation from the software licence. Training could be performed by a third party and is therefore still considered a separate performance obligation under IFRS 15.

Consulting services are separate engagements to the above relating to process re-engineering and best practices. These services could be provided by a third party and are therefore considered to be separate performance obligations.

#### Other standards

##### Annual improvements 2014-2016

(effective 1 January 2018\*),

This set of annual improvements addresses issues in the 2014-2016 reporting cycle, which affects two different standards.

##### Annual improvements 2015-2017

(effective 1 January 2019\*),

This set of annual improvements addresses issues in the 2015-2017 reporting cycle, which affects four different standards.

IFRS 2, 'Share based payments' (effective 1 January 2018\*),

IFRS 4, 'Insurance contracts' (effective 1 January 2018\*),

IFRS 16, 'Leases' (effective 1 January 2019\*). The Group has commenced an initial assessment of the potential impact on its consolidated financial statements; this assessment is not yet concluded.

IFRS 17, 'Insurance contracts' (effective 1 January 2021\*),

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective 1 January 2018\*),

IFRIC 23, 'Uncertainty over income tax treatments' (effective 1 January 2019\*),

IAS 19, 'Employee benefits' (effective 1 January 2019\*),

IAS 28, 'Investments in associates' (effective 1 January 2019\*),

IAS 40, 'Investment property' (effective 1 January 2018\*).

\*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 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 be 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.

### 1 Principal accounting policies (cont'd.)

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 categorised 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.

#### 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 licenced 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 licenced 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.

#### 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 up to ten years.

## 1 Principal accounting policies (cont'd.)

### (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 licenced 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 historic cost less depreciation, costs include the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use. Depreciation is provided to write off the cost less estimated residual values of tangible fixed assets over their expected useful lives. It is calculated at the following rates:

Computer equipment	- Between 20% - 33% straight line
Tenants improvements	- Between 10% - 20% straight line
Office furniture	- Between 14% - 25% straight line

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

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

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

### Taxation

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

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities arising in the same tax jurisdiction are offset.

In the UK and the US, the Group is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options and on the vesting of conditional share awards 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 and conditional share awards. 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 '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 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 and / or conditional share awards 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 using the Black-Scholes pricing model or the Monte Carlo pricing model, as appropriately amended, taking into account the terms and conditions of the share based awards. 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 and are satisfied by new issued 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 'operating expenses' with a corresponding increase 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:

- **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. These assumptions result in no impairment in goodwill.
- **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 Board continues to assess the appropriateness of the Group's hedging policy.

The Directors believe that a 10% change in the value of Sterling relative to the US dollar would impact post-tax profits and equity in the region of \$1,225,000 lower/higher respectively 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 other variables held constant, alter post-tax profit and equity for the year in the region of \$119,400 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 has treasury deposits spread across a range of reputable banks, the details of which are disclosed on page 14.

#### (d) Liquidity risk

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

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity grouping based on the remaining period from the Balance Sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>At 30 June 2017</b>					
Trade and Other Payables	7,741	-	-	-	7,741
<b>At 30 June 2018</b>					
Trade and Other Payables	11,374	-	-	-	11,374

There is no difference between the undiscounted liabilities and the amounts shown in Note 21 as the Group's financial liabilities are all short term in nature.

#### Capital risk management

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

### 4 Revenue

The chief operating decision maker has been identified as the Board of Directors. The Group revenue is derived almost entirely from the sale of software licences 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.

	2018 \$'000	2017 \$'000
Software licensing	56,346	49,556
Professional services	10,721	8,240
<b>Total revenue</b>	<b>67,067</b>	<b>57,796</b>

### 5 Operating expenses

Operating expenses comprise the following:

	2018 \$'000	2017 \$'000
Sales and marketing expenses	8,257	7,326
Client servicing	11,981	10,688
Research and development	13,174	9,108
Administrative expenses	8,736	9,216
Share based payments (Note 8)	663	283
Depreciation of plant and equipment (Note 13)	578	478
Amortisation of intangible assets (Note 14)	1,678	615
Exchange (gain)	(99)	(126)
<b>Operating expenses</b>	<b>44,968</b>	<b>37,588</b>

### 6 Operating profit

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

	2018 \$'000	2017 \$'000
Staff costs (Note 7)	34,343	26,861
Staff costs capitalised	(2,978)	(2,308)
Depreciation of plant and equipment (Note 13)	578	478
Amortisation of intangible assets (Note 14)	1,678	615
Loss on disposal	10	-
Impairment of trade receivables	416	653
Operating lease rents for premises	775	1,173

#### Services provided by the Group's auditors

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

	2018 \$'000	2017 \$'000
Statutory audit - Parent Company financial statements and consolidation	91	75
Tax compliance	146	135
	<b>237</b>	<b>210</b>



**7 Staff costs**

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

	<b>2018 Group Number</b>	2017 Group Number	<b>2018 Company Number</b>	2017 Company Number
Sales and distribution	<b>32</b>	32	-	-
Client servicing	<b>97</b>	89	<b>30</b>	31
Research and development	<b>136</b>	112	<b>88</b>	73
Administration	<b>30</b>	30	<b>21</b>	21
	<b>295</b>	263	<b>139</b>	125

