Craneware plc Annual Report
for the year ended 30 June 2019

Together, We Are

Craneware®

Founded in 1999

Helping healthcare providers further their mission through optimal financial performance

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Financial and Operational Highlights

Financial

- Revenue increased 6% to $71.4m (FY18: $67.1m)
- Adjusted EBITDA[1] increased 11% to $24.0m (FY18: $21.6m)
- Profit before tax of $18.3m (FY18: $18.9m) the reduction being as a result of $1.2m one-off costs related to a significant proposed acquisition that the Board decided not to enter into during the year
- Basic adjusted EPS[2] increased 5% to $0.633 (FY18: $0.602) and adjusted diluted EPS increased to $0.620 (FY18: $0.591)
- Renewal rate remains above 100% by dollar value
- Three Year Total Visible Revenue of $200.1m (FY18 same 3 year period: $191.0m)
- Operating cash conversion at 63% of Adjusted EBITDA – further $8.5m collected post year end – equating to 98% conversion
- Cash at year-end of $47.6m (FY18: $52.8m) after having returned $8.5m to shareholders via dividends
- Proposed final dividend of 15.0p (19.05 cents) (FY18: 14.0p, 18.48 cents) per share giving a total dividend for the year of 26.0p (33.02 cents) (FY18: 24.0p, 31.68 cents) per share

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

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

Operational

- Ongoing transition of the US healthcare market to value-based care, supporting Craneware's software product suite
- Sales in the year amounted to $63.1m (FY18: $98.6m, FY17: $54.0m)
- Sales of Trisus Enterprise Value Platform products represented 13% of new sales in the year (FY18: 4%)
- Healthy sales mix, with 45% of sales relating to new customers
- Continued investment in R&D and innovation to capitalise on growing market opportunity
- Supportive market environment, with existing customers and wider healthcare market responding positively to the enhanced solution set delivered on the Trisus platform

Quick Facts — Financial

$71.4m
Revenue

$24.0m
Adjusted EBITDA[1]

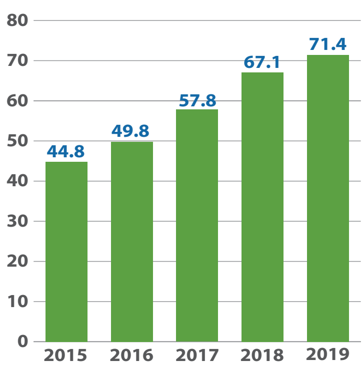
$18.3m
Profit before tax

63.3¢
Adjusted EPS[2]

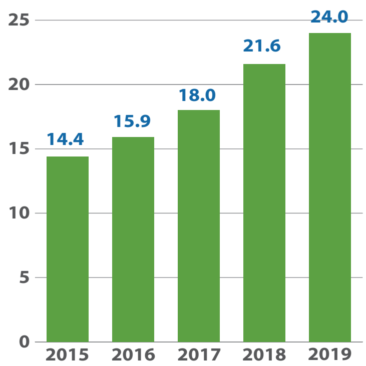
$47.6m
Cash

15p
Final Dividend

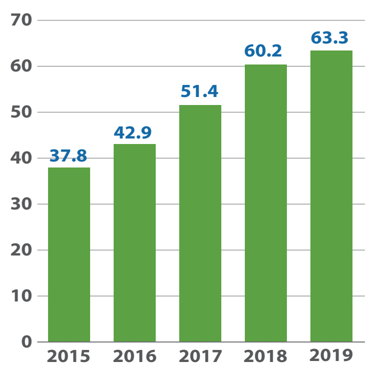
Revenue $m



Adjusted EBITDA[1] $m



Basic adjusted EPS cents/share



Craneware Solutions

Chargemaster Tooolkit®

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

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.

Physician Revenue Toolkit®

SaaS solutions for managing physician group KPIs, charges, codes, RVUs, fee schedules, and related information

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.

Interface Scripting Module

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

Charge Capture & Pricing

Patient Engagement

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.

Pharmacy ChargeLink®

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

Trisus® Pricing Analyzer

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

Online Reference Toolkit®

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.

Supplies Assistant

Craneware Value Cycle Solutions span five product families – Patient Engagement, Charge Ca
In addition, hospitals of all sizes and types rely on Craneware's Customer Success Management

Solutions for healthcare providers to optimize financial performance.

InSight Medical Necessity®

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

Trisus® 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.

InSight Audit®

A comprehensive, web-based audit management tool that empowers healthcare organisations to manage government and commercial audits from one central location.

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.

Claims Analytics

Revenue Recovery & Retention

Cost & Margin Analytics

Customer Success Management

Simplifies the process of providing patient bill estimates for inpatient and outpatient services to improve up-front collections and reduce bad debt.

Patient Charge Estimator®

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

InSight Denials®

Craneware has the experienced staff you need to review your denials, write successful appeals and overturn imporper denials.

Appeals Service

Our consultants provide onsite staffing and expertise to help hospitals achieve their financial goals. Customer Success Managers design future state operations, develop policies and procedures, train staff on operational tasks, and measure and report on success metrics. information for each patient encounter.

Customer Success Management and Consulting Services

pture & Pricing, Claims Analytics, Revenue Recovery & Retention, and Cost & Margin Analytics.
and other Professional Services to help deliver results that lead to improved financial outcomes.

Chairman's Statement

2019 saw Craneware celebrate its 20th birthday. From an idea in 1999 to use software to automate the maintenance of a hospital's central database of billing codes, Craneware has grown to become a trusted partner to over a third of all US hospitals, its software providing insight into an increasing number of areas in their businesses. The Company has continued to make good progress against its long-term strategy: to build upon its central position to profoundly impact healthcare, by providing data and applications to improve margins and enhance patient outcomes. The fundamentals of the business remain strong, and the opportunity significant.

Although lower than originally anticipated, revenue increased 6% to $71.4m (FY18: $67.1m) and adjusted EBITDA increased 11% to $24.0m (FY18: $21.6m). The Group had cash reserves at the end of the year of $47.6m, after having returned $8.5m to shareholders via dividends, while also investing a further $9.6m in the development of new products.

Sales in the year amounted to $63.1m (FY18: $98.6m, FY17: $54.0m). These sales add another layer to our visible future revenue, which now stands at over $200m for the three year period to 30 June 2022. Renewal levels continued to be comfortably within our historic norms, at 101%.

Central to the Group's growth strategy in recent years has been the evolution of its product suite from on premise point solutions to a comprehensive cloud-based platform, the Trisus® Enterprise Value Platform. Trisus will enable Craneware's customers to harness the power of the wealth of data generated across all areas of the hospital. It sits as the intelligence layer across all other software systems, delivering the information required to improve financial and operational performance.

The first product on the Trisus platform was launched at the beginning of FY18, and a further three have been launched in the financial year under review. It would now appear that the speed with which we launched these latter three products caused some temporary "indigestion" both within our sales team and our customer base which we are systematically working through. The response to Trisus from our customers continues to be extremely positive, with the vast majority now interacting with the platform via the Trisus Bridge, a connector layer linking their existing on-premise Craneware solutions to the enhanced functionality of Trisus in the cloud.

Alongside our strategies for technology innovation and organic growth, we continue to monitor potential acquisitions. With our healthy cash balance and a $50m funding facility in place, we have the resources to execute should an appropriate acquisition target arise. As in prior years, strict criteria continued to be applied to evaluating 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. No target consistently met this high bar in more than one of these areas in the year.

The Board continues to look to the future with confidence. Craneware has a significant and growing sales pipeline, which the team is focused on converting. The market's requirement for greater insight into cost, margin and the value being derived from healthcare is as high, if not higher, than ever. The Trisus platform differentiates us from other healthcare solutions vendors, providing substantial benefits for our customers and making a meaningful impact on the value of healthcare as a whole. This will result in extensive improvements to the financial effectiveness of US hospital providers and thereby drive significant customer demand for Craneware solutions in the future.

When I joined Craneware as Chairman at the time of the Initial Public Offering in 2007, it was clear that the Company had exciting prospects and its success would be determined by how well the Company could execute. It is very pleasing to see the progress Craneware has made over the last 20 years, especially its ability to continue to evolve, identify opportunities and more importantly capitalise on them. The Company is entering a new phase and I feel that now is an appropriate time for me to hand the "baton" on to a new Chairperson at the forthcoming AGM in November 2019, and as such I will not be seeking re-election. The search for my successor has already begun and we will update shareholders at the appropriate juncture.

I would like to thank all our employees across the UK and US for their hard work throughout my 12 years of tenure and special thanks to my colleagues on the Board. Equally, I thank our customers and shareholders for their ongoing support.

George Elliott
Chairman
2 September 2019

Strategic Report:
Operational Review

Twenty years ago we were the first to market with a software tool to automate the management of the chargemaster. Building from an initial customer base of just a handful of hospitals, we have grown to providing three families of solutions, aimed at improving the value that can be achieved from every dollar spent on healthcare. Now being used in approximately a third of all US hospitals, our journey continues as we continue to grow that customer base and widen our impact on the value that each of those customers can deliver to their patients. Throughout this time, we have been committed to being at the forefront of innovation within a hospital's finance function and in recent times have turned our attention to improving our hospital customers' operational efficiency. Once more it has been impressive to see the outstanding work carried out by our innovation, delivery and development teams, ensuring we further our reputation as thought-leaders and innovators in our field.

This commitment to innovation saw us launch the Trisus® Enterprise Value Platform, a cloud-based financial and operational management platform specifically designed to address the challenges arising in the new era of value-based care. The Trisus platform provides insight into all areas of financial and operational risk within a hospital, sitting as an intelligence layer across a myriad of other software systems, extracting data, normalising it and then applying analytical tools to help improve hospital performance.

This powerful platform has been built from the bottom up, enabling the migration of our existing customers from their on premise solutions into the cloud with the development of several new solutions built on the substance of our legacy products. We are just at the start of our Trisus journey and are excited by the sizeable and significantly growing opportunity ahead of us.

Market

The move to value-based care continues at pace

The US healthcare market continues to transition from a fee-for-service reimbursement model, towards value-based care, aiming to redress the current imbalance in the US between spend and outcomes. The US has the highest spend per capita on healthcare but ranks only 37th in the world for outcomes.

Healthcare providers across the country are being asked by the government and the insurance companies to justify the care they provide or risk the withholding of payment. Meanwhile healthcare consumers are expecting a greater transparency on costs and the ability to 'shop around' for the services they require. An example of the growing pressures on hospitals includes the introduction in June 2019 of an Executive order from the President of the United States to drive greater transparency in pricing and quality. As a result of these market shifts, US hospital management teams require a greater level of insight than ever before into the costs and value being derived from the care they provide. They need to understand where their organisations are at financial risk, so that they can protect their margins, to ensure they are in a position to continue to deliver quality care to their communities both now and in the future.

The proportion of value-based care payments is increasing each month, as the industry moves to this new reimbursement model. From data compiled by the Catalyst for Payment Reform group, in 2010, 1 to 3% of all payor contracts had a value-based care or quality driven modifying metric for payment. In the last two years this has rapidly increased as confirmed by many of the largest US healthcare insurance companies. Aetna, Inc. recently confirmed that approximately 53% of their 2018 claims payments were made to value-based providers and they are committed to increasing that number to 75% by 2020. United Health Group is currently paying more than 60% of their claims via value-based contracts and Anthem, Inc. underlined the size of spend they now have associated with value-based contracts, stating they currently have more than 66% of their total medical spend tied to payment innovation contracts. Their Enhanced Patient HealthCare (EPHC) program of private value-based care is one of the largest nationally, having grossed $1.8bn of savings for Anthem clients since 2014.

It is clear that value-based care is here for the long-term. However, the ultimate success of value-based care will be reliant on the industry having access to granular data and insightful analytics to identify opportunities to deliver better value. As a result, the US healthcare analytics sector is forecast by US research firm MarketsandMarkets to grow 27.3% CAGR from $9.0bn in 2017 to $29.8bn by 2022. This is a large, growing opportunity for Craneware given our specialism in helping hospitals better understand and manage revenue and cost through data-driven solutions.

Strategy

Product innovation to revolutionise healthcare finance and expand our addressable market

Our strategy is to continue to build on our established market-leading position in revenue cycle solutions to expand our product suite coverage of the Value Cycle. The Value Cycle describes the full life cycle of optimising every opportunity to achieve the best outcome for the best cost. It includes traditional revenue components such as pricing, charge capture, claims performance and compliance, but also addresses additional dimensions, such as: quality of care, patient satisfaction and engagement, clinical outcomes, operational efficiency and risk management.

We will continue to follow a 'land and expand' customer strategy. We will use the breadth of our product suite and depth of our long-term product vision to bring new customers into the Group, at increasing average contract sizes, while seeking opportunities to sell additional products to our existing customer base. In the long-term, we believe we have the opportunity to increase average annual licence fees up to 10x through much broader adoption of the Trisus platform tied directly to an ongoing and increasing ROI model for our customers. Our customers' success will be our success.

Demonstrable and compelling ROI
Each of our products has the ability to deliver many times over its cost in terms of protected or increased revenue or margin for our customers, in the first year alone.

Strong competitive position
The focus of the new products we are developing is to target 'green field' opportunities, where there is little or no existing competition. The breadth of our offering, combined with 20 years of data within a sophisticated cloud platform, provides us with a strong competitive position across our target product areas.

Working in partnership with customers
Our innovation is being carried out alongside our customers, to ensure we are providing them with the tools they need, addressing the key areas of risk in their operations. Our high levels of customer renewals, consistently high customer support scores and longevity of customer relationships demonstrate the partnership role we have with our customers.

Investing in R&D to fulfil our vision
Our investment in R&D will continue to grow, in line with revenue growth, as we fulfil our vision for Trisus. We are required to capitalise a certain proportion of this investment relating to the products where clear future revenue potential has been identified and therefore are deemed to be an asset to the business. We are delighted to report that in the three months since launch, the Trisus Pricing Analyser product has already covered its development costs through the total value of contracts signed, demonstrating both the quality of the development work and its relevance to the market.

Potential to augment organic growth through acquisitions
The Board continues to assess acquisition opportunities to complement the Group's organic growth strategy and increase its product coverage of the Value Cycle. The Board adheres to rigorous criteria to evaluate acquisition opportunities, including quality of earnings, customer relationships, strategic fit and product offering. In addition to the Group's cash reserves, an undrawn $50 million funding facility provides the Group with available resources to carry out strategic acquisitions if, and when, these criteria are met. Areas for consideration include: competitors who bring market share; businesses with complementary data sources or products; and international companies with complementary product suites of benefit to our customers, who do not have a foothold in the US. The Group reviewed a substantial transaction during the year that appeared to meet several of these criteria. However, following extensive due diligence and legal process over several months, it was decided that there was not sufficient assurance of enhanced shareholder value to merit progressing with the transaction.

Annuity SaaS business model provides a strong foundation for the business
We sign long-term, multi-year contracts, based on the annuity SaaS model, providing the business with high levels of revenue visibility and the comfort to be able to continue to invest in innovation. As we introduce new solutions on the Trisus platform we continue to see some variability in contract lengths, however as anticipated the key renewal dollar value statistics remains comfortably above the middle of our historic range.

The business benefits from strong SaaS economics, with the lifetime value of the current contract base significantly higher than the cost of acquiring customers.

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. 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
This cloud-based platform provides an expanding suite of solutions focused on healthcare providers to identify and take action on risks related to revenue, cost and compliance, leading to optimised operations within the Healthcare provider. 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.

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. The Trisus Bridge, the connector layer linking our customers' existing on-premise Craneware solutions to the advanced functionality of Trisus in the cloud has proven a valuable introduction to customers on the potential benefits the platform can offer them. Greater than 95% of our customer base is now submitting at least part of their data to the Trisus platform via the Trisus Bridge. Over 90% of our existing customers have converted or are in the process of converting to Single Authorisation via the Trisus platform which is the first step for significant migration to the platform from within our user base. We are confident the remaining customers will make this step over the coming months. These positive metrics bode well for the future transition to Trisus.

We now have four products live on Trisus: Trisus Claims Informatics, Trisus Supply, Trisus Pricing Analyzer and Trisus Healthcare Intelligence, with the latter three all entering full marketing mode through the course of the year.

Strategic Report:
Operational Review [Cont'd.]

We are executing on a roadmap to migrate all our solutions onto the Trisus platform and continue 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.

Trisus® Healthcare Ingelligence

Trisus Healthcare Intelligence is a decision support tool that integrates revenue, cost, clinical and hospital operational information for each patient encounter, throughout the journey of their medical condition. It accumulates all patient costs from patient activities and services consumed during their care to allow the healthcare provider to optimise hospital operations. The aim of the tool is to provide our customers with an understanding of the true cost of care by understanding all the elements of every episode of care given to their patients so they can identify what most affects financial and clinical outcomes and put in place improvement programmes to effect those changes.

Most hospitals' accounting systems account for cost in aggregate and average these, allocating costs on a volumetric basis. This structure, while useful in a fee-for-service system and for basic forecasting, financial projections and budgeting, does not adequately support the shift to a quality-centric healthcare delivery system that provides true value, where a greater degree of insight and thereby more granularity of the data is required.

Healthcare Intelligence is therefore a vital component within the emerging value cycle solutions market, representing a market opportunity several times larger than that of our existing product portfolio.

We now have three existing customers on multi-year contracts for the solution with a growing pipeline of additional opportunities. Our initial customers for this solution are using it to improve the operations of their hospitals and working with Craneware to provide use cases that can be utilised across future customers and in marketing the products further.

The benefits already being delivered to these organisations is meaningful. Within two small sub-groups of observation status patients at a medium-sized acute care hospital in the Northeast, the implementation of Trisus Healthcare Intelligence Cost Analytics and Decision Support found that the hospital had been under-reimbursed by up to $1m over a 9-month period. This was due to the patients' status not being correctly upgraded despite the higher levels of treatments they received.

At a medium-sized acute care hospital in the Midwest, an analysis of two Diagnosis Related Groups identified one sample with a significant margin loss per case. Margin was being lost due to the hospital applying a particular reimbursement code, where another, just as applicable, code would have more accurately reflected the level and cost of care provided. It was identified that the change of code, and an increase in certain efficiencies, would have resulted in additional revenue of up to $1.4m for just this one sample of patients.

From the pipeline of opportunities that have grown for this product we are very pleased with the effectiveness of our investment in this product area and believe that we will be able to report that we will see a return on this investment within a relatively short period of time

Sales and Marketing

The positive sales momentum experienced in the first half of the year was impacted as the market digested the release of three new Trisus products. While this situation began to rectify towards the end of the year, it caused our level and timing of sales for the year to be below our initial expectations. The added options presented to customers towards the end of their contract negotiation caused additional product reviews, discussion of new pricing options and revised legal contracts, thereby extending the signing process.

Our annuity SaaS business model protects the business to a certain extent from 'lumpy' licence sales, although the timing of sales directly impacts the revenue growth of the Company in any one year (and for the subsequent period) through delayed subscription revenue and lower service revenue recognisable in the period. These factors are being successfully worked through, with a strong level of sales secured at the start of the year. For our growing number of future opportunities, we have devised strategies to mitigate these factors, such as more standardised legal frameworks and Service Level Agreements for our cloud based solutions.

We continued to sign contracts with hospitals of all sizes and have continued to do so in the first few months of the current year, having had a strong start to the year and the sales pipeline continues to grow.

Our sales in the year continued to support our 'land and expand' strategy, with 45% of sales in the year coming from new customers, providing a foundation for future growth, and the remaining 55% being additional products to existing customers both as they are renewing their existing licences and throughout the life of their original contracts. Pharmacy ChargeLink has also continued its leading performance from last year.

Whilst the launch of our new Trisus products did lead to some sales indigestion, we have seen early positive signs from the market to these products. As a result, sales of Trisus products represented 13% of our new sales in the year increasing from 4% in the prior year.

Strategic Report:
Financial Review

Revenue grew 6% to $71.4m (FY18: $67.1m) and adjusted EBITDA grew 11% to $24.0m (FY18: $21.6m). Whilst this growth is lower than we originally anticipated, we have continued to make progress in the year which includes making significant investments into our Trisus® Enterprise Value Platform and the products that both sit on and interact with this platform. Our three year revenue visibility KPI has crossed the record level of over $200m of visible revenue for the three year period to 30 June 2022 against which we can plan our future investments and we maintain a strong balance sheet with healthy cash reserves to support our future growth.

It is especially pleasing to be able to report continuing momentum with our Trisus strategy. In addition to the three new products launched in the year (making a total of four Trisus products now being generally available), we have over 95% of our customer base interacting in some way with the Trisus platform through our Trisus Bridge and the total proportion of our new sales being Trisus products has increased to 13% of our total new sales from 4% in Financial Year 2018.

The total value of contracts signed in the year was $63.1m (FY18: $98.6m, FY17: $54.0m). A contributing factor to this result being below that of the prior year has been both the timing and contract lengths of our underlying sales. As previously detailed, with the launch of three new Trisus products in the year we experienced 'indigestion' within both our own direct sales teams and our customer base. In addition, as anticipated, the average contract length for new sales reduced from five to four years, in line with our Trisus migration strategy. We continue to renew our existing customers at over 100% dollar value and do not attribute any increasing risk to this variability in contract length during this migration period.

We have continued to see new sales successes in the year, signing $33.3m of new total contract value with new and existing customers. Within these new sales there has been a healthy mix between sales to new customers and sales of additional products to existing customers. 45% of our new sales have been with new hospital customers which further expand our hospital footprint and provide further future cross selling opportunities. With the remaining 55% of our new sales coming from our existing customer base taking further products from our portfolio, these additional cross selling activities occur both as our customers renew their contracts (representing 41% of new sales) as well as throughout the life of their existing contracts (representing 14% of new sales).

At the end of an existing customer's initial licence period, or at a mutually agreed earlier date, we renew our licences with our customers. These renewals contributed an additional $29.8m to sales in the period. By renewing these contracts, we are sustaining our underlying revenue base, onto which we are then layering new hospital sales. 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 FY19 is 101%.

As demonstrated by the numbers reported above, and as a result of our business model, "sales" and "revenue" have very different meanings to the Group and are not interchangeable. In fact, only a small proportion of the revenue resulting from any sale made in the year will be recognised in the year of sale. Instead the vast majority of revenue resulting from any sale is recognised over future years, supporting future growth.

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.

IFRS 15 & Our Business Model

IFRS 15 "Revenue from contracts with customers" is effective for accounting periods that began on or after 1 January 2018 and as such this new standard has been adopted in the current year. Under this standard revenue is recognised using a 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.

The new contracts we sign with our customers provide a licence for the customer to access specified products throughout their licence period. This licence period on average, for a sale to a new customer, has historically been five years. In calculating averages, we only take the contract length up to the first renewal point/break clause for that specified product.

Under the Group's 'Annuity SaaS' business model we have always recognised software licence revenue and any minimum payments due from our 'other route to market' contracts evenly over the life of the 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. This engagement focuses on embedding the software within the customers' 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 customers' needs and which of our solutions they have contracted for. As a result of the nature of professional services engagement, the period over which we deliver the services and consequently recognise the 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% to 20% of revenues reported by the Group to be from services.

Strategic Report:
Financial Review [Cont'd.]

Our Annuity SaaS business model and the revenue recognition methodology we have historically adopted is consistent with the aims and requirements of IFRS15 and as such our adoption of this standard in the current financial year has not resulted in any material difference to how we recognise and report our revenues.

Sales, Revenue and Revenue Visibility

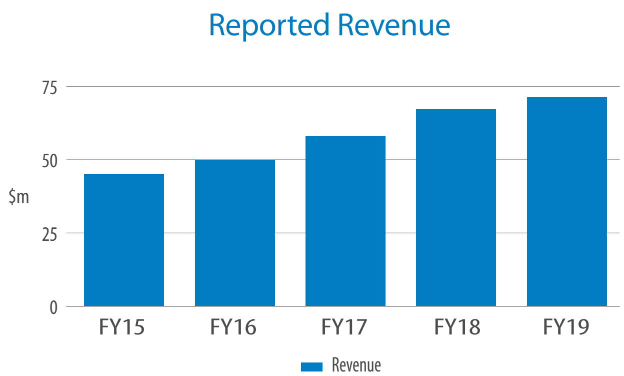
The graphs below shows the total value of contracts signed in the relevant years, split between sales of new products (to both new and existing hospital customers) and the value of renewing products with existing customers at the end of their current contract terms, and how these sales have translated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

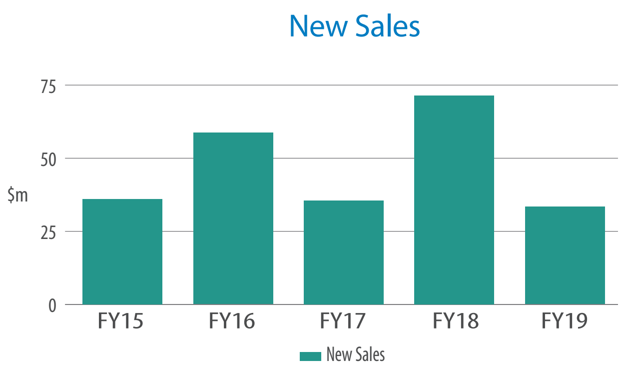
As the majority of the revenue resulting from sales in any one year is recognised over future years, the financial statements do not fully reflect the valuable 'asset' that is contracted, but not yet recognised, revenue. As such, at every reporting period, the Group presents its "Revenue Visibility".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

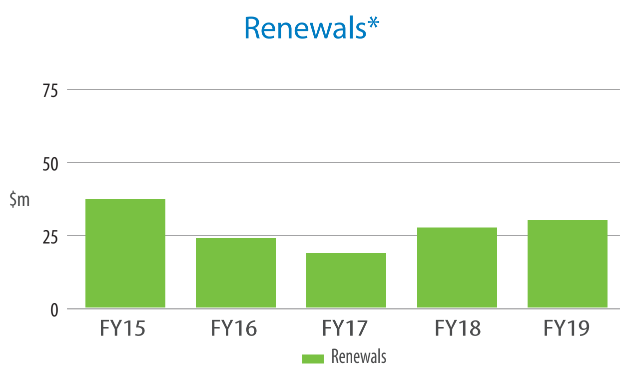
Through this metric we can demonstrate how the underlying annuity base of revenue continues to build as we sign new multi-year contracts with our customers and at the end of these contracts by, on average, renewing these customers at 100% of dollar value. In producing this KPI we assume customers will renew at 100% of dollar value as they fall due, which again is why we report our dollar value of renewals at each reporting period. Our historical norms for this metric being between 85% and 115%, with the longer term average being above 100%.

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. This Three Year Visible Revenue metric includes:

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







*As 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.

Strategic Report:
Financial Review [Cont'd.]

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 2019 (i.e. visible revenue for FY20, FY21 and FY22) identifies $200.1m of revenue which we reasonably expect to benefit the Group in this next three year period.

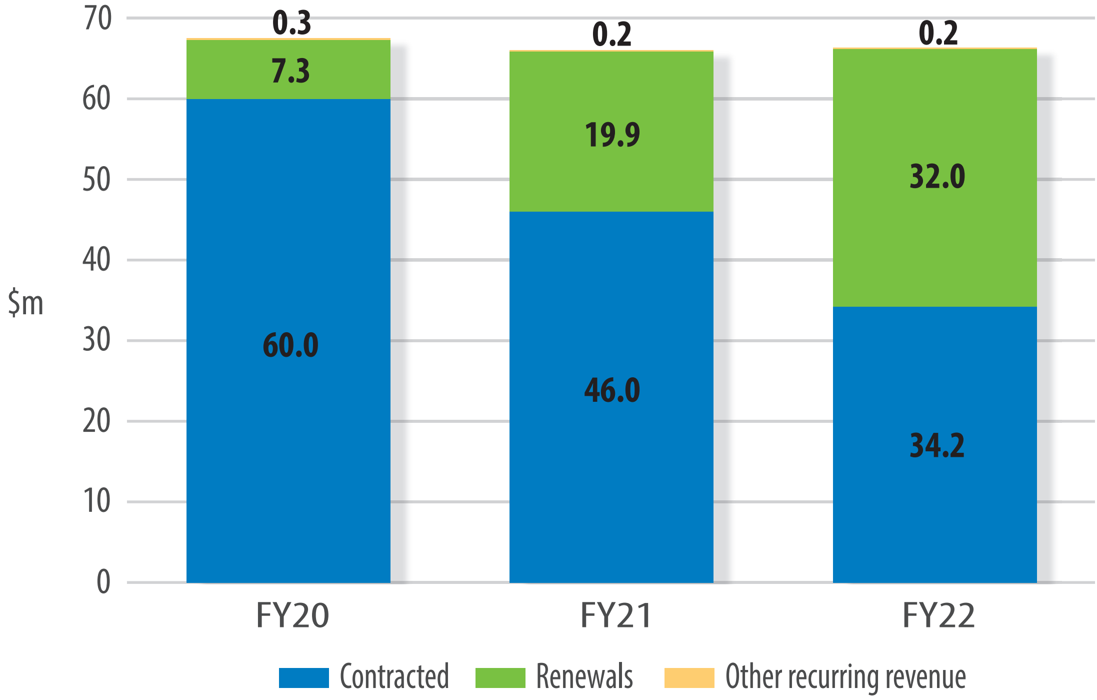
This visible revenue breaks down as follows

- future revenue under contract contributing $140.2m of which $60.0m is expected to be recognised in FY20, $46.0m in FY21 and $34.2m in FY22
- revenue generated from renewals contributing $59.2m; being $7.3m in FY20, $19.9m in FY21 and $32.0m in FY22
- other revenue identified as recurring in nature of $0.7m

Gross Margins

Typically, we expect the gross profit margin to be between 90% to 95% reflecting the incremental costs we incur to obtain the underlying contracts, including sales commission contract costs which are charged in line with the associated revenue recognition. The gross profit for FY19 was $67.0m (FY18: $63.7m) representing a gross margin percentage of 93.8% (FY18: 94.9%) which continues to be within our historical range. This reflects the correct matching of these incremental costs with the associated revenue being recorded.