**Employment costs of all employees excluding non-executive Directors:**

	<b>2018 Group \$'000</b>	2017 Group \$'000	<b>2018 Company \$'000</b>	2017 Company \$'000
Wages and salaries	<b>30,305</b>	24,311	<b>9,563</b>	8,258
Social security costs	<b>2,707</b>	1,954	<b>1,380</b>	801
Pension costs - defined contribution plans	<b>668</b>	313	<b>273</b>	199
Share based payments	<b>663</b>	283	<b>232</b>	158
<b>Total direct costs of employment</b>	<b>34,343</b>	26,861	<b>11,448</b>	9,416

The remuneration of the highest paid Director including the gain from exercising share options in the year (granted from 2008 to 2014) is \$3.8m (FY17: \$0.9m). Full details Directors' emoluments and share option exercises are detailed in the Remuneration Committee's Report on page 27 and key management compensation is given in Note 23, Related Party Transactions. Contributions are made on behalf of two of the executive directors to a defined contribution retirement benefit scheme (2017: two).

**8 Share-based payments**

During the year the Group operated four equity-settled share based payment plans whereby options over, or conditional awards of, Ordinary Shares in Craneware plc can be granted to employees and executive Directors. Directors' interests in share plan awards are set out in the Remuneration Committee's Report on pages 29 and 30. The fair value of the share based awards is recognised as an expense, with a corresponding increase in equity, during the vesting period. A total share based payments expense of \$663,158 (2017: \$283,446) was recognised in the Statement of Comprehensive Income for the year, as stated in Note 7 above, which comprises:

	<b>2018 \$'000</b>	2017 \$'000
<i>Type of award and name of share plan</i>		
Share options granted under the 2007 Share Option Plan	<b>132</b>	237
Share options granted under the 2016 Unapproved Share Option Plan	<b>145</b>	15
Share options granted under the 2016 Schedule 4 Share Option Plan	<b>35</b>	6
Conditional share awards granted under the LTIP	<b>172</b>	25
Contingent share awards	<b>179</b>	-
<b>Total share based payments charge</b>	<b>663</b>	283

## 8 Share-based payments (cont'd.)

### Share option plans

Share options, granted by the Company to employees in respect of the following number of Ordinary Shares, were outstanding at 30 June 2017.

Date of grant	Exercise price (GBP)	Exercise price (USD)	Remaining life at 1 July 2017 (years)	No. of options at 1 July 2017	Granted	Exercised	Lapsed	No. of options at 30 June 2018	Remaining life at 30 June 2018 (years)	
<b>2007 Share Option Plan</b>										
15 Sep 2008	£2.08	\$3.65	1.2	72,115	-	(72,115)	-	-	-	
22 Dec 2009	£3.35	\$5.34	2.5	79,169	-	(61,702)	-	<b>17,467</b>	1.5	
06 Sep 2010	£4.01	\$6.18	3.2	42,505	-	(22,195)	-	<b>20,310</b>	2.2	
04 Sep 2012	£3.60	\$5.72	5.2	20,904	-	(15,726)	-	<b>5,178</b>	4.2	
21 Sep 2012	£4.00	\$6.50	5.2	33,465	-	(26,860)	-	<b>6,605</b>	4.2	
10 Sep 2013	£3.95	\$6.21	6.2	120,894	-	(60,823)	(3,221)	<b>56,850</b>	5.2	
22 Sep 2014	£5.225	\$8.39	7.2	269,361	-	(126,179)	-	<b>143,182</b>	6.2	
09 Mar 2016	£7.50	\$10.66	8.7	240,627	-	-	(15,895)	<b>224,732</b>	7.7	
01 Apr 2016	£7.50	\$10.72	8.8	10,000	-	-	-	<b>10,000</b>	7.8	
12 Sep 2016	£11.775	\$15.63	9.2	41,263	-	-	-	<b>41,263</b>	8.2	
<b>2016 Unapproved Option Plan</b>										
24 Mar 2017	£12.375	\$15.44	9.7	67,173	-	-	(6,060)	<b>61,113</b>	8.7	
17 Jan 2018	£17.750	\$24.45	-	-	77,795	-	(4,224)	<b>73,571</b>	9.5	
<b>2016 Schedule 4 Option Plan</b>										
24 Mar 2017	£12.375	\$15.44	9.7	25,856	-	-	(4,848)	<b>21,008</b>	8.7	
17 Jan 2018	£17.750	\$24.45	-	-	10,279	-	(704)	<b>9,575</b>	9.5	
					<b>1,023,332</b>	<b>88,074</b>	<b>(385,600)</b>	<b>(34,952)</b>	<b>690,854</b>	

The weighted average share price at the date of exercise of share options in the year ended 30 June 2018 was £19.43 (\$26.17) (2017: £11.96 (\$15.17)). The market value of Craneware plc Ordinary Shares at 30 June 2018 was £21.20 (\$27.98) per share. The weighted average remaining contractual life of the options outstanding at 30 June 2018 is 7.2 years (2017: 6.7 years).