Three Year Visible Revenue



As at 30 June 2019

Earnings

The Group presents an adjusted earnings figure as a supplement to the IFRS based earnings figures. The Group uses this adjusted measure in its 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, interest, depreciation and amortisation ("Adjusted EBITDA").

This fiscal year we incurred \$1.2m (FY18: nil) of professional and other fees relating to a significant proposed acquisition that ultimately the Board decided not to enter into in the year under review. Whilst these costs have impacted our cash generation in FY19, they are non-recurring in nature and outside of our normal operations, as such we have adjusted earnings for these amounts in presenting Adjusted EBITDA.

Adjusted EBITDA has grown in the year to \$24.0m (FY18: \$21.6m) an increase of 11%. This reflects an Adjusted EBITDA margin of 33.6% (FY18: 32.2%). This is consistent with the Group's continued approach to making investments in line with the revenue growth whilst monitoring our overall EPS growth.

Operating Expenses

We continually invest in the future growth of the Group. 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 of these new reimbursement models. If we are to deliver on our potential to both support our customers in this evolving market place and address the market opportunity available to us, we must ensure we are building a scalable business that can meet the future challenges our growth will bring.

To do this the Group continues to invest in all areas of the business in line with revenue growth whilst also takes opportunities where they arise, to accelerate investments that will generate further growth whilst continually managing to ensure the efficiency of the investments we make. The increase in net operating expenses (to Adjusted EBITDA) of 2% to \$43.0m (FY18: \$42.0m) reflects the balanced approach taken in the current year between continued investment and delivering returns from previous investments in new products as we start to see revenue and the associated impact the resulting amortisation charge has on earnings.

As detailed in the Operating Review, product innovation and enhancement continues to be core to the Group's future; 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 \$20.0m (FY18: \$17.9m), a 12% 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 projects that will bring future economic benefit to the Group including the development of the new product offerings ("Build"), e.g. new Trisus products; the Trisus Bridge extension of the Trisus platform and our new cost analytics and Trisus Healthcare Intelligence products. 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 \$9.6m (FY18: \$4.7m).

Amounts capitalised represent investment in our future. They 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

An area of focus will always be our ability to convert our earnings into cash. To this end we set ourselves a target in this area, to convert 100% conversion of our earnings into cash. In prior years we have exceeded this target, in FY18 reaching 153% conversion (or approximately \$11m over our 100% conversion target). This success though inevitably has a knock on effect; as we expect a long term average of 100%, the success in FY18 impacted the cash collection in FY19. This impact was further compounded by the proportion of our second half sales that occurred late in that half and as a result were not due for collection at the end of the fiscal year, resulting in lower cash collections in the year and a higher year end debtors balance. As a result of these two factors, and the acquisition costs of \$1.2m detailed above, our adjusted EBITDA to cash conversion in the year was 63%. Whilst below our own target, we have collected a further \$8.5m of our year end debtors. Had these collections been included we would have delivered a 98% cash conversion in the current year.

During the year we have returned \$8.5m to our shareholders via dividends. As a result of all these factors, we retain cash reserves of \$47.6m (FY18: \$52.8m).

This significant level of cash reserves and our balance sheet strength allows us to fund acquisitions should 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 increased in comparison to the prior year. This is a result of the factors identified above that impacted our cash collection in the year.

IFRS 15 "Revenue from contracts with customers" also addresses how reporting entities should treat incremental contract costs such as sales commissions. It is again pleasing to report that adoption of this standard has not resulted in any changes to our accounting treatment in this area. The sales commissions we pay 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 deferred contract asset of $7.3m (FY18: $7.5m) 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 any 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 quarter of the cost base situated 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 $1.2945 as compared to $1.3472 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 been affected by share options issued and exercised in the year which reduced the tax charge by $0.4m (FY18: $1.4m) and R&D tax relief of $0.4m (FY18: $0.3m) which further reduced the tax charge. As such the current year effective tax rate is 18% (FY18: 17%).

EPS

In the year being reported adjusted EPS has seen the benefit of the increased levels of Adjusted EBITDA combined with the effective tax rate reported above, offset by an increase in both the amortisation and share based payment charges, and as such has increased 5% to $0.633 (FY18: $0.602) and adjusted diluted EPS has increased to $0.620 (FY18: $0.591).

Dividend

The Board proposes a final dividend of 15p (19.05 cents) per share giving a total dividend for the year of 26p (33.02 cents) per share (FY18: 24p (31.68 cents) per share). Subject to approval at the Annual General Meeting, the final dividend will be paid on 19 December 2019 to shareholders on the register as at 29 November 2019, with a corresponding ex-Dividend date of 28 November 2019.

The final dividend of 15p 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 29 November 2019. The exact amount to be paid will be calculated by reference to the exchange rate to be announced on 29 November 2019. The final dividend referred to above in US dollars of 19.05 cents is given as an example only using the Balance Sheet date exchange rate of $1.2695/£1 and may differ from that finally announced.

Outlook

The ongoing transition to value-based care is a powerful underlying driver for our software, as healthcare providers seek the means not only to survive but thrive in this new era. We are committed to providing our customers with the tools they require to continue to deliver outstanding care to their communities and are passionate about the central role we will play in this substantial evolution of the US healthcare market.

While growth in the year was lower than originally anticipated, renewal levels remained strong and our Trisus related sales and revenues continued to increase, providing us with a strong platform for the future. We have entered the new financial year with an uptick in sales momentum.

We are focused on the delivery of our growing opportunity and have the correct strategy to succeed. With growing levels of contracted future revenue, strong operating margins, healthy cash balances and a growing sales pipeline, we look to the coming years with confidence and high levels of excitement for the opportunity ahead.

Keith Neilson
Chief Executive Officer
2 September 2019

Craig Preston
Chief Financial Officer
2 September 2019

Strategic Report:
Key Performance Indicators and Principal Risks and Uncertainties

Key Performance Indicator Review

Revenue Growth	2019	2018
Revenue	**$71.4m**	$67.1m
Growth	**6%**	16%

Revenue for the year grew by 6%. 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.

Three Year Revenue Visibility	2019	2018
Three Year Revenue Visibility	**$200.1m**	$191.0m

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 2019. Full details of how this is calculated are detailed in the financial review section of the Strategic Report.

Adjusted EBITDA Growth	2019	2018
Adjusted EBITDA	**$24.0m**	$21.6m
Growth	**11%**	20%

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.

Adjusted EPS	2019	2018
Adjusted EPS	**63.3 cents**	60.2 cents
Growth	**5%**	17%

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.

Cash	2019	2018
Cash	**$47.6m**	$52.8m

The Group continues to convert very high levels of the Adjusted EBITDA reported in the year into operating cash flows which, having returned $8.5m to shareholders by dividend during the year, has resulted in cash balances of c$48m at 30 June 2019. Overall Operating cash conversion, at 63% in the year ended 30 June 2019, is below our current long term target of 100% for the reasons explained in the Financial Review section on page 11.

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 Corporate Governance Report on pages 24 to 31 includes an overview of the Group's risk management and internal control systems.

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

Data and cyber security

Issue: Security of customer, commercial, and personal data poses increasing reputational and financial risk to all businesses, especially against a backdrop of increasing complex regulatory environments and safeguards over personal and patient data. The continually increasing instances of cyber and data-related crime presents a significant challenge in terms of securing data and systems against attack.

Actions: Whilst it is impossible 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 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 has a Security Council, chaired by the Chief Information Officer, which assesses current technology risks, approval and implementation of mitigation plans as well as to inform the Chief Information Officer and the Chief Technology Officer of future strategy around this key business area. The Group also recognises and supports (including through ongoing employee training and applicable policies and procedures) a sustained evolution of culture within the organisation that embeds security across the business.

Along that vein, as many studies suggest that employees and contractors are the most common cause of data breaches, with phishing attacks being the predominant cause, the Group requires mandatory data security training of all employees and continues to develop and invest in additional training.

In view of the importance of the procedures, security, regulation and controls around Craneware's solutions and customer data, Craneware is in final stages of and awaiting accreditation for the HITRUST CSF. Health Information Trust Alliance ('HITRUST' Alliance) is a collaboration with healthcare, technology and information security organisations which develops, maintains and provides broad access to its widely adopted common risk and compliance management and de-identification frameworks; related assessment and assurance methodologies; and initiatives advancing cyber sharing, analysis and resilience. HITRUST has established a 'common security framework' (CSF) to address the multitude of security, privacy and regulatory challenges facing organisations. The scope of the HITRUST CSF's requirements is wide and requires a very high standard of data security arrangements as these have been set in the context of the accreditation being relevant to US healthcare providers with handling sensitive data (Protected Health Information) and impacts in some way all areas of the business (at least in respect of the required enhancement to the Group-wide IT and data security policies). This serves to inform IT Security roadmaps and significant investments with continued compliance being an ongoing a focus.

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. The use of third party contractors within the Group's software development organisation as well as increasing numbers of customers using outsourced partners to operate parts of their finance departments, results in a larger number of third parties having access to the Group's Intellectual Property.

Actions: The Group will continue to register its trademarks and protect access to its confidential information, as appropriate. The Group continues to include appropriate legal protections in its contractual relations with both customers, suppliers, and employees to ensure legal protections available are taken advantage of. 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.

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 has continued to make significant investments to both add to available resources as well as provide further improvements to the training of existing resources. This training has included focused Leadership Development training and Connector Manager Forums, where managers can support each other in the challenges they face. These initiatives, combined with appropriate organisational design that includes monitoring of spans of control to ensure that the scope of roles and responsibilities are not excessive, all aim to increase bandwidth at all levels of management up to and 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 and the launch of the Trisus® platform strengthens our position as a trusted financial performance partner to hospitals and it continually enhances and expands its product offerings, launching three new Trisus products in the current year under review, to meet the evolving challenges. In addition, the Group continues to innovate and develop further 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.

Regulatory Environment

Issue: The Group operates in an increasingly complex and heavily regulated market environment. This includes very specific requirements in dealing with, for example, data privacy, security, labour / employment, anti-kickback statutes.

Actions: The Group has a Risk and Governance Committee, comprised of the Chief Information Officer, Chief People Officer, Chief Financial Officer, and the Chief Legal Officer to oversee activities and concerns pertaining to the strict regulatory environment.

All employees and contractors are required to undertake regular mandatory training in key topics. The Chief Legal Officer is certified in privacy law in the US and UK. In addition to utilising external experts in the relevant areas, senior management regularly attend educational events and forums to keep up to date with evolving regulations.

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.

Strategic Report:
Key Performance Indicators and Principal Risks and Uncertainties [Cont'd.]

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 that exists within its products. The Group continues to expand and develop its product portfolio and to ensure its products are platform agnostic,c 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 24 to 31.

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 employees, alongside responsiveness to changes, and the opportunities that result, as they arise.

Craig Preston
Chief Financial Officer
2 September 2019

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

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

Stockbrokers

Peel Hunt LLP

120 London Wall
London
EC2Y 5ET

Investec Bank plc

30 Gresham Street
London
EC2V 7QP

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, 66 — 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 that compete and win on the global stage. George is currently non-executive Chairman of Calnex Solutions Ltd, an Ethernet test equipment manufacturer, Optoscribe Ltd, which provides high performance 3D waveguide solutions for the data and telecommunication industries, Design Led Productions Ltd, which provides extremely thin, flexible LED lighting solutions and a non-executive director of Indigovision Group plc, a leader in the design and manufacture of high performance video security systems. Since 2007 he has been non-executive chairman/director of over 20 companies. 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, 50 — 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, 48 — 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, 71 — 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 Plc., 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, 59 — Non-Executive Director : Appointed 12 November 2013

Colleen Blye is the Executive Vice President and Chief Financial Officer for Montefiore Health System and Montefiore Medicine. Montefiore Health System consists of eleven hospitals and an extended care facility; it is a premier academic medical center and includes Montefiore 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, 67 — 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.

Directors' Report

The Directors present herewith their report and the audited consolidated financial statements for the year ended 30 June 2019.

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.

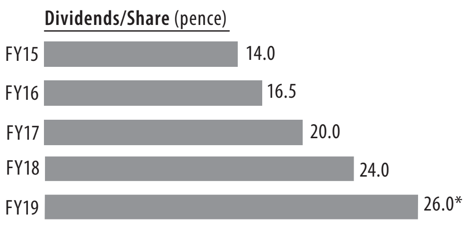
The Company is required by the Companies Act to include a business review in this report. This includes an analysis of the development and performance of the Group during the financial year and its position at the end of the financial year, including relevant key performance indicators (principally revenue, adjusted operating profit (before exceptional 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 16 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 $71.4m (2018: $67.1m) which has generated a profit before tax of $18.3m (2018: $18.9m). The full results for the year, which were approved by the Board of Directors on 2 September 2019, are set out in the accompanying financial statements and the notes thereto.

During the year the Company paid an interim dividend of 11p (14.00 cents) per share. The Directors are recommending the payment of a final dividend of 15p (19.05 cents) per share giving a total dividend of 26p (33.02 cents) per share based on the results for 2019 (2018: 24p (31.68 cents)). Subject to approval at the Annual General Meeting, the final dividend will be paid on 19 December 2019 to shareholders on the register as at 29 November 2019.



*Subject to approval at AGM

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 16. 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 $20.0m (2018: $17.9m) of which $9.6m (2018: $4.7m) has been capitalised.

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 16 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 8 to 12. 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.

Viability Statement

In accordance with the UK Corporate Governance Code, the Directors have considered the viability of the Group over the three year period from 30 June 2019.

Considerations that impact this assessment include the Group's current financial position and available financial resources, the Group's Annuity SaaS business model (as outlined within the Strategic Report on pages 8 to 12) including Revenue Visibility, the Group's strategic initiatives, the financial forecasts, the Group's cost base and annual budget. The Directors also considered a number of other factors including the Group's risk management and internal control effectiveness and the principal risks and uncertainties and their likelihood of occurrence within the period of assessment. The Directors consider that three years is an appropriate period for this assessment as it corresponds with the Three Year Revenue Visibility key performance indicator, as explained in the Strategic Report on pages 8 to 12 and the strategic planning horizon.

The Directors have therefore considered, in making this assessment, the Group's current financial position and future prospects and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period from 30 June 2019. However, future assessments of the Group's prospects are naturally subject to uncertainty that increases with time and therefore future performance cannot be guaranteed.

Directors

The Directors of the Company are listed on pages 18 and 19.

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 35.

Share Capital

The Company's issued and fully paid up share capital at 30 June 2019 was 26,698,984 Ordinary Shares of 1p each (2018: 26,662,271 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

The Company did not purchase any of its own shares in the year ended 30 June 2019. During the prior financial year, in January 2018, the Company announced and completed a share buyback that was effected as a mechanism to return capital to shareholders and to ameliorate dilution under the Group's share incentive plans. In accordance with that share buyback, the Company purchased 628,869 of its own shares during the financial year ended 30 June 2018, 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 in the year ended 30 June 2018 were immediately cancelled.

Authority for purchase of own shares

Authorisation was given by shareholders at the Annual General Meeting on 6 November 2018 for the Company to purchase up to 2,669,898 Ordinary Shares. A resolution to renew this authority will be proposed at the 2019 Annual General Meeting.

Share capital allotted

During the year, 36,713 Ordinary Shares (2018: 329,431 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 2019 the EBT held 353,124 Craneware plc Ordinary Shares (at 30 June 2018: 353,124 Ordinary Shares). The EBT waived its right to dividends in the year ended 30 June 2019. 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 2019 and up to the date of this report in the share capital of the company, were as follows:-

	2019	2018
G R Elliott	**10,000**	10,000
K Neilson	**3,382,647**	3,377,799
CT Preston	**82,103**	82,103
	3,474,750	3,469,902

Directors' interests in share options are detailed in the Remuneration Committee's Report on pages 37 to 38.

Substantial Shareholders

As at 1 August 2019, the Company had been notified of the following beneficial interests in 3% or more of the issued share capital pursuant to section 793 of the Companies Act 2006:

	No. of Ordinary £0.01 Shares	% of issued share capital
Liontrust Asset Management	3,479,620	13.03
K Neilson	3,382,647	12.67
Canaccord Genuity Group	2,737,005	10.25
W G Craig	2,379,518	8.91
Sanford DeLand Asset Management	1,274,605	4.77
AXA Investment Managers	1,045,556	3.92
Baillie Gifford & Co Ltd	896,479	3.36
D Paterson	873,800	3.27

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 the 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 2019 was the support of the Scottish Association for Mental Health and The Yard in the UK and both the Fanconi Anemia Research Fund and KaBOOM! in the US. For 2020, the focus will be the support of both Scottish Association for Mental Health in the UK and the Fanconi Anemia Research Fund in the US. Fund raising activities have already begun and these supplement the Volunteer Time Off program where Craneware employees 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 2019 or 2018.

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. The Group enhanced its employee wellness programmes during the financial year. 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. Share schemes to encourage involvement of employees in the Group's performance have been established and are planned to be launched as detailed on page 35 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, including the explanation and initiation of the roll out of Group-wide strategic themes and related deliverables (with key performance indicators) to all employees at the start of the financial year with regular updates during the year. 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. There are also frequent postings and information updates available to all employees on the Group's intranet. An annual employment engagement survey is conducted with anonymised responses collated and rated to identify any aspects for improvement, which then guide initiatives to address those areas.

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.

Anti-Slavery and Human Trafficking Policy

The Modern Slavery Act requires the Company to publish an annual slavery and human trafficking statement. The latest statement can be found on the Craneware plc website. Neither the Company or any of its subsidiaries permit, condone or otherwise accept any form of human trafficking or slavery in its business or supply chains.

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 2019 represented, on average 18 days purchases (2018: 18 days) for the Group and 16 days purchases (2018: 15 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 shareholders and will be made available on the Company's website at 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 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.

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.

Directors' Confirmations

The Directors consider that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and the Company's position and performance, business model and strategy.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and 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 Group's and Company's auditors are aware of this information.

Auditors

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
2 September 2019

Corporate Governance Report

The Board of Directors ("the Board") has always recognised the importance and value of good corporate governance and in prior years has sought to comply with both the principles and the spirit of the UK Corporate Governance Code issued in April 2016 where they were considered appropriate for the size of the Group.

Changes to AIM rules on 30 March 2018 required 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 elected to adopt the UK Corporate Governance Code issued in April 2016 (the "Code") as its corporate governance framework but it is aware that the Code has been drafted in the context of larger, main-market listed companies. The Board is pleased to report how it has applied the principles and complied with the provisions of the Code in line with best practice and in view of the size of the Company. This Report sets out how it has complied with the individual provisions and applied the 'spirit' of the Code as a whole and explains any areas of non-compliance with the provisions of the Code. The UK Corporate Governance Code is available from the Financial Reporting Council at www.frc.org.uk.

New UK Corporate Governance Code
In July 2018, the Financial Reporting Council published the UK Corporate Governance Code 2018 (the '2018 Code'), which is applicable to accounting periods beginning on or after 1 January 2019. The 2018 Code contains a number of new provisions which primarily focus on corporate culture, stakeholder engagement (with specific provisions on workforce engagement), remuneration and succession. The Board will report on compliance with the 2018 Code in next year's annual report.

Overview: Application of the UK Corporate Governance Code 2016 (the "Code")
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. The Company is a smaller company for the purposes of the Code and, as such, certain provisions of the Code either do not apply to the Company or are judged to be disproportionate or less relevant in its case. Where the Company does not comply with any specific Code provision then this is highlighted and explained in this report.

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."

Throughout the year under review the Company's Board has been 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 (each of whom the Board considers to be independent), Ronald Verni (Senior Independent Director), Colleen Blye and Russ Rudish. Detailed biographies of all Directors are contained on pages 18 and 19. As noted in the Chairman's Statement on page 4, George Elliott will not be standing for re-election as a Director of the Company at the upcoming AGM and will be stepping down as Chairman. The search for his successor is underway.

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 incorporated this function within the remit of the entire Board. Although not in compliance with Provision B.2.1 of the Code, the Board considers this to be an appropriate arrangement in view of the size of the Group.

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
Executive Directors			
K Neilson	8/8	-	-
C T Preston	8/8	-	-
Non-Executive Directors			
G R Elliott	8/8	-	-
R Verni	6/8	2/2	2/3
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 22, 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 the Chairman of the Company, and the 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 that 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 18. As noted above, George does not intend to stand for re-election as a Director of the Company at the upcoming AGM and intends to step down as Chairman; the search for his successor is underway. The Board will ensure that upon appointment of a successor all requirements of the Code relating to this appointment will be met.

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 assessment, in addition to considering Provision B.1.1 of the Code, 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 tenth 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 that would affect their independence. Code Provision B.2.3 states that any term beyond six years for a non-executive director should be subject to rigorous review, taking into account the need for progressive refreshing of the Board. Following George Elliott's decision not to stand for re-election as a Director of the Company, the Board reviewed the appointment of Ronald Verni and have concluded that his continued appointment is both beneficial and appropriate and does not present any issues regarding independence. Colleen Blye will have been a non-executive Director of the Company for more than six years in the year ending 30 June 2020 and the Board will review this appointment in accordance with Code Provision B.2.3.

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.

The Group is supportive of and recognises the importance of diversity, including gender, ethnicity, nationality, skills and experience. This is evident from the diverse, inclusive and breadth and depth of skills and experience within the Craneware team. While not in favour of setting specific targets, in the event that a Board position is required to be filled, during succession planning, the Board will aim to ensure that the search process is sufficiently inclusive to encourage applications from diverse candidates with relevant skills, experience and knowledge, and that the selection process is fair and transparent.

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

All 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 Directors' biographies on pages 18 and 19. 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. The Board ensures that the Audit and Remuneration Committees are provided with sufficient resources to undertake their duties.

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

Information and Support
"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 Group 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 performed a full formal evaluation in the prior 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 concluded that its performance in the period under review had been satisfactory, however it did identify that adding further non-executive experience could complement the current Board. The Board is in the process of implementing these recommendations and as such has not performed a review in the current year. The Board recognises this means the Principle in the Code that expects an annual evaluation process to be conducted, has not been applied in the current year. However, it is considered by the Board that the procedure for, and frequency of, this formal evaluation process is appropriate and adequate in view of its current size. 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 applicable to FTSE 350 companies and has determined it was not necessary to carry out an externally facilitated 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, apart from George Elliott as explained on page 4, 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 23. An assessment of the Group's market, business model and performance is presented in the Chairman's Statement and the Strategic Review on pages 4 to 16.

As detailed on page 20 of the Directors' Report, the Board has confirmed that it is appropriate to adopt the going concern basis in preparing financial statements. The Directors have also explained in the Strategic Report on pages 5 to 7 their assessment of the prospects of the Company and the Group.

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, which cover all material controls, including financial, operational and compliance controls 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.

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. The Group maintains its internal risk register that forms the foundation of the Board and the Audit Committee review process. 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.

The risk review is exercised through the monthly management reports and Operations Board meetings and, due to the importance of this topic, a sub-committee of the Operations Board has been formed (the Risk and Governance Committee, chaired by the Chief Financial Officer) to ensure there is specific focus on risk review and risk management. For each risk identified the control strategy and who is accountable for discharging that strategy is identified and documented in the meeting minutes. During monthly Operations Board meetings, material emerging risks are reviewed with discussion concerning actions to reduce or monitor Group exposure. In this way, risks are reviewed and updated monthly. The Group also has a Security Council, chaired by the Chief Information Officer, which meets weekly and reports into the Risk and Governance Committee. The purpose of the Security Council is to assess current technology risks, approval and implementation of mitigation plans and to inform the Chief Information Officer and the Chief Technology Officer of future strategy around this key business area.

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 14 to 16. 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 by 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 and the Audit Committee as a whole has significant experience and competence in healthcare and software sectors.

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, the remuneration of the Chairman of the Board, and monitoring 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 32 to 38, which details the work undertaken operating under its terms of reference (which are available on the Company's website, at www.craneware.com, and 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 32 to 38.

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 Chief Executive Officer and Craig Preston as Chief Financial Officer.
- 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.

On 6 November 2018, the Company held a Capital Markets Day in London for institutional investors and analysts. This provided an insight into Craneware's Trisus® products, including Trisus Healthcare Intelligence. In addition, the presentations discussed the evolution of the US healthcare market. All of the Directors of the Company attended the Capital Markets Day, The presentation slides from the Capital Markets Day can be viewed on the Company's website at www.craneware.com.

The Company's website (at www.craneware.com) has a section for investors which contains all publicly available financial information and news on the Company.

Constructive Use of General Meetings

"The Board should use general meetings to communicate with investors and to encourage their participation."

The Board encourages attendance at its Annual General Meeting ("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. The Company proposes separate resolutions for each substantially separate issue and specifically relating to the report and accounts. All Directors, where possible, make themselves available to answer any questions shareholders may have. All of the Directors of the Company attended the AGM on 6 November 2018. 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 on the Company's website, at www.craneware.com, and 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.

In accordance with its terms of reference, the Committee has reported to the Board as to how it has discharged its responsibilities throughout the year.

Significant matters considered in relation to the financial statements
The following table sets out the significant areas considered by the Committee in relation to the Group's financial statements for the year ended 30 June 2019:

Area of judgement or estimate	Matter considered and Role of the Committee
Revenue and deferred income (Group and Company), including the adoption of IFRS 15 (see Note 4 to the Financial Statements)	Revenue and deferred income are significant amounts in the context of the Consolidated Statement of Comprehensive Income and the Group and Company Balance Sheets respectively. The amount of revenue to be recognised and timing of revenue recognition are determined based on the details and terms contained in the contracts with customers. The Group adopted IFRS 15 'Revenue from Contracts with Customers' with effect from 1 July 2018 and the Group adopted the modified retrospective approach, which requires opening reserves at 1 July 2018 to be adjusted for the cumulative impact of the change to the new standard on a cumulative effect basis. Detailed assessments carried out by the Group have shown that the adoption of the five step model does not significantly alter the timing or value of revenue recognised under IFRS 15 compared with the Group's previous revenue recognition policy. Accordingly, no financial restatement has been made as a result of adopting IFRS 15. Further details regarding the adoption of IFRS 15 are included in the Note 1 to the Financial Statements. The Audit Committee reviewed and considered the assessment of IFRS 15 and disclosures regarding its adoption.
Provision for income tax (Group and Company)	The Group is subject to tax in the UK and in the US and this requires the Directors to regularly assess the applicability of its transfer pricing policy relevant to the revenue transactions and costs between companies in the Group.
Internally developed intangible assets (Group and Company)	The Group and the Company capitalise development costs when the conditions for capitalisation, as outlined in the principal accounting policies, have been met. Consequently, the Directors are required to continually assess the commercial potential of each product in development and its useful life following launch. The Committee reviews this area as there is judgement involved in the Directors' assessment.

Area of judgement or estimate	Matter considered and Role of the Committee
Impairment assessment	The carrying amount of the Group's and the Company's tangible and intangible assets, including goodwill, is considered at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. The Committee reviews this assessment. 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. There are no impairment losses recognised in the financial statements of the Company or of the Group in the year ended 30 June 2019.