	2018		2017	
	Number of Options	Weighted average exercise price (£)	Number of Options	Weighted average exercise price (£)
Balance outstanding at beginning of the year	<b>1,023,332</b>	<b>6.06</b>	1,019,226	5.01
Share options granted during the year	<b>88,074</b>	<b>17.75</b>	134,292	12.19
Exercised during the year	<b>(385,600)</b>	<b>3.91</b>	(111,461)	3.70
Lapsed during the year	<b>(34,952)</b>	<b>10.14</b>	(18,725)	6.93
<b>Balance outstanding at end of the year</b>	<b>690,854</b>	<b>8.53</b>	<b>1,023,332</b>	<b>6.06</b>
Exercisable at end of the year	<b>249,592</b>	<b>4.64</b>	369,051	3.45

*The Craneware plc Employees' Share Option Plan 2007 ('the 2007 Share Option Plan')*

Options over Ordinary Shares were granted under the 2007 Share Option Plan 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, were granted subject to sufficiently stretching performance conditions. These options are subject to time-based vesting and are not normally exercisable before the third anniversary of the date of grant. Such options lapse no later than the tenth anniversary of the date of grant.

For share option awards granted under the 2007 Share Option Plan, fair value has been estimated on the date of grant using a Black-Scholes option pricing model, as appropriately adjusted. The Company estimates the number of options likely to vest by reference to the Group's employee 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 the IPO to date of grant, results in an actual volatility calculation for all grants from December 2010. The assumptions applied in the option pricing model, in respect of each option grant were as follows:

Date of Grant	12-Sep-16	1-Apr-16	9-Mar-16	22-Sep-14	21-Oct-13	10-Sep-13
<b>Options over Ordinary shares</b>						
Share price at date of grant	\$15.63	\$10.72	\$10.66	\$8.39	\$7.55	\$6.21
Share price at date of grant	£11.775	£7.50	£7.50	£5.23	£4.67	£3.95
Vesting period (years)	3.00	3.00	3.00	3.00	3.00	3.00
Expected volatility	16%	31%	31%	33%	36%	36%
Risk free rate	0.15%	0.48%	0.51%	1.33%	0.90%	1.02%
Dividend yield	2.0%	2.0%	2.0%	2.4%	2.8%	2.8%
Exercise price	\$15.63	\$10.72	\$10.66	\$8.39	\$7.55	\$6.21
Exercise price	£11.775	£7.50	£7.50	£5.14	£4.67	£3.95
Number of employees	2	1	49	36	1	26
Shares under option	41,263	10,000	257,459	306,765	3,975	321,855
Fair value per option	\$1.07	\$5.78	\$1.78	\$2.28	\$1.79	\$1.48

*The Craneware plc Unapproved Company Share Option Plan (2016)*

*The Craneware plc Schedule 4 Company Share Option Plan (2016)*

Share options were granted under these Plans to certain employees, senior managers and executive Directors in January 2018 and in March 2017, as summarised in the table below. The exercise price of these share options was at the Company share price on the day before the grant date. The market-based performance conditions applicable to all of those share options granted in January 2018 and in March 2017 are outlined in the Remuneration Committee's Report on page 25.

The fair value of the share options granted under these two Plans was estimated using a Monte Carlo pricing model, as appropriately adjusted, based on the following assumptions

Date of Grant	17-Jan-18	24-Mar-17
Share price at date of grant	£17.750	£12.375
Share price at date of grant	\$24.45	\$15.44
Vesting period (years)	3	3
Expected volatility	21%	22%
Risk free rate	0.66%	0.23%
Exercise price	£17.750	£12.375
Exercise price	\$24.45	\$15.44
Shares under option at date of grant	88,074	93,029
Fair value per option	\$8.24	\$2.58

The expected volatility was determined by calculating the historic volatility of the Company's share price over the previous three years.

## 8 Share-based payments (cont'd.)

### Long Term Incentive Plan

*The Craneware plc Long Term Incentive Plan (2016) (the 'LTIP')*

Conditional share awards were granted under this Plan to certain senior managers and to the executive Directors in January 2018 and in March 2017, as summarised in the table below. The market-based performance conditions, measured over three consecutive three year periods, applicable to those conditional share awards granted in January 2018 and in March 2017, are outlined in the Remuneration Committee's Report on page 25.

	Number of conditional share awards 2018	Number of conditional share awards 2017
Balance outstanding at 1 July	46,770	-
Awards granted in the year	46,814	46,770
Forfeited / lapsed during the year	(2,742)	-
Balance outstanding at 30 June	90,842	46,770

The remaining weighted average contractual life of the conditional share awards outstanding at 30 June 2018 is 2.7 years (at 30 June 2017: 3.2 years).