The Audit Committee also reviewed and considered other matters during and in respect of the financial year ended 30 June 2019 including management's assessment of new accounting standards that were not effective for adoption until after 30 June 2019.

The Audit Committee considered and discussed with the rest of the Board whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Group's position and performance, business model and strategy.

Internal audit arrangements
The Committee has also reviewed the arrangements in place for internal audit and concluded, due to the current size, complexity and internal control environment of the Company and the Group, that a formal internal audit function was not required. The Audit Committee believes that management is able to derive assurance regarding the adequacy and effectiveness of internal controls and risk management procedures, given the close involvement of the Directors and the senior management on a day to day basis, without the need for an internal audit function.

In view of the importance of the procedures, security, regulation and controls around Craneware's solutions and customer data, the focus for other assurance activities for the Group is in respect of those areas. Craneware is currently working towards accreditation for the HITRUST CSF. Health Information Trust Alliance ('HITRUST' Alliance) is a collaboration with healthcare, technology and information security organisation which develops, maintains and provides broad access to its widely adopted common risk and compliance management and de-identification frameworks; related assessment and assurance methodologies; and initiatives advancing cyber sharing, analysis and resilience. HITRUST has established a 'common security framework' (CSF) to address the multitude of security, privacy and regulatory challenges facing organisations. The scope of the HITRUST CSF's requirements is wide and requires a very high standard of data security arrangements as these have been set in the context of the accreditation being relevant to US healthcare providers with handling sensitive data (Protected Health Information) and impacts in some way all areas of the business (at least in respect of the required enhancement to the Group-wide IT and data security policies).

The Audit Committee will continue to monitor whether there is a requirement for an internal audit function and will report accordingly to the Board.

External audit
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.

Each year PricewaterhouseCoopers LLP prepares and presents their audit plan to the Audit Committee for the audit of the full year financial statements. The audit plan identifies what the external auditors consider to be the key audit risks, the planned scope of work, the audit timetable and also details of how they have assessed their independence to be able to undertake the audit work. As part of ensuring independence, the audit partner within PricewaterhouseCoopers LLP is required to rotate every five years and, accordingly, Kenneth Wilson will step down following the audit of the financial statements for the year ended 30 June 2019 and will be replaced by a new audit partner. The audit plan is reviewed, along with the Committee's assessment of auditor independence, and is agreed in advance by the Audit Committee. Having considered the planning work carried out and the results of the audit of the Group and Company financial statements for the year ended 30 June 2019, the Committee was satisfied that the approach adopted was robust and appropriate and that their independence and objectivity could be relied upon

Non-audit services provided by the external auditors
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. The policy in respect of services provided by the external auditors is set out below:

The external auditors may be appointed to provide non-audit services where it is in the Group's best interests to do so, provided a number of criteria are met. These are that the external auditor does not:

- Audit their own work;
- Make management decisions for the Group;
- Create a conflict of interest;
- Find themselves in the role of an advocate for the Group.

During the year, the Company's auditors provided certain pieces of non-audit work in relation to US tax compliance matters; in particular, in regards to the individual State Tax Compliance Filings the Group is required to submit. In order to maintain PricewaterhouseCoopers LLP's independence and objectivity, they conducted their standard independence procedures in relation to those engagements. 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 extent and nature of non-audit services and the related fees paid, especially as the total fees paid in relation to the US tax compliance work exceeds the audit fee. The Committee noted that the compliance work relates to a significant number of separate regulatory filings to each individual State, each commanding a fee that is not material and as such, the Committee has concluded they do not compromise auditor independence.

Whistleblowing Policy
The Group is committed to conducting its business with honesty and integrity and it is expected that these high standards be maintained throughout the organisation. As an element of providing a supportive and open culture within the organisation, the Group has a Whistleblowing Policy and associated annual training. This Policy includes arrangements by which employees, consultants or contractors may, in confidence and also anonymously should they wish, raise concerns regarding possible improprieties in matters of financial reporting or other matters. These concerns would then be investigated and followed up appropriately.

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
2 September 2019

Remuneration Committee's Report

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 2016. 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 24.

No Director is involved in any decisions as to his or her own remuneration. The remuneration of the non-executive Directors, other than the Chairman of the Board, is determined by the Board as a whole within limits set out in the Articles of Association. The levels of remuneration for non-executive Directors are considered to reflect the time commitment and responsibilities of the role. The non-executive Directors, including the Chairman of the Board, 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.

(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 4% of basic salary (effective from September 2018; prior to that the matching was at up to 3% of basic salary). 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.

In view of the financial results of the Company in the current year the Remuneration Committee has concluded that targets have not been met for the current financial year and therefore no bonus amounts are payable to the executive Directors.

(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. The Rules of the LTIP provide for a Clawback provision, in respect of awards granted under the LTIP, which may be applied in the event of: material misstatement of financial results; error in the calculation of performance condition outcomes; and/ or misconduct.

Awards granted under the 2016 share plans in the year ended 30 June 2019

In September 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 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 37 and 38. Conditional share awards and / or share options were granted to certain other employees (including senior management) in September 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 2019, 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 and for share options granted from the 2016 share option plans in September 2018, the performance conditions are based on the Company's total shareholder return ("TSR") performance relative to the performance achieved by the constituent companies in the FTSE AIM 100 Index (the "Comparator Group"). As disclosed in the 2018 Annual Report, similar performance conditions (but with the comparator group being a group of comparable companies in the same sector) apply to the conditional share awards and share options that were granted in March 2017 and in January 2018.

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's TSR 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 2019; one third based on performance over the three years ending 30 June 2020; and the final third based on performance over the three years to 30 June 2021 – resulting in an aggregate five year performance evaluation 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 2019
For share options and LTIP awards granted in March 2017, the third tranche is not due to vest until March 2020 and, for the share option and LTIP awards granted in January 2018, the second tranche is not due to vest until January 2020. However, the performance criteria for each of these tranches is tested against the Company's TSR for the three years to 30 June 2019 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.

For share options and LTIP awards granted in September 2018, the first tranche is not due to vest until September 2019. However, the performance criteria for this tranche is tested against the Company's TSR for the three years to 30 June 2019 compared to the TSR of the constituent companies in the FTSE AIM 100 Index. Craneware plc's relative TSR for this period, when ranked against that Comparator Group was between the median and the upper quartile and therefore the tranche, being one third of the awards granted in September 2018, will vest to the extent of 92%.

2007 Share Option Plan
Share options can no longer be granted under this share option plan as it was established more than ten years ago. The last grant of share options under this plan occurred in September 2016.

Options granted under this scheme in earlier financial years are normally exercisable three years after the date the options were granted, provided the option holder 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) and results in performance criteria being tied to five years of share price performance. 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 that 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 2019 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.

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, 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 were established in the year ended 30 June 2019. The Committee supports this proposed enhancement to Craneware's employee reward offering. The executive Directors will be permitted, if they choose to do so, to participate in the SAYE share option plan on the same terms as other UK employees. These share option plans were approved by the shareholders at the 2018 Annual General Meeting. No share options have been granted, to date, under these two share option plans.

SAYE and ESPP share option plans will 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 Craneware plc, at the end of the savings period. This is usually at a discounted purchase price that 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 2019, are contained in Note 8 to the financial statements.

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 21.

Remuneration Committee's Report [Cont'd.]

Directors' Emoluments (audited)

For Directors who held office during the course of the year, emoluments[1] in respect of the year ended 30 June 2019 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 the period being reported)

	Salary/Fees ($)	Benefits [2] ($)	Bonus ($)	Pension ($)	**2019 Total ($)**	2018 Total ($)
Executives						
K Neilson	417,793	800	-	24,679	**443,272**	878,000
C T Preston	311,209	869	-	13,582	**325,660**	656,429
Non-Executives						
G R Elliott	91,411	-	-	-	**91,411**	104,139
R Verni	60,414	-	-	-	**60,414**	58,658
C Blye	54,469	-	-	-	**54,469**	56,078
R Rudish	52,644	-	-	-	**52,644**	52,388
Total	987,940	1,669	-	38,261	**1,027,870**	1,805,692

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.

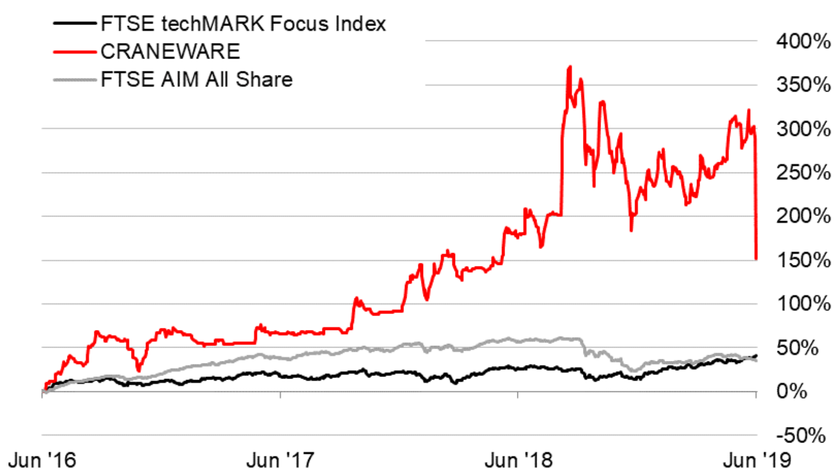
The following Directors were paid in Sterling:

	Salary/Fees (£)	Benefits [2] (£)	Bonus (£)	Pension (£)	**2019 Total (£)**	2018 Total (£)
Executives						
K Neilson	322,745	618	-	19,065	**342,428**	639,495
C T Preston	240,408	671	-	10,492	**251,571**	478,047
Non-Executives						
G R Elliott	70,615	-	-	-	**70,615**	68,557
Total	633,768	1,289	-	29,557	**664,614**	1,186,099

Further information regarding Directors' share options and LTIP awards are contained in the tables on pages 37 and 38.

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.



Directors' interests in share options and LTIP awards

Directors' interests in share options as at 30 June 2019, 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 30/06/18	Granted During Year	Exercised During Year	Lapsed During Year	**Held At 30/06/19**	Exercisable from date	Expiry date
K Neilson									
Share Option Plan 2007									
Grant Date									
23 Dec 2009	534.0	335.0	10,332	-	-	-	**10,332**	23 Dec 12	23 Dec 19
6 Sep 2010	618.0	401.0	13,383	-	-	-	**13,383**	6 Sep 13	6 Sept 20
21 Sep 2012	650.0	400.0	6,605	-	-	-	**6,605**	21 Sep 15	21 Sept 22
10 Sep 2013	621.0	395.0	34,472	-	-	-	**34,472**	10 Sep 16	10 Sept 23
22 Sep 2014	839.0	523.0	39,090	-	-	-	**39,090**	22 Sep 17	22 Sept 24
9 Mar 2016	1066.0	750.0	28,628	-	-	-	**28,628**	9 Mar 19	9 Mar 26
12 Sep 2016	1563.0	1177.5	36,469	-	-	-	**36,469**	2/3rd vested	12 Sept 26
Schedule 4 Option Plan									
17 Jan 2018	2445.0	1775.0	1,690	-	-	-	**1,690**	1/3rd vested	17 Jan 28
Unapproved Option Plan									
17 Jan 2018	2445.0	1775.0	7,238	-	-	-	**7,238**	1/3rd vested	17 Jan 28
5 Sep 2018	3488.0	2710.0	-	5,848	-	-	**5,848**	Not yet vested	5 Sep 28
C T Preston									
Share Option Plan 2007									
Grant Date									
9 Mar 2016	1066.0	750.0	26,925	-	-	-	**26,925**	9 Mar 19	9 Mar 26
Schedule 4 Option Plan									
24 Mar 2017	1544.0	1237.5	2,424	-	-	-	**2,424**	2/3rd vested	24 Mar 27
Unapproved Option Plan									
24 Mar 2017	1544.0	1237.5	6,162	-	-	-	**6,162**	2/3rd vested	24 Mar 27
17 Jan 2018	2445.0	1775.0	6,618	-	-	-	**6,618**	1/3rd vested	17 Jan 28
5 Sep 2018	3488.0	2710.0	-	4,334	-	-	**4,334**	Not yet vested	5 Sep 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.

The maximum number of Ordinary Shares subject to conditional share awards granted to Directors under the LTIP as at 30 June 2019 were as follows, in respect of Directors who held office during the course of the year:

	Grant date	Held At 30/06/18	Granted During Year	Released During Year	Lapsed During Year	**Held At 30/06/19**	Share price at date of grant (pence)	Vesting date
K Neilson								
Conditional share award	17 Jan 2018	8,928	-	-	-	**8,928**	1,775.0	17 Jan 2021
Conditional share award	5 Sep 2018	-	5,848	-	-	**5,848**	2,710.0	5 Sep 2021
C T Preston								
Conditional share award	24 Mar 2017	8,586	-	-	-	**8,586**	1,237.5	24 Mar 2020
Conditional share award	17 Jan 2018	6,618	-	-	-	**6,618**	1,775.0	17 Jan 2021
Conditional share award	5 Sep 2018	-	4,334	-	-	**4,334**	2,710.0	5 Sep 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 pages 33 and 34. 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
2 September 2019

Independent Auditors' Report to the Members of Craneware plc

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 2019 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 2019; 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: $916,000 (2018: $947,000), based on 5% of profit before tax.
- Overall company materiality: $695,000 (2018: $565,600), 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 we audited comprise 100% of Group revenues.
- All audit work was undertaken by a single engagement team in the UK.

- Revenue and deferred income (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 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
Revenue and deferred income (Group and Company) The Group has revenue of $71,401k (2018: $67,067k) and deferred income of $37,849k (2018: $35,371k). The Company has revenue of $37,962k (2018: $31,433k) and deferred income of $37,848k (2018: $35,362k). 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.	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.
Internally developed intangible assets (Group and Company) The Group has $17,851k (2018: $10,067k) and the Company has $17,691k (2018: 9,734k) of development costscapitalised 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.	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. In regard to recoverability of intangible assets, we assessed the intangible assets for indications of impairment. No matters arose during our testing.

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.

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.

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	$916,000 (2018: $947,000).	$695,000 (2018: $565,600).
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 $650,000 and $900,000. 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 $46,000 (Group audit) (2018: $47,000) and $34,750 (Company audit) (2018: $28,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going Concern
In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. 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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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, Directors' Report and Corporate Governance Statement, 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, the Companies Act 2006 (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

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. *(CA06)*

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group
As a result of the directors' voluntary reporting on how they have applied the UK Corporate Governance Code (the "Code"), we are required to report to you if we have anything material to add or draw attention to regarding:

- The directors' confirmation on page 27 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 20 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report in respect of this responsibility.

Other Code Provisions

As a result of the directors' voluntary reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the directors, on page 23, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 29 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in respect of this responsibility.

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. 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 L Wilson

Kenneth Wilson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

2 September 2019

Consolidated Statement of Comprehensive Income for the year ended 30 June 2019

	Notes	Total 2019 $'000	Total 2018 $'000
Continuing operations:			
Revenue	4	**71,401**	67,067
Cost of sales		**(4,394)**	(3,407)
Gross profit		**67,007**	63,660
Net operating expenses	5	**(49,003)**	(44,968)
Operating profit	6	**18,004**	18,692
Analysed as:			
Adjusted EBITDA[1]		**23,996**	21,611
Share based payments	8	**(1,296)**	(663)
Depreciation of plant and equipment	13	**(603)**	(578)
Exceptional Aborted Acquisition Costs[2]		**(1,168)**	-
Amortisation of intangible assets	14	**(2,925)**	(1,678)
Finance income	9	**318**	241
Profit before taxation		**18,322**	18,933
Tax charge on profit on ordinary activities	10	**(3,337)**	(3,136)
Profit for the period attributable to owners of the parent		**14,985**	15,797
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss			
Currency Translation Reserve movement		**28**	(10)
Total items that may be reclassified subsequently to profit or loss		**28**	(10)
Total comprehensive income attributable to owners of the parent		**15,013**	15,787

Earnings per share for the period attributable to equity holders			
- Basic ($ per share)	12a	**0.561**	0.590
- Diluted ($ per share)	12b	**0.550**	0.579

[1]Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation, exceptional items and share based payments.
[2]Exceptional items relate to legal and professional fees associated with an aborted potential acquisition.

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

Statements of Changes in Equity for the year ended 30 June 2019

Group	Share Capital $'000	Share Premium Account $'000	Capital Redemption Reserve $'000	Other Reserves[1] $'000	Retained Earnings $'000	Total Equity $'000
At 1 July 2017	537	17,974	-	958	39,886	59,355
Total comprehensive income - profit for the year	-	-	-	-	15,797	15,797
Total other comprehensive expense	-	-	-	-	(10)	(10)
Transactions with owners:						
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)
At 30 June 2018	534	19,777	9	2,084	29,242	51,646
Total comprehensive income - profit for the year	-	-	-	-	14,985	14,985
Total other comprehensive income	-	-	-	-	28	28
Transactions with owners:						
Share-based payments	-	-	-	1,611	(184)	1,427
Impact of share options exercised / lapsed	1	245	-	(146)	146	246
Dividends (Note 11)	-	-	-	-	(8,497)	(8,497)
At 30 June 2019	**535**	**20,022**	**9**	**3,549**	**35,720**	**59,835**

Company	Share Capital $'000	Share Premium Account $'000	Capital Redemption Reserve $'000	Other Reserves[1] $'000	Retained Earnings $'000	Total Equity $'000
At 1 July 2017	537	17,974	-	504	33,540	52,555
Total comprehensive income - profit for the year	-	-	-	-	10,360	10,360
Transactions with owners:						
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)
At 30 June 2018	534	19,777	9	485	21,159	41,964
Total comprehensive income - profit for the year	-	-	-	-	11,193	11,193
Transactions with owners:						
Share-based payments	-	-	-	1,011	(107)	904
Impact of share options exercised / lapsed	1	245	-	(33)	33	246
Dividends (Note 11)	-	-	-	-	(8,497)	(8,497)
At 30 June 2019	**535**	**20,022**	**9**	**1,463**	**23,781**	**45,810**

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

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

Consolidated Balance Sheet as at 30 June 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Non-Current Assets			
Plant and equipment	13	**1,274**	1,223
Intangible assets	14	**30,437**	23,267
Trade and other receivables	16	**4,946**	5,275
Deferred tax	17	**3,244**	3,831
		39,901	33,596
Current Assets			
Trade and other receivables	16	**18,789**	12,503
Cash and cash equivalents	20	**47,611**	52,833
		66,400	65,336
Total Assets		**106,301**	98,932
EQUITY & LIABILITIES			
Current Liabilities			
Deferred income	4	**37,849**	35,371
Current tax liabilities		**1,085**	80
Trade and other payables	21	**7,532**	11,835
		46,466	47,286
Total Liabilities		**46,466**	47,286
Equity			
Called up share capital	18	**535**	534
Share premium account		**20,022**	19,777
Capital redemption reserve		**9**	9
Other reserves		**3,549**	2,084
Retained earnings		**35,720**	29,242
Total Equity		**59,835**	51,646
Total Equity and liabilities		**106,301**	98,932

Registered Number SC196331

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

The financial statements on pages 43 to 73 were approved and authorised for issue by the Board of Directors on 2 September 2019 and signed on its behalf by:

Keith Neilson
Director

Craig Preston
Director

Company Balance Sheet as at 30 June 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Non-Current Assets			
Investment in subsidiary undertakings	15	**10,107**	10,107
Plant and equipment	13	**800**	748
Intangible assets	14	**18,278**	10,156
Deferred Tax	17	**1,154**	1,204
Amounts owed from group companies	16	**6,000**	6,000
		36,339	28,215
Current Assets			
Trade and other receivables	16	**22,435**	17,042
Cash and cash equivalents	20	**43,357**	43,955
		65,792	60,997
Total Assets		**102,131**	89,212
EQUITY & LIABILITIES			
Current Liabilities			
Deferred income		**37,848**	35,362
Current tax liabilities		**1,998**	-
Trade and other payables	21	**16,475**	11,886
		56,321	47,248
Total Liabilities		**56,321**	47,248
Equity			
Share capital	18	**535**	534
Share premium account		**20,022**	19,777
Capital redemption reserve		**9**	9
Other reserves		**1,463**	485
Retained earnings		**23,781**	21,159
At 1 July		**21,159**	33,540
Profit for the year attributable to owners		**11,193**	10,360
Other changes in retained earnings		**(8,571)**	(22,741)
Total Equity		**45,810**	41,964
Total Equity and liabilities		**102,131**	89,212

Registered Number SC196331

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

The financial statements on pages 43 to 73 were approved and authorised for issue by the Board of Directors on 2 September 2019 and signed on its behalf by:

Keith Neilson
Director

Craig Preston
Director

Statements of Cash Flows for the year ended 30 June 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Cash flows from operating activities					
Cash generated from operations	19	**15,078**	33,110	**17,514**	26,820
Interest received		**318**	227	**313**	432
Tax paid		**(1,933)**	(3,349)	**(32)**	(3,111)
Net cash generated from operating activities		**13,463**	29,988	**17,795**	24,141
Cash flows from investing activities					
Purchase of plant and equipment	13	**(654)**	(434)	**(413)**	(244)
Capitalised intangible assets		**(9,780)**	(4,258)	**(9,729)**	(4,128)
Net cash used in investing activities		**(10,434)**	(4,692)	**(10,142)**	(4,372)
Cash flows from financing activities					
Dividends paid to company shareholders	11	**(8,497)**	(7,817)	**(8,497)**	(7,817)
Proceeds from issuance of shares		**246**	1,810	**246**	1,810
Company shares acquired by employee benefit trust		**-**	(4,248)	**-**	(4,248)
Buy back of ordinary shares		**-**	(15,378)	**-**	(15,378)
Net cash used in financing activities		**(8,251)**	(25,633)	**(8,251)**	(25,633)
Net decrease in cash and cash equivalents		**(5,222)**	(337)	**(598)**	(5,864)
Cash and cash equivalents at the start of the year		**52,833**	53,170	**43,955**	49,819
Cash and cash equivalents at the end of the year	20	**47,611**	52,833	**43,357**	43,955

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

Notes to the 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 17 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 (IFRSIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Group and Company 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 \$1.2945/£1 (2018: \$1.3472/£1). Monetary assets and liabilities expressed in foreign currencies are translated into US dollars at rates of exchange ruling at the Balance Sheet date \$1.2695/£1 (2018: \$1.31977/£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 (effective 1 January 2018) - this set of annual improvements addresses issues in the 2014-2016 reporting cycle, which affects two different standards,

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

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

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

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

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaced IAS 29 Financial Instruments: Recognition and Measurement (effective from periods beginning on or after 1 January 2018).

This new standard introduces changes to the classification and measurement of financial assets and financial liabilities; impairment of financial assets; and general hedge accounting.

IFRS 9 introduces three categories of financial instruments being fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVTOCI) and amortised cost. There were previously four categories under IAS 39 being fair value through profit and loss, available-for-sale, loans and receivables and held-to-maturity. An analysis of the Group's and Company's financial instruments by category as a result of the adoption of IFRS 9 is provided in financial assets and financial liabilities accounting policies.

IFRS 9 has also introduced a new model for impairment which is based on assessing changes in credit quality from initial recognition of a financial instrument. The model requires expected credit losses to be determined, being a probability weighted estimate of the difference between cash flows that are due in accordance with the contract and the cash flows that are expected to be received. As a result, the Group has implemented a forward-looking credit loss model in contrast to the historical incurred credit loss model previously applied under IAS 39.

There have been no changes in the measurement bases for the Group's or the Company's financial assets or liabilities as a result of the adoption of IFRS 9. There is no impact on the opening reserves from the change to the new standard.

1 Principal accounting policies (cont'd.)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaced IAS 18 Revenue (effective from periods beginning on or after 1 January 2018).

This new standard replaces all existing revenue recognition requirements in IFRS and sets out a comprehensive framework for determining whether, when and how much revenue to recognise.

Detailed assessments carried out by the Group have shown that the adoption of the five step model does not significantly alter the timing or value of revenue recognised under IFRS 15 compared with the Group's previous revenue recognition policy. Accordingly no financial restatement has been made.

Revenue is only recognised when, or as, control of goods or services passes to the customer, in accordance with when distinct performance obligations are met, and at the amount to which the Group expects to be entitled.

Additional disclosures required by IFRS 15 are set out in Note 4.

In implementing IFRS 15, the Group adopted the modified retrospective approach, which requires opening reserves at 1 July 2018 to be adjusted for the cumulative impact of the change to the new standard. In doing so, the Group elected to apply a practical expedient which permits IFRS 15 to be applied only to contracts that were not completed as at 1 July 2018. The Group's assessments have shown that no adjustments are required to opening reserves at 1 July 2018. The assessments have also shown that there would not have been a material impact on the financial statements for the year ended 30 June 2019 had IAS 18 been applied in their preparation.

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.

Other 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 9, 'Financial Instruments' (effective 1 January 2019*)

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

IAS 12, 'Income Taxes' (effective 1 January 2019*)

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

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

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

IFRS 16 Leases

This standard is effective for annual reporting periods beginning on or after 1 January 2019. As a result, the standard is applicable to the Group for the year ended 30 June 2020. The adoption of IFRS 16 will result in the Group recognising a right-of-use asset and lease liability for all contracts that are, or contain, a lease. For leases currently classified as operating leases, the Group currently accounts for these under IAS 17 spreading the value of the lease on a straight line basis over its term and discloses total future commitments. The Group does not currently recognise assets or liabilities for operating leases.

The Group has some long term leases in respect of rental property. The Group is continuing to evaluate the full impact of the accounting changes that will arise under IFRS 16. On transition to IFRS 16 the Group expects to recognise:

- Assets of $2.4m, specifically right-of-use assets leased by the Group. Currently no assets are included on the Group's consolidated statement of financial position for operating leases.
- Liabilities of $2.7m for future payments due on leases. Currently liabilities of $0.9m are included on the Group's consolidated statement of financial position for operating leases.
- Operating lease expenditure will be reclassified and split between depreciation and finance costs, resulting in an increase in EBITDA. Lease expenses will be for depreciation of right-of-use assets and interest on lease liabilities. There is no material impact on opening reserves.
- Operating lease cash flows are currently included within operating cash flows in the consolidated statement of cash flows; under IFRS 16 these will be recorded as cash flows from financing activities reflecting the repayment lease liabilities.
- The Group intends to use the practical expedient not to recognise short-term leases and low-value leases. Theses leases will continue to be classified as operating leases under IAS 17.

The Group will transition to IFRS 16 using the modified retrospective application approach with no restatement of prior year comparatives and an adjustment to reserves at the date of adoption.

1 Principal accounting policies (cont'd.)

Basis of consolidation

The consolidated Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Statement of 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 been seen in isolation in the Statements of Changes in Equity. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be a financial asset or financial liability is recognised in accordance with IFRS 9 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 IFRS 15, 'Revenue from Contracts with Customers'; accordingly revenue 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.

Revenue is derived from sales of software licences and professional services including installation and training.

'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 is recognised from the point at which the customer gains control and the right to use our software. This right to use software will be for the period covered under contract and, as a result, the licenced software revenue will be recognised over the life of the 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 when the performance obligation has been fulfilled and the 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 Group does not have any contracts where a financing component exists within the contract.

1 Principal accounting policies (cont'd.)

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.

Contract assets include sales commissions and prepaid royalties. Contract liabilities include unpaid commissions and deferred 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 relationships 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.

(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
Tenant's 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.

1 Principal accounting policies (cont'd.)

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 does not affect accounting or 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 (FVTPL), (ii) financial assets at amortised cost and (iii) fair value through other comprehensive income (FVTOCI). 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 financial assets at amortised cost.

Financial assets at amortised cost 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. They 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

Impariment of financial assets

IFRS 9 replaced the existing incurred loss model with a forward looking expected credit loss model. The Group recognises an allowance for expected credit loses (ECLs) for all debt instruments not held at fair value through profit and loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Group expects to receive.

For trade receivables, the Group applies a simplified approach to calculating ECLs. Therefore the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLS at each reporting date.

The expected credit losses on these trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for management judgement concerning factors that are specific to the receivables, general economic conditions and assessment of the current as well as the forecast direction of conditions at the reporting date based on reasonable and supportable information available. A financial asset is written off when there is no reasonable expectation of recovering the contractual cashflow.

Amounts owed from Group companies and other receivables due to the Company are also subject to the impairment requirements of IFRS 9. All amounts owed from Group companies are repayable on demand and sufficient funds are held or are readily available to satisfy repayment the loans. Other debtors consists mainly of the Employee Benefit Trust. Therefore the identified impairment loss was assessed as immaterial for both.