The fair values of the conditional share awards granted in 2018 and in 2017 were estimated using the Monte Carlo pricing model, as appropriately adjusted, with the following main assumptions:

Date of Grant	17-Jan-18	24-Mar-17
Share price at date of grant	£17.750	£12.375
Share price at date of grant	\$24.45	\$15.44
Vesting period (years)	3	3
Expected volatility	21%	22%
Risk free rate	0.66%	0.23%
Fair value per conditional share award	\$11.56	\$6.11

### Other share based payments

In addition to the employee share plans detailed above, employee contingent share awards have also been granted by the Company. Contingent share awards in respect of a total of 159,336 Ordinary Shares were outstanding at 30 June 2018 (in respect of 94,560 Ordinary Shares at 30 June 2017).

There are three sets of non-market performance conditions applicable to each of the contingent share awards such that the vesting of each one-third amount of the award shares is assessed against one of the performance conditions. If the respective performance conditions are achieved, and subject to continuous employment within the Group throughout the period from the grant date: a maximum of 94,560 award shares will vest on 1 July 2019 at the earliest; and a separate maximum of 64,776 award shares would vest on 1 July 2020.

The fair value of the contingent share awards is based on the market value of an Ordinary Share on the date of grant. An assessment of the expected extent of vesting of the awards is made at the end of each reporting period and the share based payments expense recognised is adjusted so that over the whole vesting period the expense recognised is based on the fair value of the quantity of shares awards that actually vest. In the year ended 30 June 2018, as some of the expense in respect of these contingent share awards related to employee costs incurred on the eligible development of software, \$839,932 (2017: \$235,844) of those costs have been capitalised within development costs.

## 9 Finance income

	2018 \$'000	2017 \$'000
Deposit interest receivable	241	258
<b>Total interest receivable</b>	<b>241</b>	<b>258</b>

**10 Tax on profit on ordinary activities**

	2018 \$'000	2017 \$'000
Profit on ordinary activities before tax	18,933	16,884
<b>Current tax</b>		
Corporation tax on profits of the year	3,536	3,463
Foreign exchange on taxation in the year	-	(65)
Adjustments for prior years	(305)	300
Total current tax charge	3,231	3,698
<b>Deferred tax</b>		
Origination & reversal of timing differences	382	(161)
Adjustments for prior years	(8)	(178)
Change in tax rate	(469)	-
Total deferred tax (credit)	(95)	(339)
<b>Tax on profit on ordinary activities</b>	<b>3,136</b>	<b>3,359</b>

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:

Profit on ordinary activities at the UK tax rate 19% (2017: 19.75%)	3,597	3,335
Effects of:		
Adjustment for prior years	(313)	122
Change in tax rate	(469)	-
Additional US taxes on profits 32% (2017: 39%)	1,137	209
Foreign Exchange	-	(65)
R&D tax credit	(327)	-
Expenses not deductible for tax purposes	29	(16)
Origination and reversal of temporary differences	847	-
Deduction on share plan charges	(1,365)	(226)
<b>Total tax charge</b>	<b>3,136</b>	<b>3,359</b>

**11 Dividends**

The dividends paid during the year were as follows:-

	2018 \$'000	2017 \$'000
Final dividend, re 30 June 2017 - 14.71 cents (11.3 pence)/share (2017: 12.1 cents (9 pence) / share)	4,065	3,246
Interim dividend, re 30 June 2018 - 13.5 cents (10 pence)/share (2017: 10.83 cents (8.7 pence) / share)	3,752	3,110
<b>Total dividends paid to Company shareholders in the year</b>	<b>7,817</b>	<b>6,356</b>

The proposed final dividend of 18.48 cents (14 pence), as noted on page 10, for 30 June 2018 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.

	2018	2017
Profit attributable to equity holders of the Company (\$'000)	15,797	13,525
Weighted average number of Ordinary shares in issue (thousands)	26,790	26,934
<b>Basic earnings per share (\$ per share)</b>	<b>0.590</b>	<b>0.502</b>
Profit attributable to equity holders of the Company (\$'000)	15,797	13,525
Adjustments* (\$'000)	329	329
Adjusted Profit attributable to equity holders (\$'000)	16,126	13,854
Weighted average number of Ordinary shares in issue (thousands)	26,790	26,934
<b>Adjusted Basic earnings per share (\$ per share)</b>	<b>0.602</b>	<b>0.514</b>

\*Relate to acquisition, share related activities and amortisation of acquired intangibles if applicable in the year. These adjustments are to focus on what the Group regards as a more reliable indicator of the underlying operating performance and are consistent with other similar companies.

### 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.

	2018	2017
Profit attributable to equity holders of the Company (\$'000)	15,797	13,525
Weighted average number of Ordinary shares in issue (thousands)	26,790	26,934
Adjustments for Share options (thousands)	492	590
Weighted average number of Ordinary shares for diluted earnings per share (thousands)	27,282	27,524
<b>Diluted earnings per share (\$ per share)</b>	<b>0.579</b>	<b>0.491</b>
Profit attributable to equity holders of the Company (\$'000)	15,797	13,525
Adjustments* (\$'000)	329	329
Adjusted Profit attributable to equity holders (\$'000)	16,126	13,854
Weighted average number of Ordinary shares in issue (thousands)	26,790	26,934
Adjustments for Share options (thousands)	492	590
Weighted average number of Ordinary shares for diluted earnings per share (thousands)	27,282	27,524
<b>Adjusted Diluted earnings per share (\$ per share)</b>	<b>0.591</b>	<b>0.503</b>

\*Relate to acquisition, share related activities and amortisation of acquired intangibles if applicable in the year. These adjustments are to focus on what the Group regards as a more reliable indicator of the underlying operating performance and are consistent with other similar companies.