1 Principal accounting policies (cont'd.)

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 is 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.

3 Financial risk management (cont'd.)

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 $3,050,000 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, consistent with the prior year, 10% is appropriate for the sensitivity analysis.

(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 $110,000 higher/lower respectively. The Directors believe that 25 basis points is appropriate for the sensitivity analysis based on recent market conditions.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and trade receivables. In order to minimise the Group's exposure to risk, all cash deposits are placed with reputable banks and financial institutions. The Group's exposure to trade receivables is reduced due to contractual terms which require installation, training, annual licensing and support fees, to be invoiced annually in advance.

Credit risk also arises on cash and cash equivalents placed with the Group's banks. The Group monitors the financial standing of any institution with which it deposits cash.

(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 "Bankers" on page 17.

(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
At 30 June 2018					
Trade and Other Payables	11,374	-	-	-	11,374
At 30 June 2019					
Trade and Other Payables	**7,005**	-	**-**	**-**	**7,005**

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 United Kingdom.

	2019 $'000	2018 $'000
Software licensing	**60,488**	56,346
Professional services	**10,913**	10,721
Total revenue	**71,401**	67,067

Contract assets

The Group has recognised the following assets related to contracts with customers:

	2019 $'000	2018 $'000
Prepaid commissions and royalities < 1 year	**2,537**	- *
Prepaid commissions and royalities > 1 year	**4,946**	- *
Total contract assets	**7,483**	-

*As permitted under the transitional provisions of IFRS 15, the transaction price allocated to contract assets at 30 June 2018 is not disclosed.

Contract assets are included within deferred contract costs and prepayments in the Balance Sheet.

Costs recognised during the year in relation to assets at 30 June 2018 were $2.4m

Contract liabilities

The following table shows both the total contract liabilities and the aggregate transaction price allocated to performance obligations that are partially or fully unsatisfied at 30 June 2019 from software license and professional service contracts:

	2019 $'000	2018 $'000
Software licensing	**33,949**	- *
Professional services	**3,900**	- *
Total contract liabilities	**37,849**	-

*As permitted under the transitional provisions of IFRS 15, the transaction price allocated to contract assets at 30 June 2018 is not disclosed.

Contract liabilities are included within deferred income in the Balance Sheet.

Revenue of $35.2m was recognised during the year in relation to unsatisfied performance obligations as of 30 June 2018.

Management expects that 99% of the transaction price allocated to unsatisfied performance obligations as of 30 June 2019 will be recognised as revenue during the next reporting period ($37.5m).

5 Operating expenses

Operating expenses comprise the following:

	2019 $'000	2018 $'000
Sales and marketing expenses	**9,726**	8,257
Client servicing	**14,086**	11,981
Research and development	**10,405**	13,174
Administrative expenses	**8,723**	8,736
Share-based payments (Note 8)	**1,296**	663
Depreciation of plant and equipment (Note 13)	**603**	578
Amortisation of intangible assets (Note 14)	**2,925**	1,678
Exceptional aborted acquisition costs*	**1,168**	-
Exchange loss / (gain)	**71**	(99)
Operating expenses	**49,003**	44,968

*Exceptional items relate to legal and professional fees associated with an aborted potential acquisition.

6 Operating profit

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

	2019 $'000	2018 $'000
Staff costs (Note 7)	**34,714**	34,343
Staff costs capitalised	**(5,950)**	(2,978)
Depreciation of plant and equipment (Note 13)	**603**	578
Amortisation of intangible assets (Note 14)	**2,925**	1,678
Loss on disposal	**-**	10
Impairment of trade receivables	**-**	416
Operating lease rents for premises	**878**	775

Services provided by the Group's auditors

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

	2019 $'000	2018 $'000
Statutory audit - Parent Company financial statements and consolidation	**84**	91
Tax compliance	**149**	146
	233	237

Tax compliance fees include filing of a UK tax return and in the USA 3 federal and 47 state returns.

7 Staff costs

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

	2019 Group Number	2018 Group Number	2019 Company Number	2018 Company Number
Sales and distribution	**33**	32	**-**	-
Client servicing	**113**	97	**35**	30
Research and development	**148**	136	**87**	88
Administration	**45**	30	**33**	21
	339	295	**155**	139

Employment costs of all employees excluding non-executive Directors:

	2019 Group $'000	2018 Group $'000	2019 Company $'000	2018 Company $'000
Wages and salaries	**29,888**	30,305	**13,345**	9,563
Social security costs	**2,488**	2,707	**1,191**	1,380
Pension costs - defined contribution plans	**1,042**	668	**530**	273
Share based payments	**1,296**	663	**1,116**	232
Total direct costs of employment	**34,714**	34,343	**16,182**	11,448

The remuneration of the highest paid Director including the gain from exercising share options in the year (granted from 2008 to 2014) is $0.4m (2018: $3.8m). Full details of Directors' emoluments and share option exercises are detailed in the Remuneration Committee's Report on page 36 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 (2018: 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 Directors. Directors' interests in share plan awards are set out in the Remuneration Committee's Report on pages 37 to 38. 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 $1,296,220 (2018: $663,158) was recognised in the Statement of Comprehensive Income for the year, as stated in Note 7 above. This comprises $760,610 (2018: nil) relating to estimated employer National Insurance contributions on the unexercised options granted under the 2007 Share Options Plan and $535,610 (2018: $663,158) share-based payment charge split as follows:

	2019 $'000	2018 $'000
Type of award and name of share plan		
Share options granted under the 2007 Share Option Plan	**76**	132
Share options granted under the 2016 Unapproved Share Option Plan	**(11)**	145
Share options granted under the 2016 Schedule 4 Share Option Plan	**(10)**	35
Conditional share awards granted under the LTIP	**459**	172
Contingent share awards	**22**	179
Total share-based payments charge	**536**	663

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 2019.

Date of grant	Exercise price (GBP)	Exercise price (USD)	Remaining life at 1 July 2018 (years)	No. of options at 1 July 2018	Granted	Exercised	Lapsed	No. of options at 30 June 2019	Remaining life at 30 June 2019 (years)
2007 Share Option Plan									
22 Dec 2009	£3.35	$5.34	1.5	17,467	-	-	-	**17,467**	0.5
06 Sep 2010	£4.01	$6.18	2.2	20,310	-	-	-	**20,310**	1.2
04 Sep 2012	£3.60	$5.72	4.2	5,178	-	-	-	**5,178**	3.2
21 Sep 2012	£4.00	$6.50	4.2	6,605	-	-	-	**6,605**	3.2
10 Sep 2013	£3.95	$6.21	5.2	56,850	-	(3,221)	(3,221)	**50,408**	4.2
22 Sep 2014	£5.225	$8.39	6.2	143,182	-	(33,492)	(4,112)	**105,578**	5.2
09 Mar 2016	£7.50	$10.66	7.7	224,732	-	-	(11,687)	**213,045**	6.7
01 Apr 2016	£7.50	$10.72	7.8	10,000	-	-	-	**10,000**	6.8
12 Sep 2016	£11.775	$15.63	8.2	41,263	-	-	-	**41,263**	7.2
2016 Unapproved Option Plan									
24 Mar 2017	£12.375	$15.44	8.7	61,113	-	-	(3,434)	**57,679**	7.7
17 Jan 2018	£17.750	$24.45	9.5	73,571	-	-	(5,914)	**67,657**	8.5
05 Sep 2018	£27.100	$34.88	-	-	55,077	-	(2,583)	**52,494**	9.2
2016 Schedule 4 Option Plan									
24 Mar 2017	£12.375	$15.44	8.7	21,008	-	-	(1,616)	**19,392**	7.7
17 Jan 2018	£17.750	$24.45	9.5	9,575	-	-	(1,408)	**8,167**	8.5
05 Sep 2018	£27.100	$34.88	-	-	5,899	-	(738)	**5,161**	9.2
				690,854	**60,976**	**(36,713)**	**(34,713)**	**680,404**	

The weighted average share price at the date of exercise of share options in the year ended 30 June 2019 was £32.83 ($43.17) (2018: £19.43 ($26.17)). The market value of Craneware plc Ordinary Shares at 30 June 2019 was £19.00 ($24.12) per share. The weighted average remaining contractual life of the options outstanding at 30 June 2019 is 6.5 years (2018: 7.2 years).

	2019		2018	
	Number of Options	**Weighted average exercise price (£)**	Number of Options	Weighted average exercise price (£)
Balance outstanding at beginning of the year	**690,854**	**8.53**	1,023,332	6.06
Share options granted during the year	**60,976**	**27.10**	88,074	17.75
Exercised during the year	**(36,713)**	**5.11**	(385,600)	3.91
Lapsed during the year	**(34,713)**	**11.65**	(34,952)	10.14
Balance outstanding at end of the year	**680,404**	**10.22**	**690,854**	**8.53**
Exercisable at end of the year	**428,591**	**6.09**	249,592	4.64

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.

8 Share-based payments (cont'd.)

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
Options over Ordinary shares						
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 September 2018, 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 September 2018, January 2018 and in March 2017 are outlined in the Remuneration Committee's Report on pages 33 to 34.

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	05-Sep-18	17-Jan-18	24-Mar-17
Share price at date of grant	£27.100	£17.750	£12.375
Share price at date of grant	$34.88	$24.45	$15.44
Vesting period (years)	3	3	3
Expected volatility	26.6%	22.8%	20.5%
Risk free rate	0.77%	0.56%	0.11%
Exercise price	£27.100	£17.750	£12.375
Exercise price	$34.88	$24.45	$15.44
Shares under option at date of grant	60,976	88,074	93,029
Fair value per option	$5.88	$3.05	$1.55

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

The Craneware plc SAYE Option Plan (2018)
The Craneware plc Employee Stock Purchase Plan (2018)

The Save As You Earn (SAYE) option plan and the Employee Stock Purchase Plan (ESPP) were approved by the Company's shareholders at the Annual General Meeting held on 6 November 2018. No share options have been granted under these Plans.

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 September 2018, 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 September 2018, in January 2018 and in March 2017, are outlined in the Remuneration Committee's Report on pages 33 to 34.

	Number of conditional share awards 2019	Number of conditional share awards 2018
Balance outstanding at 1 July	90,842	46,770
Awards granted in the year	33,590	46,814
Forfeited / lapsed during the year	(5,344)	(2,742)
Balance outstanding at 30 June	119,088	90,842

The remaining weighted average contractual life of the conditional share awards outstanding at 30 June 2019 is 1.4 years (at 30 June 2018: 2.7 years).

The fair values of the conditional share awards granted in 2019, 2018 and in 2017 were estimated using the Monte Carlo pricing model, as appropriately adjusted, with the following main assumptions:

Date of Grant	05 Sep 2018	17 Jan 2018	24 Mar 2017
Share price at date of grant	£27.100	£17.750	£12.375
Share price at date of grant	$34.88	$24.45	$15.44
Vesting period (years)	3	3	3
Expected volatility	26.6%	22.8%	20.5%
Risk free rate	0.77%	0.56%	0.11%
Fair value per conditional share award	$31.48	$19.84	$12.50

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 2019 (159,336 Ordinary Shares at 30 June 2018).

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 159,336 award shares will vest on 1 July 2020 at the earliest.

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 share awards that actually vest. In the year ended 30 June 2019, as some of the expense in respect of these contingent share awards related to employee costs incurred on the eligible development of software, $315,007 (2018: $839,932) of those costs have been capitalised within development costs.

9 Finance income

	2019 $'000	2018 $'000
Deposit interest receivable	**318**	241
Total interest receivable	**318**	241

10 Tax on profit on ordinary activities

	2019 $'000	2018 $'000
Profit on ordinary activities before tax	**18,322**	18,933
Current tax		
Corporation tax on profits of the year	**3,047**	3,536
Adjustments for prior years	**(113)**	(305)
Total current tax charge	**2,934**	3,231
Deferred tax		
Origination & reversal of timing differences	**323**	382
Adjustments for prior years	**80**	(8)
Change in tax rate	**-**	(469)
Total deferred tax charge / (credit)	**403**	(95)
Tax on profit on ordinary activities	**3,337**	3,136

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% (2018: 19%)	**3,481**	3,597
Effects of:		
Adjustment for prior years	**(33)**	(313)
Change in tax rate	**-**	(469)
Additional US taxes on profits 25% (2018: 32%)	**54**	1,137
R&D tax credit	**(364)**	(327)
Expenses not deductible for tax purposes	**17**	29
Origination and reversal of temporary differences	**561**	847
Deduction on share plan charges	**(379)**	(1,365)
Total tax charge	**3,337**	3,136

11 Dividends

The dividends paid during the year were as follows:-

	2019 $'000	2018 $'000
Final dividend, re 30 June 2018 - 18.48 cents (14.0 pence)/share (2018: 14.71 cents (11.3 pence) / share)	**4,713**	4,065
Interim dividend, re 30 June 2019 - 14.0 cents (11 pence)/share (2018: 13.50 cents (10.0 pence) / share)	**3,784**	3,752
Total dividends paid to Company shareholders in the year	**8,497**	7,817

The proposed final dividend of 19.05 cents (15 pence), as noted on page 12, for the year ended 30 June 2019 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.

	2019	2018
Profit attributable to equity holders of the Company ($'000)	**14,985**	15,797
Weighted average number of Ordinary shares in issue (thousands)	**26,691**	26,790
Basic earnings per share ($ per share)	**0.561**	0.590
Profit attributable to equity holders of the Company ($'000)	**14,985**	15,797
Adjustments* ($'000)	**1,914**	329
Adjusted Profit attributable to equity holders ($'000)	**16,899**	16,126
Weighted average number of Ordinary shares in issue (thousands)	**26,691**	26,790
Adjusted Basic earnings per share ($ per share)	**0.633**	0.602

*Relate to aborted acquisition costs, 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.

	2019	2018
Profit attributable to equity holders of the Company ($'000)	**14,985**	15,797
Weighted average number of Ordinary shares in issue (thousands)	**26,691**	26,790
Adjustments for Share options (thousands)	**555**	492
Weighted average number of Ordinary shares for diluted earnings per share (thousands)	**27,246**	27,282
Diluted earnings per share ($ per share)	**0.550**	0.579
Profit attributable to equity holders of the Company ($'000)	**14,985**	15,797
Adjustments* ($'000)	**1,914**	329
Adjusted Profit attributable to equity holders ($'000)	**16,899**	16,126
Weighted average number of Ordinary shares in issue (thousands)	**26,691**	26,790
Adjustments for Share options (thousands)	**555**	492
Weighted average number of Ordinary shares for diluted earnings per share (thousands)	**27,246**	27,282
Adjusted Diluted earnings per share ($ per share)	**0.620**	0.591

*Relate to aborted acquisition costs, 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
Cost				
At 1 July 2018	1,755	718	1,480	3,953
Additions	500	7	147	654
Disposals	-	(18)	(2)	(20)
At 30 June 2019	2,255	707	1,625	4,587
Accumulated depreciation				
At 1 July 2018	1,109	668	953	2,730
Charge for year	413	29	161	603
Depreciation on disposals	-	(18)	(2)	(20)
At 30 June 2019	1,522	679	1,112	3,313
Net Book Value at 30 June 2019	**733**	**28**	**513**	**1,274**
Cost				
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
Accumulated depreciation				
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
Net Book Value at 30 June 2018	646	50	527	1,223

13 Plant and equipment (cont'd.)

Company	Computer Equipment $'000	Office Furniture $'000	Tenants Improvements $'000	Total $'000
Cost				
At 1 July 2018	809	489	1,317	2,615
Additions	279	-	134	413
Disposals	-	-	-	-
At 30 June 2019	1,088	489	1,451	3,028
Accumulated depreciation				
At 1 July 2018	527	457	883	1,867
Charge for year	202	15	144	361
Depreciation on disposals	-	-	-	-
At 30 June 2019	729	472	1,027	2,228
Net Book Value at 30 June 2019	**359**	**17**	**424**	**800**

Cost				
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
Accumulated depreciation				
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
Net Book Value at 30 June 2018	282	32	434	748

14 Intangible assets

Goodwill and Other Intangible assets

Group	Goodwill $'000	Customer Relationships $'000	Proprietary Software $'000	Development Costs $'000	Computer Software $'000	Total $'000
Cost						
At 1 July 2018	11,438	2,964	3,043	13,969	1,395	32,809
Additions	-	-	-	9,580	515	10,095
Disposals	-	-	-	-	-	-
At 30 June 2019	11,438	2,964	3,043	23,549	1,910	42,904
Accumulated amortisation						
At 1 July 2018	250	2,371	2,189	3,902	830	9,542
Charge for the year	-	330	429	1,796	370	2,925
Amortisation on disposal	-	-	-	-	-	-
At 30 June 2019	250	2,701	2,618	5,698	1,200	12,467
Net Book Value at 30 June 2019	**11,188**	**263**	**425**	**17,851**	**710**	**30,437**
Cost						
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
Accumulated amortisation						
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
Net Book Value at 30 June 2018	11,188	593	854	10,067	565	23,267

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 has 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 forecast for the next five years showed 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
Cost			
At 1 July 2018	13,549	1,068	14,617
Additions	9,593	451	10,044
Disposals	-	-	-
At 30 June 2019	23,142	1,519	24,661
Accumulated amortisation			
At 1 July 2018	3,815	646	4,461
Charge for the year	1,636	286	1,922
Amortisation on disposal	-	-	-
At 30 June 2019	5,451	932	6,383
Net Book Value at 30 June 2019	**17,691**	**587**	**18,278**
Cost			
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
Accumulated amortisation			
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
Net Book Value at 30 June 2018	9,734	422	10,156

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
Kestros Ltd (t/a Craneware Health)	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 (2018: 10,000) and 1,000 (2018: 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 (2018: 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.

15 Investments in subsidiary undertakings (cont'd.)

Subsidiary registered addresses are listed on Page 17.

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	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Trade receivables	**15,415**	9,215	**15,271**	9,066
Less: provision for impairment of trade receivables	**(1,246)**	(1,072)	**(1,246)**	(1,072)
Net trade receivables	**14,169**	8,143	**14,025**	7,994
Other receivables	**308**	230	**7,335**	8,284
Amounts owed from group companies	**-**	-	**6,000**	6,000
Prepayments and accrued income	**1,924**	1,904	**1,075**	764
Deferred Contract Costs	**7,334**	7,501	**-**	-
	23,735	17,778	**28,435**	23,042
Less non-current receivables	**-**	-	**(6,000)**	(6,000)
Deferred Contract Costs	**(4,946)**	(5,275)	**-**	-
Current portion	**18,789**	12,503	**22,435**	17,042

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 financial assets at amortised cost.

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%.

Expected credit loss allowance for trade receivables

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2019.

	Current $'000	**<30 days $'000**	**30 – 60 days $'000**	**60 – 90 days $'000**	**> 90 days $'000**
Expected credit loss rate	**0.0%**	**2.1%**	**1.5%**	**1.9%**	**39.8%**
Gross carrying amount	**6,879**	**4,073**	**722**	**896**	**2,845**
Expected credit loss	**-**	**86**	**11**	**17**	**1,132**
Net carrying amount	**6,879**	**3,987**	**711**	**879**	**1,713**

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

	2019 $'000	2018 $'000
At 1 July	**1,072**	1,353
Provision for receivables impairment on revenue recognised	**443**	1,318
Receivables written off during year as uncollectable	**-**	(416)
Unused amounts reversed	**(269)**	(1,183)
At 30 June	**1,246**	1,072

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

16 Trade and other receivables (cont'd.)

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.

Comparative information

In the prior year, the impairment of trade receivables was based on the incurred loss model. The information disclosed relates to the Group's credit risk exposure disclosed under IFRS 7, per recognition and measurement under IAS 39, prior to the transition by the Group to IFRS 9 on 1 July 2018:

30 Jun 2018	Gross carrying amount $'000	Provision $'000	Net carrying amount $'000
Current	6,523	18	6,505
< 30 days past due	264	-	264
31 – 60 days past due	459	17	442
61 – 90 days past due	468	97	371
91 + days past due	1,501	940	561
	9,215	1,072	8,143

17 Deferred taxation

Deferred tax is calculated in full on the temporary differences under the liability method using a rate of tax of 19% (2018: 19%) in the UK and 25% (2018: 25%) in the US including a provision for state taxes.

The movement on the deferred tax account is shown below:

	Group		Company	
	2019 $'00	2018 $'000	**2018 $'000**	2018 $'000
At 1 July	**3,831**	3,102	**1,204**	980
(Charge) / credit to comprehensive income	**(403)**	95	**57**	22
Transfer direct to equity	**(184)**	634	**(107)**	202
At 30 June	**3,244**	3,831	**1,154**	1,204

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 2019 was $3,243,859 (2018: $3,831,282).

Deferred tax assets - recognised Group	Short term timing differences $'000	Losses $'000	Share Options $'000	Total $'000
At 1 July 2018	801	461	2,760	4,022
Credited / (charged) to comprehensive income	(582)	(104)	229	(457)
Credited to equity	-	-	(184)	(184)
Total provided at 30 June 2019	**219**	**357**	**2,805**	**3,381**
At 1 July 2017	660	833	2,098	3,591
Credited / (charged) to comprehensive income	141	(372)	28	(203)
Credited to equity	-	-	634	634
Total provided at 30 June 2018	801	461	2,760	4,022

Deferred tax liabilities - recognised Group	Long-term Timing differences $'000	Accelerated tax depreciation $'000	Total $'000
At 1 July 2018	-	(191)	(191)
Credited to comprehensive income	-	54	54
Total provided at 30 June 2019	**-**	**(137)**	**(137)**
At 1 July 2017	-	(489)	(489)
Credited to comprehensive income	-	298	298
Total provided at 30 June 2018	-	(191)	(191)

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

Group	2019 $'000	2018 $'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 1 year	**3,100**	3,574
Deferred tax assets to be recovered within 1 year	**281**	448
	3,381	4,022
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 1 year	**-**	(66)
Deferred tax liabilities to be recovered within 1 year	**(137)**	(125)
	(137)	(191)
Net deferred tax assets	**3,244**	3,831

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 2018	1,269	1,269
Credited to comprehensive income	41	41
Credited to equity	(107)	(107)
Total provided at 30 June 2019	**1,203**	**1,203**
At 1 July 2017	1,124	1,124
Charged to comprehensive income	(57)	(57)
Credited to equity	202	202
Total provided at 30 June 2018	1,269	1,269

Deferred tax liabilities - recognised

Company	Accelerated tax depreciation $'000	Total $'000
At 1 July 2018	(65)	(65)
Credited to comprehensive income	16	16
Total provided at 30 June 2019	**(49)**	**(49)**
At 1 July 2017	(144)	(144)
Credited to comprehensive income	79	79
Total provided at 30 June 2018	(65)	(65)

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

	2019		2018	
	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

	2019		2018	
	Number	**$'000**	Number	$'000
Equity share capital *Ordinary shares of 1p each*				
At 1 July	**26,662,271**	**534**	26,961,709	537
Cancelled, following purchase by Company of own shares	-	-	(628,869)	(9)
Allotted and issued in the year on exercise of employee share options	**36,713**	**1**	329,431	6
At 30 June	**26,698,984**	**535**	26,662,271	534

Share buyback

The Company has not purchased any of its own shares during the financial year (2018: 628,869 Ordinary Shares). The shares purchased by the Company in the prior financial year, in accordance with the share buyback completed in January 2018, 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 2019 a total of 36,713 Ordinary Shares (2018: 329,431 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 2019 is summarised in the table below.

Group	**2019 $'000**	2018 $'000
Loan balance (from Company to the EBT) at 1 July	**7,331**	3,083
Exchange loss	**(300)**	-
Addition to the loan from the Company to the EBT during the year	**-**	5,315
Partial repayment of loan, by the EBT, during the year	**-**	(1,067)
Loan balance (from Company to the EBT) at 30 June	**7,031**	7,331

The EBT did not purchase any shares in the Company in the year ended 30 June 2019 (2018: 166,363 Craneware plc Ordinary Shares of 1 pence each were purchased by the EBT in the market 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 2019, none of the shares from the EBT (2018: 56,169) were used to satisfy the exercise of employee share options. At 30 June 2019 the EBT held 353,124 Craneware plc Ordinary Shares (at 30 June 2018: 353,124 Ordinary Shares).

19 Cash generated from operations

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

	Group		**Company**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Profit before tax	**18,322**	18,933	**13,897**	11,178
Finance income	**(318)**	(241)	**(522)**	(447)
Depreciation on plant and equipment	**603**	578	**361**	320
Amortisation and Impairment on intangible assets	**2,925**	1,678	**1,922**	1,052
Share-based payments	**1,296**	663	**1,116**	232
Loss on disposals	**-**	10	**-**	2
Movements in working capital:				
(Increase) / decrease in trade and other receivables	**(5,957)**	1,881	**(6,124)**	3,404
Increase / (Decrease) in trade and other payables	**(1,793)**	9,608	**6,864**	11,079
Cash generated from operations	**15,078**	33,110	**17,514**	26,820

20 Cash and cash equivalents

	Group		**Company**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Cash at bank and in hand	**47,611**	52,833	**43,357**	43,955

The effective rates on short term bank deposits were 0.72% (2018: 0.51%).

21 Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Trade payables	**1,708**	824	**1,037**	390
Amounts owed to group companies	**-**	-	**13,440**	7,484
Social security and PAYE	**527**	461	**325**	291
Other creditors	**173**	41	**56**	127
Accruals	**5,124**	10,509	**1,617**	3,594
	7,532	11,835	**16,475**	11,886

Amounts owed to Group companies are non-interest bearing and are payable on demand. 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 2019 was 18 days (2018: 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 2019 (2018: $nil).

b) Lease commitments

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

	2019	2018
	$'000	$'000
Within one year	**938**	1,048
Between 1 and 5 years	**2,902**	3,761
More than 5 years	**227**	405
	4,067	5,214

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:-

	2019		2018	
Group	**Charged**	**Outstanding at year end**	Charged	Outstanding at year end
	$	**$**	$	$
Fees for services provided as non-executive Directors				
Fees	**167,527**	**-**	167,124	-
Salaries and short-term employee benefits	**91,411**	**-**	104,139	-
Executive Directors				
Salaries and short-term employee benefits	**730,671**	**-**	1,530,044	765,685
Post employment benefits	**38,261**	**-**	30,374	-
Share based payments	**166,377**	**-**	103,570	-
Other key management				
Salaries and short-term employee benefits	**2,112,587**	**-**	2,474,345	1,006,413
Post employment benefits	**74,127**	**-**	60,666	-
Share based payments	**285,173**	**-**	191,438	-

Subsidiary registered addresses listed on page 17.

23 Related party transactions (cont'd.)

Company	2019 Charged	2019 Outstanding at year end	2018 Charged	2018 Outstanding at year end
	$	$	$	$
Fees for services provided as non-executive Directors				
Fees	**167,527**	**-**	167,124	-
Short-term employee benefits	**91,411**	**-**	104,139	-
Executive Directors				
Salaries and short-term employee benefits	**730,671**	**-**	1,530,044	765,685
Post employment benefits	**38,261**	**-**	30,347	-
Share-based payments	**166,377**	**-**	103,570	-
Other key management				
Salaries and short-term employee benefits	**378,510**	**-**	646,425	252,462
Post employment benefits	**18,954**	**-**	14,968	-
Share-based payments	**72,689**	**-**	55,339	-
Amounts due to Craneware Inc - Subsidiary company				
Sales commission	**27,544,819**	**-**	31,303,528	-
Net operating expenses	**5,518,344**	**-**	4,252,117	-
Balance	**-**	**(9,201,180)**	-	(7,768,936)
Net Amounts due from Craneware InSight Inc - Subsidiary company				
Net operating expenses	**4,901,823**	**-**	699,258	-
Balance	**-**	**6,255,571**	-	8,529,727
Net Amounts due from Craneware Health/Kestros - Subsidiary company				
Net operating expenses	**1,310,153**	**-**	-	-
Balance	**-**	**-**	-	1,268,431
Net Amounts due to Craneware Healthcare Intelligence - Subsidiary company				
Net operating expenses	**2,523,000**	**-**	2,610,348	-
Balance	**-**	**(4,495,094)**	-	(3,512,779)

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 Information Officer, Chief Technology Officer, Chief Marketing Officer, Chief People Officer, Executive Vice President of Sales, Executive Vice President 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.

Personal Notes

Personal Notes

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

craneware.com

marketing@craneware.com
training@craneware.com
sales@craneware.com
support@craneware.com

Company Registration No. SC196331
Craneware plc