## 13 Plant and equipment

Group	Computer Equipment \$'000	Office Furniture \$'000	Tenants Improvements \$'000	Total \$'000
<b>Cost</b>				
At 1 July 2017	2,661	1,092	1,856	5,609
Additions	418	1	15	434
Disposals	(1,324)	(375)	(391)	(2,090)
At 30 June 2018	1,755	718	1,480	3,953
<b>Accumulated depreciation</b>				
At 1 July 2017	2,060	985	1,189	4,234
Charge for year	371	57	150	578
Depreciation on disposals	(1,322)	(374)	(386)	(2,082)
At 30 June 2018	1,109	668	953	2,730
<b>Net Book Value at 30 June 2018</b>	<b>646</b>	<b>50</b>	<b>527</b>	<b>1,223</b>

<b>Cost</b>				
At 1 July 2016	2,281	1,045	1,643	4,969
Additions	383	56	215	654
Disposals	(3)	(9)	(2)	(14)
At 30 June 2017	2,661	1,092	1,856	5,609
<b>Accumulated depreciation</b>				
At 1 July 2016	1,779	920	1,057	3,756
Charge for year	281	65	132	478
At 30 June 2017	2,060	985	1,189	4,234
<b>Net Book Value at 30 June 2017</b>	<b>601</b>	<b>107</b>	<b>667</b>	<b>1,375</b>

Company	Computer Equipment \$'000	Office Furniture \$'000	Tenants Improvements \$'000	Total \$'000
<b>Cost</b>				
At 1 July 2017	1,214	685	1,650	3,549
Additions	239	1	4	244
Disposals	(644)	(197)	(337)	(1,178)
At 30 June 2018	809	489	1,317	2,615
<b>Accumulated depreciation</b>				
At 1 July 2017	996	638	1,089	2,723
Charge for year	173	16	131	320
Depreciation on disposals	(642)	(197)	(337)	(1,176)
At 30 June 2018	527	457	883	1,867
<b>Net Book Value at 30 June 2018</b>	<b>282</b>	<b>32</b>	<b>434</b>	<b>748</b>

<b>Cost</b>				
At 1 July 2016	1,125	644	1,529	3,298
Additions	89	41	121	251
At 30 June 2017	1,214	685	1,650	3,549
<b>Accumulated depreciation</b>				
At 1 July 2016	868	624	968	2,460
Charge for year	128	14	121	263
At 30 June 2017	996	638	1,089	2,723
<b>Net Book Value at 30 June 2017</b>	<b>218</b>	<b>47</b>	<b>561</b>	<b>826</b>

## 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
<b>Cost</b>						
At 1 July 2017	11,438	2,964	3,043	9,237	1,436	28,118
Additions	-	-	-	4,732	368	5,100
Disposals	-	-	-	-	(409)	(409)
At 30 June 2018	11,438	2,964	3,043	13,969	1,395	32,809
<b>Accumulated amortisation</b>						
At 1 July 2017	250	2,042	1,976	3,046	959	8,273
Charge for the year	-	329	213	856	280	1,678
Amortisation on disposal	-	-	-	-	(409)	(409)
At 30 June 2018	250	2,371	2,189	3,902	830	9,542
<b>Net Book Value at 30 June 2018</b>	<b>11,188</b>	<b>593</b>	<b>854</b>	<b>10,067</b>	<b>565</b>	<b>23,267</b>
<b>Cost</b>						
At 1 July 2016	11,438	2,964	3,043	5,755	993	24,193
Additions	-	-	-	3,482	443	3,925
At 30 June 2017	11,438	2,964	3,043	9,237	1,436	28,118
<b>Accumulated amortisation</b>						
At 1 July 2016	250	1,713	1,976	2,926	793	7,658
Charge for the year	-	329	-	120	166	615
At 30 June 2017	250	2,042	1,976	3,046	959	8,273
<b>Net Book Value at 30 June 2017</b>	<b>11,188</b>	<b>922</b>	<b>1,067</b>	<b>6,191</b>	<b>477</b>	<b>19,845</b>

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

The carrying values are assessed for impairment purposes by calculating the value in use 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 key assumptions in assessing value in use are the discount rate applied, future growth rate of revenue and the operating margin. These take into account the customer base and expected revenue commitments from it, anticipated additional sales to both existing and new customers and market trends currently seen and those expected in the future.

The Group have assessed events and circumstances in the year and the assets and liabilities of the business cash-generating unit; this assessment has confirmed that no significant events or circumstances occurred in the year and that the assets and liabilities showed no significant change from last year.

After review of future forecasts, the Group confirmed the growth for next five years was consistent with last year's growth calculations confirming that the recoverable amount would continue to exceed the carrying value. There are no reasonable possible changes in assumptions that would result in an impairment.



## 14 Intangible assets (cont'd.)

## Goodwill and Other Intangible assets (Cont'd.)

Company	Development Costs \$'000	Computer Software \$'000	Total \$'000
<b>Cost</b>			
At 1 July 2017	8,824	1,121	9,945
Additions	4,725	243	4,968
Disposals	-	(296)	(296)
At 30 June 2018	13,549	1,068	14,617
<b>Accumulated amortisation</b>			
At 1 July 2017	2,980	725	3,705
Charge for the year	835	217	1,052
Amortisation on disposal	-	(296)	(296)
At 30 June 2018	3,815	646	4,461
<b>Net Book Value at 30 June 2018</b>	<b>9,734</b>	<b>422</b>	<b>10,156</b>
<b>Cost</b>			
At 1 July 2016	5,342	737	6,079
Additions	3,482	384	3,866
At 30 June 2017	8,824	1,121	9,945
<b>Accumulated amortisation</b>			
At 1 July 2016	2,882	594	3,476
Charge for the year	98	131	229
At 30 June 2017	2,980	725	3,705
<b>Net Book Value at 30 June 2017</b>	<b>5,844</b>	<b>396</b>	<b>6,240</b>

## 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, LLC	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 (2017: 10,000) and 1,000 (2017: 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 (2017: 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 Trade and other receivables

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade receivables	9,215	13,102	9,066	12,928
Less: provision for impairment of trade receivables	(1,072)	(1,353)	(1,072)	(1,353)
Net trade receivables	8,143	11,749	7,994	11,575
Other receivables	230	144	8,284	3,218
Amounts owed from group companies	-	-	6,000	6,000
Prepayments and accrued income	1,904	1,826	764	675
Deferred contract costs	7,501	5,940	-	-
	17,778	19,659	23,042	21,468
Less non-current receivables	-	-	(6,000)	(6,000)
Deferred contract costs	(5,275)	(4,278)	-	-
<b>Current portion</b>	<b>12,503</b>	<b>15,381</b>	<b>17,042</b>	<b>15,468</b>

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

The \$6,000,000 loan due to the Company from Craneware InSight Inc. remains outstanding and is payable on demand, interest is charged quarterly in accordance with the agreement at LIBOR plus 1%.

As at 30 June 2018, trade receivables of \$1,386,828 (2017: \$2,501,771) were past due and deemed to be impaired. The amount of the provision against these receivables was \$1,053,655 as at 30 June 2018 (2017: \$1,270,008). 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:

	2018 \$'000	2017 \$'000
Less than 30 days past due	-	48
30 – 60 days past due	67	-
61 – 90 days past due	292	-
91 + days past due	1,028	2,454
	1,387	2,502

As at 30 June 2018, trade receivables of \$1,304,942 (2017: \$7,335,171) 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:

	2018 \$'000	2017 \$'000
Less than 30 days past due	264	4,297
31 – 60 days past due	392	717
61 – 90 days past due	175	1,162
91 + days past due	474	1,159
	1,305	7,335

As at 30 June 2018, trade receivables of \$6,362,239 (2017: \$2,973,334) were not past due or impaired, and the Group does not anticipate collection issues. A further \$160,872 was not past due but deemed to be impaired due to a client in financial difficulty. The amount of the provision against these receivables was \$18,046 as at 30 June 2018 (2017: \$82,550).

## 16 Trade and other receivables (cont'd.)

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

	2018 \$'000	2017 \$'000
At 1 July	1,353	1,135
Provision for receivables impairment on revenue recognised	1,318	1,038
Receivables written off during year as uncollectable	(416)	(435)
Unused amounts reversed	(1,183)	(385)
<b>At 30 June</b>	<b>1,072</b>	<b>1,353</b>

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

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

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

## 17 Deferred taxation

Deferred tax is calculated in full on the temporary differences under the liability method using a rate of tax of 19% (2017: 19.75%) in the UK and 25% (2017: 39%) in the US including a provision for state taxes.

The movement on the deferred tax account is shown below:

	Group		Company	
	2018 \$'00	2017 \$'000	2018 \$'000	2017 \$'000
At 1 July	3,102	1,685	980	405
Credit/(charge) to comprehensive income	95	339	22	(21)
Transfer direct to equity	634	1,078	202	596
<b>At 30 June</b>	<b>3,831</b>	<b>3,102</b>	<b>1,204</b>	<b>980</b>

## 17 Deferred taxation (cont'd.)

The movements in deferred tax assets and liabilities during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. The net deferred tax asset at 30 June 2018 was \$3,831,282 (2017: \$3,101,546).

<b>Deferred tax assets - recognised</b>	<b>Short term timing differences</b>	<b>Losses</b>	<b>Share Options</b>	<b>Total</b>
<b>Group</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At 1 July 2017	660	833	2,098	3,591
Credited/ (charged) to comprehensive income	141	(372)	28	(203)
Credited to equity	-	-	634	634
<b>Total provided at 30 June 2018</b>	<b>801</b>	<b>461</b>	<b>2,760</b>	<b>4,022</b>
At 1 July 2016	633	817	797	2,247
Credited to comprehensive income	27	16	223	266
Credited to equity	-	-	1,078	1,078
<b>Total provided at 30 June 2017</b>	<b>660</b>	<b>833</b>	<b>2,098</b>	<b>3,591</b>

<b>Deferred tax liabilities - recognised</b>	<b>Long-term Timing differences</b>	<b>Accelerated tax depreciation</b>	<b>Total</b>
<b>Group</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At 1 July 2017	-	(489)	(489)
Credited to comprehensive income	-	298	298
<b>Total provided at 30 June 2018</b>	<b>-</b>	<b>(191)</b>	<b>(191)</b>
At 1 July 2016	-	(562)	(562)
Credited to comprehensive income	-	73	73
<b>Total provided at 30 June 2017</b>	<b>-</b>	<b>(489)</b>	<b>(489)</b>

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

<b>Group</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred tax assets:		
Deferred tax assets to be recovered after more than 1 year	<b>3,574</b>	2,801
Deferred tax assets to be recovered within 1 year	<b>448</b>	790
	<b>4,022</b>	3,591
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 1 year	<b>(66)</b>	(341)
Deferred tax liabilities to be recovered within 1 year	<b>(125)</b>	(148)
	<b>(191)</b>	(489)
<b>Net deferred tax assets</b>	<b>3,831</b>	3,102

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

## 17 Deferred taxation (cont'd.)

## Deferred tax assets - recognised

Company	Share Options \$'000	Total \$'000
At 1 July 2017	1,124	1,124
Charged to comprehensive income	(57)	(57)
Credited to equity	202	202
<b>Total provided at 30 June 2018</b>	<b>1,269</b>	<b>1,269</b>
At 1 July 2016	465	465
Credited to comprehensive income	32	32
Credited to equity	627	627
<b>Total provided at 30 June 2017</b>	<b>1,124</b>	<b>1,124</b>

## Deferred tax liabilities - recognised

Company	Accelerated tax depreciation \$'000	Total \$'000
At 1 July 2017	(144)	(144)
Credited to comprehensive income	79	79
<b>Total provided at 30 June 2018</b>	<b>(65)</b>	<b>(65)</b>
At 1 July 2016	(60)	(60)
Charged to comprehensive income	(84)	(84)
<b>Total provided at 30 June 2017</b>	<b>(144)</b>	<b>(144)</b>

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.

## 18 Share Capital

	2018		2017	
	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

	2018		2017	
	Number	\$'000	Number	\$'000
Equity share capital				
Ordinary shares of 1p each				
<b>At 1 July</b>	<b>26,961,709</b>	537	<b>26,850,248</b>	536
Cancelled, following purchase by Company of own shares	(628,869)	(9)	-	-
Allotted and issued in the year on exercise of employee share options	329,431	6	111,461	1
<b>At 30 June</b>	<b>26,662,271</b>	534	<b>26,961,709</b>	537

## Share buyback

The Company purchased 628,869 of its own shares during the financial year (2017: nil), at 1769 pence per share, in accordance with the share buyback completed in January 2018. The shares purchased by the Company were cancelled immediately.

## 18 Share Capital (cont'd.)

### Shares issued during the year

The Company has granted share options and conditional share awards in respect of its Ordinary Shares and details of these are contained in Note 8. During the year ended 30 June 2018 a total of 329,431 Ordinary Shares (2017: 111,461 Ordinary Shares) were issued on the exercise of share options by employees.

### Employee Benefit Trust

The Company established the 'The Craneware plc Employee Benefit Trust' (the EBT) during the year ended 30 June 2017. This is a discretionary trust established, in conjunction with the operation of the Company's employee share plans, for the benefit of the employees of the Company and its subsidiaries. The EBT has an independent trustee, RBC cees Trustee Ltd. The Company has provided a loan to the EBT. The movement in the balance of the loan, which is denominated in Sterling, from the Company to the EBT during the year ended 30 June 2018 is summarised in the table below.

Group	2018 \$'000	2017 \$'000
Loan balance (from Company to the EBT) at 1 July	3,083	-
Addition to the loan from the Company to the EBT during the year	5,315	3,083
Partial repayment of loan, by the EBT, during the year	(1,067)	-
<b>Loan balance (from Company to the EBT) at 30 June</b>	<b>7,331</b>	<b>3,083</b>

The EBT purchased a further 166,363 Craneware plc Ordinary Shares of 1 pence each in the market on 16 March 2018 at a price of 1950 pence per share. The Shares held by the EBT are utilised to satisfy employee share plan awards and, during the financial year ended 30 June 2018, a total of 56,169 shares from the EBT (2017: nil) were used to satisfy the exercise of employee share options. At 30 June 2018 the EBT held 353,124 Craneware plc Ordinary Shares (at 30 June 2017: 242,930 Ordinary Shares).

## 19 Cash generated from operations

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

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Profit before tax	18,933	16,884	11,178	14,986
Finance income	(241)	(258)	(447)	(420)
Depreciation on plant and equipment	578	478	320	269
Amortisation and Impairment on intangible assets	1,678	615	1,052	230
Share-based payments	663	283	232	158
Loss on disposals	10	-	2	-
<b>Movements in working capital:</b>				
Decrease in trade and other receivables	1,881	6,146	3,404	1,962
Increase / (Decrease) in trade and other payables	9,608	(1,080)	11,079	2,193
<b>Cash generated from operations</b>	<b>33,110</b>	<b>23,068</b>	<b>26,820</b>	<b>19,378</b>

## 20 Cash and cash equivalents

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Cash at bank and in hand</b>	<b>52,833</b>	53,170	<b>43,955</b>	49,819

The effective rates on short term bank deposits were 0.51% (2017: 0.54%).

## 21 Trade and other payables

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade payables	824	759	390	278
Amounts owed to group companies	-	-	7,484	2,217
Social security and PAYE	461	54	291	234
Other creditors	41	47	127	1
Accruals	10,509	6,935	3,594	2,819
	<b>11,835</b>	7,795	<b>11,886</b>	5,549

Amounts owed to Group companies are non-interest bearing and have no fixed repayment terms. Trade payables are settled in accordance with those terms and conditions agreed, generally within 30 days, provided that all trading terms and conditions on invoices have been met. The Group's average payment period at 30 June 2018 was 18 days (2017: 18 days). Trade and other payables are classified as financial liabilities at amortised cost.

## 22 Contingent liabilities and financial commitments

### a) Capital commitments

The Group has no capital commitments at 30 June 2018 (2017: \$nil).

### b) Lease commitments

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

	2018 \$'000	2017 \$'000
Within one year	1,048	914
Between 2 and 5 years	3,761	3,966
More than 5 years	405	1,191
	<b>5,214</b>	6,071

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

### 23 Related party transactions

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

Group	2018		2017	
	Charged	Outstanding at year end	Charged	Outstanding at year end
	\$	\$	\$	\$
<b>Fees for services provided as non-executive Directors</b>				
Fees	167,124	-	101,199	-
Short-term employee benefits	104,139	-	161,844	-
<b>Executive Directors</b>				
Short-term employee benefits	1,530,044	765,685	1,420,916	844,390
Post employment benefits	30,374	-	21,311	-
Share based payments	103,570	-	64,887	-
<b>Other key management</b>				
Short-term employee benefits	2,474,345	1,006,413	1,992,705	384,388
Post employment benefits	60,666	-	22,336	-
Share based payments	191,438	-	100,052	-

Subsidiary registered addresses listed on page 14.

Company	2018		2017	
	Charged	Outstanding at year end	Charged	Outstanding at year end
	\$	\$	\$	\$
<b>Fees for services provided as non-executive Directors</b>				
Fees	167,124	-	101,199	-
Short-term employee benefits	104,139	-	161,844	-
<b>Executive Directors</b>				
Short-term employee benefits	1,530,044	765,685	1,420,918	844,390
Post employment benefits	30,347	-	21,311	-
Share-based payments	103,570	-	64,887	-
<b>Other key management</b>				
Short-term employee benefits	646,425	252,462	566,335	145,656
Post employment benefits	14,968	-	17,925	-
Share-based payments	55,339	-	33,597	-
<b>Amounts due to Craneware Inc - Subsidiary company</b>				
Sales commission	31,303,528	-	21,812,184	-
Net operating expenses	4,252,117	-	4,849,023	-
Balance	-	7,768,936	-	2,800,613
<b>Net Amounts due from Craneware InSight Inc - Subsidiary company</b>				
Balance	-	8,529,727	-	7,331,174
<b>Net Amounts due from Craneware Health/Kestros - Subsidiary company</b>				
Balance	-	1,268,431	-	1,080,695
<b>Net Amounts due to Craneware Healthcare Intelligence - Subsidiary company</b>				
Balance	-	3,512,779	-	1,828,578

Note 18 contains details of the transactions and balances between the Company and the employee benefit trust during and at the end of the financial year.

Key management are considered to be, the Directors together with the Chief Intelligence Officer, Chief Technology Officer, the Chief Marketing Officer, Chief People Officer, EVP of Sales, EVP of Customer Management and Chief Legal Officer. There were no other related party transactions in the year which require disclosure in accordance with IAS 24.

### 24 Ultimate controlling party

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











Craneware plc  
1 Tanfield  
Edinburgh  
EH3 5DA  
Scotland, UK  
Telephone: +44 [0] 131 550 3100  
Facsimile: +44 [0] 131 550 3101



[craneware.com](http://craneware.com)

[marketing@craneware.com](mailto:marketing@craneware.com)  
[training@craneware.com](mailto:training@craneware.com)  
[sales@craneware.com](mailto:sales@craneware.com)  
[support@craneware.com](mailto:support@craneware.com)

Company Registration No. SC196331  
Craneware plc